PSA PEUGEOT CITROËN

2010

Registration Document

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The original French version of this Registration Document was filed with the *Autorité des Marchés Financiers* (AMF) on 22 April 2011, in accordance with the provisions of article 212–13 of the General Regulation of the AMF.

It may be used in connection with a financial transaction in conjunction with an Information Memorandum approved by the *Autorité des Marchés Financiers*. 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.

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PERSONS RESPONSIBLE

Person Responsible for the 2010 Registration Document

Philippe Varin

Chairman of the Peugeot S.A. Managing Board

Statement by the Person Responsible for the 2010 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 370, 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' Report on the consolidated financial statements for the year ended 31 December 2010 presented in section 20.3.1, includes an emphasis of matter.

The Statutory Auditors' Report on the consolidated financial statements for the year ended 31 December 2009 includes an emphasis of matter. The report may be found on pages 201 and 202 of the Registration Document filed with the French securities regulator (*Autorité des Marchés Financiers*) on 22 April 2010 under no. D.10-0301.

The Statutory Auditors' Report on the consolidated financial statements for the year ended 31 December 2008 includes an emphasis of matter. The report may be found on pages 187 and 188 of the Registration Document filed with the French securities regulator (*Autorité des Marchés Financiers*) on 24 April 2009 under no. D.09-0309.

Philippe Varin
Chairman of the Peugeot S.A. Managing Board

Person Responsible for Financial Information

Carole Dupont-Pietri
Head of Financial Communication
Phone: +33 (0)1 40 66 42 59

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STATUTORY AUDITORS

Auditors

Statutory Auditors

PricewaterhouseCoopers Audit

(Member of the Compagnie régionale des Commissaires aux Comptes de Versailles)

Pierre Riou
63, rue de Villiers
92200 Neuilly-sur-Seine

First appointed: at the Annual Shareholders' Meeting of 28 May 2003.

Appointment ends: at Annual Shareholders' Meeting called to approve the 2010 financial statements.

Mazars

(Member of the Compagnie régionale des Commissaires aux Comptes de Versailles)

Loïc Wallaert
61, rue Henri Regnault
92400 Courbevoie

First appointed: at the Annual Shareholders' Meeting of 25 May 2005.

Appointment ends: at Annual Shareholders' Meeting called to approve the 2010 financial statements.

Substitute Auditors

Yves Nicolas

63, rue de Villiers
92200 Neuilly-sur-Seine

First appointed: at the Annual Shareholders' Meeting of 28 May 2003.

Appointment ends: at Annual Shareholders' Meeting called to approve the 2010 financial statements.

Patrick de Cambourg

61, rue Henri Regnault
92400 Courbevoie

First appointed: at the Annual Shareholders' Meeting of 25 May 2005.

Appointment ends: at Annual Shareholders' Meeting called to approve the 2010 financial statements.

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SELECTED FINANCIAL INFORMATION

Consolidated Statements of Income

(in million euros)	2010* Manufacturing and sales companies	2010* Finance companies	2010* Eliminations	2010* TOTAL	2009 Manufacturing and sales companies	2009 Finance companies	2009 Eliminations	2009 TOTAL
Revenues	54,502	1,852	(293)	56,061	46,885	1,823	(291)	48,417
Recurring operating income	1,289	507	-	1,796	(1,187)	498	-	(689)
Non-recurring operating income and (expenses)	(87)	27	-	(60)	(725)	(2)	-	(727)
Operating income	1,202	534	-	1,736	(1,912)	496	-	(1,416)
Consolidated income (loss)	862	394	-	1,256	(1,627)	353	-	(1,274)
Net income, Group share	*744*	*388*	*2*	*1,134*	*(1,511)*	*350*	-	*(1,161)*
Attributable to minority interests	*118*	*6*	*(2)*	*122*	*(116)*	*3*	-	*(113)*
(in euros)								
Basic earnings per €1 par value share				5.00				(5.12)
Diluted earnings per €1 par value share				4.97				(5.12)

* *Including EMCON and PLASTAL in 2010.*

Consolidated Balance Sheets

Assets

(in million euros)	31 December 2010 Manufacturing and sales companies	31 December 2010 Finance companies	31 December 2010 Eliminations	31 December 2010 TOTAL	31 December 2009 Manufacturing and sales companies	31 December 2009 Finance companies	31 December 2009 Eliminations	31 December 2009 TOTAL
Total non-current assets	22,646	460	(25)	23,081	21,515	357	(25)	21,847
Total current assets	19,710	26,289	(589)	45,410	17,225	25,605	(556)	42,274
TOTAL ASSETS	**42,356**	**26,749**	**(614)**	**68,491**	**38,740**	**25,962**	**(581)**	**64,121**

Equity & Liabilities

(in million euros)	31 December 2010 Manufacturing and sales companies	31 December 2010 Finance companies	31 December 2010 Eliminations	31 December 2010 TOTAL	31 December 2009 Manufacturing and sales companies	31 December 2009 Finance companies	31 December 2009 Eliminations	31 December 2009 TOTAL
Total Equity				14,303				12,447
Total non-current liabilities	12,225	412	-	12,637	13,323	479	-	13,802
Total current liabilities	19,342	22,823	(614)	41,551	16,143	22,310	(581)	37,872
TOTAL EQUITY & LIABILITIES				**68,491**				**64,121**

Consolidated Statements of Cash Flows

(in million euros)	2010 Manufacturing and sales companies	2010 Finance companies	2010 Eliminations	2010 TOTAL	2009 Manufacturing and sales companies	2009 Finance companies	2009 Eliminations	2009 TOTAL
Consolidated profits (loss)	862	394	-	1,256	(1,627)	353	-	(1,274)
Working capital	3,257	350	-	3,607	977	365	-	1,342
Net cash from (used in) operating activities	3,774	154	117	4,045	3,593	106	(129)	3,570
Net cash from (used in) investing activities	(2,804)	(1)	3	(2,802)	(2,784)		(1)	(2,785)
Net cash from (used in) financing activities	375	(137)	(132)	106	4,979	(143)	105	4,941
Net increase (decrease) in cash and cash equivalent	1,436	27	(12)	1,451	5,800	9	(25)	5,784
Net cash and cash equivalent at beginning of year	7,817	1,289	(115)	8,991	2,017	1,280	(90)	3,207
NET CASH AND CASH EQUIVALENT AT END OF YEAR	9,253	1,316	(127)	10,442	7,817	1,289	(115)	8,991

4 RISK FACTORS

PSA Peugeot Citroën pays close attention to ensuring that effective control is maintained over operational, financial, environmental and other 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 departments 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 and its subsidiaries, which have their 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 risks are managed and draw up action plans to address any weaknesses.

A monthly reporting system has been set up to keep the Executive Committee informed about the main risks and associated action plans.

4.1. Business Risks

4.1.1. Market Cycle Risk and Country Risk

Risk Factors

Local, regional and international economic conditions may affect the Group's manufacturing and sales operations, with a resulting impact on earnings. Periods of low economic activity or recession may lead to a slowdown or a decline in demand in the automotive market, causing a build up of inventories that can only be resolved by scaling back production output.

The Group may also be exposed to a certain number of risks due to its operations outside Europe, relating for example to:

- exchange rate instability. Sharp falls in local currencies against the euro may affect the Group's ability to sell its products in certain markets, and therefore impact sales margins in countries outside the euro zone;
- changes in international tax rules;
- an uncertain geopolitical environment.

Risk Management and Control Processes

To contain or anticipate these risks more effectively, a tighter, more responsive management organisation has been dedicated to operations in China, Russia-Ukraine-CIS and Latin America, so as to strengthen local oversight while maintaining communication with the Group's businesses and corporate functions. Since 1 September 2010, the Managing Board member responsible for the Group's development in Asia (China, Japan, India and the ASEAN countries) is based in Shanghai.

The choice of country for new marketing or manufacturing operations involving significant investments is subject to the prior approval of the Executive Committee.

4.1.2. New Vehicle Development, Launch and Marketing Risks

Risk Factors

The decision to develop new vehicle models or subassemblies and to introduce them in the market is backed by marketing and profitability studies. Profitability calculations are based primarily on unit sales forecasts. Any downward adjustment in a unit sales forecast may lead to the recognition of i) an impairment loss on moulds and tooling or capitalised development costs depreciated/amortised over the commercial life of the vehicle models concerned or ii) a provision to cover estimated future losses arising from capacity reservation fees provided for in the Group's cooperation agreements with other carmakers.

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. For example, new standards are in the pipeline covering light commercial vehicles' CO_2 emissions and China is in the process of tightening up its regulations governing new technologies and carbon emissions.

Technical risks related to product quality and safety can lead carmakers to recall vehicles in order to correct identified defects.

Risk Management and Control Processes

A new Automotive Programmes Department has been set up to deploy the Group's strategic vision and enhance value creation by ensuring the alignment of all of the contributing processes and by leading the implementation of Group programmes. This mission is global in scope. The department is responsible for ensuring that project start-ups, either by the Programme processes (Vehicles, Modules, Services) or by the participating departments (Industrial Operations, HR, etc.), are aligned with the Worldwide Master Plan and that the programmes' financial metrics are consistent with the targets set during the strategic planning process.

To cover the project management risks related to new vehicle development and process engineering, the Group leverages a comprehensive design and development process, known as the operational development plan, which is regularly updated. For each vehicle project, a set of product services, profitability, quality, time-to-market and reduction of CO_2 objectives are set. Progress in meeting these objectives is tracked by a system of project milestones, corresponding to the various stages at which senior management reviews all the financial and technical indicators. In addition, the Quality Department authorises the sale of each vehicle that leaves the production line and organises any necessary recalls of faulty vehicles delivered to dealers or customers. It also ensures that vehicles in the marketing or design stage comply with the applicable regulations, particularly those relating to safety and the environment. Responding more effectively to customers' after-sales service requirements during the vehicle design phase (repairability, ease of fault detection, etc.) has also contributed to the steady improvement in the quality of the Group's new models.

The Group works with the regulatory authorities to ensure that effective dates for new regulations are determined based on the results of objective impact studies and that they are realistic, taking into account the time that carmakers will reasonably need to adapt.

Regulatory watch systems and appropriate action plans have been set up in Europe and in the Group's main host countries outside Europe.

4.1.3. Customer and Dealer Risk

Risk Factors

The Group is exposed to the risk of customer 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. In light of the weak European automobile markets, resale values are carefully tracked in detail.

For used vehicles, the risk concerns the valuation of vehicles in inventory.

Risk Management and Control Processes

The Group places significant emphasis on guaranteeing the security of payments receveid in exchange for the goods and services delivered to customers.

A secure payments policy has been developed to avoid credit risks, supported by a monthly reporting system that ensures compliance.

Banque PSA Finance has set up its own system for managing the credit risk associated with financing activities (see section 4.2).

For Automotive Division sales not financed by Banque PSA Finance (i.e. direct sales by the carmaker to the customer, dealer or importer), a standard has been issued stipulating payment and credit terms to be applied to customers according to the type of product (new vehicle, used vehicle, replacement parts, spare parts or subassemblies).

4.1.4. Raw Materials Risk

Risk Factors

The Group may be exposed to the risk of changes in certain raw materials prices affecting the production costs of the Automotive Division and Faurecia, 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 purchasing officers 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.

Risk Management and Control Processes

The Group's exposure to commodity risk is tracked jointly by the Purchasing Department and PSA International S.A. (PSAI), which is in charge of hedging the Group's currency and commodity risks.

Steel and plastics purchases are made under contracts for relatively short-periods (six months for steel) negotiated directly with the vendor and without any indexation clause.

Raw materials risk is also reviewed on a quarterly basis by a Metals Committee chaired by the Chief Financial Officer.

For more details, refer to note 35.1.D to the Consolidated Financial Statements at 31 December 2010 (see section 20.3.7 below).

4.1.5. Supplier Risk

Risk Factors

The parts and components developed and delivered by outside suppliers represent some 70% of vehicle production cost, and these companies' technical and logistical performance and financial strength are critical to the Group's efficient operation and future growth. Temporary or permanent failure by suppliers to fulfil their commitments may have an impact on the Group, the most serious risk being an interruption of parts deliveries leading to production stoppages at the plants and delays in the execution of vehicle, mechanical engineering or industrial projects.

Risk Management and Control Processes

Risks related to the quality of suppliers, their financial and commercial viability, and the reliability of parts and components that they deliver are closely monitored. 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 as part of its purchasing strategy. Close attention is paid to supplier risk, particularly the risk of supply chain disruption or of supplier bankruptcy. A dedicated unit has been set up to pro-actively manage supplier bankruptcy risks and deal with the consequences of any bankruptcies. Suppliers are selected according to seven main criteria: price competitiveness, quality, the ability to develop new products and manufacture them in large quantifies, supply chain efficiency, research and development capabilities, geographic reach and long-term viability.

To strengthen processes designed to prevent the occurrence of supplier risks, purchasing strategies by product family and supplier choices are submitted to the Purchasing Executive Committee for approval. The Committee's decision is based on a review of the supplier's financial position, strategy, growth outlook and compliance with the social and environmental standards in the sustainable development guidelines, as well as on an assessment of the extent to which the Group is dependent on the supplier.

Suppliers identified as representing a higher than normal risk are monitored by the Purchasing Department's Industrial Strategy and Supplier Risks unit. This unit analyses the main suppliers' financial results and consolidates information about their industrial strategies. It is helping to formally define the Group's make-or-buy policy, by working with the Purchasing Department and the management of the divisions to produce analyses of the socio-economic impact of the Group's industrial choices. In addition, it monitors supplier compliance with the PSA Peugeot Citroën social and environmental standards.

At the same time, strategic partnerships with a certain number of leading national and international suppliers are being strengthened in order to drive pervasive innovation and secure critical aspects of the Group's current and future supply. In particular, the Group is stepping up the diversification of its supplier base and expanding its safety stock policies.

The unit set up to help suppliers withstand the effects of the economic and financial crisis was expanded in 2008. The 40-strong team of purchasing, finance, supply chain, legal and labour relations specialists remained in place in 2010 to monitor the Group's fulfilment of the commitments given at the height of the crisis to pay suppliers more quickly and comply with the High-Performance and Best Practices Code. Thirty of them are still 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 the Group has also maintained its participation in the FMEA fund established to support automotive equipment suppliers. The unit is continuing to closely monitor the situation of suppliers in the still fragile economic environment and to support the Group's international growth projects in India, Russia and China.

In 2010, 79 suppliers were the subject of preventive and remedial action plans, representing 5.30% of total purchases. This compares with 100 suppliers representing 15% of total purchases in 2009.

During the year, French carmakers and their suppliers kept up their efforts to enhance dialogue across the auto industry, mainly through the PFA. In order to lead its contribution, at regional level, to addressing the industrial and social issues arising from the transformation and restructuring of the French automotive industry, in late 2010 the Group appointed four Regional Delegates to support the supplier park transformations. These Regional Delegates work with the team set up within the Purchasing Department, in partnership with the PFA and local, economic, political and social stakeholders.

The reciprocal commitments of PSA Peugeot Citroën and its suppliers concerning the sharing of intellectual property rights are in line with the provisions of France's Loi de Modernisation de l'Économie (LME) Act and the High Performance and Best Practices Code. In particular:

- an agreement is signed with each supplier containing a confidentiality clause applicable to both parties and a reciprocal commitment to respect the intellectual property rights represented by the shared information;
- the information may not be used for any purpose other than the execution of the contracts (unless otherwise agreed between the parties);

- the rules and procedures governing the transfer and/or use of intellectual property rights or know-how are defined in the contract;
- the rules governing the payment of R&D costs and supplier payment terms comply with the LME Act.

The earthquake in Japan on 11 March 2011 and subsequent disaster impacted certain Group suppliers, causing some disruption in European diesel engine output over a limited one-week period.

4.1.6. Industrial Risks

Risk Factors

An incident at one of the Group's manufacturing facilities, particularly if it affects a mechanical components plant or a foundry, may compromise the production and sale of several hundred thousand vehicles, leading to several hundred million euros of losses.

Risk Management and Control Processes

For several years, the Group has implemented assertive industrial risk prevention strategies designed to:

- prevent the occurrence of major incidents;
- limit high-risk situations to the extent possible and attenuate their effects;
- ensure that the various Group structures are capable of dealing with emergency and crisis situations;
- promote a risk prevention culture and a resilient response to accidents at all levels in the organization;
- optimise the transfer to the insurance market of high frequency risks.

Procedures for managing risks that could affect the Group's property, plant and equipment and, consequently, its ability to continue operating, are prepared based on a dedicated Site Risk Management Process led by the Site Risk Management and Engineering unit. This unit helps the network of local risk managers to apply the Site Risk Management Process by providing expertise in such areas as fire, natural disaster and health and safety risks.

The strategy has considerably reduced the number of incidents, and no major incidents have occurred since it was deployed. Its effectiveness is recognised by the insurance companies, which have designated the vast majority of the highest risk areas as "Highly Protected".

Industrial risks arising from the Group's international development strategy, particularly the construction or acquisition of production facilities outside Europe, are limited by performing prior studies that take into account the projected needs of the Business Unit concerned, the availability of shared platforms, mechanical assemblies and subassemblies at Group level (encompassing both design and manufacturing capabilities), any partnerships and the local environment.

In the specific area of manufacturing processes, the risk management system is built on three pillars – the PSA Peugeot Citroën Production System, the Site Risk Management Process and Management Control, Manufacturing Economies. These three systems cover all major risks identified within the Manufacturing and Components Division. Risk management processes are integrated into Manufacturing and Components' operational management process and tracked all year long. Furthermore, each of the three pillars is regularly audited to verify proper implementation of control procedures, assess their effectiveness and issue recommendations where necessary.

Lastly, in the area of quality, the assembly plants have been ISO 9001/2008-certified by UTAC (except for section 7.3 "Design and Development"), to comply with the requirements of European Directive 2007/46/EC, Appendix X. Substantially all of the manufacturing plants' environmental management systems are ISO 14001-certified, with continuous improvements in their environmental safeguards in ensured by the Site Risk Managers.

4.1.7. Workplace Health and Safety Risks

Risk Factors

As an employer, the Group is faced with a wide range of situations that could affect employee health, safety and wellbeing.

Shiftwork, involving repetitive tasks and physical demands, is the main cause of occupational illnesses. In the same way, the use or presence of certain chemicals in production processes or the components of manufactured products may adversely affect air quality, generate pollution or create a risk of explosion. Work schedules and working conditions may be a source of stress or anxiety which, as well as having health implications, directly affects an employee's commitment to his or her job. Lastly, the Group is exposed to the risk of workplace accidents, due to risky situations or behaviours within or outside the Group's facilities, with the leading cause of employee fatalities being accidents during the daily commute.

Risk Management and Control Processes

To address these risks, a new Workplace Health and Safety Policy Statement has been signed in line with the Group's ambition to promote Responsible Development. The aim is to eradicate workplace accidents and occupational illnesses through a broad-based approach to assessing and managing risks.

The new policy is supported by the Workplace Health and Safety Management System. Comprising 22 requirements that define areas requiring special attention and management, the health and safety standards are applicable to all Group units and subsidiaries. The new management approach is based on six fundamental principles:

- senior management commitment;
- structured implementation processes;
- standards that are well established and effectively applied;
- clearly defined roles;
- red flag warning systems;
- systems to drive improvement and control performance.

The Group's five priority commitments under the policy are to prevent:

- musculoskeletal disorders, by systematically assessing the physical, cognitive and environmental demands of repetitive tasks, in order to take the necessary action;
- chemical risks, by appointing networks of experts to assess all products and substances and recommend risk management measures, and by implementing air quality monitoring plans in all production shops;
- psychosocial risks, by continuously monitoring stress levels and their professional causes based on 29 factors, in order to implement appropriate action plans at all levels of the organisation;
- road accident risks, based on a road risk prevention manual that provides employees with guidelines on how to use their cars when on business trips or commuting;
- risky behaviour, by deploying STOP™ risk observation procedures that help managers to develop their ability to detect risky situations or behaviours and take the necessary actions.

An assessment covering 18 risk categories is performed for each work unit. This assessment is conducted jointly by managers and the entities' risk prevention professionals. The results are used to develop risk management action plans which are prioritized by level of importance.

All PSA Peugeot Citroën facilities throughout the world are now participating in the Workplace Health and Safety Management System, using a roadmap to guide managers in the system's deployment. The roadmap comprises five increasingly challenging stages, guaranteeing that each entity makes continuous advances in safety. A set of performance indicators has been developed to enable executive management and the management of each division to track performance.

As part of the Workplace Health and Safety Management System deployment plan, all employees including senior management are given training and encouragement in complying with the Group's safety rules.

Audits are performed to check that the system is properly deployed and functions effectively.

4.1.8. Risks Associated with the Cooperation Agreements

Risk Factors

To speed its development and bring down costs, in recent years PSA Peugeot Citroën has signed a number of cooperation agreements for the development of shared vehicle platforms, with Toyota, Fiat, Tofas and Mitsubishi, and for the development and manufacture of gearboxes and engines with Ford, BMW and Renault.

To ensure that the partnerships are balanced, under some agreements the Group commits to taking delivery of a minimum quantity of products manufactured by the cooperative venture. If it fails to honour this commitment, it is required to pay a penalty designed to cover the related production costs borne by the other 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.

During 2010, the Group pursued its strategy of cooperating with other carmakers and signed new agreements.

On 2 February 2011, PSA Peugeot Citroën and BMW stepped up their cooperation in hybrid technologies by creating a joint venture to develop and manufacture components for hybrid vehicles, which represent a fast-growing market segment. Both parties expect to achieve significant economies of scale through the joint venture.

Risk Management and Control Processes

The Programmes Department has set up a process for verifying that the Group's partners comply with their contractual commitments.

For more details, refer to note 37.3 to the Consolidated Financial Statements at 31 December 2010 (see section 20.3.7 of this Registration Document).

4.1.9. Information System Risks

Risk Factors

Information systems are essential to the Group's operation.

Risks related to the use of these systems can be categorized as follows, based on their consequences:

- system downtime, due to hardware or software failures, physical damage, hacking of targeted systems, computer viruses or unauthorised access;
- damage to data integrity, due to hardware or software failures or targeted malicious damage;
- breach of data confidentiality, due to lax data access controls (poorly managed clearances, no data encryption), or misuse of access rights (identity theft, unauthorised clearance upgrading, etc.).

Risk Management and Control Processes

Information systems governance is the responsibility of the Information Management Commission. Based on risk analyses and internal and external audits performed regularly within the Group, the Information Systems Department implements security action plans in liaison with the relevant departments of the Group's various divisions. These plans are structured around three objectives: enhancing the administration of access rights e.g. through segregating tasks, periodically reviewing clearances and reducing the number of authorised users, (ii) ensuring that security is maintained despite the moves to open up the Group's systems to external parties, and (iii) guaranteeing that the automotive and finance company divisions would be able to continue their essential operations if a major incident occurred at one of the Group's IT centres. The plans cover all areas of information system design and development, use and in-service support.

The Group's Information Systems Security Policy, which concerns the automotive and finance company divisions, is updated regularly to reflect any technological or regulatory changes. The applicable standards are rolled out to the various departments via a cross-business network and confidentiality management processes are in place.

4.2. Banque PSA Finance Risk Exposure

Banque PSA Finance provides retail financing for new Peugeots and Citroëns and all brands of used vehicles sold by the Peugeot and Citroën dealer networks. The bank also provides wholesale financing for the dealer networks' vehicle and spare parts inventories. It offers individual and corporate customers a comprehensive range of financing solutions (instalment loans, leases with a purchase option and long-term leasing) and related services.

The bank's loan approval process is totally independent from the dealer network, and dealers are unable to exert any influence on the approval decision.

Financing decisions and banking relationships are managed at corporate level. Back-up systems ensure that these activities can continue without any interruption, even in the event of a major incident.

4.2.1. Banque PSA Finance Financing Risks

Currency Risk

Refer to note 35.1.A to the Consolidated Financial Statements at 31 December 2010 (see section 20.3.7 below).

Interest Rate Risk

Refer to note 35.1.B to the Consolidated Financial Statements at 31 December 2010 (see section 20.3.7 below).

Counterparty Risk

Banque PSA Finance is consistently in a net borrower position. As a result, its exposure to counterparty risk is limited to the investment of the liquidity reserve and other cash balances, and to the use of derivatives (swaps and swaptions) to hedge interest rate and currency risks.

The liquidity reserve and other cash balances are invested in money market securities and in mutual funds with a capital guarantee and guaranteed yield issued and managed by leading banks.

An internal rating is assigned to each counterparty, based on issuer financial strength and capital adequacy analyses. These ratings are used to set exposure limits. Exposure limits cover both amounts and periods, by counterparty and by type of transaction (investments and derivatives). Actual exposures are checked and compared with the corresponding limits on a daily basis.

Derivatives are governed by standard ISDA or FBF agreements and contracts with the most frequently used counterparties provide for regular margin calls. Counterparties for derivatives contracts are all rated A or higher.

4.2.2. Credit Risk

Banque PSA Finance is exposed to credit risks on its loan book. For wholesale financing, lending decisions are made internally by the local Credit Committee, based on a detailed risk assessment. Depending on the amount involved, the decision may require the approval of a central Credit Committee. Each Credit Committee is assigned specific lending limits, whose application is closely monitored. Retail financing credit risks are managed using credit-scoring procedures whose reliability is regularly assessed. Significant individual credit risks are managed using procedures similar to those applied to manage wholesale financing credit risks.

Loan acceptance criteria and collection processes are kept in close alignment with the economic situation and level of credit risk represented by the loan book.

Provisions are booked for retail credit risks when at least one instalment is past due, based on historical credit loss and recovery data. In the case of wholesale financing, provisions are booked on a case-by-case basis for known credit risks.

For more details, refer to note 35.1.E to the Consolidated Financial Statements at 31 December 2010 (see section 20.3.7 below).

4.2.3. Liquidity Risk

Refer to note 35.1.F to the Consolidated Financial Statements at 31 December 2010 (see section 20.3.7 below).

4.2.4. Credit Rating

Several key factors determine the bank's credit rating and/or may affect the Group's ability to raise short and long-term financing in the case of an unfavourable change. These factors include the Group's earnings volatility, market positions, geographic diversification and products, risk management strategies and financial ratios, annual provision expense, and financing and liquidity strategies. An unfavourable change in any of these factors or a combination of these factors could lead the rating agencies to downgrade the bank's credit rating, which in turn could drive up its financing costs. Conversely, an improvement in any of these factors could lead to a rating upgrade.

In recognition of Banque PSA Finance's robust underlying performances and last year's more favourable automotive market environment, which helped to drive up the bank's profits, the rating agencies maintained their ratings of Banque PSA Finance but raised their ratings outlooks in 2010 and early 2011.

In 2010, Moody's Investors Service affirmed Banque PSA Finance's Baa1/P-2 long- and short-term ratings, with a negative outlook. On 11 February 2011, Moody's raised the outlook to stable.

On 23 September 2010, Standard & Poor's affirmed Banque PSA Finance's BBB/A2 long- and short term ratings and raised the outlook to stable.

The bank's two current ratings are therefore still investment grade and are two notches above Peugeot S.A.'s ratings.

4.2.5. Basel II

On 8 March 2010, Banque PSA Finance obtained from France's banking supervisor (Commission Bancaire, since renamed *Autorité de Contrôle Prudentiel*) an authorization to apply internal ratings based approaches in Italy for the calculation of regulatory capital. The bank is now authorised to apply these approaches in a total of six countries – France, Germany, Spain, the United Kingdom, Portugal and Italy – covering all of its main markets and businesses. The internal ratings based approaches will be gradually rolled out to the bank's other units. An authorization has already been applied for in Belgium, and the Netherlands and Brazil will be added to the list of countries in 2011.

4.2.6. Internal control system

In line with CRBF regulation 97-02 dealing with internal control systems of credit institutions, Banque PSA Finance's internal control system is organised around two lines of responsibility – for recurring controls and periodic controls – and the first-tier controls performed by the operating units.

The fundamental principles underpinning the organization and implementation of internal control are set out in an internal control charter that describes the system's organization, resources, scope, missions and processes.

4.3. Financial Market Risks

The Group's manufacturing and sales companies are exposed to market risks (including currency, interest rate and equity risks), as well as to counterparty and liquidity risks.

Note 35 to the consolidated financial statements provides information on (i) market risks, which are primarily managed by the Corporate Finance and Strategic Development Department; (ii) identified currency, interest rate, equity, commodity, counterparty and liquidity risks and the Group policies designed to manage them; and (iii) the hedges set up at 31 December 2010, 2009 and 2008.

4.3.1. Exposure to Changes in Exchange Rates

Refer to note 35.1.A to the Consolidated Financial Statements at 31 December 2010 (see section 20.3.7 below).

4.3.2. Exposure to Changes in Interest Rates

Refer to note 35.1.B to the Consolidated Financial Statements at 31 December 2010 (see section 20.3.7 below).

4.3.3. Equity Risk

Refer to note 35.1.C to the Consolidated Financial Statements at 31 December 2010 (see section 20.3.7 below).

4.3.4. Counterparty Risk

Refer to note 35.1.E to the Consolidated Financial Statements at 31 December 2010 (see section 20.3.7 below).

4.3.5. Liquidity Risk

Refer to note 35.1.F to the Consolidated Financial Statements at 31 December 2010 (see section 20.3.7 below).

4.3.6. Credit Rating

Several key factors determine the Group's credit rating or may affect its ability to raise short and long-term financing in the case of an unfavourable change. These factors include the Group's earnings volatility, market positions, geographic diversification and products, risk management strategies and financial ratios, particularly the debt-to-equity and operating cash flow-to-net debt ratios. An unfavourable change in any of these factors or a combination of these factors could lead the rating agencies to downgrade the Group's credit rating, which in turn could drive up its financing costs. Conversely, an improvement in any of these factors could lead to a rating upgrade.

In recognition of last year's more favourable automotive market environment, which helped to drive up the Automotive Division's profits and cash flow, the rating agencies maintained their ratings of Peugeot S.A. and Banque PSA Finance and raised their ratings outlooks in 2010 and early 2011.

In 2010, Moody's Investors Service affirmed Peugeot S.A.'s Baa3/P-3 long- and short-term ratings, with a negative outlook, and Banque PSA Finance's Baa1/P-2 ratings, also with a negative outlook. On 11 February 2011, Moody's raised the outlook to stable for both Peugeot S.A. and Banque PSA Finance.

On 19 July 2010, Fitch Ratings affirmed Peugeot S.A.'s BB+/B long- and short-term ratings and raised the outlook to stable. On 11 February 2011, the agency revised the outlook to positive.

On 23 September 2010, Standard & Poor's affirmed Peugeot S.A.'s BB+/B long- and short-term ratings and Banque PSA Finance's BBB/A2 ratings and raised both issuers' outlook to stable.

4.4. Environmental Risks

The Group pays close attention to managing the environmental impact of its plants, R&D centres and, increasingly, the Peugeot and Citroën dealerships, by embedding procedures to prevent disamenities and environmental risks into project specifications and routine operating processes. Dedicated environmental resources and procedures have been set up at all levels of the organisation.

- Human resources.

  At each facility, a dedicated environmental protection team is responsible for applying the facility's environmental strategy designed to guarantee full operational control over these risks. Environmental experts from the Research and Development Department may lend support in this area.
- Financial resources.

  The ISO certification programme is supported by annual capital expenditure budgets for projects to reduce disamenities and environmental risks and to maintain compliance with the applicable standards.
- Procedures.

  Application of environmental strategies at the Automotive Division production plants is based on ISO 14001 requirements. Worldwide, all of the Automotive Division production plants were ISO 14001-certified as of end-2010.

  All industrial projects are reviewed by the design Department, the plant concerned, technical Department experts and Group environmental specialists in order to identify the potential risks and devise appropriate responses to keep their environmental impact to a minimum.

An industrial environment unit reporting to the Administrative Services Department coordinates the management of these human and financial resources and the deployment of these procedures. It also manages a reporting system for Group management that tracks each facility's environmental performance and helps sustain the process of continuous improvement.

Environmental Risk Management

Environmental risks have been analysed in accordance with ISO 14001, leading to the identification at each facility of Significant Environmental Aspects of the facility's operations and its integration in the host community.

The analysis, which is regularly updated, serves to identify the major environmental challenges at each plant and to prepare action plans to address these challenges, which are approved and monitored during management reviews.

Regular audits by the internal auditors and accredited testing laboratories, such as UTAC and SGS, provide assurance that the environmental management system is properly applied.

Cooperation with Government Authorities and Host Communities

Relations with government authorities and stakeholders concerning environmental issues are organised in three ways.

First, environmental regulations impose regular reporting of information to stakeholders in a specified format. The government agency responsible for the industrial environment performs periodic audits of the Group's facilities to check compliance with environmental standards and regulations. The Group's regular contacts with the agency, both during these audits and on other occasions, provide opportunities for constructive discussions about changes in the facilities' activities and the presentation of best environmental practices.

In addition, the public is informed about the Group's projects concerning the industrial environment, the results obtained and the progress made in improving environmental performance in the Annual Report and Sustainable Development Performance Indicators, which can be downloaded from the PSA Peugeot Citroën website.

Lastly in compliance with ISO 14001, each facility has developed systems to ensure that all stakeholder requests are duly considered and responded to as effectively as possible.

Internal Environmental Risk Management Strategy Dealing with Hazardous Products

Hazardous products used at the Group's facilities are recorded and managed in accordance with regulatory requirements. These requirements cover, in particular, the handling, storage, use and elimination of the products.

Procedures have been set up to identify all chemicals brought on site and to approve their use by workstation operators, after due consideration of the health, safety and environmental risks.

These risks are considerably attenuated through construction techniques, such as building workshops over retention basins and using overhead pipe systems to carry polluting liquids. For other risks, regular audits of compliance with environmental procedures are carried out during walk-through inspections by production line managers as part of the PSA Peugeot Citroën Production System. Compliance with environmental procedures is confirmed by ISO 14001 audits.

Under the new EU regulatory framework for the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), which came into effect on 1 June 2007, the Group is qualified as:

- A "producer of articles," and as such has taken the necessary steps to respond to customer queries concerning the possible presence of "substances of concern" in its products;
- A "downstream producer," and as such is working with other European carmakers (within ACEA, the European Automobile Manufacturers' Association) in a joint initiative with suppliers to ensure that they have taken on board the new regulations and will be able to (i) ensure the uninterrupted supply of substances and compounds required in automobile manufacturing and (ii) provide the necessary information to use these substances and compounds in compliance with REACH legislation.

Lastly, analyses of past events and regular emergency drills help to optimize the facilities' response capabilities and keep to a minimum the environmental impact of any accident or other incident.

4.5. Legal and Contractual Risks

The PSA Peugeot Citroën Group is exposed to legal risks as an employer and in connection with the design 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, the manufacturing environment, industrial and intellectual property, vehicle safety, product and service quality and the security of the Group's transactions from a legal standpoint.

4.5.1. Legal and Arbitrage Proceedings

As of 31 December 2010, no Group company was involved in any claims or litigation that could have a material impact on the consolidated financial statements.

During the last twelve months, there have been no governmental, legal or arbitration proceedings which may have, or have had in the recent past, significant effects on the Group's financial position or profitability, and 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 27.2 to the Consolidated Financial Statements at 31 December 2010 (see section 20.3.7 below).

4.5.2. Financial Covenants

Faurecia's syndicated loan and credit facility both include certain covenants setting limits on debt and requiring Faurecia to comply with certain consolidated financial ratios. These covenants are presented in note 35 to the Consolidated Financial Statements at 31 December 2010 (see section 20.3.7 below). At 31 December 2010, Faurecia was in compliance with all of these covenants.

None of the other manufacturing and sales companies' borrowings are subject to acceleration clauses based on financial ratios or ratings triggers. In some cases, the borrower is required to give certain guarantees that are commonly required within the automotive industry, such as:

- negative pledge clauses under which the borrower undertakes not to grant collateral to any third party (generally with certain exceptions);
- material adverse change clauses, which apply in the event of a change in economic conditions;
- *pari passu* clauses, requiring the lender to be treated at least as favourably as the borrower's other creditors;
- cross-default clauses, whereby if one loan goes into default, other loans from the same lender automatically become repayable immediately;
- clauses whereby the borrower undertakes to provide regular information to the lenders;
- legal and regulatory compliance clauses;
- change of control clauses.

In addition, EIB loans are dependent on the Group carrying out the projects being financed and 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. or Faurecia shares

The Group is currently in compliance with all off these clauses.

4.5.3. Risks Related to Pension and Other Post-Retirement Benefit Obligations

PSA Peugeot Citroën employees in certain countries are entitled to supplementary pension benefits, payable annually, or lump sum length-of-service awards paid at the time of retirement. These benefits are paid under defined contribution and defined benefit plans. Payments under defined contribution plans are in full discharge of the Group's liability. Payments under defined benefit plans concern primarily France and the United Kingdom.

Defined benefit obligations are sensitive to changes in calculation assumptions covering, in particular, the expected return on external funds, the age pyramid, future salary levels, mortality tables and inflation rates.

For more information, refer to note 28 to the Consolidated Financial Statements at 31 December 2010 (see section 20.3.7 below).

4.5.4. 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 oil of the usual measures to protect them. For the fourth year in a row, PSA Peugeot Citroën was France's leading patent filer, publishing 1,152 patents in 2010, according to the country's National Intellectual Property Institute (INPI).

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

4.5.5. 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 the cooperative agreements. For more information, refer to note 37 to the Consolidated Financial Statements at 31 December 2010 (see section 20.3.7 below).

4.6. Risk Coverage – Insurance

With the support of insurance brokers specialised in insuring major risks, the Insurance unit of the Corporate Risk Management and Control Department has set up worldwide insurance programmes that are placed with companies that have a high insurer financial strength rating. The main programmes are as follows:

- the property & casualty programme, covering damage to Group assets and consequential business interruption risks under five policies providing aggregate cover of €1,500 million with deductibles of up to €10 million per claim;
- the liability insurance program, which is designed to transfer to the insurance market the financial cost to the Group of any third-party losses. It comprises four policies providing aggregate cover of €250 million, with a maximum deductible of €0.5 million per claim;
- the vehicle transportation and storage insurance program, comprising three policies providing cover of up to €100 million for damage to vehicles stored on outside parking lots and up to €50 million for damage to vehicles or parts during transportation. The maximum deductible under the programme is €0.3 million per claim.

Some of the lead policies under these programmes are reinsured by the Group's captive reinsurance company, SARAL (SA de Réassurance Luxembourgeoise), a wholly-owned subsidiary of Peugeot S.A., which insures the Group's risks alongside external insurers and reinsurers.

SARAL is involved in insuring the Group's operational risks around the world, such as property risks, consequential business interruption risks, automobile liability risks, risks associated with the transportation of vehicles and their storage on parking lots and fraud risks.

Its commitment under the above policies amounts to, respectively, (i) €8 million per claim and per year, (ii) €0.75 million per claim, (iii) €15 million per claim and €25 million per year and €0.8 million per claim and €1.6 million per year.

SARAL has purchased stop loss reinsurance on the international reinsurance market, covering aggregate claims by the Group in excess of €25 million.

The Group's insurance policy can be summed up as transferring high frequency risks to the insurance market and retaining low and average frequency risks through deductibles and the captive reinsurance company.

As a result of this policy combined with assertive risk prevention programs, premiums paid to external insurers remained stable in 2010, after falling in each of the six previous years.

5

INFORMATION ABOUT THE COMPANY

5.1. History and Development of the Company

5.1.1. Legal and Commercial 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.

5.1.2. 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.

5.1.3. Date of Incorporation and Length of Life

The Company was incorporated in 1896. Its term will end on 31 December 2058, unless it is wound up before this date or its term is extended.

5.1.4. Registered Office – Governing Law – Legal form

The Company’s registered office and administrative headquarters is located at 75, avenue de la Grande-Armée – 75116 Paris, France. Phone: +33 (0)1 40 66 55 11. The Company is governed by the laws of France. 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.

5.1.5. Important Events in the Development 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 1949, the Company created *Les Groupages Express de Franche-Comté* (Gefco) to manage logistics for outbound car transport and inbound component deliveries.

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

In 1978, the Chrysler Corporation sold its European manufacturing and sales operations to Peugeot S.A. in exchange for shares. 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 offer financing for Peugeot and Citroën customers in Europe, was converted into a bank in 1995 and renamed Banque PSA Finance.

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

In 2010, PSA Peugeot Citroën continued to exercise the same business activities as in previous year; there were no important events in the development of its business.

5.2. Capital Expenditure

Please refer to section 10.2.2.2 concerning the statement of cash flows of manufacturing and sales companies and section 11 concerning Research and Development and Capital Expenditure.

5.3. Sustainable Development

5.3.1. Integrating the Sustainable Development Process into the Group's vision

The Group's strategic vision is based on four strategic ambitions that are operating priorities and set the course for the next ten years. PSA Peugeot Citroën's sustainable development approach is designed to meet a series of commitments.

One step ahead in Products and Services

- Environmental performance: Broaden and deepen the range of vehicles and technologies:
  - 2009 and 2010: Compact diesels emitting less than 99 g/km of CO_2,
  - 2010: Broader application of the e-HDi micro-hybrid system,
  - Late 2010: Introduction of the Peugeot iOn and Citroën C-Zero electric vehicles,
  - 2011: Introduction of HYbrid4 diesel hybrid technology on the Peugeot 3008 and Citroën DS5,
  - 2012: Introduction of a 1-litre petrol engine emitting less than 99 g of CO_2/km,
  - 2012: First prototype of a Peugeot 3008 plug-in diesel hybrid with CO_2 emissions under 50 g/km.

Fuel-efficient, low-carbon vehicles/eco-design

- A growing proportion of low-carbon vehicles in the sales mix;
- Careful selection of materials assessed by weight, environmental footprint, recyclability and other criteria;
- Styling and design: Maintain the product dynamic and enhance the value of the Peugeot and Citroën brands, while accentuating their differences;
- Services: Enable customers to benefit from onboard telematics and offer them an integrated mobility solution that extends beyond vehicle purchase.

Safety and mobility

- Safety systems and features to be widely available as standard equipment, bespoke mobility services and optimised travel thanks to onboard telematics.

A Global Player

- Reach critical mass in Latin America and Asia, particularly in China;
- Step up development of models adapted to the needs of non-European consumers.

Customer satisfaction

- Products and services aligned with the needs of our different markets, delivering the quality customers expect and backed by responsible advertising;
- Make the management teams more international.

A Benchmark in Operating Efficiency

- Continue to deploy lean processes across the organisation.

Environmental management systems

- Increasingly strict management of the environmental footprint of our manufacturing operations, dealership network and office facilities;
- Move forward together, with our suppliers.

Cooperate with suppliers

- Sustainable, mutually beneficial relationships that comply with the highest social responsibility and environmental standards.

Responsible development

- Facilitate and encourage career development;
- Ensure employee well-being, health and safety.

Well-being in the workplace and skills development

- Ensure social cohesion.

Respect for human rights/gender balance and diversity

- Respect for fundamental human rights and equal opportunity;
- Encourage ethical behaviour and good corporate citizenship.

Ethical standards and corporate citizenship

- Enhanced ethical guidelines and a new governance structure for ethical issues;
- An additional contribution to civil society in response to environmental and social issues.

5.3.2. Environmental Stewardship

PSA Peugeot Citroën teams are fully engaged 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 efficiency, reducing carbon and other pollutant emissions, using natural resources reasonably and enhancing recyclability. In addition to ensuring that its vehicles comply with local environmental legislation, eco-design also gives the Group a competitive advantage by helping it to create the automotive products of the future.

As part of its commitment to sustainable development, the Group dedicates half of its technological research efforts to clean technologies that help to shrink its vehicles' environmental footprint by:

- improving fuel efficiency and reducing carbon emissions;
- making vehicles lighter, which in turn increases fuel efficiency and reduces raw materials content;
- using green materials, which are recycled natural materials or bio-sourced.

5.3.2.1. Greenhouse Effect

Fully aware of the industry's responsibilities in reducing greenhouse gas emissions, PSA Peugeot Citroën is developing a range of increasingly fuel-efficient, low emissions cars that continue to meet the growing mobility needs of individuals, giving them access to employment, education and healthcare.

The Group's strategy is based on a holistic approach, which is the only way to meet the challenge of reducing automotive CO_2 emissions over the next ten years and provide customers with a low-carbon vehicle. As part of this approach, PSA Peugeot Citroën is deploying a wide array of technological solutions, aligned with the ways customers actually use their cars and structured around three main objectives;

- improving the fuel efficiency of petrol and diesel-powered internal combustion engines as well as the overall fuel efficiency of its vehicles, in particular by optimising vehicle architecture (aerodynamics and mass) and equipment (gearboxes, tyres, air conditioning systems, etc.);
- deploying Stop & Start, diesel hybrid and plug-in hybrid technologies designed to deliver powerful breakthroughs in reducing CO_2 emissions;
- launching electric vehicles in 2010.

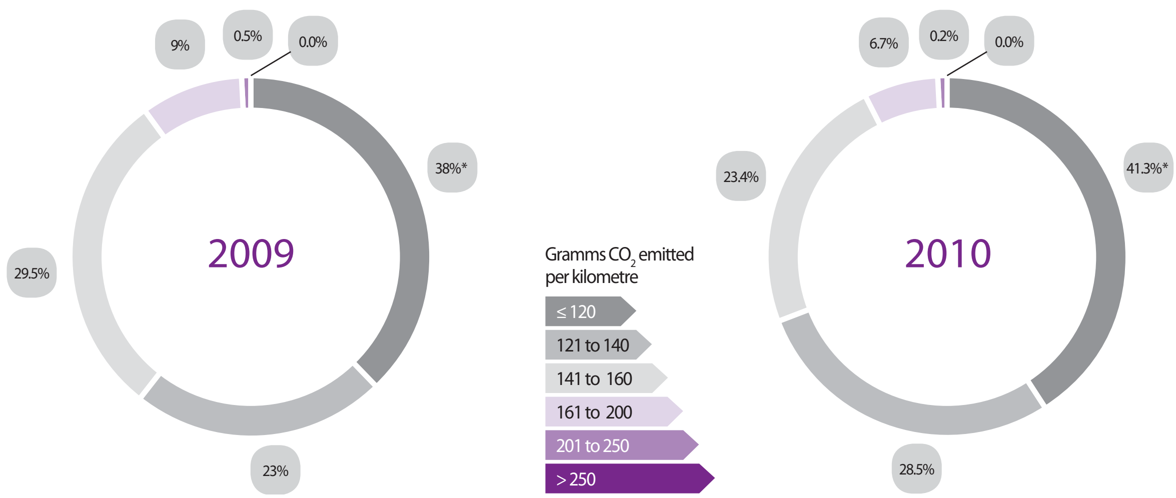
In Europe, the Group wants to sell a million vehicles emitting less than 120 g/km of CO_2 each year, beginning in 2012.

As announced in late 2009, it aims at reducing carbon emissions from its vehicles sold in China by 50% by 2020, thereby bringing them in line with projected European standards for that year, which will be the world's strictest.

Sales and market share by CO_2 emissions level

PSA Peugeot Citroën Registrations by CO_2 Emissions Level

(Passenger car registrations in the 14-country Europe)



* Of which 15% emitting less than 110 g/km.

* Of which 23% emitting less than 110 g/km.

In this chart, the CO_2 emissions bands (in g/km) correspond to the ratings on French energy efficiency labels. A: <100, B: 101-120, C: 121-140, D: 141-160, E: 161-200, F: 201-250, G: >250.

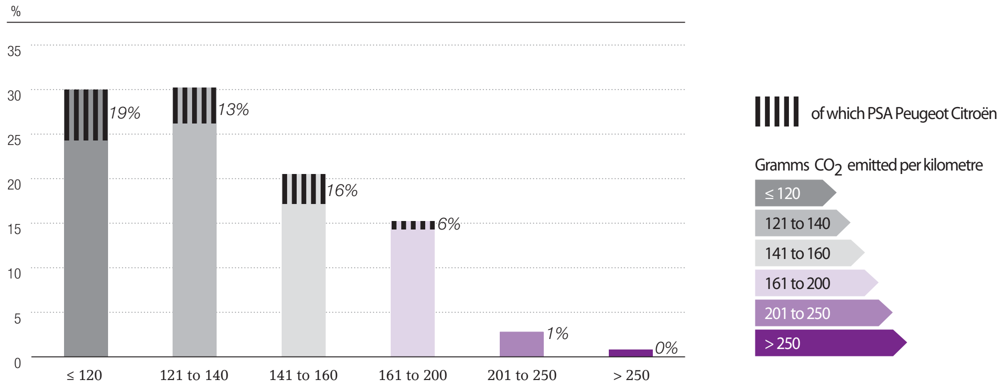
In 2009, vehicles that emit less than 140 g/km of CO_2 accounted for 70% of Peugeot and Citroën sales in Europe and 78% in France alone.

Thanks to its range of highly fuel-efficient, low-emission engines, the Group's average corporate CO_2 emissions in Europe stood at 131.8 g/km in 2010, versus an updated 135.8 g in 2009 and 140.1 g in 2008.

These results reflect the Group's decision to focus on technological solutions applicable to mass-produced cars, which is the only way to have a real impact on the environment.

Breakdown of the European Automobile Market by CO_2 Emissions Level

(2010 passenger car registrations in the 14-country Europe)



A comparison of PSA Peugeot Citroën registrations and the total European market by range of CO_2 emissions in 2010 highlights the Group's contribution to reducing new vehicle emissions in Europe.

In 2010, for example, the Group sold more than a million vehicles (1,020,850) emitting less than 130 g/km of CO_2 worldwide, and 870,100 emitting less than 120 g/km.

The Group is also the leader in 14-country Europe in vehicles emitting less than 120 g/km, with 19.1% of the market in 2010, and in vehicles emitting less than 110 g/km, with 29.6% of the market.

Fuel Consumption and CO_2 Emissions by Vehicle

Fuel Consumption and CO_2 Emissions by Vehicle in 2010

Twenty-one Peugeot and Citroën model families are sold in versions that emit less than 130 g/km of CO_2. The current model line-up also includes versions emitting less than 100 g/km of CO_2, such as the Peugeot 207, Citroën C3 and Citroën DS3.

The models below were selected on the basis of two criteria: best sales in France and environmental performance. For each one, the table shows data for the petrol and diesel versions offering the lowest CO_2 emissions and fuel consumption. Models in boldface are the best-selling petrol or diesel version in France.

In some cases, the best selling models are also the most fuel efficient.

Peugeot

		Fuel	Displacement	Power	Fuel consumption *(litres/100 km)*			CO_2	Noise
			cc	*kW*	City	Highway	Combined	*g/km*	*dB(a)*
Peugeot iOn		**Electric**	**-**	**47**	**0**	**0**	**0**	**0**	**66**
Peugeot 107	**1.0 68hp**	**Petrol**	**998**	**50**	**5.4**	**4.0**	**4.3**	**103**	**70.0**
Peugeot 206+	1.1	Petrol	1,124	44	7.8	4.6	5.8	133	71.4
	1.4 75	**Petrol**	**1,360**	**54**	**8.2**	**4.7**	**6.0**	**139**	**71.9**
	1.4 HDi 70	**Diesel**	**1,398**	**50**	**4.9**	**3.5**	**4.0**	**104**	**74.6**
Peugeot 207	**1.4 VTi 95**	**Petrol**	**1,397**	**70**	**7.6**	**4.8**	**5.8**	**135**	**72.0**
	1.6 HDi	Diesel	1,560	66	4.9	3.2	3.8	99	71.6
	1.6 HDi 92	**Diesel**	**1,560**	**68**	**5.2**	**3.5**	**4.2**	**110**	**74.3**
Peugeot 308	**1.6 VTi 120**	**Petrol**	**1,598**	**88**	**9.1**	**4.9**	**6.4**	**147**	**72.8**
	1.6 HDi 112	**Diesel**	**1,560**	**82**	**5.1**	**3.9**	**4.5**	**114**	**72.0**
Peugeot 3008	1.6 VTi 120	Petrol	1,598	88	9.4	5.5	6.9	159	73.3
	1.6 THP 156	**Petrol**	**1,598**	**115**	**9.9**	**5.6**	**7.1**	**167**	**73.1**
	1.6 HDi 112	**Diesel**	**1,560**	**82**	**5.8**	**4.4**	**4.9**	**129**	**69.6**
Peugeot 5008	1.6 VTi 120	Petrol	1,598	88	9.4	5.5	6.9	159	73.8
	1.6 THP 156	**Petrol**	**1,598**	**115**	**9.8**	**5.7**	**7.1**	**167**	**72.9**
	1.6 HDi 112	**Diesel**	**1,560**	**82**	**6.2**	**4.7**	**5.2**	**136**	**69.5**
Peugeot 407	**1.6 HDi 110**	**Diesel**	**1,560**	**80**	**6.4**	**4.1**	**4.9**	**129**	**73.5**
Peugeot 407 Coupé	**2.0 HDi 163**	**Diesel**	**1,997**	**120**	**6.9**	**4.5**	**5.4**	**140**	**73.6**
Peugeot 4007	**2.2 HDi 156**	**Diesel**	**2,179**	**115**	**9.0**	**5.9**	**7.0**	**185**	**74.9**
Peugeot 807	**2.0 HDi 136**	**Diesel**	**1,997**	**100**	**7.4**	**5.0**	**5.9**	**155**	**73.9**
Peugeot Bipper Tepee	**1.4 75**	**Petrol**	**1,360**	**54**	**8.2**	**5.6**	**6.6**	**152**	**72.5**
	1.3 HDi 75	**Diesel**	**1,248**	**55**	**5.1**	**3.8**	**4.3**	**113**	**74.0**
Peugeot Partner Tepee	**1.6 VTi 120**	**Petrol**	**1,598**	**88**	**9.6**	**6.0**	**7.3**	**169**	**74.0**
	1.6 HDi 90	**Diesel**	**1,560**	**66**	**6.2**	**4.8**	**5.3**	**139**	**74.5**
Peugeot Expert Tepee	1.6 HDi 90	Diesel	1,560	66	8.4	6.6	7.3	194	74.4
	2.0 HDi 120	**Diesel**	**1,997**	**88**	**8.8**	**6.5**	**7.3**	**194**	**74.9**
Peugeot RCZ	**1.6 THP 156**	**Petrol**	**1,598**	**115**	**9.3**	**5.2**	**6.7**	**155**	**71.0**
	2.0 HDi 163	**Diesel**	**1,997**	**120**	**6.8**	**4.5**	**5.3**	**139**	**73.6**

Citroën

		Fuel	Displacement	Power	Fuel consumption *(litres/100 km)*			CO²	Noise
			cc	*kW*	City	Highway	Combined	*g/km*	*dB(a)*
Citroën C-Zero		**Electric**	**-**	**47**	**0**	**0**	**0**	**0**	**66**
Citroën C1	**1.0i**	**Petrol**	**998**	**50**	**5.4**	**4.0**	**4.5**	**103**	**70.0**
Citroën C3	**1.1i**	**Petrol**	**1,124**	**44**	**7.9**	**4.9**	**5.9**	**137**	**73.8**
	VTi 95	Petrol	1,397	70	7.6	4.8	5.8	134	73.9
	e-HDi 90	Diesel	1,560	50	4.3	3.2	3.6	93	71.4
	HDi 70	**Diesel**	**1,398**	**68**	**4.9**	**3.5**	**4.0**	**104**	**72.1**
Citroën DS3	VTi 95	Petrol	1,397	70	7.6	4.8	5.8	134	73.9
	VTi 120	**Petrol**	**1,598**	**88**	**7.9**	**4.8**	**5.9**	**136**	**73.5**
	HDi 90	**Diesel**	**1,560**	**68**	**4.9**	**3.4**	**4.0**	**104**	**72.1**
	e-HDi 90	Diesel	1,560	68	4.3	3.2	3.6	95	71.4
Citroën C3 Picasso	**VTi 95**	**Petrol**	**1,397**	**70**	**8.3**	**5.2**	**6.4**	**149**	**74.0**
	HDi 90	**Diesel**	**1,560**	**68**	**5.5**	**4.0**	**4.6**	**119**	**74.9**
Citroën Nemo Combi	**1.4i**	**Petrol**	**1,360**	**54**	**8.2**	**5.6**	**6.6**	**152**	**72.5**
	HDi 70	Diesel	1,398	50	5.7	3.8	4.5	119	71.0
	HDi 75	**Diesel**	**1,248**	**55**	**5.1**	**3.8**	**4.3**	**113**	**74.0**
Citroën Berlingo	**1.6 16v**	**Petrol**	**1,587**	**66**	**10.8**	**6.8**	**8.2**	**195**	**73.3**
	VTi 95	Petrol	1,598	72	9.6	5.7	7.1	164	74.0
	HDi 92	**Diesel**	**1,560**	**66**	**6.4**	**4.8**	**5.3**	**140**	**73.9**
	HDi 75	Diesel	1,560	55	6.1	4.8	5.3	139	73.6
Citroën C4	**VTi 120**	**Petrol**	**1,598**	**88**	**8.8**	**4.7**	**6.2**	**143**	**71.6**
	VTi 95	Petrol	1,397	70	8.2	4.9	6.1	140	73.6
	HDi 110	**Diesel**	**1,560**	**68**	**5.8**	**3.9**	**4.6**	**119**	**74.1**
	e-HDi 110	Diesel	1,560	68	4.7	3.8	4.2	109	71.8
Citroën C4 Picasso	**VTi 120**	**Petrol**	**1,598**	**88**	**9.3**	**5.4**	**6.9**	**159**	**73.8**
	HDi 110	**Diesel**	**1,560**	**82**	**6.4**	**4.5**	**5.2**	**135**	**70.1**
	e-HDi 110	Diesel	1,560	82	5.1	4.5	4.8	125	72.5
Citroën C5	**THP 155 BVA**	**Petrol**	**1,598**	**110**	**10.5**	**5.6**	**7.3**	**169**	**72.1**
	VTi 120 BMP6	Petrol	1,598	88	8.3	5.0	6.2	144	71.4
	HDi 110	**Diesel**	**1,560**	**82**	**6.0**	**4.4**	**5.0**	**129**	**71.7**
	e-HDi 110	Diesel	1,560	82	5.5	4.1	4.6	120	70.3
Citroën C6	**V6 HDi 240 FAP**	**Diesel**	**2,993**	**177**	**10.0**	**5.8**	**7.3**	**190**	**72.8**
Citroën C8	**HDi 135**	**Diesel**	**1,997**	**88**	**7.4**	**5.0**	**5.9**	**155**	**73.9**
Citroën C-Crosser	**HDi 160 DCS**	**Diesel**	**2,179**	**115**	**9.3**	**6.0**	**7.2**	**189**	**71.8**
	HDi 160	Diesel	2,179	115	9.0	5.9	7.0	185	74.9

In tests by an independent organisation, CO_2 emissions are measured with the vehicle on a chassis dynamometer running the European standard Motor Vehicle Emission Group (MVEG) test procedure, which covers both city and highway driving cycles. The measured emissions are then calculated per kilometre, providing a basis for determining consumption by type of fuel. The resulting data enable consumers to compare the performance of vehicles offered by different brands.

The method used to measure noise levels is described in UN-ECE Regulation no. 51 and is based on the ISO 362 standard, which defines speed and acceleration conditions for test runs. Noise levels are measured by microphones placed along the test track.

Petrol and Diesel Engines

PSA Peugeot Citroën is continuing to optimise conventional internal combustion engines to improve their fuel efficiency and reduce their carbon footprint, by deploying advanced technological solutions in engine architecture, fuel intake systems and injection systems. For the past decade, the Group has been assertively downsizing its engines, enabling them to deliver the same performance in smaller, more fuel-efficient forms.

Reducing Diesel Fuel Consumption and Exhaust Emissions

PSA Peugeot Citroën has developed extensive expertise in diesel powertrains, which consume less fuel and emit less CO_2 while delivering the same performance as equivalent petrol engines. Developed in cooperation with Ford Motor Company, common-rail, direct-injection HDi diesel engines deliver outstanding driving comfort and reduce CO_2 emissions by a significant 20% compared with the previous-generation diesels. These benefits have made the HDi one of the best selling engines in Europe, where diesels represented nearly 55% of unit sales in 2010. Ongoing programmes are steadily improving the emissions control performance of HDi engines, which have been equipped with a particulate filter since 2000. Some 1.65 million HDi powerplants were produced in 2010, bringing total output to more than 15.8 million units since 1998.

Brought to market in 2009 and 2010, the diesel versions of the Peugeot 207 and Citroën C3 and DS3 emit just 99 g/km of CO_2 thanks to a particularly efficient technical package that includes special aerodynamics and optimised engine calibration.

Reducing Petrol Engine Fuel Consumption and Exhaust Emissions

Since 2006, PSA Peugeot Citroën has been offering the 1.4-litre and 1.6-litre, 4-cylinder petrol engines developed jointly with BMW Group, which deliver a 10 to 15% reduction in CO_2 emissions compared with their predecessors. By the end of 2009, 1.8 million of these engines had already been produced.

A new stage in the cooperation began in January 2010 with the signature of an agreement to jointly develop the next generation of Euro VI-compliant 4-cylinder petrol engines.

At the same time, the Group is also working on a new family of 1-litre and 1.2-litre, 3-cylinder petrol engines, which are scheduled for launch in 2012. The new powerplant will make it possible to offer cars that emit less than 100 g of CO_2/km without additional technology.

In line with PSA Peugeot Citroën's strategy of reducing its vehicles' CO_2 emissions in China by 50% between now and 2020, the engine offering will be totally renewed over the next five years, with the launch of six new engines delivering between 60 kW and 150 kW of power. At the same time, the Group is fully committed to developing hybrid vehicles by launching Stop & Start vehicles in 2011, to be followed by a full hybrid line-up. In this way, PSA Peugeot Citroën's local initiatives will provide significant support to China's efforts to reduce carbon emissions while satisfying the expectations of different customer profiles.

Alternative fuels

Another way to reduce a vehicle's carbon footprint is to explore the use of other fuels than petrol and diesel, such as natural gas and biofuels. PSA Peugeot Citroën 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. These fuels offer an additional strategic pathway forward in the Group's approach to carbon-free vehicles.

Compressed natural gas (CNG)

(Billings – 18 country Western Europe)

	Western Europe	Outside Western Europe	Worldwide
2010	3,045	0	3,045
2009	5,180	5	5,185
2008	3,210	10	3,220

PSA Peugeot Citroën markets vehicles that run on compressed natural gas (CNG) in markets where CNG is already a viable alternative to petrol and diesel, i.e. in countries like Argentina or regions like the Middle East, where local conditions (strong political commitment, secure CNG supply, etc.) favour the development of CNG as an automobile fuel. Using CNG can not only help to reduce tank-to-wheel carbon emissions by 20% compared with conventional petrol fuels, it also enables engines to deliver high fuel efficiency.

In addition, CNG versions of the Peugeot Partner and Citroën Berlingo light commercial vehicles (for businesses) and the Citroën C3 supermini (for consumers) were marketed in Italy, France and a number of other European countries in 2010. A 1.6-litre dual-fuel petrol/CNG engine designed to be offered worldwide is currently marketed in Iran and China.

As part of the cooperation with Karsan, the Group is also working on CNG versions of the stretch Peugeot Partner Origin and Citroën Berlingo First produced in Turkey.

Ethanol and flex-fuel vehicles

(Billings – 18 country Western Europe)

	Western Europe	Of which France	Outside Western Europe	Worldwide
2010	395	15	146,790	147,185
2009	950	20	117,500	118,450
2008	2,935	575	103,650	106,585

Ethanol and its derivative, ethyl tertiary butyl ether (ETBE), which are made from cereals and sugar beets in Europe and sugar cane in Brazil, are biofuels that can be blended with petrol.

SP95-E10, a fuel introduced in France in 2009, is a blend of regular unleaded petrol (SP95) and 10% plant-derived ethanol. All of the Group's petrol-powered models produced since 1 January 2000 can run on SP95-E10.

PSA Peugeot Citroën has also developed flex-fuel engines that can run on ethanol/petrol blends of up to 85% ethanol in Europe (E85 fuel) and from 20 to 100% ethanol in Brazil, the world's largest market for ethanol blends and flex-fuel vehicles. In the latter country, the Group markets flex-fuel versions of the Peugeot 206 and the Citroën C3, C4 and Xsara Picasso. In 2010, these vehicles accounted for more than 65% of the petrol vehicles sold by the Group in Latin America (Argentina, Brazil and Paraguay) and more than 80% of those sold in Brazil.

In addition, flex-fuel versions of the Peugeot 308 and Citroën C4 and C5 were marketed in several European countries in 2010, with the majority sold in Sweden.

Biodiesel

Biodiesels are a blend of diesel fuel and vegetable oil ethyl esters or methylesters (VOEEs or VOMEs), which are made from oilseeds such as rapeseed. The biodiesels currently on retail sale (at the pump) in Europe contain up to 7% biodiesels.

Higher biofuel blends are more beneficial when used in captive fleets, where issues with fuel storage, refuelling and the need for stricter maintenance are easier to resolve. For example, the Group's service fleet has been running on B30 fuel (a 30% biodiesel/70% diesel blend) for more than a decade.

All of the Group's diesel vehicles can run on B10 (with up to 10% biodiesel) and B30, provided that the fuel is of high quality and the vehicle is maintained accordingly. This includes the vehicles equipped with the new e-HDi and Hybrid4 technologies.

PSA Peugeot Citroën is participating in various research programmes in Europe, notably in France where it is a member of the Diester Partners association, which has tested biodiesel fuels over more than 100,000 kilometres. It is also partnering the Ladetel laboratory in Brazil, where Phase III of the joint programme will be launched in spring 2011, with road tests using advanced biodiesels.

PSA Peugeot Citroën and the Fédération Nationale des Syndicats d'Exploitants Agricoles (FNSEA), France's largest farmers' union, are committed to jointly developing ethanol and biodiesel-based biofuels in line with the objectives of the European Union directive on renewable energies, which sets a target of sourcing at least 10% of land transport fuel from renewables by 2020.

The Group is still actively involved in developing biofuel standards to ensure the minimal quality levels required to support efficient engine performance, proper vehicle operation and a satisfying driving experience. It is also a member of the steering committee of the European Biofuels Technology Platform.

Advanced biofuels

Extending the use of biofuels, without detracting from their positive social and environmental impact, requires the development of so-called "advanced" biofuels, which can be made from biomass feedstocks, such as crop residue, non-food crops, organic waste or even microalgae. PSA Peugeot Citroën is contributing to this process by participating in research projects and real-world trials. Two examples are the Shamash project, which aims to produce a lipid biofuel from microalgae supplied by Alpha Biotech, and the proposed partnership with the administrative authority for the greater Lille region to test the use of biogas in public transit applications.

Deploying breakthrough technologies: hybrids and electric vehicles

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 carbon emissions. The deployment of Stop & Start, hybrid and zero-emission vehicle solutions will enable PSA Peugeot Citroën to consolidate its position in the European low-carbon vehicle segment and extend its expertise to other markets.

e-HDi technology

e-HDi technology allows the engine to shut down automatically when the vehicle is standing still – 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, these features offer an efficient solution to a number of traffic-related issues in cities, where 75% of Europeans now live.

The technology's first-generation was introduced on the Citroën C2 and C3 in 2004. The second generation, known as e-HDi, delivers superior driveability, faster restart and other premium features. Fitted on an HDi diesel engine, the new reversible starter-alternator is more efficient and enables regenerative braking. Introduced in the second half of 2010 on the Citroën C5, the e-HDi will be extended across the entire Peugeot and Citroën line-up in 2011.

The Group's objective is to have sold a total of one million vehicles equipped with e-HDi technology by the end of 2013.

Hybrids

PSA Peugeot Citroën's HYbrid4 diesel hybrid technology will represent a major breakthrough in the European market in terms of fuel efficiency and carbon emissions, offering gains of up to 30% compared with the equivalent HDi diesel model and emitting less than 100g/km of CO_2. The drivetrain combines the high fuel efficiency of the HDi diesel in highway driving with all the benefits of electric propulsion on city and suburban roads. It will also offer all-wheel drive capability, thanks to the electric motor mounted on the rear axle assembly, as well as the e-HDi system and a particulate filter.

The first diesel hybrid on the market, the Peugeot 3008 HYbrid4, will be equipped with the technology in 2011, to be followed by the Citroën DS5 HYbrid4.

As part of its strategy to reduce the carbon footprint of vehicles sold in China, the Group plans to bring HYbrid4 petrol hybrids to the Chinese market by 2015.

In late 2010, PSA Peugeot Citroën and BMW announced their intention to extend their cooperation to hybrid systems by creating an equally owned joint venture in early 2011. Known as BMW Peugeot Citroën Electrification, the venture will focus on developing and producing hybrid powertrain components, including battery packs, E-machines, generators, power electronics and chargers, while also developing software for hybrid systems. Joint research and development, production and component purchasing will leverage significant economies of scale for both companies. The joint initiative is also aimed at creating an open European platform on those technologies, which will help the European industry to structure itself in the field of hybridization. Subject to approval by competition authorities, the joint venture is expected to launch its operations in the second quarter of 2011. The new hybrid components will equip both partners' vehicles from 2014 onwards.

Plug-in hybrids

PSA Peugeot Citroën is working on a plug-in hybrid, a multi-functional vehicle that can be recharged on an ordinary electric socket. An enhanced battery pack will enable the plug-in to run in all-electric mode for between 15 and 50 kilometres, which corresponds to most motorists' daily needs. It therefore offers all the benefits of an EV for day-to-day use, but can also handle longer distances thanks to its internal combustion engine.

Trials will be carried out ahead of the technology's market launch in 2014. The long-term objective is to reduce these plug-ins' CO_2 emissions to less than 50g/km.

Electric vehicles

In late 2010, PSA Peugeot Citroën introduced the Peugeot iOn and the Citroën C-Zero, two new-generation city EVs developed in conjunction with Mitsubishi Motors Corporation. With a driving range of 150 kilometres in the standard European cycle, the models are capable of satisfying 90% of motorists' daily transport needs. The lithium-ion battery pack placed under the vehicle floor can be fully charged in six hours from a simple electric socket or fast-charged to 80% of its rated capacity in 30 minutes. In addition, these city cars are aligned with customer expectations in terms of both spaciousness, with four seats and 166 litres of storage space, and comfort and safety, with ESP as standard equipment, six airbags and a system to protect the battery in the event of a collision. The Group is exploring various avenues for getting these vehicles on the road, including direct sales, all-inclusive leasing contracts and participation in car-sharing schemes.

The Group's EV line-up also includes two electric commercial vehicles, the Peugeot Partner Origin and Citroën Berlingo First, developed in cooperation with Venturi Automobiles and also brought to market in 2010. Designed more specifically for fleet use, these vehicles offer three cubic metres of storage space and can carry loads of up to 500 kg. Their Zebra sodium nickel chloride battery, located under the bonnet, offers a range of 100 kilometres and can be charged from a simple mains socket. 250 of these versions have been ordered under a tender from the French Post Office.

In 2010 , a cooperation agreement was signed with Mitsubishi Motors Corporation to develop electric versions of the Peugeot Partner and the Citroën Berlingo.

Fuel cell vehicles

Over the longer term, PSA Peugeot Citroën is exploring possible applications of hydrogen fuel cell technology.

After building seven technology demonstrators, the Group remains on active technology watch and is leading fundamental research partnerships with the French Atomic Energy Commission (CEA) on the Genepac fuel cell stack and as part of the EU's StorHy programme to store hydrogen at 700 bar. The Genepac fuel cell developed with the CEA offers one of the highest energy-to-size ratios in the world. It can be used as a range extender, with the 20 kW module, or for propulsion, with several 80 kW stacks.

However, hydrogen fuel cell vehicles are still a long way from the technical and economic maturity needed to support mass-market production. As a result, series production and mass marketing does not seem foreseeable until after 2020. Although considerable progress has been made, hydrogen fuel cell technology must still overcome a number of obstacles, including the cost of the fuel cell system, the fuel cell's lifespan, the size, mass and cost of the hydrogen storage system and the deployment of the necessary infrastructure to market hydrogen to the general public.

Optimizing vehicle architecture and equipment

Further gains in fuel efficiency and carbon emissions are being driven by improvements in various vehicle sub-assemblies and equipment, as well as in vehicle architecture and aerodynamics. These improvements are being made without sacrificing any of the vehicle's critical features, such as safety, handling, comfortable ride, attractive styling and equipment.

They are also being incorporated into models designed specifically for markets outside Europe.

Equipment

In addition to working on engines, PSA Peugeot Citroën is improving the overall fuel efficiency of its vehicles by optimising various vehicle components and equipment. Solutions include:

- Equipping certain models with electronic manual gearboxes, which can improve fuel efficiency by up to 5%;
- Optimizing air-conditioning components, like the evaporator and compressor, to reduce the energy required to run the system, and eventually replacing R134a, the current refrigerant, with new solutions that contribute less to global warming;
- Selecting tyres that offer the best trade-off between grip (primary safety) and low rolling resistance, A 10% reduction in rolling resistance reduces a vehicle's CO_2 emissions by an average of 2 g/km. PSA Peugeot Citroën prefers very low rolling resistance (VLRR) tyres and is widely deploying tyre pressure sensors;

- Offering a gear change indicator that promotes eco-driving by indicating the best time to upshift.

Vehicle mass and aerodynamics

Mass has a direct influence on a car's fuel efficiency, and therefore on its CO_2 emissions, with a 100 kg reduction in weight delivering a gain of an average 4 g/km.

To shrink the environmental footprint of its models, PSA Peugeot Citroën is therefore actively reducing their mass, with the goal of making vehicles in development more than 100 kg lighter than the previous models, while continuing to meet cost and performance specifications, particularly in the area of safety. Teams also pay careful attention in selecting a vehicle's base materials, starting with the metals that on average account for around 70% of its total weight. One example is the increasing use of very stiff high-tensile steel. Whenever technically feasible and cost effective, mass is being reduced by choosing lower density materials, such as the aluminium or plastics used in the place of steel. Another source of improvement lies in the use of innovative assembly techniques, such as hot stamping and laser welding, which help to reduce car body weight while improving impact resistance.

A vehicle's performance also depends on its aerodynamics. PSA Peugeot Citroën uses wind tunnel testing and digital modelling to reduce a car's drag area (CdA) without compromising on the other technical, practical, aesthetic and regulatory parameters involved in vehicle design, such as styling, safety, stability, storage space, engine cooling, rainwater drainage and acoustics. A $0.05m^2$ reduction in drag area reduces a vehicle's CO_2 emissions by 2.5 g/km.

5.3.2.2. Air Quality

Reducing vehicle exhaust emissions

Complying with Euro IV, Euro V and Euro VI standards

These standards set maximum admissible levels of CO, HC, NO_x and particulate matter emissions.

Euro V and Euro VI standards reduce the maximum admissible levels of particulate matter and NO_x emissions of diesel-powered vehicles to very low levels.

EXHAUST EMISSIONS

	Petrol vehicle* CNG LPG (g/km)			Diesel vehicle (g/km)		
	Euro IV	Euro V	Euro VI	Euro IV	Euro V	Euro VI
CO	1.00	1.00	1.00	0.50	0.50	0.50
Non-methane HC	0.10	0.068	0.068	-	-	-
THC	-	0.10	0.10		-	-
NO_x	0.06	0.06	0.06	0.25	0.18	0.08
$THC+NO_x$	-			0.30	0.23	0.17
Particulate matter	-	0.005/0.0045**	0.0045**	0.025	0.005/0.0045**	0.0045**
Durability (km)	100,000	160,000	160,000	100,000	160,000	160,000

EVAPORATION EMISSIONS

	Petrol vehicle* CNG LPG (g/km)			Diesel vehicle (g/km)		
	Euro IV	Euro V	Euro VI	Euro IV	Euro V	Euro VI
HC	2.00	2.00	2.00	-	-	-

* *Beginning with Euro V, applies only to vehicles with lean-burn, direct-injection petrol engines.*

** *In 2013, a change in the measurement procedure will reduce the maximum admissible level to 0.0045 from 0.005 (equivalent theoretical value). Euro VI will also introduce particle number emission limits.*

HC: Unburned hydrocarbons; CO: Carbon monoxide; NO_x: Nitrogen oxides

In Europe, the Group's petrol and diesel-powered passenger cars have complied with Euro V standards since September 2009 for new models introduced and since January 2011 for all models currently being sold.

The following stage, Euro VI, will come into effect on 1 September 2014 for new models and in September 2015 for all new car registrations.

In the rest of the world, vehicles sold by PSA Peugeot Citroën meet or exceed the applicable standards in each local market and are equipped with the latest technologies developed for the European market.

Eliminating particulate emissions with the particulate filter

The FAP particulate filter is an after-treatment system that eliminates close to 100% of even the smallest particulate matter in exhaust gases. It has further enhanced the environmental performance of diesel engines and is playing an important role in improving the quality of air in urban environments. Launched by PSA in 2000, the FAP particulate filter has set the new standard for European diesels. Peugeot and Citroën models equipped with the FAP particulate filter already more than meet Euro V and Euro VI particulate emissions standards.

A pioneer in this field, the Group had sold a total of 4.3 million FAP equipped diesel vehicles by the end of 2010. With the advent of the Euro V stage, the FAP particulate filter with additive technology has been extended to all Peugeot and Citroën diesel models, including the Peugeot 207, 308, 3008, 5008, 407, 508, 807, 4007, RCZ, Partner, Expert, Boxer and Bipper and the Citroën DS3, C3, C4, C4 Picasso, Xsara Picasso, C5, C6, C8, C-Crosser, Berlingo, Jumpy, Jumper and Nemo. In 2010, more than 47% of the diesels sold worldwide by the Group were equipped with the FAP particulate filter, versus more than 37% in 2009.

Reducing NO_x emissions with selective catalytic reduction (SCR)

To prepare for Euro VI standards, PSA Peugeot Citroën has decided to deploy selective catalytic reduction (SCR) technology across the diesel model line-up.

This new after-treatment technology substantially reduces nitrogen oxide (NO_x) emissions by injecting a reduction agent 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.

5.3.2.3. Resource management and recycling

Use of materials

In its commitment to optimising the use of resources and limiting the its products' environmental footprint, PSA Peugeot Citroën analyses and selects materials for new projects based on the findings of life cycle assessments, which review every stage in a material's life cycle, along with the related environmental impacts.

An assertive commitment to using green materials

PSA Peugeot Citroën is focusing much of its research on polymers, which account for 20% of a vehicle's total mass. Most of the other materials, such as metals and fluids, are already recyclable and extensively recycled.

For the Group, green materials include three families of materials: recycled plastics, natural materials (wood, vegetable fibres, etc.) and biosourced materials (polymers made from renewable instead of petrochemical feedstocks). Their use offers a number of benefits, such as reducing the use of fossil plastics and fostering the development of plastics recycling processes by increasing demand.

Since 2008, the Group has deployed an ambitious plan to increase the proportion of green materials, by weight, in a vehicle's total polymers (excluding tyres) to 20% by 2011 and to 30% by 2015, from an average 6% in 2007.

This process is also being applied in Latin America, with a target of 20% in 2015.

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. In 2010, this portfolio was expanded to include 17 new green materials, representing 55% of all materials certified during the year.

To spur faster development of the biomaterials industry and expand the use of these materials in automobiles, PSA Peugeot Citroën is involved in a large number of scientific partnerships. It is leading the MATORIA project to develop new injection plastics made from renewable resources and suitable for automobile applications. It is also participating in the Biocer project to develop thermoplastic composites made from natural fibres, which offer improved collision behaviour. Lastly, the Group is helping to financially support 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.

Using green materials in vehicles

Each vehicle project has a contractual objective for the use of green materials.

Progress towards fulfilling the green materials plan may be seen in the latest Peugeot and Citroën cars brought to market. On the Citroën C3 Picasso, green materials make up around 11% of the car's 170 kg of polymers (excluding tyres). Examples include natural fibres, used to make the rear parcel shelves, boot carpeting and door insets, and recycled automotive plastics, used as raw material for mudguards.

In Latin America, the Citroën Aircross comprises 20 kg of green materials, in particular in the boot carpeting and door insets.

The 200 kg of polymers used in the new Citroën C4 (excluding tyres) include 15% green materials, the highest percentage on any PSA Peugeot Citroën vehicle to date, while 14.3% of the Peugeot 508's 230 kg of polymers (excluding tyres) are green materials. In both cases, the green component comprises 40% natural materials and 60% recycled materials, which are found in around thirty parts or sub-assemblies, such as the rear bumper, soundproofing, boot carpets, seats and air filters.

Recycling end-of-life vehicles

Eco-designing for recycling

Upstream, the impacts of recycling end-of-life vehicles (ELVs) are designed into every new model and component. Vehicle materials are selected according to increasingly strict criteria that are designed to foster the development of recovery and recycling industry. 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, optimize 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 standardized codes, to ensure identification, sorting and traceability.

At the same time, designing recycled and other green materials into car models is supporting the emergence or development of new markets for certain materials.

As a participant in the International Dismantling Information System (IDIS) consortium, the Group provides ELV treatement operators (dismantlers and shredders) with disassembly instructions for Peugeot and Citroën vehicles.

French technical service UTAC has certified that PSA Peugeot Citroën has implemented the processes needed to ensure that all Peugeot and Citroën vehicles are 95% recoverable by weight, of which 85% is reusable or recyclable.

Downstream, PSA Peugeot Citroën is working with ELV treatement operators (dismantlers and shredders) who have demonstrated superior recycling and resource recovery performance, as well as the capability of complying with the European Directive mandating that ELVs must be 85% recovered today and 95% as from 2015. Through these operators, the Peugeot and Citroën brands can offer ELV owners the possibility of leaving their car at a local collection centre, to be picked up free-of-charge and disposed of in full compliance with environmental standards.

5.3.3. Production Plants and the Environment

A Robust Organisation

For many years, the Group has been engaged in assertive environmental stewardship at its production and R&D facilities, in a commitment to ensuring that their operations comply not only with local regulations but also safeguard the neighbouring environment and the quality of life in host communities. This initiative is also being gradually deployed in the Peugeot and Citroën dealership networks. To support this commitment, manufacturing strategy integrates environmental protection as part of a continuous improvement process, based on a disciplined organisation, a method structured around ISO 14001 certification, the allocation of substantial funding and an environmental reporting and management tool known as ORGE, whose database has been measuring each facility's environmental performance since 1989.

This process efficiently manages the most significant environmental aspects of the Group's operations.

An Industrial Environment Department leads and coordinates general activities in this area and manages the ORGE application as well as the annual investment budget. In addition, at each plant, an environmental compliance officer is backed by a dedicated service and correspondents appointed in each workshop and facility. The technical department also has environmental specialists who provide technical support for the plants, particularly during capital projects. In all, some 500 people are directly involved in managing the Group's industrial environment.

An Active Certification Policy

Environmental management systems have been introduced at all production facilities worldwide, based on ISO 14001 certification, the internationally recognised standard for environmental management and organisation. The standard enables a company to express an environmental strategy, identify and reduce the Significant Environmental Aspects of each facility's operations, describe the procedures used to deploy and manage the strategy, guarantee compliance and drive continuous improvement, which is the foundation of good environmental management.

As part of the ISO 14001 process, all employees, whether fixed-term or permanent, as well as temporary workers and interns, receive training in environmental skills or awareness tailored to their job and business. Contract workers employed at the plants undergo similar training.

Launched more than ten years ago, 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 replacement parts facilities. ISO 14001 is one of the standards with which all new production plants must comply.

ISO 14001 CERTIFICATION TIMETABLE FOR THE MANUFACTURING PLANTS

1999	2000	2001	2002	2003	2004	2005	2007	2010
Mulhouse	Poissy	Aulnay	Caen	Metz	Saint Ouen	Hérimoncourt*	La Garenne	Belchamp
Sochaux	Vigo	Rennes	Charleville	Mangualde			Vesoul	
	Trémery	Porto Real	Sept-Fons				Trnava	
	Madrid		Valenciennes					
	Buenos Aires							

* *Included in PCA data since 2005 (certified since 2001).*

While not included in PCA data, the five automobile manufacturing joint ventures have also been certified. They are TPCA in Kolín, Czech Republic; the DPCA plants in Wuhan and Xiangfan, Hubei province, China; Sevelnord in Hordain, France; Sevelsud in Val Di Sangro, Italy; and Française de Mécanique in Douvrin, France.

Limiting Atmospheric Emissions

Volatile Organic Compounds

While Volatile Organic Compound (VOC) emissions produced by PSA Peugeot Citroën's paint shops in France represent a marginal amount – less than 1% – of total VOC emissions produced by human activity (1,086,000 tonnes in 2008, according to CITEPA), they are the Group's main emissions-related environmental challenge on a plant by plant basis.

The strategy for reducing these emissions is based on the deployment of Best Available Technologies with the goal of:

- optimising paint shops by introducing 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 clean technologies like water-based paints in new facilities;
- installing air treatment equipment that incinerates VOCs;
- encouraging the sharing of experience and best practices among Group plants.

Deployment of this action plan has helped to reduce per-vehicle VOC emissions from the Group's paint shops by more than half in less than 15 years and enabled each facility to meet the limits set in the European Union directive on reducing VOC emissions, which came into force in October 2007.

Continued systematic implementation of the best, most cost-effective technologies is enabling the Group to steadily improve its performance, with COV emissions per vehicule produced staying under 4.0 kg since 2009.

Other Regulated Emissions

Since 1995, 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 to less than 20 tonnes in 2010.

At the same time, nitrous oxide (NO_x) emissions have also declined sharply thanks to improvements in thermal power stations, in particular via the installation of state-of-the-art burners.

Managing Energy Consumption

Carmaking uses energy for a wide range of production processes, including foundry work, the cooling of machine tools, paint drying and heat treatment. Consequently, the Group has developed an energy management plan for all its plants based on best available techniques that has helped to reduce per-vehicle energy consumption by 21% since 1995.

The plan has also made it possible to map the energy performance of the largest plants in order to identify the necessary interventions to completely overhaul their energy programmes as well as related short-term investments to help reduce energy consumption at various plants.

Participation in the Carbon Emission Allowance Scheme

For the 2008 to 2012 period, eight plants (six in France and two in Spain) that operate installations rated over 20 MW qualify for the carbon emission allowance scheme set up in application of European Union Directive 2003/87/EC, amended, on greenhouse gas emissions trading.

For the eight plants, changes in the allocation rules have led to a 21% reduction in allowances compared with the 2005-2007 period. Thanks to the deployment of energy (and thus carbon emissions) policies, however, the Group remains self-sufficient in terms of allowances despite the reduction.

The Group is monitoring the development of the scheme's third period (2013-2020), which is currently being prepared by European and French authorities. Based on texts published so far, the scheme will extend to four new facilities (three assembly plants and one foundry) and to all operations (casting, foundry work, etc.) in the eight facilities already covered, for their combustion installations.

Managing Water Consumption and Effluent

Conserving water is a key objective at every plant. As with energy, each plant has its own water consumption management plan based on the widespread use of 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 66% reduction in water consumption per vehicle produced, thereby helping to conserve resources.

Whether connected to the public wastewater treatment network or equipped with their own integrated treatment plant, each facility tracks releases 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.

In 2010, the Rennes production facility, whose out-dated integrated system could no longer ensure compliance with stricter nitrogen effluent standards, invested €2 million to connect its wastewater system to the new, highly efficient, state-of-the-art inter-community treatment plant.

Effective Waste Management

The Group's waste management policies are designed to reduce the amount of automotive process waste per vehicle produced and to promote the use of recovery and recycling channels to reduce the amount of landfilled waste.

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

- the weight of waste per vehicle produced has been reduced by 31%;
- 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 rate, which has now reached 84% excluding metal waste.

Nearly all scrap sheet metal, turnings and other metal waste is recovered and reused in steelmaking or in the Group's foundries.

When this category of waste is taken into account, Group plants reclaim and recycle a steady 95% of their process waste.

Other Environmental Issues

Protecting the soil

PSA Peugeot Citroën is committed to identifying any soil contamination pre-existing 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 in-depth surveys, the experts concluded that some of the sites required only self-monitoring. Depending on the site, these surveys were supported by a small number of one-time remediation or prevention programmes. Assessments are also carried out when manufacturing or commercial facilities are acquired or sold, or when certain installed equipment is divested.

In every case, strict procedures are applied to prevent soil pollution, in particular through the use of retention basins for liquid storage facilities and limiting, to the extent possible, the use of underground pipelines for fluids transport.

Respecting the biological balance and managing odours and noise

PSA Peugeot Citroën'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.

Although most Group facilities are based in suburban industrial parks, none of them are located in an area on the Ramsar List of Wetlands of International Importance or in areas that are specially regulated for the protection of flora and fauna (natural parks, Natura 2000 areas, nature reserves, etc.). A few sites are located near such areas, however, but no harmful effects on the surroundings have yet been identified.

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. In accordance with legislation, these studies are submitted to public hearings and to the approval of administrative authorities.

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 located on the edge of the La Ferté Vidame and Belchamp facilities have earned Pan-European Forest Certification (PEFC) for their sustainable management practices.

Amount of provisions for environmental risks

A provision of €1 million has been set aside for a dispute with the successive acquirers of a former production plant in Levallois.

Amount of penalties paid following a legal ruling concerning the environment

The Group did not have to pay any penalties in this regard in 2010.

The Other Divisions and the Environment

Gefco

All of Gefco's logistics and overland, maritime and air transport businesses are ISO 9001:2000-certified. These operations are carried out through an integrated international network comprising more than 250 sites.

The company is also actively certifying its facilities to ISO 14001 standards, with certification already earned by operations in Slovakia and the Czech Republic, an initial site in Germany and four sites in France. This process will be gradually extended, particularly in France, Germany, the United Kingdom, Romania and Italy.

Since 2008, environmental data have been collected, verified and consolidated via a secure online system.

In its day-to-day operations, Gefco constantly strives to respond as proactively as possible to its customers' sustainable development needs. In this way, it can not only enhance their productivity and competitiveness, but also deliver real environmental value added. The company constantly measures the overall impact of its operations on the environment, including energy use and waste products, through a global network of 150 Environmental Correspondents.

In a further commitment to the environment, logistics platforms are now being built in compliance with French HQE environmental quality standards.

Peugeot and Citroën

Environmental initiatives undertaken in the Peugeot and Citroën dealership networks are led and coordinated by a corporate team, supported by a correspondent for each brand (or for both brands) in every country in which a subsidiary has been set up. The correspondent network cascades down environmental processes and monitors changes in local legislation and practices.

Since 2008, Peugeot and Citroën have had a secure online system for collecting, verifying and consolidating environmental data.

In addition, particular attention has been paid to new buildings, with the definition of new dealership construction guidelines covering energy efficiency, insulation, heating and ventilation, lighting, and water and waste management.

Lastly, the brands have deployed a number of country-specific initiatives. In France, for example, Citroën has introduced the GreenPact environmental programme, which is designed to help local dealers keep up with changing French and European legislation while continuously reducing their environmental footprint. The programme leverages a full range of communication resources – including a website, an environmental guide, a magazine, a newsletter and information meetings – and facilitates contacts between dealers and other specialised stakeholders, such as organisations that collect end-of-life vehicles and parts or process waste coolant.

5.3.4. Production Plant Consumption and Emissions

The following environmental indicators are presented in compliance with articles L. 225-102-1 and R. 225-105 of the French Commercial Code and in line with Global Reporting Initiative recommendations. A cross-reference index with GRI indicators may be found at the end of the Group's 2010 Sustainable Development Performance Report. The reported data concerned the production plants (PCA, PCI and Peugeot Motocycles), the research and design centres, the main office sites, the Peugeot and Citroën proprietary dealership networks and the logistics platforms of fully consolidated companies.

A listed company 57.4%-owned by Peugeot S.A., Faurecia manages its business independently and therefore prepares and publishes its own indicators in its Annual Report. The company's performance in its main indicators is presented below, however.

PSA Peugeot Citroën uses two main resources for the needs of its manufacturing operations and its employees:

- water, for such uses as machining, washing, cooling and sanitary facilities. 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, electricity and steam, 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.

When used, these resources and process products, 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.

As for the indicators published in this chapter, details on the methodology used may be found in the Sustainable Development Performance Indicators supplement to the Annual Report and on the Group's sustainable development website.

Coverage rates for the Peugeot and Citroën brands, as well as for Gefco and Faurecia, presented under the tables correspond to the percentage of total sites concerned by the given indicators that reported data for the year. Failure to report data may sometimes be due to the inability to calculate the indicator concerned, for example if metering systems are not installed. Unless otherwise mentioned, data concern all sites.

Note that certain 2009 results have been restated to reflect more detailed data reported after the Registration Document was published. The restatements have been explained each time the difference exceeded 1%.

Scope:

PCA: Peugeot Citroën Automobiles operations (production plants, R&D centres, office facilities).

The PCA scope of reporting covered 34 sites (with the integration of Jeppener, Peugeot Sport and Citroën Racing in 2010).

AP/AC: Operations of the Peugeot and Citroën proprietary networks (dealerships, import subsidiary headquarters, replacement parts warehouses, regional training centres and regional offices).

The Automobiles Peugeot and Automobiles Citroën scope of reporting covered 47 subsidiaries, with a total of more than 500 sites.

PCI: Process Conception Ingénierie operations (one site).

PMTC: Peugeot Motocycles operations (two sites).

Gefco: Gefco's logistics operations.

Gefco's scope of reporting covered 25 subsidiaries, for a total of nearly 260 sites.

Faurecia: Faurecia's equipment supply operations.

Faurecia's scope of reporting covered approximately 220 sites, divided into four product groups.

Water Withdrawn

(unit: cu.m)		City water	Surface water	Underground water	TOTAL
PCA	**2010**	**2,084,888**	**4,035,499**	**4,744,254**	**10,864,641**
	2009	2,232,974	3,632,252	4,465,777	10,331,003
	2008	2,611,790	4,036,944	4,943,993	11,592,727
AP/AC	**2010**	**660,891**	**5,115**	**5,431**	**671,437**
	2009	684,335	4,740	5,004	694,079
	2008	732,905	9,140	6,554	748,599
PCI	**2010**	**2,379**	**-**	**-**	**2,379**
	2009	1,987	-	-	1,987
	2008	2,684	-	-	2,684
PMTC	**2010**	**14,977**	**-**	**-**	**14,977**
	2009	16,132	0	-	16,132
	2008	12,914	11,604	-	24,518
Gefco	**2010**	**221,718**	**0**	**29,805**	**251,523**
	2009	128,340	0	26,441	154,781
	2008	201,346	0	28,079	229,425
TOTAL	**2010**	**2,984,853**	**4,040,614**	**4,779,490**	**11,804,957**
	2009	3,063,768	3,636,992	4,497,222	11,197,982
	2008	3,561,639	4,057,688	4,978,626	12,597,953
Faurecia	**2010**	**1,634,306**	**835,576**	**421,911**	**2,891,793**
	2009	1,127,576	1,159,318	365,152	2,652,046
	2008	1,368,065	944,179	415,166	2,727,410

Data from Peugeot and Citroën brands were reported from 83% of their sites in 2010, versus 90% in 2009 and 84% in 2008.

Data from Gefco were reported from 78% of its sites, versus 76% in 2009 and 70% in 2008.

Data from Faurecia were reported from 97% of its sites, compared with 100% in 2009 and 2008.

The sharp rise in water use was due to a larger scope of reporting and a more reliable reporting process.

Gross effluent discharges, ex-works

(unit: kg/year)		COD	BOD_5	SM
PCA	**2010**	**2,044,413**	**708,937**	**424,608**
	2009	2,170,531	766,040	461,662
	2008	2,351,932	705,537	661,771
AP/AC	**2010**	**N/A**	**N/A**	**N/A**
	2009	N/A	N/A	N/A
	2008	N/A	N/A	N/A
PCI	**2009**	**N/A**	**N/A**	**N/A**
	2009	N/A	N/A	N/A
	2008	N/A	N/A	N/A
PMTC	**2010**	**1,110**	**293**	**78**
	2009	838	288	192
	2008	536	122	83
Gefco	**2010**	**nc**	**N/A**	**N/A**
	2009	N/A	N/A	N/A
	2008	N/A	N/A	N/A
TOTAL	**2010**	**2,045,523**	**709,230**	**424,686**
	2009	2,171,369	766,328	461,854
	2008	2,352,468	705,659	661,854

COD: Chemical oxygen demand;

BOD_5: Biochemical oxygen demand after 5 days;

SM: Suspended matter;

N/A: not available.

Before release into the environment, 10% of these discharges are treated in an integrated plant and 90% are further treated in a public wastewater plant.

Raw and recycled materials consumed (for PCA, standard parts)

The Group's 2010 raw materials use was as follows:

- Directly: 1,060,000 tonnes of steel and 65,000 tonnes of non-ferrous metals;
- Indirectly: 1,650,000 tonnes of steel, 230,000 tonnes of non-ferrous metals and 700,000 tonnes of synthetics (of which 20,000 tonnes of recycled materials).

Energy Consumption

Direct energy consumption

NB: Energy indicators are expressed in the same unit of measurement (MWh ncv) by applying officially recognised conversion coefficients.

		HSFO	LSFO	VLSFO	HHO	NG + LPG	Coal	Coke
PCA	**2010**	**-**	**-**	**3,709**	**11,830**	**2,386,220**	**-**	**105,646**
	2009	-	-	26,789	11,494	2,014,738	-	88,807
	2008	-	-	8,313	13,242	2,305,628	-	122,936
AP/AC	**2010**	**-**	**-**	**889**	**37,378**	**196,954**	**-**	**-**
	2009	-	-	1,578	36,338	169,486	-	-
	2008	-	-	1,678	35,066	191,727	-	-
PCI	**2010**	**-**	**-**	**-**	**-**	**5,123**	**-**	**-**
	2009	-	-	-	-	3,420	-	-
	2008	-	-	-	-	4,458	-	-
PMTC	**2010**	**-**	**-**	**-**	**10**	**27,890**	**-**	**-**
	2009	-	-	-	16	23,660	-	-
	2008	-	-	-	29	23,113	-	-
Gefco	**2010**	**-**	**-**	**-**	**5,644**	**50,291**	**-**	**-**
	2009	-	-	-	3,539	50,999	-	-
	2008	-	-	-	3,924	50,832	-	-
TOTAL	**2010**	**0**	**0**	**4,598**	**54,862**	**2,666,478**	**0**	**105,646**
	2009	0	0	28,367	51,387	2,262,303	0	88,807
	2008	0	0	9,991	52,261	2,575,758	0	122,936
Faurecia	**2010**	**36**	**747**	**3,944**	**18,197**	**724,479**	**-**	**-**
	2009	4	43	2,032	8,467	527,184	-	-
	2008	4	103	980	10,174	650,863	-	-

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.

Data from Peugeot and Citroën brands were reported from an average 92% of their sites in 2010, versus 93% in 2009 and 94% in 2008, for direct energy consumption.

Data from Gefco were reported from an average 78% of its sites in 2010, versus 93% in 2009 and 88% in 2008, for direct energy consumption.

Data from Faurecia were reported from an average 90% of its sites in 2010, versus 100% in 2009 and 2008, for direct energy consumption.

The increase in energy consumption reflected the upturn in production and a harsh winter (notably in Europe). Other factors were the wider scope of reporting, in the case of the Brands, Gefco and Faurecia, and a more reliable reporting process, in the case of the Brands and Gefco.

Indirect energy consumption

(unit: MWh)		Electricity	Steam
PCA	**2010**	**2,646,213**	**274,550**
	2009	2,386,080	262,130
	2008	2,601,683	275,393
AP/AC	**2010**	**153,775**	**13,577**
	2009	155,463	12,979
	2008	157,673	16,809
PCI	**2010**	**1,837**	
	2009	1,104	-
	2008	1,473	-
PMTC	**2010**	**12,869**	**-**
	2009	10,196	-
	2008	13,849	-
Gefco	**2010**	**48,845**	**-**
	2009	40,760	-
	2008	65,927	-
TOTAL	**2010**	**2,863,539**	**288,127**
	2009	2,593,603	275,109
	2008	2,840,605	292,202
Faurecia	**2010**	**1,216,051**	**17,372**
	2009	870,879	17,459
	2008	1,063,532	19,876

Data from Peugeot and Citroën brands were reported from 88% of their sites in 2010, versus 94% in 2009 and 2008, for indirect energy consumption.

Data from Gefco were reported from 89% of its sites in 2010, versus 95% in 2009 and 84% in 2008, for indirect energy consumption.

Data from Faurecia were reported from an average 93% of its sites in 2010, versus 100% in 2009 and 2008.

The increase in energy consumption reflected the upturn in production and a harsh winter (notably in Europe). Other factors were the wider scope of reporting, in the case of the Brands, Gefco and Faurecia, and a more reliable reporting process, in the case of the Brands and Gefco.

Direct Air Emissions from Combustion Plants

NB: Direct emissions are calculated on the basis of direct energy consumption in compliance with the ruling of 31 March 2008 in the case of carbon dioxide and the circular of 15 April 2002 for all other gases. Changes in emission levels are thus directly related to changes in energy consumption.

Direct Greenhouse Gas Emissions

(unit: tonnes)		CO_2	N_2O	CH_4	Total CO_2 equivalent
PCA	**2010**	**529,711**	**21.6**	**34.3**	**537,116**
	2009	454,097	18.4	29.3	460,404
	2008	520,303	20.9	33.3	527,472
AP/AC	**2010**	**50,833**	**2.0**	**3.0**	**51,511**
	2009	45,086	1.7	2.7	45,679
	2008	49,343	1.9	3.0	50,002
PCI	**2010**	**1,053**	**0.1**	**0.1**	**1,069**
	2009	703	0.0	0.1	714
	2008	916	0.0	0.1	930
PMTC	**2010**	**5,736**	**0.3**	**0.3**	**5,822**
	2009	4,868	0.2	0.3	4,941
	2008	4,759	0.2	0.3	4,830
Gefco	**2010**	**12,028**	**0.5**	**0.7**	**12,192**
	2009	11,805	0.5	0.6	11,966
	2008	11,648	0.5	0.7	11,811
TOTAL	**2010**	**599,361**	**24.3**	**38.4**	**607,710**
	2009	516,559	20.8	32.9	523,703
	2008	586,969	23.5	37.3	595,046
Faurecia	**2010**	**157,955**	**6.7**	**9.8**	**160,238**
	2009	112,857	4.8	7.2	115,025
	2008	138,374	5.9	8.8	140,393

CO_2 = Carbon dioxide;
N_2O = Nitrous oxide;
CH_4 = Methane.

Total greenhouse gas emissions expressed in tonnes of CO_2 equivalent were calculated by applying the following global warming coefficients: 310 for N_20 and 21 for CH_4 (Source: IPCC Second Assessment Report: Climate Change 1995).

In the above table, data from Peugeot and Citroën brands, as well as for Gefco and Faurecia, were reported from the same percentage of sites as those reporting direct energy consumption.

Other direct emissions

(unit: tonnes)		SO_2	NO_2
PCA	**2010**	**15.6**	**522.0**
	2009	56.2	455.7
	2008	24.1	507.9
AP/AC	**2010**	**14.8**	**56.5**
	2009	15.6	50.7
	2008	15.4	55.1
PCI	**2010**	**0.0**	**1.1**
	2009	0.0	0.7
	2008	0.0	1.0
PMTC	**2010**	**0.1**	**6.0**
	2009	0.1	5.1
	2008	0.1	5.0
Gefco	**2010**	**2.1**	**12.9**
	2009	1.4	12.3
	2008	1.5	12.4
TOTAL	**2010**	**32.6**	**598.6**
	2009	73.3	524.5
	2008	41.1	581.3
Faurecia	**2010**	**16.9**	**166.6**
	2009	9.0	119.0
	2008	7.3	144.9

SO_2 = Sulphur dioxide;
NO_2 = Nitrogen dioxide.

In the above table, data from Peugeot and Citroën brands, as well as Gefco and Faurecia, were reported from the same percentage of sites as those reporting direct energy consumption.

Indirect CO_2 Emissions

NB: Indirect emissions are calculated based on applying emissions factors, either obtained from suppliers or published by the International Energy Agency (2008 data), to the purchased electricity and steam.

(unit: tonnes)		Indirect CO_2
PCA	**2010**	**353,690**
	2009	282,653
	2008	363,360
AP/AC	**2010**	**44,210**
	2009	N/A
	2008	N/A
PCI	**2010**	**83**
	2009	42
	2008	63
PMTC	**2010**	**579**
	2009	388
	2008	589
Gefco	**2010**	**11,635**
	2009	N/A
	2008	N/A
TOTAL	**2010**	**410,197**
	2009	283,083
	2008	364,011
Faurecia	**2010**	**444,448**
	2009	N/A
	2008	N/A

In the above table, data from Peugeot and Citroën brands, as well as for Gefco and Faurecia, were reported from the same percentage of sites as those reporting indirect energy consumption.

Paintshop VOC Releases

		VOC *(tonnes)*	**Ratio** *(kg/vehicle produced)*
PCA	**2010**	**8,390**	**3.75**
	2009	7,589	3.76
	2008	9,505	4.13
PMTC	**2010**	**4**	**-**
	2009	7	-
	2008	12	-
TOTAL	**2010**	**8,394**	**-**
	2009	7,597	-
	2008	9,517	-

VOC: Volatile organic compounds.

Total Weight of Waste by Type and Disposal Method

PCA (excluding metal waste, nearly 100% of which is recycled)

(unit: tonnes)		Landfill	Recovery and recycling	On-site recycling	Other disposal methods	TOTAL
Foundry waste	**2010**	**10,943**	**60,783**	**91,616**	**86**	**163,428**
	2009	9,705	52,867	95,283	46	157,900
	2008	15,734	64,605	117,927	49	198,315
Non-hazardous process waste	**2010**	**13,627**	**98,450**	**1,271**	**1,217**	**114,565**
	2009	13,496	69,062	1,832	1,352	85,743
	2008	18,373	83,143	1,985	402	103,904
Hazardous process waste	**2010**	**2,935**	**20,761**	**-**	**24,221**	**47,917**
	2009	4,788	19,338	-	20,066	44,192
	2008	6,570	26,716	-	23,473	56,759
TOTAL	**2010**	**27,505**	**179,994**	**92,886**	**25,524**	**325,909**
	2009	27,989	141,267	97,115	21,464	287,835
	2008	40,678	174,464	119,912	23,924	358,978

The table does not include the 641,300 tonnes of metal waste produced in 2010, almost all of which was recycled.

The increase in waste was due to changes in the scope of reporting (with the integration of Jeppener, Peugeot Sport and Citroën Racing), an increase in worksite waste (repairs following hailstorms in Sochaux, the construction of a new building in Vesoul and major upgrades to wastewater networks in Belchamp), an increase in operations (spent sand from the Sept-Fons foundry and packaging waste from the Palomar and Porto Real facilities) and a process malfunction (Valenciennes).

AP/AC (excluding metal waste)

(unit: tonnes)		Landfill	Recovery and recycling	Other disposal methods	TOTAL
Non-hazardous process waste	**2010**	**5,539**	**10,239**	**156**	**15,934**
	2009	6,988	9,517	607	17,113
	2008	11,309	8,430	739	20,479
Hazardous process waste	**2010**	**1,543**	**3,149**	**292**	**4,984**
	2009	1,906	3,120	553	5,579
	2008	1,331	2,781	922	5,034
TOTAL	**2010**	**7,081**	**13,388**	**448**	**20,917**
	2009	8,894	12,638	1,160	22,692
	2008	12,640	11,211	1,661	25,512

Data from Peugeot and Citroën brands were reported from 91% of their sites in 2010, versus 87% in 2009 and 78% in 2008.

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

The table above does not include the 3,710 tonnes of metal waste produced in 2010, 73% of which was recycled.

PCI and PMTC (excluding metal waste, nearly 100% of which is recycled)

(unit: tonnes)		Landfill	Recovery and recycling	Other disposal methods	TOTAL
Foundry waste	**2010**	**-**	**-**	**126**	**126**
	2009	-	-	107	107
	2008	-	-	227	227
Non-hazardous process waste	**2010**	**122**	**551**	**0**	**673**
	2009	157	551	1	709
	2008	220	885	-	1,105
Hazardous process waste	**2010**	**6**	**130**	**482**	**618**
	2009	12	145	469	627
	2008	11	186	589	785
TOTAL	**2010**	**128**	**681**	**608**	**1,417**
	2009	168	697	577	1,442
	2008	231	1,070	816	2,117

The table above does not include the 340 tonnes of metal waste produced in 2010, almost all of which was recycled.

Gefco (excluding metal waste)

(unit: tonnes)		Landfill	Recovery and recycling	Other disposal methods	TOTAL
Non-hazardous process waste	**2010**	**5,842**	**5,750**	**676**	**12,267**
	2009	6,715	3,695	192	10,601
	2008	5,645	3,891	324	9,860
Hazardous process waste	**2010**	**129**	**489**	**38**	**656**
	2009	145	532	1,163	1,839
	2008	438	1,001	124	1,563
TOTAL	**2010**	**5,971**	**6,239**	**714**	**12,923**
	2009	6,859	4,227	1,354	12,441
	2008	6,083	4,892	448	11,423

Data from Gefco were reported from an average 76% of its sites in 2010, versus 61% in 2009 and 51% in 2008.

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

The table above does not include the 487 tonnes of metal waste produced in 2010, almost 98% of which was recycled.

Faurecia (excluding metal waste, nearly 100% of which is recycled)

(unit: tonnes)		Landfill	Recovery and recycling	On-site recycling	Other disposal methods	TOTAL
Non-hazardous process waste	**2010**	**36,874**	**49,283**	**22,786**	**5,736**	**114,678**
	2009	36,902	35,594	9,178	4,074	85,748
Hazardous process waste	**2010**	**3,290**	**6,157**	**-**	**7,686**	**17,132**
	2009	1,725	4,527	-	6,228	12,480
TOTAL	**2010**	**40,163**	**55,440**	**22,786**	**13,421**	**131,810**
	2009	38,627	40,121	9,178	10,302	98,228
	2008	71,093	44,220	9,387	16,990	141,690

Data from Faurecia were reported from an average 98% of its sites, compared 100% in 2009 and 2008.

There are no individual figures for hazardous and non-hazardous process waste for 2008.

The table does not include the 69,546 tonnes of metal waste produced in 2010, almost all of which was recycled.

5.3.5 Road Safety

PSA Peugeot Citroën has considered the safety of all road users to be a top priority for many years, a position that has enabled it to develop some of the safest vehicles in the world. The Group is focusing on technologies that have shown a proven ability to make automobiles fuel efficient and safe, at an affordable cost for the largest number of motorists.

However, addressing road safety issues involves more than just installing increasingly sophisticated onboard safety systems, which make vehicles heavier and therefore less fuel efficient. Roadway infrastructure must also be upgraded, while motorists and other road users must be effectively educated in safe driving and road use practices At PSA Peugeot Citroën, corporate social responsibility also means a daily focus on sponsoring and outreach. In 2010, the Group pursued its efforts to raise awareness about road safety, with campaigns targeted to children, employees and the general public (For more information, please refer to section 5.3.7).

Primary Safety: Avoiding Accidents

Chassis Systems

Capitalising on its recognised expertise in suspensions, steering, braking and other chassis systems, PSA Peugeot Citroën designs cars that are naturally safe to drive, with technology that compensates, to the extent possible, for bad driving, faulty infrastructure and adverse weather conditions.

Their architecture is engineered to deliver handling performance, precision steering and braking power that rank among the best in the market.

Moreover, to attenuate the consequences of certain emergency situations, the Group offers such driver assistance technologies as anti-blocking systems (ABS), which are now standard on every model, electronic brakeforce distribution (EBD), emergency braking assist (EBA), and electronic stability programmes (ESP), which help drivers maintain control even in a skid.

The Grip Control system, which is integrated into the electronic stability programme, is available on the Peugeot 3008 and new Partner and on the Citroën C4 Picasso, C5 and new Berlingo.

Tyre pressure monitoring systems help to detect under-inflated tyres that can reduce vehicle stability and threaten occupant safety. By regularly prompting motorists to check their tyre pressure, such systems help to reduce tyre noise, improve fuel efficiency and increase tread life.

Visibility, Speed and Safe Following Distances

Certain Peugeot and Citroën models come with such efficient, practical innovations as:

- innovative lighting systems: static directional lighting even in the compact segment, Xenon dual-function directional headlights in the executive segment, automatic activation of emergency flasher lights in the event of sudden deceleration, LED daytime running lights on the Citroën DS3, and automatic dipped beam/main beam switching on the Peugeot 508;
- a blind spot information system is available on the new Citroën C4. The system indicates the presence of a vehicle in a blind spot zone through a pictogram in the corresponding wing mirror;
- a speed limiter system that deactivates the accelerator pedal when the driver tries to exceed his or her pre-set speed limit.

When necessary, however, pressing strongly on the pedal overrides a hard spot and allows the driver to exceed the set limit. PSA Peugeot Citroën is the European leader in driver-activated speed limiter equipment;

- a distance alert system, available on the Peugeot 3008 and 5008, that indicates on the head-up display the time it would take to close with the vehicle in front at the current speed. The alert time point can be set by the driver;
- the AFIL lane departure warning system, available on the Citroën C4, which alerts the driver who drifts across a lane by vibrating the seat on the side the lane was crossed.

Ergonomics and Man-Machine Interface (MMI)

Road safety is a major concern that is consistently designed into onboard systems, such as driver assistance, comfort and information/entertainment systems, and into the man-machine interfaces (MMI) of controls and displays.

In addition to integrating driver needs and expectations to ensure that the systems are useful and efficient, design criteria and robust validation methods help to deliver systems and interfaces that are not only easy to use, but also safe, leaving no room for manual error and involving no cognitively demanding tasks, distractions or risks of inappropriate use. Upstream scientific studies are helping to enhance Group standards for addressing the emerging ergonomic issues associated with new onboard technologies.

Environmental concerns are also channelled into the development of driver assistance systems that promote "eco-responsible" driving habits.

Secondary Safety: Protecting Passengers and Pedestrians during an Accident

Body Structure

Secondary safety is an absolute priority that is designed into every Peugeot and Citroën vehicle, whose structural components resist impact and absorb energy to provide the highest degree of occupant protection regardless of the type of collision – frontal, side, rear or even rollovers.

Vehicles are structurally engineered to gradually dissipate the kinetic energy from an impact, with effectively positioned impact absorption structures and deformable crash boxes transforming the passenger compartment into a survival cell. At the same time, these structures make the body components easier to repair.

On cabriolet models, the roll-over protection system consists of active, pyrotechnically-charged roll-bars and windscreen pillar stiffener tubes.

Airbags and other Pyrotechnic Equipment

In addition to structural impediments to impact injury, Peugeot and Citroën models are equipped with up to nine airbags:

- two front airbags, whose pressure and volume when inflated adjust automatically to the severity of impact;
- two front side airbags, which protect the thorax, pelvic region and abdomen of the driver and front-seat passenger;
- a steering column (or knee) airbag, which protects the lower limbs by cushioning the impact on the knees and shins;
- two curtain airbags, which protect the side of the head of the front and rear passengers;
- two rear lateral airbags, which protect the thorax of the rear passengers in the event of a side impact.

Thanks to an impact sensor and pyrotechnic mechanism, the active bonnet rises automatically in the event of a pedestrian impact, thereby absorbing more energy and limiting the risk of injury to the pedestrian's head. The system is available on both the Citroën C6 and Peugeot RCZ.

Restraint Systems

Restraint systems – which include Isofix attachment points for easy and efficient installation of child seats, seatbelt load-limiting retractors and, on some models, airbags with dual energy levels – are all carefully calculated to maximise protection for everyone in the vehicle, regardless of their age or where they are seated. Already fitted on front seatbelts, load-limiting retractors are now gradually being installed for back seats as well. These systems adjust occupant restraints while limiting pressure on the chest, thereby reducing the frequency of thoracic and abdominal injuries.

Buckle-up reminders sound a warning and light up when someone has not buckled their belt. Rear seat reminders are also gradually being introduced across all the model ranges.

EuroNCAP and China-NCAP Safety Ratings

Every Peugeot and Citroën model from the entry level on up ranks among the world's best in secondary safety, as attested by the results of impact tests conducted by the European New Car Assessment Programme (Euro NCAP), an independent organisation that rates vehicle occupant protection.

Eight Group vehicles have obtained the maximum 5-star overall rating under the stricter new protocol introduced in 2009. Under the new protocol, vehicles tested receive an overall rating based on protection offered to adult and child occupants as well as pedestrians and also considers the safety potential of advanced driver assistance technologies. As of year-end 2008, a total of 13 Group vehicles had obtained the maximum 5-star rating under the former Euro-NCAP system.

Euro NCAP

	Year launched	Assessment protocol in effect until 2008				Assessment protocol in effect from 2009	
Model		Year tested	Adult Occupant Rating*	Pedestrian Test Rating*	Child Protection Rating	Year tested	Overall rating
Citroën C-Zero Peugeot iOn**	2010					2011	****
New Citroën C4	2010					2010	*****
Citroën Nemo	2010					2010	***
New Citroën C3	2009					2009	****
Citroën DS3	2009					2009	*****
Peugeot 5008	2009					2009	*****
Peugeot 3008	2009					2009	*****
Citroën C3 Picasso	2009					2009	****
Peugeot 308 CC	2008	2008	*****	**	***	2009	*****
Citroën Berlingo Peugeot Partner**	2008	2008	****	**	****		
Citroën C5	2008	2008	*****	**	****	2009	*****
Peugeot 308	2007	2007	*****	***	****	2009	*****
Peugeot 207 CC	2007	2007	*****	**			
Citroën Grand C4 Picasso	2006	2006	*****	**	****	2009	*****
Peugeot 207	2006	2006	*****	***	****		
Citroën C6	2006	2005	*****	****	****		
Peugeot 407 Coupé	2005	2005	*****	**	****		
Citroën C1 Peugeot 107**	2005	2005	****	**	****		
Peugeot 1007	2005	2005	*****	**	***		
Citroën C4	2004	2004	*****	***	****		
Peugeot 407	2004	2004	*****	**	****		
Citroën C2	2003	2003	****	**	***		
Peugeot 307 CC	2003	2003	****	**			
Citroën C3 Pluriel	2003	2003	****	**			
Peugeot 807 Citroën C8**	2002	2003	*****	*			
Citroën C3	2002	2003	****	**			
Peugeot 307	2001	2001	****	**			
Peugeot 607	2000	2002	****	*			
Citroën Xsara Picasso	2000	2001	****	**			
Peugeot 206	1998	2000	****	**			

* *Occupant protection rated out of 5 stars/Pedestrian protection rated out of 4 stars.*

** *Vehicles appearing on the same line have the same technical specifications.*

China NCAP

Model	Year launched	Year tested	Overall rating
Peugeot 408	2010	2010	*****
Citroën C5	2010	2010	*****
Peugeot 307 Tricorps	2009	2009	*****
Citroën C-Quatre	2008	2009	****
Citroën C-Triomphe	2006	2007	*****
Peugeot 307	2004	2006	****

LAB

The Laboratoire d'Accidentologie, de Biomécanique et d'Étude du comportement (LAB) is a road safety association created jointly by PSA Peugeot Citroën and Renault. A unique organisation, LAB has conducted research projects for 40 years to enhance understanding of accident mechanisms and their related injury mechanisms. Its areas of expertise are:

- accidentology, meaning the analysis of road accidents. Its database comprises some 15,000 accidents;
- biomechanics, which helps to identify injury mechanisms.

For more than 40 years, LAB's research projects have helped to guide the Group's technological choices and to assess their real-life performance on the road. LAB is behind a number of major advances in automobile safety, from seatbelts to load-limiting retractors, airbags, pre-tensioners and stronger structural components for passenger compartments.

Tertiary Safety: Post-Accident Emergency Response

Emergency Call System

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. It is the only volume carmaker to have deployed a wide-scale, location-aware emergency call system, without a subscription or any cut-off date.

The new autonomous telematics box (ATB) developed by PSA Peugeot Citroën includes a SIM card, which eliminates the need for radio, navigation and telephone functions.

In the event of an accident or medical emergency in an ATB-equiped vehicule, occupants can alert a dedicated assistance centre simply by pressing the SOS button. In the case of a collision, the same alert is sent automatically. Calls are routed to operators speaking the occupants' language.

Thanks to the car's GPS system and onboard GSM mobile phone link, assistance personnel can pinpoint the car's location, thereby enabling rescue services to respond more quickly and effectively.

According to the European Commission, equipping every vehicle on the road with such a system would save 2,500 lives a year in Europe.

	Total as of end-2008*	Total as of end-2009*	Total as of end-2010*
Number of Peugeot and Citroën vehicles equipped with the Premium emergency call service**	546,000	630,000	643,000
Alerts sent to emergency services	2,700	3,300	3,900
Countries in which the Premium emergency call service is available	France, Germany, Italy, Belgium, Luxembourg, Spain and the Netherlands	France, Germany, Italy, Belgium, Luxembourg, Spain, the Netherlands, Portugal and Austria	France, Germany, Italy, Belgium, Luxembourg, Spain, the Netherlands, Portugal, Austria and Switzerland

* *Cumulative figures since the service was introduced in January 2003.*

** *In the countries where the Premium emergency call service is available, the vehicle alerts the Inter Mutuelles Assistance (IMA) emergency assistance call centre, which verifies the incident and notifies the local public rescue or ambulance services. In other European countries, the vehicle dials 112, the European emergency number.*

There are nearly 140,000 Peugeot and Citroën vehicles equipped with the standard emergency call system (based on 112, the European emergency number, which does not support GPS localisation) in European countries where the Premium service is not available. In all, around 781,000 Peugeot and Citroën vehicles equipped with the emergency call system are on the road in Europe.

At the 2010 Paris Motor Show, Euro NCAP awarded the Euro NCAP Advanced award to carmakers that have deployed technologies that have a meaningful impact on safety. Among the ten innovations recognised, Peugeot and Citroën were singled out in the area of post-accident (or tertiary) safety for their emergency call system. In all, six vehicles won an award: the Peugeot 308, 3008 and 5008 for Peugeot Connect SOS, and the Citroën DS3, C4 and C5 for the Citroën Localised Emergency Call service.

Victim Removal Instructions

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.

Peugeot Motocycles

Safety

A major player in the European market under the Peugeot Scooters banner, Peugeot Motocycles has focused on scooter and motorbike safety for many years. In particular, it was the first manufacturer in the world to apply the anti-lock braking system (ABS) developed for automobiles to its 125 scooters. All of this attests to Peugeot Scooters' long-term commitment to promoting safer and more responsible urban mobility solutions.

5.3.6. Telematics and Mobility

In addition to such traditional services as maintenance, financing and insurance, PSA Peugeot Citroën is developing solutions that leverage the latest technological advances and a new vision of mobility to support its leadership strategy in connected and mobility-related services.

Telematics

PSA Peugeot Citroën's new telematics services are designed to make mobility more efficient and environmentally friendly.

Since 2002, Peugeot and Citroën 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.

Introduced in the Peugeot and Citroën lineups in 2009, the vehicle-integrated autonomous telematics box (ATB) is equipped with an embedded SIM card that enables drivers to connect to the emergency call and location-aware assistance system 24/7, free of charge, for an unlimited period, with no subscription and without having to acquire an integrated navigation, radio and telephone system. Thanks to the GPS system, customers benefit from much faster roadside assistance, including repairs and towing service. The deployment of autonomous telematics boxes will make onboard connected services more widely available.

In addition, the Group's Active Fleet Data remote fleet management service, introduced in 2008, provides remote access to all the data needed to support fleet use and maintenance, including odometre readings, the number of kilometres before next inspection and diagnostics for mechanical components such as the gearbox and emissions control system. Fleet managers are alerted in real time by e-mail if the system detects safety issues such as low oil, worn brake pads or under-inflated tyres. By promoting regular maintenance, the Active Fleet Data service also helps reduce the fleet's environmental impact.

Peugeot

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;
- Peugeot Connect Assistance, for location-aware repair assistance;
- Peugeot Connect Fleet, for fleet management;
- Peugeot Connect Electric, which will provide data on battery charge levels and driving range for the iOn via smartphone or computer.

Citroën

Citroën eTouch offers a range of services including:

- a location-aware emergency call system and assistance service thanks to an embedded SIM card;
- a virtual log and an eco-driving service available via My CITROËN and smartphone.

These services allow motorists to track their fuel consumption and CO_2 emissions, as well as receive maintenance reminders and real-time vehicle alerts. They are available for free during the vehicle warranty period.

Citroën's Send-To-Car service allows users to forward the results of a Google Maps search from their computer to the onboard NaviDrive 3D platform, which then guides them to their destination or connects them to a phone number.

Mobility Services

Mu by Peugeot

Mu by Peugeot is an innovative card-based mobility service. This highly original offering enables anyone – whether or not they are Peugeot customers – to access an array of mobility services online or via a smartphone application:

- the rental of Peugeot products or accessories. As and when needed, customers will be able to rent a bicycle, scooter, car, light utility vehicle, replacement vehicle (car or scooter) or accessories like a GPS device or a roof box;
- access to mobility services offered by Peugeot partners. For example, customers can contact a partner travel agent to book a train or plane ticket, or arrange a get-away weekend. Driving lessons, eco-driving courses or advanced driving techniques can also be booked via the same call centre.

Already available in 14 cities in six countries in Europe, Mu by Peugeot will continue to be deployed until 2013, with 75 sites to be added each year, mainly in European cities with more than 300,000 inhabitants.

The programme received an award from *Automotive News Europe* in June 2010 and two innovation awards in Germany and Belgium.

Citroën MULTICITY

With the new Citroën MULTICITY mobility offering, the brand has launched an offer – available to everyone without subscription – that has positioned Citroën as a travel facilitator.

Citroën MULTICITY includes:

- Citroën Call Car, which allows drivers anywhere in France to rent a car by the hour or for several days and, in major French cities, to order a car for delivery in less than three hours to the location of the person's choice;

- a dedicated Citroën MULTICITY Internet portal for planning trips and travel. Taking into account different modes of transportation when calculating itineraries, the service provides customised solutions with information on CO_2 emissions, cost and travel time for suggested itineraries. Users can also reserve airplane tickets, rental cars and hotel rooms. This innovative service saves time and makes travel easy. The website will give users access to a special section that features an array of dedicated products and services to help them use their car more effectively. They will, for example, be able to download maps for an onboard navigation system or subscribe to a services contract.

5.3.7. Corporate Citizenship

The City on the Move Institute (IVM)

Created by PSA Peugeot Citroën in 2000, the **City on the Move Institute (IVM)** has initiated and promoted research and trials aimed at understanding how urban mobility is changing. It supports the emergence of innovative urban mobility solutions through research programmes and initiatives that bring together business people, researchers, academics, architects, urban planners, urban developers, transport providers, local authorities, people involved in society and the arts, and members of associations. Each partner is a stakeholder in a given project, supporting the research or initiative with financing, resources or expertise.

PSA Peugeot Citroën allocated a budget of €1,085,000 to IVM in 2010.

Among the different issues addressed in 2010, IVM pursued its programme, launched in 2009, of public hearings and debates on «Climate Change, Urban Mobility and Cleantech,» in which a host panel of European experts exchange ideas with their visiting North American counterparts.

The purpose of the programme is to explore how the United States – a country with a vast array of mobility solutions – is confronting mobility and energy challenges and, in particular, how it is stimulating and supporting the development of clean or green technologies at a time when climate change is a major issue.

The programme uses an innovative format inspired by public hearings held by the US Congress, with a commission of experts questioning an American scientist and mobility professional on a specific topic. The persons addressing the commission respond to questions submitted in advance by the experts. In addition to developing a better understanding of how the US deals with clean technologies, the project also aims to showcase a range of approaches, compare ideas and opinions, enrich discussions in France, and more accurately identify the challenges and areas for action for governments, organisations and manufacturing companies.

With the “City at your Doorstep” mobility and services programme in France, the IVM wants to enhance understanding of emerging demand and identify new players and innovation potential, especially in the areas of workplace practices and mobility for employees in the personal services sector. The objective for 2011 is to conduct experiments on new organisational and/or technical solutions, in partnership with businesses, associations and public authorities.

Launched in 2007, the IVM’s research and action programme on taxis has broadened discussion of the issue, since the taxi represents an excellent intermediary mobility solution between mass transit and individual transport. This international programme is intended to study the taxi’s potential resources, role and possible integration in mobility strategies and to open discussions with researchers, public authorities, transport operators and companies, and the public at large, with the goal of supporting the development of this mode of transportation. Following on from an international conference on taxis it organised in 2007, the IVM led the initial special session on taxis in Lisbon in 2010 and announced the creation of an international research network.

After setting up offices in Shanghai in 2001 and Buenos Aires in 2005, the IVM is continuing to extend its international initiatives:

- in Brazil, with the opening of an office in Rio de Janeiro;
- In China, the IVM partnered the Better Mobility, Better Life Award and student contest, which is intended to identify and promote innovative civil society initiatives to support urban mobility. Award-winners included a bike-sharing service for residents of Shanghai’s suburbs, a programme to provide public access to private car parks at certain times of the day in Ningbo, and a car-pooling service for inhabitants of a Wuhan neighbourhood. The awards ceremony took place in the Shenzhen Pavilion at Expo Shanghai 2010 and a seminar on the topic was held in the Alsace Pavilion. The award’s theme was chosen by the Association of Urban Planning Schools for its annual student contest organised in partnership with the IVM;
- in Argentina, through an experiment launched with the City of Buenos Aires to deploy and test information systems for urban transport networks. An initial pilot project submitted for assessment is being carried out on a bus line in Buenos Aires. International experts are working together to develop this innovative concept that is adapted to cities in emerging markets. Surveys on user needs have been conducted and prototype systems built;
- In Peru, an exhibition and symposium on the theme of “A City for Everyone” was organised with universities, research centres and the French embassy.

In late 2010, to celebrate its 10th anniversary and demonstrate its commitment to the future, the IVM reviewed the results of its programmes at a public event in Paris.

In its partnerships with academic institutions, the IVM signed a new convention with Université Paris-Est for its University Chair in Europe. Outside France, the institute continued to host visiting scientists in China and created a University Chair in Latin America.

To consolidate the work of its three University Chairs in Europe, China and Latin America and to provide a global, crosscutting vision of urban mobility, a project was launched to organise an international symposium involving the three Chairs, to be held in early 2012.

In partnership with Fondation EDF Diversiterre, IVM developed the "Dream Cities, Sustainable Cities" exhibition, which was inaugurated in October 2009 in Paris. In 2010, the exhibition travelled to Mulhouse.

Lastly, the exhibition "The Street" and its catalogue continued their world tour, traveling to China, Brazil (Rio de Janeiro and Sao Paulo), Argentina, Spain, Portugal, Uruguay and Peru.

Group and Brand Outreach Programmes

Group-Sponsored Projects

For over a decade, PSA Peugeot Citroën has supported the **Paris emergency** service agency (SAMU). This socially responsible commitment is fully aligned with the Group's policy of promoting access to mobility, which helps to integrate individuals into society, fight social exclusion and foster community ties. As part of this commitment, the Group donates and maintains the agency's roaming fleet of 15 vehicles, and has lent additional vehicles on several occasions, particularly as reinforcement during the winter months.

PSA Peugeot Citroën currently serves on the agency's Board of Directors.

PSA Peugeot Citroën is a member of the **Villette-Entreprises Foundation**, which helps to disseminate scientific knowledge by fostering relationships between companies and science or technology museums. Through the foundation, the Group sponsored the renovation of the permanent exhibits at Paris' flagship science museum, the *Cité des Sciences et de l'Industrie*, and is continuing its support in 2011.

Reflecting its deep commitment to improving road safety in cooperation with other road-use stakeholders, PSA Peugeot Citroën was a co-founder of the **French Road Safety Foundation**, created in 2004 at the initiative of the French Ministry of Research. The Foundation, which was declared in the public interest in 2005, is financed both by the government and by private French companies such as PSA Peugeot Citroën, Renault and Plastic Omnium. Like all French research foundations, it brings together public and private organisations, in this case to identify, promote and finance road-safety research projects. It provides a unique forum for all types of road safety stakeholders, including government representatives, carmakers, public transit and road transport specialists, trade federations and public health professionals. By promoting these projects, the Foundation wants to help meet the French government's target of reducing the number of road fatalities to fewer than 3,000 by 2010, while also reducing the number of people seriously injured in road accidents.

In 2010, PSA Peugeot Citroën was one of the main corporate sponsors for France-Russia Year 2010, a cross-cultural event. The Group's sponsorship supported the organisation of events in both countries including live shows, films and concerts, as well as seminars and symposiums.

Initiatives Supported by the Peugeot Brand

Since 1998, Peugeot has sponsored a **carbon sink project** in the Amazon, which is 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 CO_2.

The reforestation initiative is helping to revitalise native plant species, with the aim of restoring balance to the ecosystem. More than two million trees representing some 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. In its first decade in existence, the Peugeot carbon sink absorbed an estimated 53,000 tonnes of CO_2, or an average 5.1 tonnes per hectare per year. Depending on tree spacing and the species planted, sequestration may vary from 2 to 12 tonnes per hectare per year from one plot to another. These calculations are based on the AR-ACM001 methodology prepared by the International Panel of Experts on Climate Change.

The 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.

Since 2009, Peugeot, the French Forestry Commission (ONF) and the Mato Grosso government have had an agreement designating the carbon sink as a Private Natural Heritage Reserve, which serves as a life-size laboratory for the research needs of the Brazilian and international scientific community. Tree felling and logging are prohibited throughout the reserve, which comprises 1,800 hectares of natural forest.

Peugeot also continued its programme, introduced in 1994, of lending vehicles to **Solidarité Sida**, an association that educates the public about AIDS and solicits donations for medical research. Through the programme, three vehicles are made available to the association for the entire year, with others lent for timely operations such as the Solidays festival.

Initiatives Supported by the Citroën Brand

In 2010, Citroën pursued its partnership with **Action Against Hunger** (ACF), which was launched in 2009 in honour of their respective anniversaries, the 90th for Citroën and the 30th for ACF. The brand also continued to participate in an initial project in Burkina Faso to facilitate access to drinking water in Tapoa Province schools.

For the second year in a row, the brand distributed Citroën-brand miniature cars, stuffed animals and other items as **Christmas** presents to some 3,000 hospitalised, needy or orphaned children in France and a number of other countries, including Switzerland, Germany, Belgium, Portugal and Austria.

In China, the Group supported the **Crayon Rouge** association at Expo Shanghai 2010, in partnership with the Beijing Youth Development Foundation. A nationwide initiative for children from low-income families was carried out in six major Chinese cities. Citroën provided an under-resourced school with supplies and organised a contest in which children drew a picture of what the exhibition looked like to them. In all, 600 drawings were submitted and posted on the largest Chinese web portal of its kind. Visitors to the site and a special Citroën committee voted for the 40 best drawings and awarded 10 Grand Prizes.

Initiatives Supported by the Citroën and Peugeot Brands

At the request of Peugeot and Citroën, vocational teachers "without borders" regularly conduct training programmes as needed. In 2010, missions were carried out by three teachers – in English, French and Spanish – in three countries (Nigeria, Tunisia and Cuba).

Local Sponsorship and Social Responsibility Plans

Allocation of Funding in 2010

Local Sponsorship and Social Responsibility Plans enable Group sites to structure their outreach programmes to local communities, institutions, associations and other stakeholders in their regions, while fostering more effective dialogue with both employees and the public. The plans are deployed in France and other countries by production plants and office facilities.

Their components focus on the following areas:

- local development, with initiatives that reflect the Group's commitment to its host communities;
- road safety, with safe driving programmes to inform people, raise their awareness and teach correct practices;
- urban mobility, with programmes to support sustainable, responsible and widely accessible mobility;
- environmental issues, with programmes to preserve or restore natural sites, raise people's awareness or train them in environmental techniques.

In 2009, funding committed to these plans was mainly allocated to programmes concerning local development (73%), followed by road safety (12%), mobility (10%) and environmental stewardship (5%).

Developing Community Ties

In 2010, the Group undertook a number of local outreach initiatives in communities near its production facilities and office sites. Examples included:

- providing environmental, business start-up or industrial organisation consulting services for small and medium-sized enterprises located near the plants in Aulnay, Mulhouse, Poissy, Rennes (through Performance Bretagne and PB2i), in Sochaux (through the Franche-Comté *Entreprendre* association and participation in the automotive cluster) and in Trémery (through Partenaires Superforce Lorraine);
- supporting initiatives to promote the hiring of young people from sensitive areas in partnership with the E2C Nord association in Valenciennes and pursuing the partnership with the Iochpe Foundation in Brazil. Since March 2008, the Porto Real facility has provided space for the Formare programme, which provides vocational training for young people from low-income families in the area. The programme's second graduating class completed their training in late 2010 and 20 additional young people were hired. PSA Peugeot Citroën allows employees to volunteer as teachers for the programme during their working hours. In addition to providing professional training, the programme prepares students for the job market by exposing them to real-life work experiences. In Russia, PSA Peugeot Citroën set up a training programme in cooperation with schools to promote employment opportunities by taking on young people with specialised skills from developing regions;
- participating in educational projects with academic institutions. These include Career Day programmes held in La Garenne, Madrid, Mulhouse, Rennes, Valenciennes, Sept-Fons and Vesoul, as well as a cooperation project with the China Foundation for Poverty Alleviation to enable underprivileged children to complete their studies;
- donating used computers and other equipment to schools and non-profit organisations in Buenos Aires, Madrid, Mangualde, Vigo and China;
- donating cars, vehicle body parts, mechanical components and spare parts to serve as vocational training aids in Buenos Aires, La Ferté Vidame, Madrid, Metz, Rennes, Sept-Fons, Trémery, Valenciennes, Vesoul and China;
- supporting community outreach associations, such as the French telethon in Aulnay, the Hospital Italiano marathon in support of child cancer survivors in Buenos Aires, Semilla in Madrid, *Fondation de la Deuxième Chance* and *Fondation Agir Contre l'Exclusion* in Rennes, the Spread Hope association in Sochaux, Fondation Porto Real in Brazil and similar organisations in Vigo and Mangualde;
- supporting local cultural and sports associations in Aulnay, Buenos Aires, La Ferté Vidame, Madrid, Palomar, Rennes, Sept-Fons, Valenciennes, Vesoul, Vigo and China;
- lending vehicles throughout the year to various associations in Vélizy (Trans-Forme), Sochaux, the Paris area (Voiture&CO and Mission Locale de Poissy) and Valenciennes;
- collecting and donating toys in Madrid and Buenos Aires;
- organising site visits for host communities in Aulnay, Charleville, Madrid, Poissy, Rennes, Sept-Fons, Sochaux and Valenciennes.

Moreover, special action plans are also being deployed by some of the Group's facilities or countries.

The Madrid plant continued to sponsor "The Southern Perspective", a radio programme put together by schools in the surrounding area to address environmental and gender equality issues.

To encourage community outreach projects, three facilities organised the Solidarity Trophies, a competition designed to provide financial support for employees seeking to organise – either personally or as part of an association – a local or international solidarity project that delivers collective benefits in five categories: Ecology, Education, Integration, Mobility and Emergency/Topical. In 2010, approximately 40 applications were submitted in the facilities (La Garenne and Rennes in France and Madrid in Spain) and 11 employees were awarded trophies, along with financial backing from the Group to enable them to pursue their projects.

Following earthquakes in the Qinghai and Sichuan regions of China, PSA Peugeot Citroën and its DPCA joint venture were involved in charitable initiatives, donating funds and equipment.

In Argentina, the Group supports the NGO “A Roof for My Country” through a team of employee volunteers who provide transportation and take part in house construction projects. In February 2010, a campaign was launched in Argentina to collect staples for victims of the Chilean earthquake.

Promoting Road Safety

Raising driver awareness of road safety issues is a major focus of the Group’s corporate citizenship commitment. In 2010, the French production and office facilities led road safety awareness-building programmes for employees and/or their host community, generally in partnership with academic institutions and organisations such as local fire brigades, the national police, the gendarmerie, the French Motorcycle Federation, the MACIF insurance company and the Centaure network of driver training sites. Examples included:

- conducting remedial and safe driving courses, including training in slippery road driving, in La Ferté Vidame, Sept-Fons and Vesoul;
- donating vehicles for drills and training courses in La Ferté Vidame, Mulhouse and Vélizy to learn how to free people trapped inside after an accident;
- preparing and distributing information and awareness-building booklets in La Garenne, Poissy, Valenciennes and Vélizy;
- distributing safety kits containing a reflective vest and warning triangle in Palomar and breathalysers in La Garenne;
- setting up exhibits and events, such as driving simulators, barrel crash simulations, drunk driving tests and vehicle inspection campaigns, in Aulnay, Charleville, La Ferté Vidame, La Garenne, Metz and Trémery;
- organising road safety contests in Aulnay, Caen and Trémery;
- helping to create a go-kart driving school in Aulnay to teach children of employees and local parents about road safety hazards.

Facilities in Argentina, Brazil and China were also highly active during the year.

In Argentina, in addition to actions organised to provide employees with road safety kits, other initiatives were set up for young people, including a road safety drawing contest and an awareness-raising programme for children in 90 schools. Secondary school students were invited to take part in a contest involving short films on road safety, which was supported by a TV campaign. Initiatives were also organised for the general public, including a safe driving training programme.

In Brazil, the Group is sponsoring the *Global Road Safety Partnership* NGO’s participation in a road safety programme in Resende, helping to prepare brochures for local distribution and awareness-building campaigns for the general public, for example at the start of the school year, during Carnival and on a special day organised for two-wheel vehicles.

In China, the Group continued to support the travelling exhibition initiated in 2009 to teach pre-school children about road safety. In 2010, the exhibition visited five pre-schools and a dealership in five different cities, distributing educational road safety brochures to 20,000 people and training 5,000 children in a variety of workshops, such as a bike-riding course, sing-alongs, a road safety board game and a road sign draw-and-guess game.

In 2010, the Group’s social responsibility efforts were rewarded by the Golden Bee award, one of the most widely recognised and influential awards of its kind in China. The jury cited PSA Peugeot Citroën for its ongoing road safety initiatives in China. The Group has played a pioneering role in helping to make driving safer in China by leading discussions on road safety issues and organising conferences that bring together journalists and experts.

Supporting Sustainable Mobility

Mobility is one of the basic building blocks of modern society, determining access to jobs, healthcare and culture. Encouraging sustainable, responsible and mutually supportive mobility also means supporting the inalienable right to mobility, ensuring the right balance between the different modes of transport and promoting technologies that contribute to the smooth flow of automobile traffic.

Online car-pooling sites have been opened on the corporate intranet to make office commutes easier, particularly at the Aulnay, La Garenne, Rennes and Vélizy facilities. Car-pooling services are also available to employees at other sites in France and elsewhere in Europe.

In addition, PSA Peugeot Citroën continued to i) lend or donate vehicles to programmes that promote solutions for the disadvantaged like the Rio Solidario project for favela-dwellers in Brazil; ii) support the Down’s Syndrome Foundation of Madrid, which helps to integrate people with trisomy 21 or a mental disability into the workplace iii) and lend vehicles to the French telethon, in partnership with the Aulnay Mayor’s Office, and to the Clayes Handisports association, through the Group’s plant in Poissy. During the year, Sochaux donated the 20 millionth vehicle manufactured at the site to the Haitian Protestant Federation for driving orphans to and from school.

The sites also organise initiatives to benefit the mobility-challenged, such as:

- recycling plastic bottle caps at the Aulnay, Buenos Aires, Caen, La Garenne, Paris, Poissy, Saint Ouen, Trémery, Valenciennes and Vélizy facilities, with proceeds donated to help-the-handicapped associations;
- organising disability awareness days in Aulnay, La Ferté Vidame, La Garenne, Metz, Mulhouse, Rennes, Sept-Fons, Valenciennes, Vélizy and Vesoul involving, for example, the preparation and distribution of educational booklets on the importance of hiring disabled people, showings of short films about disability, situational exercises simulating visual or physical impairment, a seeing eye-dog demonstration, an exhibition of mobility adapted vehicles, Braille writing workshops, and meetings with employers who have successfully integrated mobility solutions into the workplace;

- installing equipment and renovating access points at the Aulnay and Caen sites to improve access for mobility-challenged individuals;
- participating, through the Vélizy site, in the 14th "Childhood Dreams" air show that enables two children – one with a disability and one without – to fly for the first time and lending vehicles to the event organisers.

Supporting Environmental Initiatives

In 2010, PSA Peugeot Citroën launched a wide range of environmental initiatives, including:

- organising and taking part in environmental events. These include World Environment Day programmes in Argentina, La Garenne and Porto Real, an exhibition for sustainable development week in Aulnay, forums and discussions on environmental issues at the Porto Real facility, nature films in Sept-Fons, a partnership with the Vive La Seine association in Poissy, and support for the Vigo Mayor's Office Foundation, which promotes sustainable energy resources in Vigo, Spain;
- sponsoring an Environment Day at the Sochaux site. The event was attended by more than 3,000 people, including 2,000 children, who took part in workshops designed to raise awareness of environmental protection issues, in partnership with a number of non-profit organisations. As part of Water Day, launched with the Porte de Hainaut Urban Community, the Valenciennes plant hosted around 100 primary school children, who participated in workshops on sorted waste and water recycling and reuse;
- supporting the deployment of a waste-sorting system at Mulhouse and Saint Ouen;
- helping to rehabilitate nature reserves near the Poissy site.

Capitalising on its environmental expertise, the Group is leading a number of educational campaigns to promote eco-friendly practices. Examples include:

- participating in monthly environmental discussion sessions in Porto Real;
- pursuing the "Eco-Logical" environmental information and awareness campaign in La Garenne and two initiatives at the Aulnay plant: a quarterly environmental briefing and the "Stop and Start" Attitude programme designed to encourage employees to turn everything off at the end of the day;
- organising workshops to train students in environment-related jobs in Mulhouse;
- offering local students, employees and their families in Poissy the opportunity to learn about the environment by observing animal and plant life from a barge on the Seine River;
- giving environmental protection quizzes and advice at Caen, Trémery and Porto Real.

Ongoing support was provided in Argentina to NGO Cascos Verdes which, through the "Crear Conciencia" programme, helps give mentally disabled young people a chance to attend university and play a role in society, thanks to a two-year training course on environmental protection.

6

BUSINESS OVERVIEW

6.1. Automotive Division

6.1.1. Significant Events of the Year

- Sales of new vehicles and CKD units up 13% to 3,602,200 units;
- Improvement in market share in Europe * to 14.2% from 13.8% in 2009;
- Sharp increase in the proportion of sales outside Europe, to 39% of the total vs. 32% in 2009;
- Model range mix successfully moved upmarket, led by firm sales of the Peugeot RCZ, Peugeot 3008 and Citroën DS3 and C4;
- Further decline in corporate average emissions to 131.8 g of CO_2/km vs. 135.4 g in 2009.

Global automotive markets rose by around 10% in 2010. As in 2009, growth was led by China (up 30%) and Latin America ** (up 14%). Demand in Europe was down 3.8% overall, reflecting very uneven performances across the region, as follows:

- France: 0%;
- Germany: -22%;
- Spain: +4%;
- Italy: -8%;
- United Kingdom: +3%;
- CEEC: -4%.

In this environment, worldwide sales of PSA Peugeot Citroën assembled vehicles and CKD units increased by 13% to 3,602,200 during the year:

- sales of assembled vehicles alone rose 9.8% to 3,125,200 units;
- CKD sales climbed 39.4% to 477,000 units, lifted by strong demand for the Peugeot brand.

In 2010, Peugeot confirmed its position as the world's leading French car brand, while in Europe, Peugeot and Citroën rose in the brand league tables to rank fourth and sixth respectively.

6.1.2. 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.

Improved Market Share in Europe

In a European **car and light commercial vehicle** market that declined by 3.8% in 2010, registrations of PSA Peugeot Citroën vehicles contracted by just 0.9% to 2,195,000 units, driving a further 0.4-point improvement in the Group's market share to 14.2%.

In 2010, the **car** market was affected by a further scale-back in scrappage incentives in France and the elimination of similar schemes in Germany and Spain. As expected, demand declined by 5.1% for the year, with wide variances between the first half (up 0.5%) and the second (down 11.1%).

In the **light commercial vehicle** segment, which grew by 9.9% in 2010, PSA Peugeot Citroën retained its leadership position with market share of 21.9%.

Sharp Increase in the Proportion of Sales Outside Europe, to 39% of the Total

Sales outside Europe accounted for 39% of the 2010 consolidated total, compared with 32% in 2009. The trend grew even stronger as the year unfolded, with 43% of sales generated outside Europe in the second half. This sustained expansion confirms PSA Peugeot Citroën's commitment to its priority growth regions of Latin America, China and Russia, while demonstrating that its ambition of becoming more global is being realised.

Latin America: Robust Growth

Demand in Latin America pursued its upward trajectory in the second half, enabling the region's markets to end the year with a combined 14.1% gain, led by Brazil (up 10.4%) and Argentina (up 28.6%). Group sales in the region rose 26.7% to a record 294,300 units, raising market share to 5.4% from 5.2% in 2009. Faster expansion in the Group's regional operations was driven by introduction of the Citroën C3 Aircross (in September) and the Peugeot Hoggar pick-up (in May), along with a more aggressive sales strategy adapted to local markets.

* *Europe corresponds to the European Union, the European Free Trade Association countries and Croatia.*

** *Argentina, Brazil, Chile, Mexico.*

China: Laying the Groundwork for Ambitious Expansion

The Chinese market was again the leading driver of global automotive sales in 2010, with local demand rising by 30% * over the year. PSA Peugeot Citroën's sales rose to a new record high, surging 38% to 375,700 vehicles, for a 3.4% share of the market. By strengthening its cooperative venture with Dong Feng and signing a new joint venture agreement with Chang'An (subject to approval by Chinese authorities), the Group has laid the groundwork for achieving its ambitious growth objectives.

Russia: Faster Recovery

With 1,910,000 registrations and a 30% rise in demand over the year, the Russian market sustainably entered a new period of fast growth in 2010. In this environment, the Group maintained its positions over the full year, with sales up 37% to 55,500 units and a 2.8% market share. However, it made stronger gains following start-up of local production of the Peugeot 308 and 4007 and the Citroën C4 and C-Crosser, whose combined sales surged 85% in the second half.

6.1.3. Vehicle Models

Model Range Mix Successfully Moved Up-Market

The Group's model range strategy is designed to increase the value of the Peugeot and Citroën brands.

Successful launches during the year included the new Citroën DS distinctive line, which debuted in March with the Citroën DS3, and the new Peugeot RCZ, introduced in May following the Peugeot 3008's launch in April 2009.

With more than 65,000 vehicles ordered worldwide since launch, the Citroën DS3 exceeded its sales targets for the year.

The Peugeot RCZ coupé has more than met initial expectations, generating 16,600 orders since its launch in May. It was elected "most beautiful car of the year 2009 at the 25th International Automobile Festival".

The Peugeot 3008, the brand's first crossover vehicle, has proven highly successful, with sales exceeding targets for the period. Production of the model has risen to 900 vehicles a day, from 600 at start-up, following the introduction of a third shift at the Sochaux plant in mid-October 2009. With some 190,000 units sold since launch, including 129,700 in 2010 alone, the 3008 is one of the brand's growth pillars.

The Peugeot brand's market coverage has been extended with the introduction of the Peugeot 5008, its first compact MPV. Sales of this new model totalled 73,400 units in 2010.

Launched in late 2009, the Citroën C3 Visiodrive has also been a market success. In all, 305,600 C3s were sold in 2010 (up 37.4% from 2009), including 212,900 Visiodrives and 92,700 previous-generation vehicles.

The Carbon Emissions Reduction Strategy

The Group is keeping up its drive to lower its models' CO_2 emissions. Its strategy is based on three closely related objectives: optimising internal combustion engines, developing micro-hybrid, hybrid and plug-in hybrid technologies and promoting electric vehicles.

In 2010, the Group's technological advances in conventional engine technology led to a further reduction in corporate average emissions to 131.8 g of CO_2/km versus 135.4 g in 2009.

PSA Peugeot Citroën aims to maintain its environmental leadership in 2011 with the following breakthrough technologies:

- the e-HDI micro-hybrid system, offered on the Citroën C4, C4 Picasso and C5 as of late 2010, and on the Peugeot 508 and 308 in 2011;
- the Peugeot i0n and Citroën C-Zero electric vehicles introduced in December 2010, which have already recorded 3,000 firm orders;
- the Peugeot 3008 Hybrid4, the world's first diesel hybrid, launched in 2011.

* *Passenger car market.*

6.1.4. Operating Statistics

PSA Peugeot Citroën Group – Worldwide Sales

		2010	2009
Europe 30	Citroën	1,172,100	1,132,400
	Peugeot	1,023,200	1,026,200
	PSA Peugeot Citroën	**2,195,300**	**2,158,600**
Russia	Citroën	39,600	29,500
	Peugeot	19,900	13,000
	PSA Peugeot Citroën	**59,500**	**42,400**
Latin America	Citroën	173,800	139,900
	Peugeot	120,500	92,400
	PSA Peugeot Citroën	**294,300**	**232,000**
Asia	Citroën	164,200	118,200
	Peugeot	227,600	162,500
	PSA Peugeot Citroën	**391,800**	**280,700**
Rest of the World	Citroën	120,400	94,500
	Peugeot	63,900	37,200
	PSA Peugeot Citroën	**184,300**	**131,700**
Total Assembled Vehicles	Citroën	1,670,000	1,514,500
	Peugeot	1,455,100	1,331,300
	PSA Peugeot Citroën	**3,125,200**	**2,845,800**
CKD Units	Citroën	471,700	327,000
	Peugeot	5,300	15,200
	PSA Peugeot Citroën	**477,000**	**342,200**
TOTAL ASSEMBLED VEHICLES AND CKD UNITS	Citroën	2,141,800	1,841,500
	Peugeot	1,460,400	1,346,400
	PSA Peugeot Citroën	**3,602,200**	**3,188,000**

PSA Peugeot Citroën Group – Worldwide sales by model

	2010	2009
Peugeot Marque		
107	111,900	118,600
1007	100	5,200
206	472,800	370,800
207	353,100	411,100
307	86,900	93,600
308	226,200	252,100
3008	129,600	59,500
5008	73,400	14,000
405	299,400	234,700
406	-	-
407	31,300	39,500
408	4,200	-
508	1,400	-
607	1,000	1,900
807	5,700	7,100
4007	8,400	9,400
RCZ	16,600	100
Bipper	44,500	34,300
Partner	160,200	133,300
Expert	28,500	24,300
Boxer	48,800	31,900
TOTAL	**2,141,800**	**1,841,500**
- of which diesel-powered versions	907,700	773,600
- of which passengers cars	1,937,100	1,676,600
- of which light commercial vehicles	204,700	164,900
Citroën Marque		
C1	105,200	117,000
C2	9,300	52,400
DS3	64,500	500
C3	308,300	226,700
C3 Picasso	83,700	86,500
ZX	71,800	75,500
Xsara Picasso	38,200	54,000
C4	235,000	216,900
C4 Picasso	128,800	143,800
DS4	200	-
Xantia	4,000	12,500
C5	116,000	87,600
DS5	200	-
C6	1,400	1,500
C8	5,500	5,800
C-Crosser	8,500	9,400

	2010	2009
Nemo	43,500	43,300
Berlingo	169,800	159,700
Jumpy	27,700	22,800
Jumper	38,700	30,700
TOTAL	**1,460,400**	**1,346,400**
- of which diesel-powered versions	769,000	709,700
- of which passengers cars	1,283,200	1,190,600
- of which light commercial vehicles	178,000	155,800
TOTAL PSA PEUGEOT CITROËN	**3,602,200**	**3,188,000**
- of which diesel-powered versions	1,676,700	1,483,300
- of which passengers cars	3,220,300	2,867,200
- of which light commercial vehicles	381,900	320,700

Passenger Car Registrations in Europe by Country

Country	2010 Volume	2009 Volume
France	2,251,700	2,302,400
Germany	2,916,300	3,807,200
Austria	328,600	319,400
Belgium & Luxembourg	597,100	523,500
Denmark	153,300	112,200
Spain	982,000	952,800
Finland	107,300	88,300
Greece	141,500	219,700
Ireland	88,400	57,500
Iceland	3,100	2,100
Italy	1,961,200	2,159,200
Norway	127,800	98,700
Netherlands	483,900	387,200
Portugal	223,500	161,000
United Kingdom	2,030,800	1,995,000
Sweden	289,700	213,400
Switzerland	292,500	266,000
TOTAL WESTERN EUROPE (18 COUNTRIES)	**12,978,600**	**13,665,600**
Croatia	38,600	44,900
Hungary	43,500	60,200
Poland	333,500	320,200
Czech Republic	167,500	167,700
Slovakia	65,900	86,400
Slovnia	61,100	58,000
TOTAL CEEC	**710,100**	**737,400**
Baltic Countries	24,600	22,800
Bulgaria + Romania	122,000	151,700
TOTAL EUROPE 30 COUNTRIES	**13,835,300**	**14,577,500**

Light Commercial Vehicle Registrations in Europe by Country

Country	2010 Volume	2009 Volume
France	417,600	374,000
Germany	202,400	174,600
Austria	28,100	25,700
Belgium & Luxembourg	59,300	57,400
Denmark	16,800	15,900
Spain	116,800	107,500
Finland	11,600	9,600
Greece	10,900	14,900
Ireland	10,600	9,300
Iceland	200	300
Italy	183,200	178,700
Norway	30,400	24,500
Netherlands	49,800	51,500
Portugal	45,800	39,000
United Kingdom	231,500	194,700,000
Sweden	38,500	27,900,000
Switzerland	26,500	23,900
TOTAL WESTERN EUROPE (18 COUNTRIES)	**1,480,100**	**1,329,500**
Croatia	2,800	4,800
Hungary	9,300	10,600
Poland	42,900	43,800
Czech Republic	11,300	13,300,000
Slovakia	5,100	4,000
Slovnia	4,700	4,500
TOTAL CEEC	**76,200**	**80,900**
Baltic countries	3,100	2,600
Bulgaria + Romania	13,600	19,600
TOTAL EUROPE 30 COUNTRIES	**1,573,000**	**1,432,700**

Passenger Car and Light Commercial Vehicle Registrations in Europe by Country

Country	2010 Volume	2009 Volume
France	2,669,300	2,676,400
Germany	3,118,700	3,981,800
Austria	356,700	345,100
Belgium & Luxembourg	656,400	580,900
Denmark	170,100	128,100
Spain	1,098,800	1,060,300
Finland	118,900	97,900
Greece	152,400	234,600
Ireland	98,900	66,800
Iceland	3,300	2,400
Italy	2,144,400	2,338,000
Norway	158,200	123,200
Netherlands	533,800	438,700
Portugal	269,200	200,100
United Kingdom	2,262,400	2,189,700
Sweden	328,200	241,300
Switzerland	319,000	289,900
TOTAL WESTERN EUROPE (18 COUNTRIES)	**14,458,700**	**14,995,100**
Croatia	41,400	49,700
Hungary	52,800	70,800
Poland	376,300	364,000
Czech Republic	178,800	181,000
Slovakia	71,000	90,400
Slovnia	65,900	62,400
TOTAL CEEC	**786,300**	**818,300**
Baltic countries	27,700	25,500
Bulgaria + Romania	135,600	171,300
EUROPE 30 COUNTRIES	**15,408,300**	**16,010,200**

Passenger Car and Light Commercial Vehicle Registrations in Europe by Manufacturer

		2010		2009	
Rank	**Group**	**Volume**	**Market share (%)**	**Volume**	**Market share (%)**
1	VAG	3,129,500	20.3%	3,235,000	20.2%
2	**PSA Peugeot Citroën**	**2,193,200**	**14.2%**	**2,212,300**	**13.8%**
	• of which Citroën	1,015,700	6.6%	1,045,100	6.5%
	• of which Peugeot	1,177,500	7.6%	1,167,200	7.3%
3	Renault Gr.	1,681,100	10.9%	1,575,200	9.8%
4	Ford Gr.	1,298,500	8.4%	1,461,800	9.1%
5	Fiat Gr.	1,276,600	8.3%	1,473,000	9.2%
6	General Motors	1,273,200	8.3%	1,337,800	8.4%
7	Daimler AG	812,400	5.3%	811,500	5.1%
8	BMW Gr.	756,300	4.9%	710,400	4.4%
9	Toyota Gr.	669,100	4.3%	809,500	5.1%
10	Hyundai Gr.	620,800	4.0%	609,900	3.8%
11	Nissan	450,600	2.9%	415,700	2.6%
12	Geely Gr.	231,900	1.5%	206,900	1.3%
13	Suzuki Gr.	197,800	1.3%	252,900	1.6%
14	Honda	188,000	1.2%	245,700	1.5%
15	Mazda	186,200	1.2%	217,000	1.4%
16	Mitsubishi	130,100	0.8%	116,800	0.7%
17	Tata	111,600	0.7%	101,200	0.6%
18	Others	104,200	0.7%	110,500	0.7%
19	Subaru	45,500	0.3%	43,500	0.3%
20	Chrysler LLC	39,200	0.3%	53,500	0.3%

PSA Peugeot Citroën Group – Passenger Car Registrations in Europe by Country

	2010		2009	
Country	Volume	Market share (%)	Volume	Market share (%)
France	728,800	32.4%	738,400	32.1%
Germany	152,700	5.2%	231,600	6.1%
Austria	28,900	8.8%	28,900	9.1%
Belgium & Luxembourg	107,800	18.1%	94,000	17.9%
Denmark	26,800	17.5%	20,400	18.2%
Spain	163,900	16.7%	169,600	17.8%
Finland	7,300	6.8%	5,400	6.2%
Greece	11,200	7.9%	13,500	6.1%
Ireland	4,100	4.6%	2,800	4.8%
Iceland	0	0.9%	0	0.7%
Italy	210,900	10.8%	224,600	10.4%
Norway	10,600	8.3%	6,400	6.5%
Netherlands	64,800	13.4%	49,700	12.8%
Portugal	31,400	14.1%	21,900	13.6%
United Kingdom	182,700	9.0%	175,000	8.8%
Sweden	16,300	5.6%	12,100	5.7%
Switzerland	28,200	9.6%	23,300	8.7%
TOTAL WESTERN EUROPE (18 COUNTRIES)	**1,776,300**	**13.7%**	**1,817,500**	**13.3%**
Croatia	4,600	12.0%	6,200	13.8%
Hungary	2,500	5.7%	3,400	5.6%
Poland	27,700	8.3%	22,200	6.9%
Czech Republic	13,200	7.9%	14,300	8.5%
Slovakia	7,500	11.4%	11,900	13.8%
Slovnia	8,800	14.4%	7,800	13.5%
TOTAL CEEC	**64,300**	**9.1%**	**65,900**	**8.9%**
Baltic Countries	2,600	10.5%	1,900	8.1%
Bulgaria + Romania	5,600	4.6%	8,400	5.5%
TOTAL EUROPE 30 COUNTRIES	**1,848,800**	**13.4%**	**1,893,600**	**13.0%**

PSA Peugeot Citroën Group – Light Commercial Vehicle Registrations in Europe by Country

	2010		2009	
Country	Volume	Market share (%)	Volume	Market share (%)
France	143,100	34.3%	133,300	35.6%
Germany	21,200	10.5%	18,200	10.4%
Austria	3,500	12.6%	3,500	13.5%
Belgium & Luxembourg	17,000	28.7%	17,000	29.6%
Denmark	2,300	13.7%	2,400	15.3%
Spain	39,100	33.5%	36,200	33.7%
Finland	900	8.0%	600	6.5%
Greece	600	5.1%	700	4.8%
Ireland	1,200	11.4%	900	9.9%
Iceland	0	2.5%	0	0.9%
Italy	28,000	15.3%	26,800	15.0%
Norway	5,800	18.9%	4,200	17.0%
Netherlands	5,900	11.9%	6,600	12.9%
Portugal	12,200	26.7%	10,100	25.8%
United Kingdom	34,700	15.0%	29,000	14.9%
Sweden	6,300	16.4%	4,700	16.8%
Switzerland	4,100	15.6%	4,200	17.6%
TOTAL WESTERN EUROPE (18 COUNTRIES)	**326,000**	**22.0%**	**298,500**	**22.5%**
Croatia	700	24.8%	1,200	26.1%
Hungary	1,400	15.3%	1,600	14.7%
Poland	8,000	18.8%	7,400	16.8%
Czech Republic	2,000	17.5%	2,500	18.7%
Slovakia	1,500	30.3%	1,300	32.4%
Slovnia	1,700	36.0%	1,600	35.6%
TOTAL CEEC	**15,400**	**20.2%**	**15,500**	**19.2%**
Baltic Countries	900	29.2%	600	24.4%
Bulgaria + Romania	2,100	15.6%	4,100	20.8%
TOTAL EUROPE 30 COUNTRIES	**344,400**	**21.9%**	**318,800**	**22.2%**

PSA Peugeot Citroën Group – Passenger Car and Light Commercial Vehicle Registrations in Europe by Country

	2010		2009	
Countries	**Volume**	**Market share (%)**	**Volume**	**Market share (%)**
France	871,900	32.7%	871,700	32.6%
Germany	173,900	5.6%	249,800	6.3%
Austria	32,400	9.1%	32,400	9.4%
Belgium & Luxembourg	124,800	19.0%	111,000	19.1%
Denmark	29,100	17.1%	22,800	17.8%
Spain	203,000	18.5%	205,800	19.4%
Finland	8,200	6.9%	6,100	6.2%
Greece	11,800	7.7%	14,200	6.0%
Ireland	5,300	5.3%	3,700	5.5%
Iceland	0	1.0%	0	0.7%
Italy	238,900	11.1%	251,300	10.8%
Norway	16,300	10.3%	10,600	8.6%
Netherlands	70,700	13.2%	56,400	12.8%
Portugal	43,600	16.2%	32,000	16.0%
United Kingdom	217,400	9.6%	204,000	9.3%
Sweden	22,600	6.9%	16,800	7.0%
Switzerland	32,300	10.1%	27,500	9.5%
TOTAL WESTERN EUROPE (18 COUNTRIES)	**2,102,300**	**14.5%**	**2,116,000**	**14.1%**
Croatia	5,400	12.9%	7,500	15.0%
Hungary	3,900	7.4%	4,900	6.9%
Poland	35,800	9.5%	29,600	8.1%
Czech Republic	15,200	8.5%	16,800	9.3%
Slovakia	9,100	12.8%	13,200	14.6%
Slovnia	10,500	15.9%	9,400	15.0%
TOTAL CEEC	**79,800**	**10.1%**	**81,400**	**9.9%**
Baltic Countries	3,500	12.6%	2,500	9.8%
Bulgaria + Romania	7,700	5.7%	12,400	7.3%
TOTAL EUROPE 30 COUNTRIES	**2,193,200**	**14.2%**	**2,212,300**	**13.8%**

Peugeot Marque – Passenger Car and Light Vehicle Registrations in Europe by Country

	2010		2009	
Countries	**Volume**	**Market share (%)**	**Volume**	**Market share (%)**
France	472,900	17.7%	458,400	17.1%
Germany	94,300	3.0%	138,000	3.5%
Austria	17,100	4.8%	17,200	5.0%
Belgium & Luxembourg	64,000	9.8%	55,400	9.5%
Denmark	15,200	8.9%	12,700	9.9%
Spain	99,800	9.1%	97,300	9.2%
Finland	4,300	3.6%	3,500	3.6%
Greece	5,300	3.4%	7,800	3.3%
Ireland	3,800	3.8%	2,400	3.6%
Iceland	0	0.4%	0	0.6%
Italy	119,800	5.6%	126,700	5.4%
Norway	10,200	6.4%	6,400	5.2%
Netherlands	43,000	8.1%	33,300	7.6%
Portugal	23,400	8.7%	16,200	8.1%
United Kingdom	126,000	5.6%	116,100	5.3%
Sweden	13,100	4.0%	10,000	4.1%
Switzerland	16,800	5.3%	13,400	4.6%
TOTAL WESTERN EUROPE (18 COUNTRIES)	**1,128,900**	**7.8%**	**1,114,900**	**7.4%**
Croatia	3,000	7.2%	4,000	8.0%
Hungary	2,200	4.2%	2,900	4.1%
Poland	18,600	4.9%	16,500	4.5%
Czech Republic	7,900	4.4%	8,300	4.6%
Slovakia	4,700	6.7%	7,000	7.8%
Slovnia	5,300	8.0%	4,200	6.7%
TOTAL CEEC	**41,800**	**5.3%**	**42,900**	**5.2%**
Baltic Countries	2,300	8.3%	1,300	5.2%
Bulgaria + Romania	4,500	3.4%	8,100	4.7%
TOTAL EUROPE 30 COUNTRIES	**1,177,500**	**7.6%**	**1,167,200**	**7.3%**

Citroën Marque – Passenger Car and Light Commercial Vehicle Registrations in Europe by Country

	2010		2009	
Countries	Volume	Market share (%)	Volume	Market share (%)
France	399,000	14.9%	413,300	15.4%
Germany	79,600	2.6%	111,800	2.8%
Austria	15,300	4.3%	15,200	4.4%
Belgium & Luxembourg	60,800	9.3%	55,500	9.6%
Denmark	13,900	8.2%	10,200	7.9%
Spain	103,200	9.4%	108,500	10.2%
Finland	3,900	3.3%	2,600	2.6%
Greece	6,500	4.3%	6,300	2.7%
Ireland	1,500	1.5%	1,300	1.9%
Iceland	0	0.7%	0	0.1%
Italy	119,100	5.6%	124,700	5.3%
Norway	6,200	3.9%	4,100	3.3%
Netherlands	27,600	5.2%	23,100	5.3%
Portugal	20,200	7.5%	15,800	7.9%
United Kingdom	91,500	4.0%	88,000	4.0%
Sweden	9,500	2.9%	6,800	2.8%
Switzerland	15,500	4.9%	14,000	4.8%
TOTAL WESTERN EUROPE (18 COUNTRIES)	**973,400**	**6.7%**	**1,001,100**	**6.7%**
Croatia	2,400	5.7%	3,500	7.0%
Hungary	1,700	3.2%	2,000	2.8%
Poland	17,200	4.6%	13,100	3.6%
Czech Republic	7,300	4.1%	8,500	4.7%
Slovakia	4,300	6.1%	6,200	6.9%
Slovia	5,200	7.9%	5,200	8.3%
TOTAL CEEC	**38,000**	**4.8%**	**38,500**	**4.7%**
Baltic Countries	1,200	4.3%	1,200	4.7%
Bulgaria + Romania	3,100	2.3%	4,300	2.5%
TOTAL EUROPE 30 COUNTRIES	**1,015,700**	**6.6%**	**1,045,100**	**6.5%**

PSA Peugeot Citroën Group – Worldwide Production by Model

Passenger car and light commercial vehicles	2010	2009
Marque Peugeot		
iOn	350	
107	110,550	116,100
1007	0	4,800
206	477,800	364,800
207	344,900	386,400
307	87,700	84,300
308	226,600	233,700
3008	132,500	64,700
405	302,200	220,300
407	28,900	33,300
408	43,600	
4007	9,000	4,500
508	6,400	
5008	69,300	21,900
607	1,000	900
807	5,700	6,200
RCZ	19,100	100
Bipper	42,900	32,300
Partner	164,600	120,500
Expert	28,900	19,000
Boxer	50,300	25,600
TOTAL	**2,152,300**	**1,739,400**
Marque Citroën		
C-ZERO	350	
C1	102,250	116,100
C2	8,200	49,100
DS3	68,400	1,700
C3	311,200	233,400
C3 Picasso	77,100	91,700
DS4	300	
C4	239,000	207,300
C4 Picasso	126,800	133,800
Xsara Picasso	34,600	53,300
ZX	72,000	76,000
DS5	200	
C5	112,400	82,800
Xantia	4,000	11,800
C-Crosser	8,600	5,000
C6	1,100	1,000
C8	5,500	5,300
Nemo	43,200	42,000
Berlingo	170,500	147,600
Jumper	39,500	25,000
Jumpy	27,900	20,000
TOTAL	**1,453,200**	**1,302,900**
PSA Peugeot Citroën	**3,605,500**	**3,042,400**

6.1.5 Extent to which the issuer is dependent on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes

Please refer to section 4.1.6 and 4.5.4.

6.2. Faurecia

With the acquisition of Emcon Technologies, which joined Faurecia Emissions Control Technologies on 8 February 2010, Faurecia is now the world's leading provider of emissions control solutions. Following the transaction, PSA Peugeot Citroën's interest in Faurecia was reduced to 57.43% from 70.86% in 2009. However, the Group continues to exercise exclusive control over the company. On 3 February 2010, Faurecia signed an agreement to acquire the German assets of Plastal, a tier-one supplier of plastic exterior parts for the automotive industry. The agreement also included call options on the operations of Plastal Spain and Plastal France. Following approval by competition authorities, acquisition of the German operations was completed on 31 March 2010 and that of the Spanish assets on 30 September 2010. The Plastal France call option was not exercised.

Automotive equipment manufacturer Faurecia is strategically focused on four carefully targeted automotive component families: automotive seating, interior systems, automotive exteriors and emissions control technologies. In each on, it ranks among the top three worldwide.

With 238 production facilities in 33 countries, Faurecia is active on five continents, deploying an industrial strategy designed to meet two objectives: i) to be constantly able to support leading automakers in their global strategy, notably in fast growing emerging markets; and ii) to continuously optimise the global location of its facilities to offer customers superior cost and quality performance.

Faurecia employs 76,700 people worldwide.

Faurecia reported revenue of €13,796 million in 2010, versus €9,292 million in 2009 (for more detailed information about Faurecia's revenue, please see chapter 9.2.3.2 below).

Faurecia reported recurring operating income of €456 million in 2010, representing 3.3% of sales, as opposed to a €92 million loss in 2009.

6.2.1. Four Core Businesses

1. 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 2010, seats accounted for 41% of product sales (excluding monoliths).

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.

2. Interior Systems

Faurecia designs and produces instrument panels, central consoles and door panels that meet both the expectations of carbuyers and the requirements of automakers. It offers advanced solutions in the areas of passenger safety, interior fittings and weight reduction.

In acoustic packages, the Company delivers products that optimize soundproofing through insulation and sonic absorption. In 2010, interior systems accounted for 25% of product sales (excluding monoliths).

3. Automotive Exteriors

Faurecia is one of the world's leading suppliers of front-end modules and carriers in composite materials, and ranks among the top suppliers for bumpers and engine cooling systems in Europe. In 2010, automotive exteriors accounted for 11% of product sales (excluding monoliths).

In April 2010, Faurecia completed the acquisition of the German assets of Plastal, a tier-one supplier of plastic exterior parts for the automotive industry. In September, Plastal's Spanish operations joined the Faurecia Automotive Exteriors business group, making it the new European leader in automotive exterior parts.

4. 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 2009, emissions control technologies accounted for 13% of product sales (excluding monoliths).

With the acquisition of Emcon Technologies, which joined Faurecia Emissions Control Technologies on 8 February 2010, Faurecia is now the world's leading provider of emissions control solutions.

6.2.2. Industrial Footprint

Working with almost all of the world's automakers, Faurecia's production facilities span the globe with 238 plants in 33 countries on five continents. For every customer, it can manufacture a given product on several continents using a pre-defined production process and the same quality standards.

In 2010, the Company generated 66% of its product sales (excluding monoliths) in Europe, 18% in North America, 9% in Asia, 5% in Latin America and 2% 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 optimize production and logistics costs, the other third operate on a just-in-time basis.

6.2.3. Customer Base

Faurecia continued to diversify its customer portfolio in 2010. Volkswagen remained the largest customer, accounting for 24% of product sales (excluding monoliths), followed by PSA Peugeot Citroën (18%), Renault Nissan (12%), Ford (11%), General Motors (10%) and BMW (9%).

6.3. Gefco

Wholly-owned subsidiary Gefco[1] is one of the world's leading logistics specialists, whose services span the entire supply chain, including overland, sea and air transport, industrial logistics, container management, new vehicle preparation and distribution, and customs and VAT representation. The globalisation of modern manufacturing and the specialization of production facilities have led Gefco to leverage its supply chain management capabilities, combining a variety of services, to deliver end-to-end solutions in such areas as global sourcing, upstream industrial logistics, container management and downstream automotive logistics.

Gefco has a direct presence in 29 countries and employs 9,400 people worldwide.

Gefco reported revenue of €3,351 million in 2009, versus €2,888 million in 2009 (for more detailed information about Gefco's revenue, please refer to chapter 9.2.3.3 below).

On 5 April 2011, Gefco signed a contract to acquire a 70% stake in Gruppo Mercurio, one of the leading car transport and distribution companies in Italy and the world. The acquisition will enable Gefco to diversify its client portfolio and extend its international footprint.

6.3.1. Core Competencies

Inbound and Outbound Overland Transport

Gefco's inbound transport services are based on three areas of expertise: groupage, full/part-load road transport and customized express delivery. The company operates one of Europe's largest private-sector overland transport networks, with 141 depots linked by 414 international lines. Outbound transport services integrate Gefco's expertise in organizing the international transport and delivery of new vehicles from the production plants to dealers, via a global network of more than 80 vehicle storage and delivery centres. The vehicles are transported both on articulated lorries and by rail using Gefco's 3,700 railway car carriers.

Sea and Air Transport

Gefco designs and implements door-to-door air and sea freight forwarding solutions to deliver production components sourced from around the world (inbound expertise) and distribute the finished products to customers anywhere on the planet (outbound expertise).

Industrial Logistics

Gefco's international network of logistics platforms enable manufacturers to improve the reliability of their supply and distribution processes, continually optimise inventory, facilitate handling operations, free up space at their sites and carry out specific value-adding operations.

Handling Solutions

Managing industrial packaging, such as boxes, containers, pallets and covers, is a complex process. Gefco helps customers simplify this task with a variety of service solutions, including flow optimisation and engineering, transport, washing, maintenance and packaging rental. Every year, the Company processes more than 40 million goods flows across Europe with a fleet of five million handling units.

Customs and VAT Representation

Gefco offers customers bespoke expertise and helps them to implement secure processes and capture all of the benefits provided by international regulations.

A licensed customs broker since 1970, Gefco was granted Authorised Economic Operator (AEO) status in 2010.

(1) For more information about Gefco, please visit www.gefco.net.

6.3.2. Customer Industries

Gefco delivers its expertise to customers in most of the major industries, such as automobiles, automotive equipment, scooters and motorbikes, manufacturing, personal care products, consumer electronics, aerospace and defence, as well as in the speciality retailing sector. In addition to its largest customer, PSA Peugeot Citroën, Gefco counts among its automotive customers such carmakers as BMW, Toyota, General Motors, Fiat, Ford, Nissan, Renault and Mercedes Benz.

In 2010, more than 60% of consolidated revenue was generated with PSA Peugeot Citroën. In all, Group and non-Group revenue rose by 15% in terms of volume and mix.

6.3.3. A Global Presence

Gefco operates in more than 150 countries around the world, thanks to a dense global partner network, 27 subsidiaries and 400 profit centres.

In 2010, sales saw particularly strong growth, of 40% to 60%, in the fast developing markets of Central Europe, Russia, the Latin America countries and China.

However, Western Europe remains the Company’s largest market.

During the year, Gefco focused on increasing market share among major customers and in the various industrial segments where it is already well-established. It strengthened its profitability and free cash flow, while confirming that its strategic potential has emerged intact for the 2008-2009 recession.

In early 2011, Gefco is effectively back on track and ready once again to pursue international expansion both organically and through acquisitions.

6.4. Banque PSA Finance

As a wholly-owned PSA Peugeot Citroën subsidiary, Banque PSA Finance[(1)] is closely associated with the marketing policies of the Peugeot and Citroën brands.

Operating in 23 countries around the world, the bank supports the sale of Peugeot and Citroën vehicles by financing new vehicle and replacement parts inventory for dealers and offering a comprehensive array of financing and related services to carbuyers. The bank’s loan approval process is totally independent from the dealer network, and dealers are unable to exert any influence on the approval decision.

Net banking revenue amounted to €1,000 million in 2010, compared with €944 million the previous year. The loan book increased slightly to €23.4 billion from €22.4 billion at year-end 2009.

For more detailed information concerning Banque PSA Finance’ revenue and recurring operating income, please refer to paragraph 9.2.3.4 below.

6.4.1. Retail Financing

Retail financing represented 77.9% of total loans outstanding, or €18,246 million at 31 December 2010 versus €18,086 million a year earlier.

Banque PSA Finance serves both individuals and corporate fleets with:

- loans to purchase new and used cars;
- long-term leasing solutions;
- short-term leasing and sales 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, Banque PSA Finance offers diversified financing products and services, as well as bundled offers, that together with the two brands provide a comprehensive range of mobility enabling solutions. Related service offerings include financial services, automotive services and automotive insurance.

The bank’s penetration rate among purchasing officers of new Peugeots and Citroëns stood at 27.2% in 2010, close to the 27.5% reported in 2009.

(1) For more information about Banque PSA Finance, please visit www.banquepsafinance.com.

6.4.2. Wholesale Financing

Wholesale financing represented 22.1% of total loans outstanding, or €5,165 million, at 31 December 2010.

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

Its support services also include helping the dealers manage, track and control their financial risks.

6.4.3. Geographic Presence

Banque PSA Finance's leading markets are in:

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

In its commitment to supporting the development of Peugeot and Citroën sales, Banque PSA Finance is steadily expanding in the global marketplace by forming partnerships with other banks. In 2009, retail and wholesale financing operations were started up in Slovenia and Croatia, while a new subsidiary is now working closely with the Algerian network.

In all, France accounted for 36% of total loans outstanding at year-end 2010, Germany 15%, Spain 9%, the United Kingdom 9%, Italy 8%, the Benelux countries 5%, the rest of Europe 12% and Latin America 6%.

6.5. Peugeot Motocycles (PMTC)

In a difficult European scooter market that suffered a further 15% contraction in volumes in 2010, Peugeot Motocycles reported the market's strongest sales performance overall, gaining nearly 1% in share. This lifted the brand one rung in the European league tables, to the region's fourth largest scooter manufacturer with 10% of the market and 97,000 units sold during the year.

In Europe, Peugeot Motocycles enjoyed growth in five of the leading countries (Spain, Belgium, the Netherlands, Germany and Italy) and remained the market leader in France. The Company was particularly active in 2010, benefiting from the success of the Tweet, a new compact, light, large-wheel scooter, and the Kisbee 50, a cleverly designed, competitively priced model.

The marketing dynamic will gather momentum in 2011 with two highly anticipated model launches: the e-Vivacity all-electric scooter, and the Citystar, compact GT in 125cc and 200cc versions. In all, Peugeot Motocycles will capitalise on one of the market's most comprehensive line of urban mobility solutions, with 22 model families and nine engine choices.

7

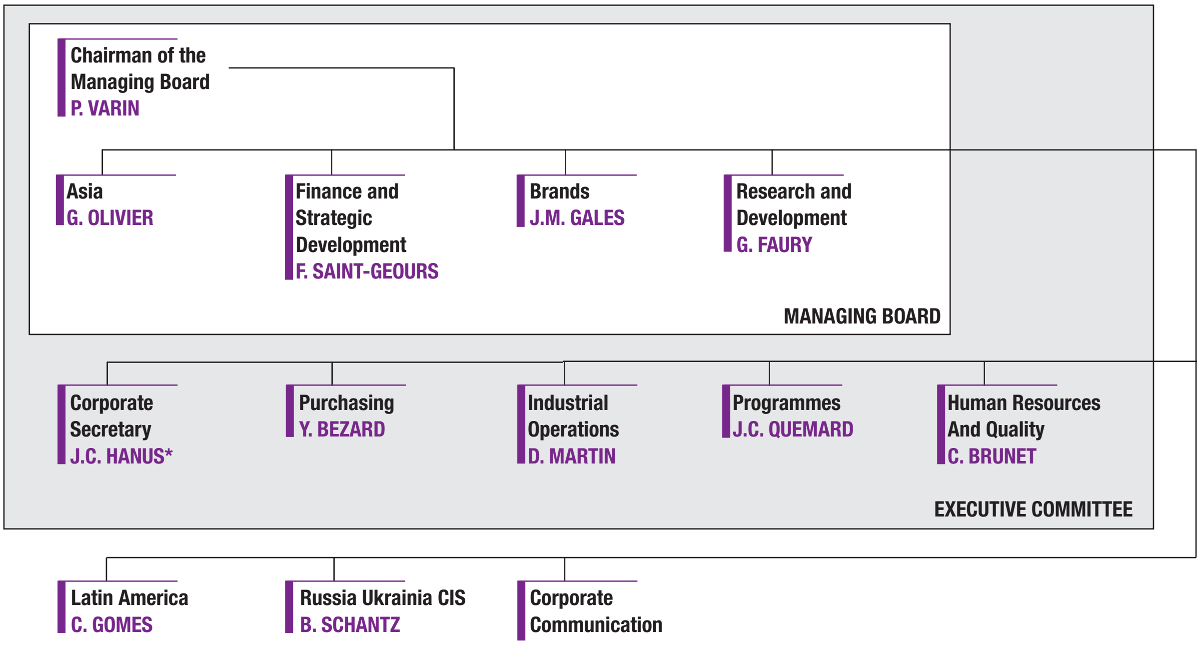
ORGANISATIONAL STRUCTURE

7.1. The Group

7.1.1. Corporate Management as from 1st September 2010

On 1st September 2010, corporate management was reorganised to help meet the four ambitions of the Group's strategic vision by strengthening management's global scope and operating efficiency.

The corporate management organisation chart as from 1st September 2010 is presented below:



* *Pierre Todorov is joining PSA Peugeot Citroën effective 1 March 2011 and will be appointed Corporate Secretary on 1st September 2011, replacing Jean-Claude Hanus who is retiring after 39 years with the Group.*

7.1.2. Management structures

Executive management of the PSA Peugeot Citroën Group is the responsibility of the Managing Board, which is presented in section 14.1.2 below.

The Managing Board is responsible for executive leadership and financial management, helping to define and implement the Group's strategic vision and defining Group policies. It decides among the various courses of action and allocates the appropriate resources.

The Managing Board is supported by the Executive Committee, which comprises the five members of the Managing Board plus three senior executives – the Corporate Secretary, the Executive Vice-President, Human Resources and Quality and the Executive Vice-President, Purchasing – who report to the Chairman of the Managing Board.

In addition to the Executive Committee, the Vice-Presidents in charge of Latin America zone, Russia Ukrainia CIS and Corporate Communication also report to the Chairman of the Managing Board.

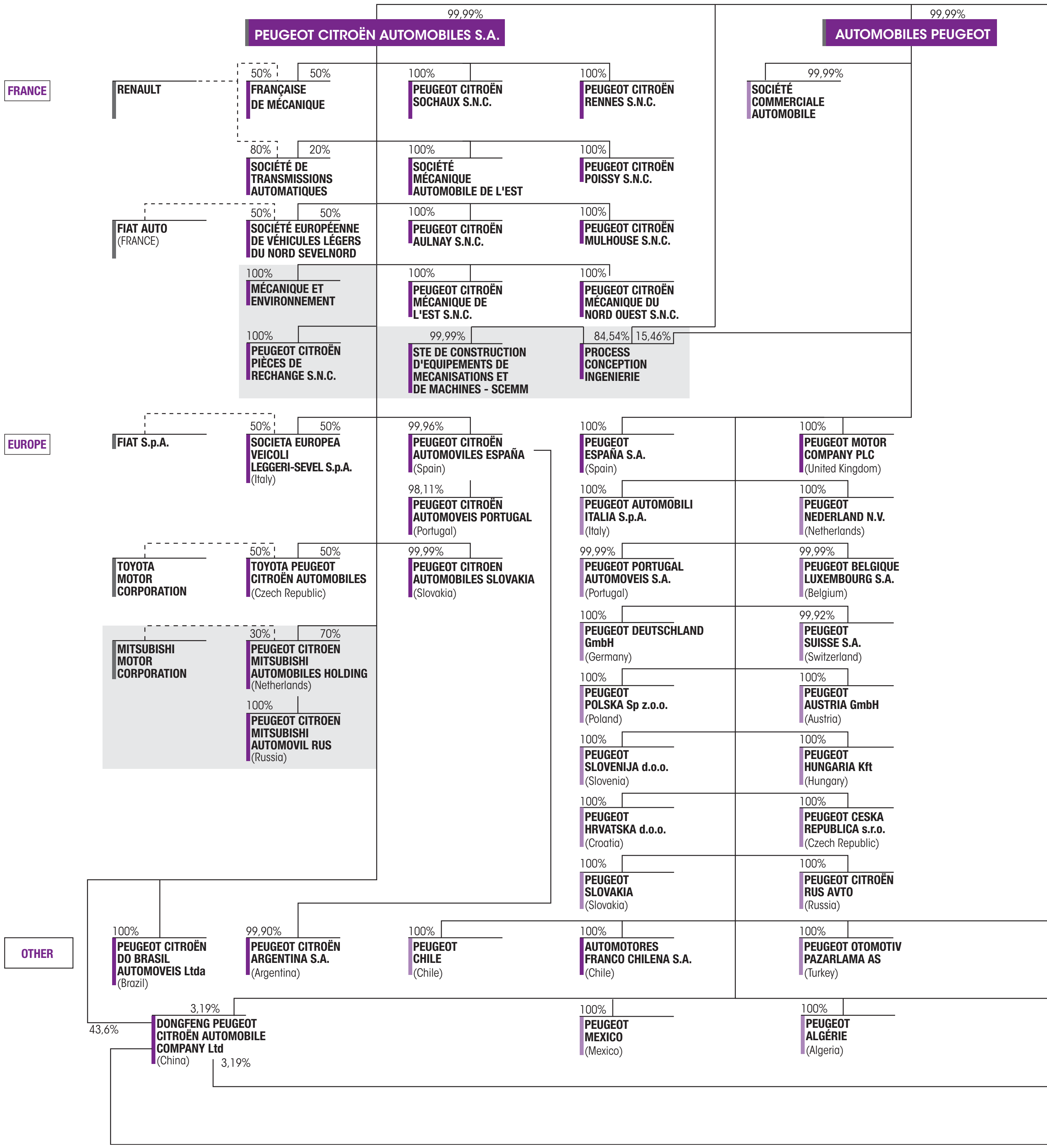
7.1.3. Parent-Subsidiary Relationships

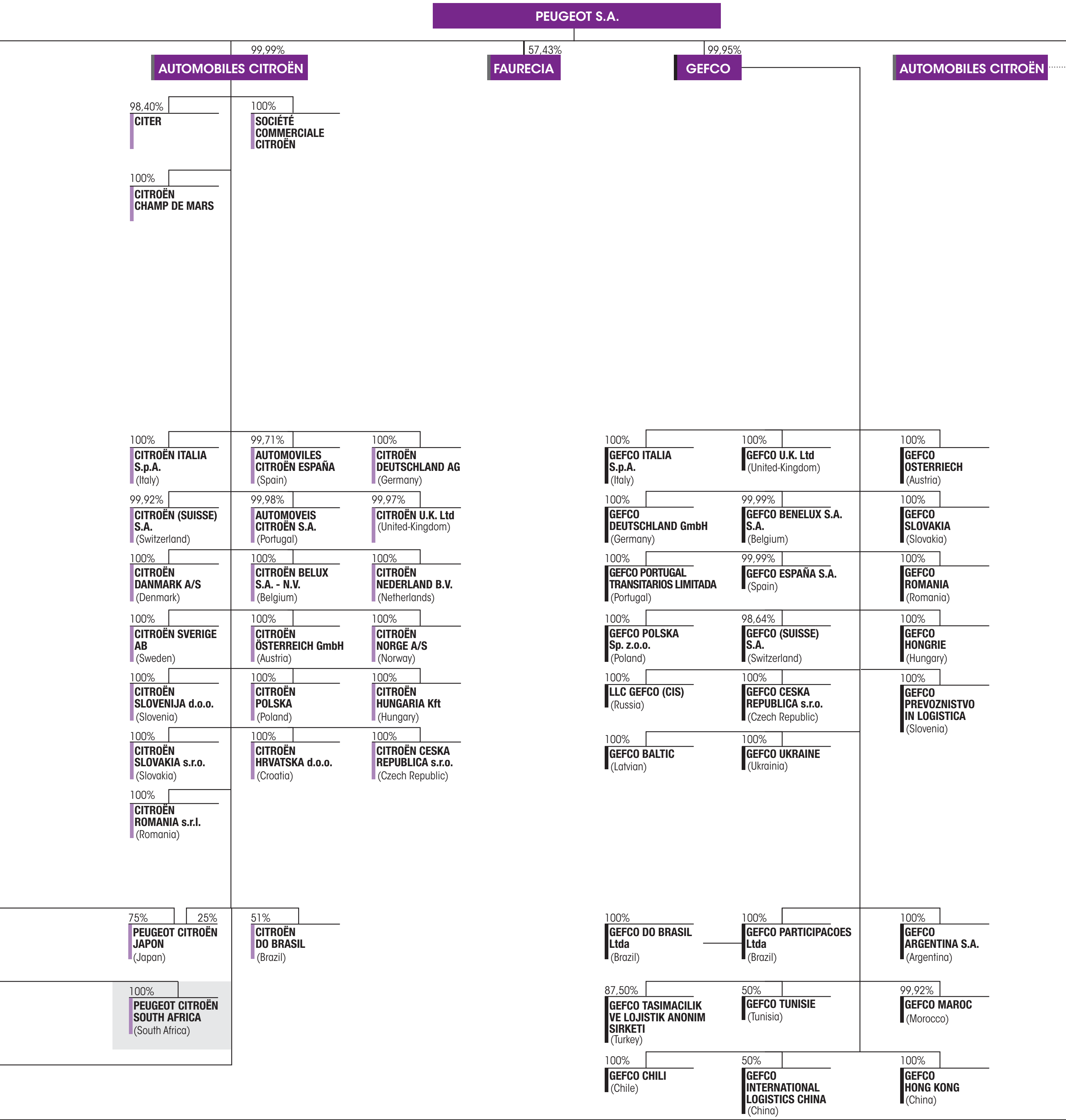
As the Group's holding company, Peugeot S.A. is not directly involved in any material operating activities.

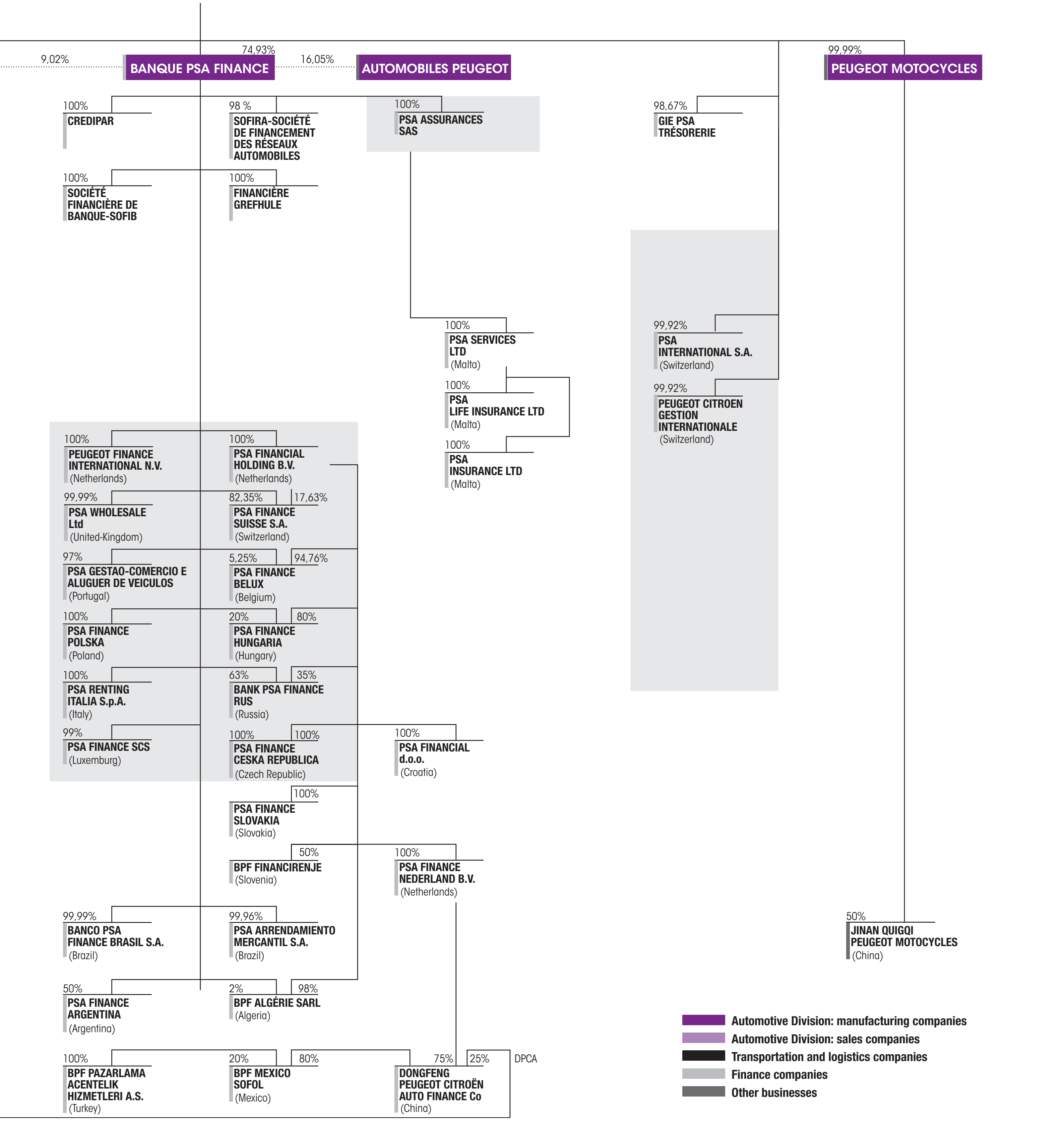
Peugeot S.A. has a normal parent company relationship with its subsidiaries. The main events in this relationship in 2010 are reviewed in the Company's financial statements in section 20.4.

Please refer as well to Note 38 to the Consolidated Financial Statements for a detailed description of related party transactions, in particular with associates.

7.2. Subsidiaries and Equity Holdings of the Company




PEUGEOT S.A.
99,99%
AUTOMOBILES CITROËN
57,43%
FAURECIA
99,95%
GEFCO
AUTOMOBILES CITROËN
98,40%
CITER
100%
SOCIÉTÉ COMMERCIALE CITROËN
100%
CITROËN CHAMP DE MARS
100%
CITROËN ITALIA S.p.A.
(Italy)
99,71%
AUTOMOVILES CITROËN ESPAÑA
(Spain)
100%
CITROËN DEUTSCHLAND AG
(Germany)
99,92%
CITROËN (SUISSE) S.A.
(Switzerland)
99,98%
AUTOMOVEIS CITROËN S.A.
(Portugal)
99,97%
CITROËN U.K. Ltd
(United-Kingdom)
100%
CITROËN DANMARK A/S
(Denmark)
100%
CITROËN BELUX S.A. - N.V.
(Belgium)
100%
CITROËN NEDERLAND B.V.
(Netherlands)
100%
CITROËN SVERIGE AB
(Sweden)
100%
CITROËN ÖSTERREICH GmbH
(Austria)
100%
CITROËN NORGE A/S
(Norway)
100%
CITROËN SLOVENIJA d.o.o.
(Slovenia)
100%
CITROËN POLSKA
(Poland)
100%
CITROËN HUNGARIA Kft
(Hungary)
100%
CITROËN SLOVAKIA s.r.o.
(Slovakia)
100%
CITROËN HRVATSKA d.o.o.
(Croatia)
100%
CITROËN CESKA REPUBLICA s.r.o.
(Czech Republic)
100%
CITROËN ROMANIA s.r.l.
(Romania)
75%
25%
PEUGEOT CITROËN JAPON
(Japan)
51%
CITROËN DO BRASIL
(Brazil)
100%
PEUGEOT CITROËN SOUTH AFRICA
(South Africa)
100%
GEFCO ITALIA S.p.A.
(Italy)
100%
GEFCO U.K. Ltd
(United-Kingdom)
100%
GEFCO OSTERRIECH
(Austria)
100%
GEFCO DEUTSCHLAND GmbH
(Germany)
99,99%
GEFCO BENELUX S.A. S.A.
(Belgium)
100%
GEFCO SLOVAKIA
(Slovakia)
100%
GEFCO PORTUGAL TRANSITARIOS LIMITADA
(Portugal)
99,99%
GEFCO ESPAÑA S.A.
(Spain)
100%
GEFCO ROMANIA
(Romania)
100%
GEFCO POLSKA Sp. z.o.o.
(Poland)
98,64%
GEFCO (SUISSE) S.A.
(Switzerland)
100%
GEFCO HONGRIE
(Hungary)
100%
LLC GEFCO (CIS)
(Russia)
100%
GEFCO CESKA REPUBLICA s.r.o.
(Czech Republic)
100%
GEFCO PREVOZNISTVO IN LOGISTICA
(Slovenia)
100%
GEFCO BALTIC
(Latvian)
100%
GEFCO UKRAINE
(Ukrainia)
100%
GEFCO DO BRASIL Ltda
(Brazil)
100%
GEFCO PARTICIPACOES Ltda
(Brazil)
100%
GEFCO ARGENTINA S.A.
(Argentina)
87,50%
GEFCO TASIMACILIK VE LOJISTIK ANONIM SIRKETI
(Turkey)
50%
GEFCO TUNISIE
(Tunisia)
99,92%
GEFCO MAROC
(Morocco)
100%
GEFCO CHILI
(Chile)
50%
GEFCO INTERNATIONAL LOGISTICS CHINA
(China)
100%
GEFCO HONG KONG
(China)


9,02%
74,93%
BANQUE PSA FINANCE
16,05%
AUTOMOBILES PEUGEOT
99,99%
PEUGEOT MOTOCYCLES
100%
CREDIPAR
98 %
SOFIRA-SOCIÉTÉ DE FINANCEMENT DES RÉSEAUX AUTOMOBILES
100%
PSA ASSURANCES SAS
98,67%
GIE PSA TRÉSORERIE
100%
SOCIÉTÉ FINANCIÈRE DE BANQUE-SOFIB
100%
FINANCIÈRE GREFHULE
100%
PSA SERVICES LTD
(Malta)
99,92%
PSA INTERNATIONAL S.A.
(Switzerland)
100%
PSA LIFE INSURANCE LTD
(Malta)
99,92%
PEUGEOT CITROEN GESTION INTERNATIONALE
(Switzerland)
100%
PSA INSURANCE LTD
(Malta)
100%
PEUGEOT FINANCE INTERNATIONAL N.V.
(Netherlands)
100%
PSA FINANCIAL HOLDING B.V.
(Netherlands)
99,99%
PSA WHOLESALE Ltd
(United-Kingdom)
82,35%
17,63%
PSA FINANCE SUISSE S.A.
(Switzerland)
97%
PSA GESTAO-COMERCIO E ALUGUER DE VEICULOS
(Portugal)
5,25%
94,76%
PSA FINANCE BELUX
(Belgium)
100%
PSA FINANCE POLSKA
(Poland)
20%
80%
PSA FINANCE HUNGARIA
(Hungary)
100%
PSA RENTING ITALIA S.p.A.
(Italy)
63%
35%
BANK PSA FINANCE RUS
(Russia)
99%
PSA FINANCE SCS
(Luxemburg)
100%
100%
PSA FINANCE CESKA REPUBLICA
(Czech Republic)
100%
PSA FINANCIAL d.o.o.
(Croatia)
100%
PSA FINANCE SLOVAKIA
(Slovakia)
50%
BPF FINANCIRENJE
(Slovenia)
100%
PSA FINANCE NEDERLAND B.V.
(Netherlands)
99,99%
BANCO PSA FINANCE BRASIL S.A.
(Brazil)
99,96%
PSA ARRENDAMIENTO MERCANTIL S.A.
(Brazil)
50%
JINAN QUIGQI PEUGEOT MOTOCYCLES
(China)
50%
PSA FINANCE ARGENTINA
(Argentina)
2%
98%
BPF ALGÉRIE SARL
(Algeria)
Automotive Division: manufacturing companies
Automotive Division: sales companies
Transportation and logistics companies
Finance companies
Other businesses
100%
BPF PAZARLAMA ACENTELIK HIZMETLERI A.S.
(Turkey)
20%
80%
BPF MEXICO SOFOL
(Mexico)
75%
25%
DPCA
DONGFENG PEUGEOT CITROËN AUTO FINANCE Co
(China)

8

PROPERTY, PLANTS AND EQUIPMENT

8.1. Significant or Planned Tangible Assets

In 2010, Europe accounted for 73.3% of the Group's production, South America 7.6% and Asia 19.1%.

8.1.1. PSA Peugeot Citroën Group – Manufacturing Facilities

Assembly Plants

Manufacturing centres	Models produced as of 31 December 2010	2010 output
Aulnay (France)	C3	195,500
Madrid (Spain)	207, 207 CC, C3, C3 Pluriel	125,300
Mangualde (Portugal)	Berlingo, Partner	47,400
Mulhouse (France)	206 +, 308, new C4	290,100
Buenos Aires (Argentina)	206, 207, 307, 307 Sedan, Berlingo, Partner	126,500
Poissy (France)	207, 207 SW, C3, DS3	238,700
Porto Real (Brazil)	207, 207 SW, 207 Passion, Hoggar, C3, C3 Aircross, Xsara Picasso	140,200
Rennes (France)	C5, C5 Tourer, C6, 407, 407 SW, 407 Coupé, 508	116,500
Sochaux (France)	308, 308 CC, 308 SW, 308 break, 3008, 5008	363,600
Trnava (Slovakia)	207, C3 Picasso	186,100
Vigo (Spain)	C4 Picasso, Grand C4 Picasso, Berlingo, Partner	399,300

Manufacturing Component Pland and Foundries

Caen (France)	Wheels, axles suspension systems, transmissions
Charleville (France)	Aluminum and iron castings
Hérimoncourt (France)	Engines, gear boxes
Jeppener (Argentina)	HDi diesel engines, chassis systems
Metz (France)	Gear boxes
Mulhouse components (France)	Wheels, axles, suspension systems
Mulhouse foundry (France)	Pressurised aluminium castings, steel forge, tooling
Porto Real (Brazil)	Flex-fuel and gasoline engines
Saint-Ouen (France)	Stamping, body-in-white, tooling
Sept-Fons (France)	Iron castings
Sochaux components (France)	Shock absorbers
Trémery (France)	Gasoline and HDi diesel engines
Valenciennes (France)	Gear boxes

8.1.2. PSA Peugeot Citroën Group – Joint Plants with Other Manufacturers

(AS OF 31 DECEMBER 2010)

Facility	Production	2010 Output
FRANCE		
Française de Mécanique		
50% Peugeot Citroën Automobiles		
50% Renault	Engibes: TU + TUF	274,000
	DV	322,000
	D (Renault)	380,000
	ES/L	400
	EP	337,000
	TOTAL	**1,313,400**
Sevelnord		
50% Peugeot Citroën Automobiles	Peugeot 807	5,700
50% Fiat	Peugeot Expert	28,900
	Citroën C8	5,500
	Citroën Jumpy	27,900
	TOTAL	**68,100**
OTHER COUNTRIES		
Società Europea Veicoli Leggeri (Italy)		
50% Peugeot Citroën Automobiles	Peugeot Boxer	46,700
50% Fiat	Citroën Jumper	37,000
	TOTAL	**83,700**
Dongfeng Peugeot Citroën Automobile (China)		
50% Peugeot Citroën Automobiles	Peugeot 307 Sedan	66,700
50% DongFeng Motors	Peugeot 206	43,000
	Peugeot 408	43,600
	Citroën ZX	2,600
	Citroën Fukang, Citroën Elysée	69,100
	Citroën C4, C-Triomphe	109,700
	Citroën C2 Chine	8,200
	Citroën C5	33,300
	TOTAL	**376,300**
Toyota Peugeot Citroën Automobiles – TPCA (Czech Republic)		
50% Peugeot Citroën Automobiles	Peugeot 107	110,600
50% Toyota Motor Corporation	Citroën C1	102,200
	TOTAL	**212,800**
PCMA Automotiv (Kaluga Russia)		
70% Peugeot Citroën Automobiles	Peugeot 308	17,100
30% MMC	Citroën C4	4,700
	Citroën C-Crosser	900
	Peugeot 4007	900
	TOTAL	**23,600**

Facility	Production	2010 Output
OTHER COOPERATION VENTURES		
Okazaki	**Citroën C-Crosser**	**8,600**
	Peugeot 4007	9,000
	Citroën C-Zéro	400
	Peugeot Ion	400
	TOTAL	**18,300**
Bursa	**Citroën Nemo**	**43,200**
	Peugeot Bipper	42,900
	TOTAL	**86,100**

For more information on property, plant and equipment, please refer to Note 14 to the Consolidated Financial Statements at 31 December 2010 (see chapter 20.3.7, below).

8.1.3. Replacement Parts

In all, 12 replacements parts warehouses, totaling nearly a million square meters of storage space, were managing some 230,000 SKUs as of 31 December 2010:

- Koper (Slovenia);
- Melun (France);
- Moscow (Russia);
- Pinto (Spain);
- Pregnana (Italy);
- Spillern (Austria);
- Tile Hill (UK);
- Vesoul (France);
- Barueri (Brazil);
- Natolin (Poland);
- Pacheco (Argentina);
- Rieste (Germany).

8.2. Environmental Restrictions that Could Influence Use of These Assets by PSA Peugeot Citroën

Environmental information is included in chapter 5.3 above.

9 OPERATING AND FINANCIAL REVIEW

9.1. Financial Position

The consolidated financial statements of the PSA Peugeot Citroën Group are presented for the years ended 31 December 2010 and 2009 in section 9.2 for operating results and in section 10 for the financial situation (balance sheet and cash flows). This section should be read jointly with the notes to the consolidated financial statements at 31 December 2010.

The Management's discussion and analysis of the 2008 consolidated financial statements is included in the Registration Document that was filed with the French securities regulator (*Autorité des Marchés Financiers*) on 24 April 2009 under no. D.09-0309.

9.1.1. Significant Accounting Policies

See *note 1 – Accounting Policies* in the notes to the consolidated financial statements at 31 December 2010.

9.1.2. Adjustments to Financial Information Reported in Prior Years

Not applicable.

9.2. Operating Results for the Years Ended 31 December 2010 and 2009

9.2.1. Revenues

The following table shows consolidated revenue by business in 2010 and 2009.

(in million euros)	2010	2009	%
Automotive Division	41,405	38,265	+8.2%
Faurecia	13,796	9,292	+48.5%
Gefco	3,351	2,888	+16.0%
Banque PSA Finance	1,852	1,823	+1.6%
Intersegment eliminations and other businesses	(4,343)	(3,851)	-
TOTAL	**56,061**	**48,417**	**+15.8%**

The table below shows consolidated revenue by region. Consolidated sales and revenue do not include revenue from Dongfeng Peugeot Citroën Automobile (DPCA), our 50%-owned joint venture in China, which is accounted for by the equity method. DPCA sold 375,000 vehicles in 2010.

For more detailed information, see *note 3.2 – Geographical Segments* in the notes to the consolidated financial statements at 31 December 2010.

(in million euros)	2010	2009
Consolidated revenue	56,061	48,417
Net contribution to consolidated revenue by region		
Western Europe	72.7%	79.3%
Central and Eastern Europe	7.3%	5.9%
Latin America	8.5%	6.7%
Rest of the world	11.5%	8.2%
TOTAL	**100%**	**100%**

Total revenue increased by 15.8% over the year to €56,061 million from €48,417 million in 2009.

First-half growth was a very strong 20.8%, primarily led by Faurecia's consolidation of Emcon, but also reflecting the Group's successful model launches, small market share gains and firm global demand. In the second half's less buoyant markets, revenue were nevertheless up 11.0%.

Overall, global automotive demand recovered in 2010. Although the European market contracted by 3.8%, markets outside Europe enjoyed very strong growth, led by China (up 30%), Latin America (up 14%) and Russia (up 30%). Momentum was also provided by scrappage schemes and our product dynamic (see section 6.1.2 – Markets)

9.2.2. Recurring Operating Income

The following table shows recurring operating income (loss) by business in 2010 and 2009.

(in million euros)	2010	2009
Automotive Division	621	(1,257)
Faurecia	456	(92)
Gefco	198	102
Banque PSA Finance	507	498
Intersegment eliminations and other businesses	14	60
TOTAL	**1,796**	**(689)**

The Group ended the year with recurring operating income of €1,796 million compared with a €689 million loss in 2009, representing 3.2% of revenue versus a negative 1.4%. The strong turnaround reflected positive contributions by all of the Group's businesses, with the Automotive Division generating recurring operating income of €621 million. All business segments benefited from the improved economic environment and internal restructuring and competitiveness enhancement programmes.

Profitability improved throughout 2010, but the recovery slowed in the latter part of the year.

In the first six months, the Group reported a healthy €1,137 million in recurring operating income. The operating margin stood at 4.0% of consolidated revenue, versus a negative 3.5% in the year-earlier period. The favourable swing primarily reflected firm demand in the automobile markets and market share gains leading to higher unit sales.

Recurring operating income continued to improve in the second half, rising to €659 million (2.4% of revenue) from €137 million (0.5%) in the year-earlier period. The gain was mainly attributable to business growth, with worldwide unit sales up 7.9% in the last six months of the year. However, the second half was also impacted by rising raw materials costs and declining European demand.

9.2.3. Analysis of Revenue and Recurring Operating Income by Division

9.2.3.1. Automotive Division

(in million euros)	2010	2009
Revenues	41,405	38,265
Recurring operating income (loss)	621	(1,257)
As a % of revenues	1.5%	-3.3%

Revenues

Automotive Division revenue rose 8.2% in 2010 to €41,405 million. New vehicle sales expanded 8.0% to €30,790 million from €28,501 million in 2009, led mainly by 6.8% growth in unit sales of assembled vehicles, excluding China (operations in China are accounted for by the equity method). New products drove a 5.0% positive mix effect that more than offset the 2.2% unfavourable price effect, leading to a positive net price-product mix effect of 2.8%. Favourable exchange rates, particularly the euro's decline against the Brazilian real and the British pound, boosted sales by 2.7%. However, changes in country mix had a 0.2% negative impact and other effects represented a negative 1.9%. Lastly, the accounting treatment of sales with a buyback commitment in last year's more normal leasing market had a 2.2% negative impact [(1)].

(1) Reported Automotive Division revenues are stated after adjusting for sales with a buyback commitment, in accordance with IFRS (see note 1.5.A (a) to the consolidated financial statements at 31 December 2010). This discussion of year-on-year changes in sales is based on the unadjusted sales figures used for internal management reporting purposes, with the effect of the IFRS restatement disclosed separately where appropriate.

In 2010, the Group enjoyed a more favourable worldwide environment supported by firm demand outside Europe. Global automotive markets rose by around 10% in 2010. As in 2009, growth was led by China (up 30%) and Latin America (up 14%). Demand in Europe was down 3.8% overall, reflecting very uneven performances across the region, with 0% growth in France, declines of 22% in Germany, 8% in Italy and 4% in Central and Eastern Europe, partly offset by gains of 4% in Spain and 3% in the United Kingdom.

The Group's performance in this environment reflected its powerful growth drivers. The steady pace of new model launches was maintained during the year and the Group leveraged its competitive advantages, notably in light commercial vehicles – extending its European leadership – and in low-carbon vehicles.

Market share in Europe rose by 0.4 points to 14.2% from 13.8%, while in Latin America sales were up 26.7% and market share climbed to 5.4% from 5.2% in 2009. In China, 38% sales growth drove up market share to 3.4% from 3.3%. In Russia, the Group maintained its positions over the full year, with sales up 37% to 55,500 units and a 2.8% market share. However, it made stronger gains following start-up of local production of the Peugeot 308 and 4007 and the Citroën C4 and C-Crosser, whose combined sales surged 85% in the second half.

Recurring Operating Income

The Automotive Division reported recurring operating income of €621 million in 2010, representing 1.5% of sales, compared with a €1,257 million loss or a negative 3.3% in 2009. Of the total improvement, €1,464 million was attributable to the Group's underlying performance, while the more favourable operating environment added a further €414 million.

These factors can be analysed as follows:

Operating environment

- Changes in demand and production had a net positive impact of €331 million over the year (€446 million positive impact in the first half and €115 million negative impact in the second). Changes in product and country mixes had a €142 million negative impact, mainly due to the dip in European demand and despite very strong growth in emerging markets.
- Higher external costs had a €168 million negative impact. The increases in labour costs (by €202 million) and raw materials costs (by €144 million) were only partially offset by the improvements in other factors, such as commodity hedging and dealer finance costs.
- Changes in exchange rates had a €393 million positive impact, reflecting the euro's decline against the Brazilian real (€136 million), the British pound (€79 million) and the Russian rouble (€51 million).

Underlying Group performance

- the Group's marketing performance had a positive impact of €270 million, including €233 million from market share gains and €37 million from a favourable net price effect. Price headwinds trimmed €590 million from recurring operating income, but this was more than offset by the €627 million boost to income provided by the improved product mix.
- the Group stepped up its cost-cutting drive during the year, achieving €1,121 million worth of savings in production and procurement costs. Factors behind these savings included purchasing efficiencies, lower depreciation expense, an increase in the capacity utilisation rate at the European plants to 90% from 80% in 2009, plant rationalisation and streamlining measures, cuts in supplier subsidies, technical cost savings and a reduction in support and supervisory staff numbers at the plants.
- selling, general and administrative expenses and warranty costs stood at €12 million for the year. R&D spend was kept more or less stable at €9 million, while other performance factors had a positive impact of €52 million.

9.2.3.2. Faurecia

(in million euros)	2010	2009
Revenues	13,796	9,292
Recurring operating income (loss)	456	(92)
As a % of revenues	+3.3%	-1.0%

Revenues

In 2010, Faurecia's consolidated revenue totalled €13,796 million versus €9,292 million the previous year, an increase of 48.5% as reported. Excluding the effects of changes in scope of consolidation and exchange rates, like-for-like growth came to 17.9%, with a 10.0% rise in the second half alone.

Product sales (corresponding to deliveries excluding monoliths, tooling, R&D and prototypes) came to €10,696 million in 2010 compared with €7,590 million in 2009, an increase of 40.9%. Like-for-like growth in product sales was 19.1%, with increases of 33.2% in the first half and 7.2% in the second.

Sales of tooling, R&D and prototypes totalled €795 million, up 5.8% on a reported basis. On like-for-like, however, these sales were down 10.2% year-on-year.

Sales of catalytic converter monoliths totalled €2,168 million, versus €828 million in 2009, representing an increase of 26.7% on a like-for-like basis.

Total sales (including Emcon and Plastal) excluding monoliths gained 16.4% like-for-like over the year.

Product sales by region were as follows:

- in Europe, product sales totalled €7,043 million in 2010 versus €5,787 million the previous year, an increase of 9.4% like-for-like. First-half growth of 20.5% gave way to a 0.7% dip in the second, due to the period's high basis of comparison;
- in North America, product sales grew 49.2% like-for-like to €1,945 million from €922 million in 2009. Growth rates were 88.5% in the first half and 22.6% in the second;
- in South America, product sales stood at €557 million in 2010. The increase of 23.2% like-for-like over 2009 reflected gains of 29.6% in the first half and 18.4% in the second;
- in Asia, product sales were 50.6% higher like-for-like, at €968 million. Growth remained strong in the second half, at 36.4% versus 69.8% in the first six months. Product sales in China totalled €789 million in 2010, an increase of 46.5% like-for-like over the year. The second half saw growth of 32.6% like-for-like despite the high basis of comparison in the year-earlier period when product sales were up 53.2%.

By business segment, **Interior System** sales came to €7,664 million in 2010, an increase of 16.1% as reported. Like-for-like growth stood at 13.1%, with rises of 22.6% in the first half and 4.6% in the second.

Product sales rose 19.3% to €6,979 million from €5,850 million in 2009. The like-for-like increase was 16.1%, of which 31.1% in the first half and 3.6% in the second.

Revenues of **Other Modules** surged by 128.0% to €6,132 million for the year. Like-for-like revenue excluding monoliths was 24.3% higher, reflecting gains of 35.2% in the first half and 15.0% in the second.

Product sales rose 113.5% to €3,717 million from €1,741 million in 2009. Like-for-like growth excluding monoliths was 25.8%, with increases of 38.0% in the first half and 15.5% in the second.

Recurring Operating Income

Faurecia reported recurring operating income of €456 million in 2010, representing 3.3% of revenue, as opposed to a €92 million loss in 2009.

Second half recurring operating income came to €239 million (3.4% of sales) versus income of €95 million (1.9% of revenue) in the same period of 2009.

By business segment:

- **Interior Systems** operating margin for 2010 stood at €255 million (3.3% of revenue), marking a turnaround from a negative €130 million (2.0% of revenue) in 2009. It included second-half operating margin of €122 million or 3.2% of revenue, compared with €37 million in the year-earlier period;
- **Other Modules** operating margin came in at €201 million (3.3% sales), compared with €39 million in 2009, including €117 million (3.7% of sales) in the second half versus €59 million in the year-earlier period.

9.2.3.3. Gefco

(in million euros)	2010	2009
Revenues	3,351	2,888
Recurring operating income	198	102
As a % of revenues	5.9%	3.5%

Revenues

Gefco's revenue amounted to €3,351 million in 2010, an increase of 16.0% over 2009. Revenue from services performed for other Group companies rose 15.8% to €2,134 million, while revenue from services sold to external customers was 16.3% higher at €1,217 million.

Recurring Operating Income

Gefco's recurring operating income nearly doubled in 2010 and represented a solid 5.9% of revenue throughout the year, attesting to the strength of its business model.

First-half recurring operating income came to €122 million, representing 7.1% of revenue. In the second half, profitability was weakened by higher diesel prices combined with truck shortages at the end of the year, driving down recurring operating income to €76 million or 4.6% of revenue.

9.2.3.4. Banque PSA Finance

(in million euros)	2010	2009
Revenues	1,852	1,823
Net banking revenue	1,000	944
Recurring operating income	507	498
As a % of revenues	27.4%	27.3%

Revenues

In a challenging economic environment, Banque PSA Finance delivered a healthy marketing and financial performance thanks to the quality and robustness of its business model.

In terms of marketing performance, the Bank maintained its penetration rate and confirmed its role in actively supporting the carmakers' sales by financing 27.2% of all new Peugeot and Citroën vehicles sold in its markets in 2010. Strengthening synergies with the brands' marketing organizations is an essential factor in the Bank's sales strategy.

The number of new and used vehicles financed in 2010 grew by 0.5% to 864,670 units despite narrower used vehicle markets in France and Spain.

In Western Europe, 556,952 new vehicles were financed, representing a decline of 0.4% over 2009 and a 0.9-point dip in penetration rate.

Banque PSA Finance performed well against the competition in last year's very uncertain economic environment, achieving significant market share gains in Germany (up 1.7 points), Italy (up 1.1 points) and Belgium (up 0.3 points). Although its share declined in Spain (by 3.9 points), the United Kingdom (by 3.5 points) and Switzerland (by 2.0 points), the 0.5-point gain in France meant that its overall share of the Western European market was stable.

A growing proportion of the Bank's revenue is generated outside Europe, with solid contributions from Brazil and Argentina and recent spectacular growth in China and Russia. In 2010, markets outside Europe accounted for 16% of new vehicle financing volumes versus 14.8% the year before.

New retail financing extended in 2010 totalled €8,627 million, an increase of 2.0% from €8,459 million the previous year that was mainly due to the effect of changes in vehicle mix.

As of 31 December 2010, the retail loan book stood at €18,246 million, up 0.9% over the year-earlier figure of €18,086 million. The retail loan book outside Western Europe grew 22.1% over the year to €1,653 million, bringing the increase over the past two years to more than 50%.

The wholesale loan book at end-2010 came to €5,165 million versus €4,359 million a year earlier.

The Bank's total outstanding retail and wholesale loans stood at €23,411 million at 31 December 2010 compared with €22,445 million at the previous year-end, an increase of 4.3%.

Sales of service and insurance contracts grew 14.4% in 2010, led by firm demand for extended warranties, maintenance contracts and auto insurance.

Banque PSA Finance's revenue for the year totalled €1,852 million, up 1.6% compared with €1,823 million in 2009.

(in million euros)	31 December 2010	31 December 2009
Outstanding loans by type of financing (including securitised loans)		
• Retail financing	18,246	18,086
• Wholesale financing	5,165	4,359
TOTAL BANQUE PSA FINANCE	**23,411**	**22,445**

(in million euros)	31 December 2010	31 December 2009
Outstanding loans, including securitized loans		
• Europe	21,789	21,252
• Rest of the world	1,622	1,193
TOTAL BANQUE PSA FINANCE	**23,411**	**22,445**

* *Excluding the effect of remeasuring portfolios of interest-rate instruments.*

Recurring Operating Income

Banque PSA Finance reported recurring operating income of €507 million in 2010 versus €498 million the previous year.

The year-on-year change can be explained as follows:

- net banking revenue rose 5.9% to a record high €1,000 million from €944 million in 2009. Growth was led by an €18 million positive currency effect in the Bank's three biggest markets outside the euro zone, the United Kingdom, Brazil and Poland. At constant exchange rates, net banking revenue came in at €982 million. The non-recurrence of certain positive one-off items recorded in 2009 along with certain unfavourable one-off items recorded in 2010 had a €7 million negative impact on net banking revenue for the year. Excluding these items and the currency effect, net banking revenue was up 4.8% at €989 million versus €944 million. The increase reflects the high quality of recent retail loan originations, firm wholesale lending margins and ongoing growth in service and insurance business;
- general operating expenses amounted to €364 million in 2010, including a negative currency and inflation effect estimated at €12 million. Excluding these effects, the increase in general operating expenses was due to (i) extension of the Bank's operations to Russia and Malta (for €7 million) and (ii) spending on information systems (for €10 million). Increases in other general operating expenses were offset by savings and productivity gains made possible by organising processes around the PSA Excellence System;
- net provision expense ("cost of risk") was €129 million in 2010, representing 0.56% of average net loans outstanding versus 0.50% in 2009. While net provision expense in 2009 was reduced by €10 million worth of exceptional reversals, the 2010 figure included net one-off charges of €21 million, primarily reflecting adjustments to impairment rates on non-performing retail loans in Spain where the crisis is expected to last longer than in the Bank's other host countries. Excluding these one-off items, net provision expense stood at €108 million or 0.47% of average net loans outstanding (versus 0.55% in 2009). Underlying net provision expense has been declining steadily since first-half 2009, demonstrating the effectiveness of measures taken during the recession to improve risk selection and collection processes.

More detailed information about Banque PSA Finance is provided in the Bank's Annual Report which can be downloaded from its website at www.banquepsafinance.com.

9.3. Other Income Statement Items

9.3.1. Operating Income

Non-recurring operating income and expenses represented €376 million and €(436) million respectively in 2010, compared with €31 million and €(758) million the previous year.

Net non-recurring expense therefore stood at €60 million in 2010 versus €727 million the year before. Part of the improvement was due to the absence of major restructuring costs within the Automotive Division, where these items represented just €77 million compared with €206 million in 2009. Other non-recurring expenses corresponded mainly to the mark-to-market of the Group's yen-denominated cooperation contracts (€230 million), but these were largely offset by the reversal of the provisions set up in 2009 to cover the minimum pension funding requirement in the UK following an amendment to local plan policies.

For more information, see *note 7 – Non-recurring income and (expenses)*, in the notes to the consolidated financial statements at 31 December 2010.

After taking into account these items, the Group ended the year with operating income of €1,736 million compared with a €1,416 million loss in 2009.

(in million euros)	2010	2009
Automotive Division	563	(1,820)
Faurecia	420	(226)
Gefco	210	75
Banque PSA Finance	534	496
Other businesses and holding company	9	59
TOTAL PSA PEUGEOT CITROËN	**1,736**	**(1,416)**

9.3.2. Net Financial Income (Expense)

This item, corresponding to interest income from loans, investments and cash equivalents, less finance costs, plus or minus financial income and expenses, represented net expense of €429 million in 2010 versus net expense of €520 million the year before. The improvement was the result of the Group's strategy to optimise the structure of its balance sheet and debt, leading to:

- an increase in financial income to €229 million in 2010 from €208 million the previous year, primarily reflecting higher expected returns on pension plan assets (see note 10 to the consolidated financial statements at 31 December 2010);
- a decrease in finance costs to €455 million from €491 million. This was due in particular to the interest saving resulting from repayment of the first €1 billion tranche of the French State loan and a reduction in borrowings at Faurecia;
- recognition of a €20 million gain corresponding to the ineffective portion of the change in fair value of financial instruments.

For more information, see notes 8, 9 and 10 to the consolidated financial statements at 31 December 2010.

9.3.3. Income Taxes

Current taxes for the year came to €277 million. After deducting a deferred tax benefit of €22 million, net income tax expense reported in the 2010 statement of income amounted to €255 million.

For more information, see note 11 to the consolidated financial statements at 31 December 2010.

9.3.4. Share in Net Earnings of Companies at Equity

In 2010, the combined contribution of companies at equity was a positive €204 million versus a positive €73 million the year before. The sharp increase was mainly attributable to the growing success of our Chinese joint venture, DPCA. The main companies at equity are Dongfeng Peugeot Citroën Automobile (DPCA) and joint ventures with other carmakers (Fiat, Toyota and Renault) that are organised as separate entities.

After taking into account consolidation adjustments and entries, DPCA's contribution to consolidated profit rose to €159 million in 2010 from €57 million the previous year, reflecting the strong growth in its sales for the year.

Toyota Peugeot Citroën Automobiles contributed €37 million to consolidated profit in 2010 compared with €22 million the previous year. The joint ventures with Fiat made a negative contribution of €10 million compared with a negative €19 million in 2009, mainly due to soft demand in the European light commercial vehicles market. The market nevertheless picked up in 2010.

For more information about the Group's share in the net earnings of companies at equity, see note 15 to the consolidated financial statements at 31 December 2010.

9.3.5. Consolidated Profit for the Period

The Group ended the year with consolidated profit of €1,256 million compared with a €1,274 million loss in 2009.

9.3.6. Consolidated Profit Attributable to Equity Holders of the Parent

Net profit attributable to equity holders of the parent came to €1,134 million in 2010 versus a €1,161 million loss in 2009.

9.3.7. Earnings per Share

Basic earnings per share amounted to €5.00 compared with a loss per share of €5.12 in 2009.

Diluted earnings per share stood at €4.97 compared with a diluted loss per share of €5.12 in 2009.

For more information, see note 12 to the consolidated financial statements at 31 December 2010.

10

CASH AND CAPITAL RESOURCES

10.1. Balance Sheet and Financial Resources

10.1.1. Balance Sheet

The Group had total assets of €68,491 million at 31 December 2010 compared with €64,121 million at the previous year-end, including €42,356 million for the manufacturing and sales companies (€38,740 million at 31 December 2009) and €26,749 million for the finance companies (€25,962 million at 31 December 2009).

The increase in total consolidated assets was therefore led by the manufacturing and sales operations and primarily reflected the following factors:

- The Group's sustained capital expenditure and investment drive during the year, as seen in the increase in goodwill (due to Faurecia's acquisition of Emcon and Plastal), the 8.5% rise in the net value of capitalised development costs and the increase in investments in companies at equity (lifted in particular by the positive results from Dongfeng Peugeot Citroën Automobile);
- The increase in operating assets, particularly inventory, following the recovery in output;
- The more than €1.4-billion improvement in cash and cash equivalents.

The manufacturing and sales companies' liabilities amounted to €31,567 million at 31 December 2010 (€29,466 million at 31 December 2009) and the finance companies' liabilities stood at €23,235 million (€22,789 million at 31 December 2009).

The increase in total liabilities of the manufacturing and sales companies was primarily attributable to trade payables, which, like operating assets, rose in the wake of the recovery in output. Please refer below for a more detailed discussion of warranty provisions (section 10.1.2) and pensions and other post-employment benefits (section 10.1.3).

Consolidated equity rose by €1,856 million to €14,303 million at 31 December 2010 (see the discussion in section 10.1.5). The material changes from one year to the next are shown in the Consolidated Statement of Changes in Equity, section 20.3.6 below, and in management's discussion and analysis in section 10.1.5 below.

10.1.2. Warranty Provisions

The steady improvement in the quality of the Group's new models has provided scope to reduce warranty provisions. At 31 December 2010, warranty provisions stood at €804 million compared with €841 million at the previous year-end, despite the increase in worldwide unit sales. The decrease resulted both from the release of €214 million worth of surplus warranty provisions booked in prior periods and from the lower estimated warranty costs on new vehicle sales for the year (see note 27.2 to the consolidated financial statements at 31 December 2010).

10.1.3. Pensions and Other Post-Employment Benefits

The Group's pension deficit (corresponding to the difference at the year-end between the projected benefit obligation and the fair value of external funds) narrowed to €708 million at 31 December 2010 from €823 million at 31 December 2009 (see note 28.1.E to the consolidated financial statements at 31 December 2010).

Before taking into account the minimum funding requirement liability in the United Kingdom, the amounts recognised in the balance sheet (liability – asset) represented a net liability of €562 million at 31 December 2010 versus €603 million at 31 December 2009.

After taking into account the minimum funding requirement liability, the net liability recognised in the balance sheet amounted to €562 million at 31 December 2010 compared with €603 million a year earlier.

10.1.4. Net Financial Position of the Manufacturing and Sales Companies

Consolidated current and non-current financial liabilities of the manufacturing and sales companies amounted to €11,472 million at 31 December 2010 compared with €10,938 million at the previous year-end (see note 29 to the consolidated financial statements at 31 December 2010).The increase mainly reflected the €1 billion partial early repayment of the loan from the French State.

Financial assets of the manufacturing and sales companies rose to €10,380 million from €9,028 million at 31 December 2009, led by the improvement in cash and cash equivalents to €9,278 million from €7,843 million a year earlier (see Note 36.1 to the Consolidated Financial Statements at 31 December 2010).

The net financial position of the manufacturing and sales companies at 31 December 2010 represented net debt of €1,236 million compared with €1,993 million at 31 December 2009 (see note 36.1 to the consolidated financial statements at 31 December 2010). The improvement was partly driven by the CASH 2009 plan. It reflected the €1,110 million in free cash flow generated over the year (including €629 million in the second half and €481 million in first*), underpinned by the €3,257 million in funds from operations for 2010 which more than covered the Group's capital spending and capitalised development costs for the year. Cash used in investing activities remained high, at €2,804 million in 2010 versus €2,784 million in 2009, as the Group kept up its product design and development dynamic. In an environment shaped by higher revenue and an increased product offering, this stability attests to the greater efficiency of the Group's investing activities

After improving sharply in 2009, working capital was further optimised in 2010 through the sustained deployment of actions already underway:

- inventories increased by just €281 million despite the fact that they were already optimised at the end of 2009 and notwithstanding the improved product mix and the bad weather that disrupted production at year-end;
- receivables fell by €138 million, despite the growth in business volumes, reflecting the sale of receivables during the year, while payables rose by €677 million following the recovery in demand.

The net debt-to-equity ratio stood at 8.6% at 31 December 2010 versus 16.0% a year earlier.

10.1.5. Equity

Total equity amounted to €14,303 million at 31 December 2010. The increase compared with €12,447 million at the previous year-end was primarily due to the inclusion of the €1,256 million consolidated profit for the year and the €280 million increase in the translation reserve. As shown in the Consolidated Statement of Changes in Equity (section 20.3.6), other changes in equity attributable to current or future owners resulted from changes in the scope of consolidation for €317 million, corresponding mainly to the share issue carried out by Faurecia in connection with the Emcon acquisition.

Consolidated profit attributable to equity holders of the parent came to €1,134 million.

At 31 December 2010, the share capital comprised 234,049,225 shares with a par value of one euro each. The slight increase compared with the number of shares outstanding at the end of the previous year resulted from the issuance of shares on conversion of 83 OCEANE convertible bonds. At year-end, the Group held 7,187,450 shares in treasury to cover outstanding stock-options and performance shares. Shares in excess of the number of options and performance shares were not allocated to any particular purpose. No share buybacks were carried out in 2010 (see notes 26.3 and 26.5 to the consolidated financial statements at 31 December 2010).

* *Effective from 2010, free cash flow includes dividend income. The amount for 2010 was €140 million and concerned dividends from Banque PSA Finance. Free cash Flow: net cash from operating activities – net cash used in investing activities + dividend paid from Group companies.*

10.2. Origin, Amount and Description of Consolidated Cash Flows

10.2.1. Consolidated Cash Flows

For detailed information, see the consolidated financial statements – *Consolidated Statements of Cash Flows* for the year ended 31 December 2010.

10.2.2. Manufacturing and Sales Companies

The following table presents the manufacturing and sales companies' cash flows for 2010 and 2009:

	Manufacturing and Sales Companies	
(in million euros)	**2010**	**2009**
Consolidated profit (loss) for the period	**862**	**(1,627)**
Funds from operations	3,257	977
Change in working capital	517	2,616
Net cash from (used in) operating activities	3,774	3,593
Net cash from (used in) investing activities	(2,804)	(2,784)
Net cash from (used in) financing activities	375	4,979
Net increase (decrease) in cash and cash equivalents	1,436	5,800
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	**9,253**	**7,817**

10.2.2.1. Cash Flows From Operating Activities of Manufacturing and Sales Companies

Funds from operations of the manufacturing and sales companies rose to €3,257 million in 2010 from €977 million the previous year, led by 13% growth in worldwide sales and the positive impact of the Performance Plan. The manufacturing and sales companies' working capital requirement contracted by €517 million on the back of a €2,616 million fall in 2009. The improvement mainly reflected the €677 million increase in trade payables over the year and the €138 million decline in trade receivables following the sale of receivables (see section 10.1.4. above).

As a consequence, the manufacturing and sales companies' operating activities generated €3,774 million in cash in 2010.

The table below shows new vehicle inventory levels for the Group and in the independent dealer network.

(in thousands of new vehicles)	31 December 2010	31 December 2009	31 December 2008
Group	222	234	367
Independent dealer network	223	206	261
TOTAL	**445**	**440**	**628**

A core priority in 2010 was to continue the action to sustainably reduce inventories launched in 2008 across the Group's production network. By end-2009, inventories had already been cut to the equivalent of 62 days sales, a level that the Group considers as normal, and at the 2010 year-end they stood at 61 days.

10.2.2.2 Cash Flows From Investing Activities of Manufacturing and Sales Companies

Net cash used in investing activities of manufacturing and sales companies totalled €2,804 million in 2010 compared with €2,784 million in 2009, attesting to the Group's ongoing commitment to investing for the future. Capitalised development costs amounted to €1,097 million versus €1,082 million in 2009 (see note 6 to the consolidated financial statements at 31 December 2010).

(in million euros)	31 December 2010	31 December 2009
Automotive Division	2,378	2,412
Faurecia	382	301
Gefco	32	13
Other Businesses	12	58
TOTAL	**2,804**	**2,784**

The table below provides details of capitalised development costs (see also the *Consolidated Statement of Cash Flows* for the year ended 31 December 2010):

(in million euros)	2010	2009
Automotive Division	963	854
Faurecia	155	104
TOTAL R&D*	**1,118**	**958**
Software and other	75	51
TOTAL	**1,193**	**1,009**

* *Including plastic engineering agreements and partnerships with MMC and Tofas.*

10.2.2.3 Cash Flows From Financing Activities of Manufacturing and Sales Companies

Net cash from financing activities of the manufacturing and sales companies totalled €375 million compared with €4,979 million in 2009. No dividend for 2009 was paid to Peugeot S.A. shareholders in 2010. The change in financial assets and liabilities had a positive impact of €237 million, versus a positive €4,565 million in 2009 when additional debt was taken on as a result of the financial crisis.

10.2.2.4 Net Cash and Cash Equivalents at End of Year – Manufacturing and Sales Companies

The manufacturing and sales companies' net cash and cash equivalents increased by €1,436 million in 2010, on the back of a €5,800 million increase in 2009. Their net cash and cash equivalents at year-end totalled €9,253 million compared with €7,817 million at the end of 2009.

10.2.3. Net Cash and Cash Equivalents at End of Year – Finance Companies

Banque PSA Finance generated net cash from operating activities of €154 million in 2010 versus €106 million in 2009.

The Bank increased its net cash position by €27 million to end the year with €1,316 million in cash and cash equivalents (see note 33.1 to the consolidated financial statements at 31 December 2010).

10.3. Liquidity and Funding

10.3.1. Manufacturing and Sales Companies

The manufacturing and sales companies significantly increased their cash reserves in 2010, ending the year with cash and cash equivalents of €9,253 million versus €7,817 million at 31 December 2009. Changes in cash equivalents included issued payments of €25 million in 2010 compared with €26 million in 2009 (see note 33.1 to the consolidated financial statements at 31 December 2010).

The change in working capital for the year was a positive €517 million (see note 33.2 to the consolidated financial statements at 31 December 2010).

In the prevailing economic environment, the Group kept up its proactive refinancing strategy and conservative liquidity policy in order to meet its general financing needs, particularly the financing of current and future growth projects.

This strategy enabled the Group to refinance its 2011 debt maturities on favourable terms. The refinancing transactions have extended the average life of Group debt while also lowering average borrowing costs.

During the year, the Group also rolled over its €2,400 million undrawn line of credit (see note 36.2 to the consolidated financial statements at 31 December 2010).

On 21 June 2010, Peugeot S.A. launched a €500 million 5.625% bond issue due June 2015.

On the same day, PSA Peugeot Citroën made an offer to buy back €245 million worth of 2001 bonds due September 2011.

On 15 July 2010, Peugeot Citroën Automobiles S.A. obtained a €200 million loan from the European Investment Bank (EIB). The loan is due July 2017 with early repayment possible from July 2013. The proceeds are being used finance part of the R&D budget allocated to a development project.

In March 2009, Peugeot S.A. obtained a €3 billion 5-year loan from the French State. The parties agreed that Peugeot S.A. would make a €1 billion early repayment (excluding accrued interest) on 10 September 2010.

On 21 October 2010, Peugeot S.A. placed a €500 million 4% 3-year bond issue due October 2013 and a €500 million 5% 6-year bond issue due October 2016. These issues helped to lower the Group's average borrowing costs and to spread its debt maturities more evenly.

In addition, during the first half of 2010, Faurecia renegotiated its €1,170 million syndicated bank facility, which is now divided into a €20 million tranche due November 2011, a €565 million tranche due November 2012 and a €585 million tranche due November 2013. The banks hold an option to extend the tranche currently due November 2012 by one year and the tranche currently due November 2011 by one or two years.

Faurecia has also obtained in 2009 a new €205 million facility from a syndicate of French banks, expiring in January 2011. It was repaid in full in August 2010.

For detailed information, see note 29.1 to the consolidated financial statements at 31 December 2010.

10.3.2. Banque PSA Finance

At 31 December 2010, 22% of Banque PSA Finance's funding was provided by bank facilities, 55% by the capital markets, 16% by loan securitizations placed on the financial markets and 7% by public sources (such as SFEF, an institution set up by the French government to inject cash into the economy, and the European Central Bank). At 31 December 2009, the proportions were 26%, 45%, 19% and 10% respectively.

During the year, the drawn down and revolving bilateral lines of credit expiring in 2010 were rolled over to consolidate Banque PSA Finance's bank financing. At 31 December 2010, drawdowns on the Bank's lines of credit amounted to €4,668 million compared with €5,256 million at the previous year-end.

Borrowings under capital markets programmes increased to €11,619 million at 31 December 2010 from €9,481 million at 31 December 2009. Borrowings under short-term programmes (commercial paper issued by Banque PSA Finance subsidiary Sofira and CDs issues by banque PSA Finance) rose to €4,086 million from €3,434 million at 31 December 2009.

Responding to market demand for medium-term paper, Banque PSA Finance carried out seven EMTN issues in 2010, raising a total of €4,100 million with an average maturity in excess of three years. The issues increased borrowings under the EMTN programme by more than a billion euros to €7,270 million while also extending the average life of the borrowings and narrowing the spreads at issue.

A new securitisation program was set up in Brazil in early 2010 (through an FIDC special purpose entity). It was followed by a second auto lease receivables securitisation in Germany that used an innovative structure to monetise the vehicles' residual values. Total securitisation debt declined to €3,382 million at 31 December 2010 from €3,845 million at 31 December 2009 due to the amortisation of existing bonds.

Liquidity Reserves

In 2010, Banque PSA Finance continued to seek the right balance between securing liquidity, which is an ongoing priority, and optimising its refinancing costs.

At 31 December 2010, 71% of refinancing had an initial maturity of twelve months or more (versus 72% at end-2009), representing continued solid coverage of maturity mismatch risk.

The maturities of refinancing comfortably exceed the maturities of the retail financing loan book.

At 31 December 2010, the Bank held excess liquidity of €305 million and, in addition to its borrowings, it had €8,375 million worth of undrawn lines of credit, including €5,755 million in syndicated facilities expiring in June 2012 (€2,000 million), June 2013 (€1,755 million) and June 2014 (€2,000 million). These backup facilities were obtained from syndicates of leading banks and were not drawn down at 31 December 2010.

In all, Banque PSA Finance has the necessary resources to cover more than six months of lending activity without raising additional funds.

During 2010, the Bank's liquidity management system was overhauled to comply with the new liquidity ratio requirement.

For more detailed information, refer to the Banque PSA Finance Annual Report available at www.banquepsafinance.com

10.4. Information About Restrictions on the Use of Capital that Have Had or May Have in the Future a Material Impact on Operations

See note 26.1 to the consolidated financial statements at 31 December 2010.

10.5. Information about Expected Funding Sources or Funding that Will Be Needed to Fulfil Certain Commitments

See section 10.3. above.

11

CAPITAL EXPENDITURE AND RESEARCH & DEVELOPMENT

Automotive Expertise, Backed by Useful Technologies

In an industry where model line-ups have become much more diversified, innovation is the only way to create the competitive advantages so critical to driving growth.

Innovation is a priority for PSA Peugeot Citroën, which every day has to convince thousands of customers around the world to choose its models from among the dizzying array on offer. But it is also what enables the Group to ensure compliance with changing standards and legislation, sometimes ahead of their implementation dates, and to create new competitive advantages.

One example is the Group's pioneering FAP diesel particulate filter, which has already been fitted on more than 3.5 million Peugeot and Citroën vehicles, even though the Euro V regulation making filters mandatory did not come into effect until September 2009.

Six research and development centres are based in the Group's host regions, including four in France (Vélizy, Sochaux-Belchamp, La Garenne and Carrières-sous-Poissy), one in Shanghai (China Tech Center) and one in São Paulo, Brazil. The Automotive Design Network styling centre combines all of the Group's styling studios and vehicle innovation and architectural teams, comprising nearly 1,000 people based in Vélizy, France and Shanghai, China.

Lastly, two vehicle test centres are located in Belchamp and La Ferté-Vidame, France.

Each Peugeot or Citroën car is created through a seamless design and development process involving daily input from more than 14,000 engineers and technicians. Backed by a substantial budget – totalling more than €2 billion in 2010 for the Automotive Division, including development costs on existing vehicles, and €2,340 million for the Group as a whole (see note 6 to the consolidated financial statements – Research and Development Costs) – the R&D commitment is enabling PSA Peugeot Citroën to build for the future, introduce exciting new concepts and offer a comprehensive range of innovative models.

To create this innovation-led competitive advantage, PSA Peugeot Citroën pays careful attention to the needs, whether expressed or implied, of its customers and the wider community. At the same time, it makes sure that every automotive project assimilates and integrates the possibilities offered by new technologies, which have grown exponentially in recent years. It is the combination of these two approaches that generates innovative new ideas.

To maintain its leadership in next-generation automotive products and services, in 2010, PSA Peugeot Citroën strengthened its scientific partnerships with advanced scientific laboratories in Europe, Asia and South America by creating a network of OpenLabs, combining the Group's research teams and experimental resources with those of partner laboratories. These joint research units are exploring major issues impacting the future of the automobile, while closely tracking scientific discoveries worldwide. In October, the Research and Advanced Engineering Department created the Science Technologies Exploratory Lean LABoratory (STELLAB) to i) deploy and lead the OpenLabs network; ii) create interfaces and gateways among doctoral candidates, research and scientific engineers and Group experts; and iii) host students and researchers chosen to take part in scientific programs initiated by the Group.

PSA Peugeot Citroën is therefore focusing its research and development programmes on the following strategic avenues to innovation.

11.1. Improving fuel efficiency and safeguarding the environment

PSA Peugeot Citroën is aware of the transport industry's responsibilities in reducing greenhouse gas emissions.

As part of its commitment to sustainable development, the Group dedicates half of its technological research efforts to clean technologies that help to shrink its vehicles' environmental footprint by:

- improving fuel efficiency and reducing carbon emissions;
- making vehicles lighter, which in turn increases fuel efficiency and reduces raw materials content;
- using green materials, which are recyclable, recycled or made from organic matter.

The Group's strategy is based on a holistic approach, which is the only way to meet the challenge of reducing automotive CO_2 emissions over the next ten years and provide customers with a low-carbon vehicle. As part of this approach, PSA Peugeot Citroën is deploying a wide array of technological solutions, aligned with the ways customers actually use their cars and structured around three main objectives.

11.1.1. Improving the Efficiency of Petrol and Diesel Internal Combustion Engines and Developing New Emissions Control Processes

In the diesel segment, in 2009, Peugeot introduced the 207 1.6-litre HDi, which emits just 99 g/km of CO_2 thanks to a particularly efficient technical package that includes special aerodynamics and optimized engine calibration. In first-quarter 2010, Citroën also brought 99 g/km diesel versions of the DS3 and the new C3 to the European market.

After being the first carmaker to offer particulate filters as standard equipment in 2000, PSA Peugeot Citroën is continuing to develop new emissions control technologies for its diesel engines, such as selective catalytic reduction (SCR).

In the petrol segment, the new generation of 1.4 and 1.6-litre engines developed jointly with BMW have delivered significant gains, reducing carbon emissions by around 10%. By the end of 2010, 1.8 million of these engines had already been produced. A new stage in the cooperation with BMW began on 27 January 2010 with the signature of an agreement to jointly develop the next generation of Euro VI-compliant 4-cylinder petrol engines.

In 2012, a new family of small 1-litre, 3-cylinder petrol engines will be introduced. Thanks to an optimised combustion process, reduced friction and generally lower weight, these new engines will be particularly fuel-efficient, making it possible to cut a compact city car's carbon emissions to less than 99 g/km without additional technology.

For more information, please refer to section 5.3.2.1 above.

11.1.2. Deploying Hybrid Technologies

Micro-Hybrids

In the second half of 2010, the Group launched the second-generation of its Stop & Start technology with the e-HDI diesel engine, which was rolled out on virtually every Peugeot and Citroën model in early 2011. The second-generation reduces carbon emissions by up to 15% in city driving.

Full-Hybrid Diesels

Diesel hybrid technology represents a major breakthrough in terms of fuel efficiency and CO_2 emissions in the European market. With the Hybrid4 powertrain, for example, PSA Peugeot Citroën has combined the environmental performance of a diesel IC engine with the advantages of electric propulsion to deliver revolutionary gains in fuel efficiency – of up to 30% compared with a conventional diesel – and carbon emissions of less than 100 g/km. The technology offers the high fuel efficiency of HDi diesels in highway driving and all the benefits of a hybrid electric drivetrain on city and suburban roads. It was first fitted on the Peugeot 3008 HY4.

For more information, please refer to section 5.3.2.1 above.

On 28 February 2011, PSA Peugeot Citroën and BMW announced their intention to invest €100 million in BMW Peugeot Citroën Electrification, their proposed joint venture to develop hybrid technologies. Subject to approval by competition authorities, operations are scheduled to start up in second quarter 2011. The new hybrid components produced by the cooperative venture will equip the two partners' vehicles beginning in 2014.

11.1.3. Launching Electric Vehicles in 2010

The third objective of the Group's clean car strategy concerns electric vehicles and plug-in hybrids.

In late 2010, PSA Peugeot Citroën introduced two new-generation four-seater city EVs, the Peugeot iOn and the Citroën C-Zero, whose lithium-ion batteries will provide a range of 130 kilometres. For fleet use, the line-up also includes electric versions of the Peugeot Partner and Citroën Berlingo vans, 250 of which have been ordered under a tender from the French Post Office.

At the same time, the Group is working on a plug-in hybrid, i.e. an EV that can be recharged almost anywhere from a simple electric socket. An enhanced battery pack enables the plug-in to run in all-electric mode for between 15 and 50 kilometres. Wide-scale testing will be carried out on an initial fleet of around a hundred vehicles, ahead of the technology's market launch. The technology is designed to reduce CO_2 emissions to less than 50 g/km.

For more information, please refer to section 5.3.2.1 above.

Longer-term projects are studying possible applications of technologies capable of significantly reducing CO_2 emissions:

- mostly-electric hybrid powertrains, capable of pushing carbon emissions down to 30 g/km.;
- the use of natural gas in various combustion cycles, which when combined with hybrid technologies may be an effective solution for light commercial vehicles;
- fuel cells, which use hydrogen to produce electricity. In December 2009 in Lyon, PSA Peugeot Citroën presented its Peugeot 307 CC FiSyPAC demonstrator, which is equipped with a *Range Extender* and the Genepac fuel cell stack developed jointly with the French Atomic Energy Commission (CEA). It uses less than one kilogramme of hydrogen per 100 kilometres, ranking it among the best-in-class worldwide. Although considerable progress has been made, hydrogen fuel cell technology must still overcome a number of obstacles, including the cost of the fuel cell system and the lithium ion batteries, the fuel cell's lifespan and the deployment of the necessary infrastructure to market hydrogen to the general public.

These research programmes and technological advances will enable PSA Peugeot Citroën to offer the right clean car for every customer. For people who drive in and around crowded cities, there's already the Stop & Start system; for motorists who need a more versatile vehicle, a full or plug-in hybrid will be offered in 2011; and for customers who travel short distances or in urban areas, EV solutions were brought to market in 2010.

In all, the Group expects to sell one million vehicles emitting less than 120 g/km of CO_2 in Europe in 2012.

PSA Peugeot Citroën is already a leading European manufacturer of fuel-efficient, low-emission vehicles. In the 14-country Europe, the Group sold 847,000 vehicles emitting less than 130 g/km of CO_2 in 2010, when its share of the Western European market stood at 19.1% for cars emitting less than 120 g/km of CO_2 and at 29.6% for cars emitting less than 110 g/km. Average corporate CO_2 emissions in Europe amounted 131.8 g/km in 2010, versus 135.8 g in 2009.

To share development costs, PSA Peugeot Citroën signed several cooperation agreements in 2010.

In March 2009, a cooperation agreement was signed with Mitsubishi Motors Corporation (MMC) to develop and supply electric vehicles for the European market. A European version of the new generation i-MiEV electric compact was jointly developed and went on sale as the Peugeot iOn and Citroën C-ZERO in late 2010.

On 30 June 2010, a further agreement was signed with MMC to study the feasibility of developing and supplying electric powertrains, initially for light commercial vehicles. The study will include an analysis of the business case for having the two partners assemble the battery packs.

On 29 September, a cooperation agreement was signed with MMC to develop electric versions of the Peugeot Partner and the Citroën Berlingo.

For more information, please refer to section 5.3 on sustainable development.

11.2. Improving Safety in Every Way

To fulfil its priority commitment to protecting people both inside and outside its vehicles, PSA Peugeot Citroën is working to improve all three aspects of vehicle safety.

- primary or active safety involves preventing accidents by ensuring superior performance in roadholding, braking and other vehicle fundamentals and by developing driver assistance systems such as the VCCF fixed-centred controls steering wheel, adaptive lighting, the lane departure warning system and cruise control;
- secondary or passive safety involves protecting occupants in the event of impact, by improving airbags, seatbelts, seats and other restraint systems, as well as the vehicle's structural components;
- tertiary safety aims to improve post-accident assistance by fitting cars with innovative telematics that can automatically contact assistance or rescue services, in the driver's language, either when a collision is detected or manually by pressing the SOS button. The location-aware Premium emergency call service is available in 10 European countries, with no subscription or time limit. Nearly 780,000 Peugeot and Citroën vehicles have already been equipped with the emergency call system. A pioneer in this field, the Group remains the European leader in emergency call technology. In October 2010, at the Paris Motor Show, the emergency call system earned Euro NCAP Advanced rewards for the Citroën C4, C5 and DS3 and the Peugeot 308, 3008 and 5008.

Thanks to this holistic approach to automotive safety, PSA Peugeot Citroën ranks among the best in Europe for the safety and handling performance of its cars. Eighteen Group models have been awarded the maximum five-star rating in Euro NCAP impact tests, of which eight were tested using the new, more demanding "overall rating" scheme introduced in 2009. Four recent models – the Peugeot 3008 and 5008 and the Citroën DS3 and C4 – have earned the maximum five-star rating. For the other models – the Citroën C5 and C4 Picasso and the Peugeot 308 and 308CC – Euro NCAP based its findings on test results published in previous years while also taking into account the integration of electronic stability and speed limitation systems, which are included in the programme's new protocol. The Euro NCAP rating confirms the superior performance of Peugeot and Citroën vehicles since these four vehicles still received the maximum five stars despite the stricter standards. This outstanding accomplishment attests to the on-going commitment of PSA Peugeot Citroën teams to cleaner, safer, more responsible mobility.

For more information, please refer to section 5.3.5 above.

11.3. Offering a More Enjoyable On-Board Experience and an Increasingly Rich Sensory Environment

By improving vehicle ingress/egress, making interior compartments brighter and more modular, enhancing cockpit ergonomics and developing telematics, PSA Peugeot Citroën is responding to emerging motorist expectations by creating a compelling new on-board lifestyle.

The progress made in this area is particularly evident in the Citroën line-up, with the C3, C4 Picasso and, more recently, the DS3 offering unrivalled visibility from the driver's cockpit thanks to a panoramic windscreen.

The car of the future will also offer an opportunity to rediscover all our senses, with a rich sensory design that will enhance our emotional relationship with the car and create an environment capable of inspiring profound pleasure and a sense of well-being.

11.4. Expanding the Model Line-Up

Motorists are increasingly turning to smaller, more distinctive multi-purpose vehicles like pick-ups, MPVs and coupé cabriolets, while demand for small city cars is also on the rise. In response, PSA Peugeot Citroën plans to offer a growing number of new body styles.

11.5. Maintaining Capital Expenditure to Build the Future

PSA Peugeot Citroën is continuing to build the future by maintaining its capital expenditure and R&D budgets. Automotive Division outlays amounted to €3,496 million in 2010, €3,764 million in 2009 and €3,817 million in 2008, will be increased slightly in 2011, thereby enabling the Group to continue developing strategic models and conducting research on innovative technological solutions, while pursuing its international expansion.

On 12 April 2010, the Group announced a €175 million investment through 2013 to produce a new 3-cylinder turbocharged petrol engine at the Française de Mécanique plant in Douvrin, which is 50% owned in partnership with Renault. The investment follows on from the Group's decision to extend its line-up of 3-cylinder petrol engines currently under development by adding a turbocharged version to the naturally aspirated versions.

PSA Peugeot Citroën is committed to becoming a global enterprise, generating 50% of its sales outside Europe in 2015. This ambitious objective requires investing in the priority growth regions of Asia, Latin America and Russia.

Programmes will focus on the core line-ups, with a view to streamlining technical diversity.

New models will continue to be introduced at a sustained pace in 2011. The Citroën CS3 line will build on its success with the special DS3 Racing series and the brand's participation in the World Rally Championship. Sedan and SW versions of the Citroën DS4 and Peugeot 508 will be rolled out in the European market, with Chinese versions scheduled for launch in China. The DS5 will be introduced in late 2011.

China

On 9 July 2010, a contract was signed with China Chang'An Automobile Group to form an automotive joint venture in China. In the first phase, the partners will focus on introducing the Citroën DS line in China and launching a dedicated new brand for the venture. The venture will also locally market the Group's light commercial vehicle line-ups. The initial investment will amount to RMB 8.4 billion, with the Group's share in 2011 standing at around €500 million (of which some €230 million in the joint venture's initial capital.

On 21 September 2010, Philippe Varin, Chairman of the PSA Peugeot Citroën Managing Board, and Xu Ping, Chairman of the Dongfeng Motor Group Company Limited (DFM), announced in Wuhan that the two companies were strengthening their partnership through their Dongfeng Peugeot Citroën Automobile (DPCA) joint venture. Over the next five years, DPCA will invest more than RMB 11 billion, which it will finance itself.

- **A strengthened product plan**: The reinforced partnership plans to launch at least one new vehicle per year and per brand, for a total of 12 new DPCA models over the next five years. This ambitious product plan will not only extensively renew the current model line-up but also expand the Peugeot and Citroën brands' local market coverage. As part of the partnership with Dong Feng Motors, the Wuhan plant began producing the Peugeot 408 and Citroën C5 in 2010, while in 2011, the roll-out of the 508 will enable Peugeot to offer a world-class line of large family cars, a segment that accounts for 20% of the Chinese market. The product portfolio will also be renewed and strengthened in the small family car segment (nearly 50% of the market) with new notchback models designed to meet the needs of Chinese customers. Lastly, DPCA will bring to market a unique offering in the fast-growing SUV segment, which increased by 50% in 2010 and now accounts for 9% of the market.
- **A clean vehicle plan and a revitalised engine line-up**: In line with PSA Peugeot Citroën's strategy of reducing its vehicles' CO_2 emissions in China by 50% between now and 2020, the DPCA engine offering will be totally renewed over the next five years, with the launch of six new engines delivering between 60 kW and 150 kW of power. In this way, DPCA will provide significant support to China's efforts to reduce carbon emissions while satisfying the expectations of different customer profiles. At the same time, the Group is fully committed to developing hybrid powertrains by launching Stop & Start vehicles in 2011, to be followed by a full hybrid line-up.
- **New production capacity**: To support DPCA's rapid growth in sales (which doubled between 2008 and 2010), PSA Peugeot Citroën and DFM have decided to provide the joint venture with a third automobile production plant, based in Wuhan and with an initial capacity of 150,000 vehicles. It will produce midrange and lower midrange vehicles alongside DCPA's Wuhan 1 plant, which is nearly saturated. Scheduled to come on stream in 2013, the plant is intended to increase DPCA's total output from 450,000 vehicles a year today to 750,000 in 2015. The joint venture's new production capacity will comply with the most stringent environmental standards.
- **Marketing and distribution**: DPCA is continuing to develop the Dongfeng Peugeot and Dongfeng Citroën sales networks – in terms of both quality and quantity – with the goal of providing outstanding, close-to-the-customer service. By 2012, each brand will have dealerships in China's 300 largest cities backed by an additional network of several hundred agents. Lastly, as part of its strategy of expanding in Asia, PSA Peugeot Citroën is studying the possibility of exporting part of DPCA's production (assembled vehicles and CKD units) to other countries in the region.

Together, these initiatives will enable DPCA to achieve its goal of a 5% share of the Chinese market by 2015.

Latin America

In 2010, PSA Peugeot Citroën announced plans to invest €700 million in South America over the 2010-2012 period to expand its local operation. The outlays will be used mainly to develop new powerplants and new Peugeot and Citroën vehicles, with the expected launch of eight new models over the next four years. In all, €530 million will be invested to develop the Group's business in Brazil, and €170 million in Argentina.

The Brazilian plant will be dedicated to compacts, while the Argentina facility will specialise in mid-size cars.

Russia

The new plant, owned 70% by PSA Peugeot Citroën and 30% by Mitsubishi Motors Corporation, is located in Kaluga, 180 kilometres southwest of Moscow. Representing an initial investment of €470 million, it will enable the two partners to become major participants in the local automotive market, which offers highly promising growth prospects.

As of 31 December 2010, the Group's remaining financial commitments related to the construction of the Kaluga plant have been valued at €280 million, of which €143 million in the venture's initial capital, versus respectively €365 million and €189 million a year earlier.

The plant has been producing the Peugeot 308 and Citroën C4 since April 2010 and the Citroën C-Crosser, Peugeot 4007 and Mitsubishi Outlander SUVs since September. All of these models are intended to serve the midrange Russian market.

The plant will become fully operational in 2012, when production capacity will total 125,000 units a year, of which 85,000 Peugeot and Citroën midrange notchback sedans and 40,000 Peugeot, Citroën and Mitsubishi SUVs.

It will employ around 3,000 people, who will trained at the local training centre built in cooperation with the Kaluga Regional Government.

12

TREND INFORMATION

12.1. Trend Information

PSA Peugeot Citroën has successfully passed the first milestones in its three strategic objectives:

- **Globalisation**: with 39% of sales generated outside Europe in 2010 (versus 32% in 2009), the Group is well on track to derive 50% of its unit sales outside Europe in 2015, led by the product dynamic and the development of global markets.

  In China, the Group has targeted market share of 5% in 2015 for Dongfeng Peugeot Citroën Automobile (DPCA) and of 3% over the medium term for the second joint venture with Chang'An. In Latin America, the objective is to reach a 7% share of the market in 2015 thanks to the launch of a €700 million turnaround plan. The globalisation process is also being driven by the sustained expansion of all of the Group's businesses (the brands, Banque PSA Finance and Gefco) in Russia and the project to introduce the Peugeot brand in India.
- **Staying one step ahead**: Peugeot and Citroën's improving brand images will enable them to continue to shift their price positioning upwards.
- **Operational excellence**: the success of the Automotive Division's **Performance Plan** has enabled the Group to deliver results exceeding initial objectives and led it to raise the 2010-2012 target by €400 million, to €3.7 billion. In 2010, the Performance Plan contributed €1.5 billion, or 30% more than the initially targeted €1.1 billion.

  The source of these gains remains unchanged, with 45% coming from the assertive marketing drive in Europe and the rest of the world and 55% from cost reductions.

  Costs were significantly reduced in 2010, with efficiency in European production, purchasing and overheads delivering around €1.1 billion of the performance gains for the year, as follows:

	2009	2010	2012 Target
Capacity utilization rate* in Europe	80%	**90%**	**105%**
Design productivity (base 100: 2009)	-	**-11%**	**-20%**
Use of repeat components	30%	**38%**	**50%**
Procurement from strategic suppliers	25%	**35%**	**50%**

** As measured by the Harbour index, with two shifts over 235 days.*

While the Group expects market conditions to remain difficult in Europe in 2011, it will continue to pursue its international expansion in China, with the second joint venture, in Latin America and Russia, as well in India, with the new project to introduce the Peugeot brand in India.

2011 Group Outlook

The European market is expected to be stable in 2011. Market growth in China, Latin America and Russia is expected to be around 10%, 4% and 15% respectively.

At the same time, PSA Peugeot Citroën will further enhance each of the Peugeot and Citroën brands. 2011 will be another year of exciting new product launches, with in particular the Peugeot 508 in Europe and China, the Citroën DS4 and DS5, and the world's first hybrid diesel engine, offered on the Peugeot 3008.

Automotive recurring operating income in 2011 is expected to be above the level of 2010, with a €1.1 billion contribution from the Performance Plan, which should more than offset significant increases in raw material and other input costs.

In the first half of 2011, automotive recurring operating income should be comparable with that of first-half 2010, excluding the impact of events in Japan.

Following difficulties in sourcing electronic components from Japan, the Group estimates a likely impact of -€150 million on first-half automotive recurring operating income. Output in Japan has yet to return to normal and the Group is carefully tracking the situation.

Faurecia, Gefco and Banque PSA Finance are all expected to deliver higher recurring operating income.

Free cash flow, after higher capitalised R&D and capital expenditure amounting to €3 billion, is expected to be positive.

12.2. First-Quarter 2011 Revenues

First-Quarter 2011 Revenues up 10.2% to €15.4 Billion

- Increase in Group revenues up 10.2%
- Automotive Division revenues up 6.0%
- Sustained move upmarket with success of distinctive models, Citroën DS3, Peugeot RCZ, 3008 and of the Peugeot 508
- Full reimbursement of French state loan anticipated
- Gefco to acquire 70% of Gruppo Mercurio
- Dividend of €1.1 per share proposed at the Annual General Meeting of 31 May

Revenues *In € millions*	**Q1 2011**	**Q1 2010**	**% change**
Automotive Division	11,262	10,619	+6.0%
Faurecia*	3,963	3,202	+23.7%
Gefco	977	842	+16.1%
Banque PSA Finance	470	457	+2.8%
Other businesses and intersegment eliminations	(1,258)	(1,135)	
PSA PEUGEOT CITROËN	**15,414**	**13,986**	**+10.2%**

* *+ 15.1% at constant scope of consolidation and exchange rates.*

AUTOMOTIVE DIVISION

Automotive revenue rose by 6.0% to €11,262 million in the first three months of 2011, with worldwide sales up 0.8% to 921,400 units. Growth was impacted by the late-March scale-back in production caused by difficulties in sourcing electronic components from Japan. Revenue from new vehicle sales rose by 5.9% thanks to a significant 6.3% impact from improved product mix, a positive currency effect (+1.3%), and country mix and "other" effects which more than offset a 2.0% decline in prices.

The percentage of distinctive vehicles in the product mix rose further, to stand at 9% of first-quarter units which will be further boosted by the launch of the Citroën DS4 and DS5 this year, thereby, with Peugeot 508, enhancing the Peugeot and Citroën brand images.

FAURECIA

After a sustained recovery in 2010, Faurecia consolidated its positions in first-quarter 2011, with a 23.7% increase in revenue to €3,963 million. At a constant scope of consolidation and exchange rates, like-for-like growth was 15.1% for the period. Revenue from product sales was up 22.5% to €3,104 million. Growth was fairly evenly distributed among the business units, with automotive seats gaining 11.8%, interior systems up 15.8%, emissions control technologies up 27% and automotive exteriors rising 77%.

GEFCO

Gefco revenue totalled €977 million for the quarter, a 16.1% increase led by the growth in business with Group companies up 15.5% and Third parties up 17.1%. The acquisition of a 70% stake in Mercurio, announced on 5 April 2011, will enable Gefco to continue to diversify its customer base and step up expansion in the downstream automotive supply chain and the global marketplace.

BANQUE PSA FINANCE

Banque PSA Finance's revenue rose 2.8% to €470 million in the first quarter. The loan book increased by 3.5% to €23.9 billion, and a total of 227,000 new contracts were originated, up +4,1%.

13

FORECASTS OR ESTIMATES OF PROFITS

The Group has not issued any forecasts or estimates of profits. The outlook for 2011 is presented in section 12.1.

14

ADMINISTRATIVE, 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.

14.1. Information about the Administrative, Management or Supervisory Bodies

14.1.1. The Supervisory Board

Members

The Supervisory Board has twelve members plus two non-voting advisors (*censeurs*). The members are elected by shareholders for six-year terms.

The other functions exercised by Supervisory Board members and advisors are listed below, along with the dates when they were elected to the Supervisory Board and when their terms expire. Under the French Commercial Code, only shareholders in a General Meeting have the authority to remove a Supervisory Board member from office.

Each member of the Supervisory Board must own at least 25 shares of Peugeot S.A. stock.

Information about the Supervisory Board Members

Functions and Directorships Held as of 31 December 2010

Thierry Peugeot

Chairman of the Compensation Committee
Member of the Appointments and Governance Committee
Member of the Strategy Committee

First elected to the Supervisory Board on 19 December 2002
Current term expires in 2016

Born on 19 August 1957

Business address:
PSA Peugeot Citroën
75, avenue de la Grande-Armée
75116 Paris
France

Chairman of the Supervisory Board of Peugeot S.A.

Other functions and Directorships as of 31 December 2010:
- Vice-Chairman and Chief Operating Officer of Établissements Peugeot Frères,
- Director and member of the Equity Holdings Committee of Société Foncière, Financière et de Participations – FFP,
- Director of Société Anonyme de Participations – SAPAR,
- Director of Faurecia,
- Director of Compagnie Industrielle de Delle – CID,
- Director of Air Liquide,
- Member of the Compensation Committee of LISI,
- Permanent representative of CID on the Board of Directors of LISI.

Former functions and Directorships in the past five years:
- Chairman of Immeubles et Participations de l'Est,
- Director of Immeubles et Participations de l'Est,
- Director of AMC Promotion,
- Legal Manager of SCI du Doubs,
- Director of La Française de Participations Financières – LFPF.

Relevant expertise and professional experience:
- Thierry Peugeot has served as Chief Executive Officer of a number of companies, particularly in the automotive industry, and has managed companies outside France.

Number of Peugeot S.A. shares owned as of 31 December 2010: 900.

Jean-Philippe Peugeot

Chairman of the Appointments and Governance Committee
Member of the Compensation Committee
Member of the Strategy Committee

First elected to the Supervisory Board on 16 May 2001
Current term expires in 2013

Born on 7 May 1953

Business address:
Établissements Peugeot Frères
75, avenue de la Grande-Armée
75116 Paris
France

Vice-Chairman of the Supervisory Board of Peugeot S.A.

Other functions and Directorships as of 31 December 2010:
- Chairman and Chief Executive Officer of Établissements Peugeot Frères,
- Vice-Chairman of Société Foncière, Financière et de Participations – FFP,
- Member of the Supervisory Board of Immobilière Dassault,
- Director of Simante SL,
- Chairman of Oldscool,
- Member of the Supervisory Board of Linedata Services.

Former functions and Directorships in the past five years:
- Chairman of the Board of Directors of Nutrition et Communication SAS,
- Director of La Française de Participations Financières – LFPF,
- Director of Immeubles et Participations de l'Est.

Relevant expertise and professional experience:
- Jean-Philippe Peugeot has spent his entire career with Automobiles Peugeot. In particular, he managed an Automobiles Peugeot sales subsidiary for eight years and Peugeot Parc Alliance for four years.

Number of Peugeot S.A. shares owned as of 31 December 2010: 150.

Jean-Louis Silvant

Member of the Appointments and Governance Committee
Member of the Compensation Committee
Member of the Strategy Committee

First elected to the Supervisory Board on 24 May 2006
Current term expires in 2012

Born on 7 February 1938

Business address:
La Martinerie
35, rue de la Fontaine
37370 Neuvy-le-Roi
France

Vice-Chairman of the Supervisory Board of Peugeot S.A.

Other functions and Directorships as of 31 December 2010:
- Chairman of Closerie des Tilleuls,
- Legal Manager of Silvant-Invest,
- Director of Peugeot Suisse,
- Director of Résidéal Santé.

Former functions and Directorships in the past five years:
None.

Relevant expertise and professional experience:
- Jean-Louis Silvant joined PSA Peugeot Citroën in 1961. He held a large number of executive positions, particularly in production, human resources and research and development, before serving as Senior Executive Vice-President of Peugeot from 1992 to 1998. He was a member of the PSA Peugeot Citroën Executive Committee from 1998 to 2002.

Number of Peugeot S.A. shares owned as of 31 December 2010: 1,150.

Marc Friedel

Member of the Finance and Audit Committee

First elected to the Supervisory Board on 26 June 1996
Current term expires in 2014

Born on 21 July 1948

Business address:
1, rue Ballu
75009 Paris
France

Member of the Supervisory Board of Peugeot S.A.

Former functions and Directorships in the past five years:
- Permanent representative of Sofinaction (Groupe CIC) on the Board of Directors of Société Nancéienne Varin-Bernier (SNVB),
- Member of the Supervisory Board of Presses Universitaires de France.

Relevant expertise and professional experience:
- From 1989 to 1999, Marc Friedel served as Chairman and Chief Executive Officer of Berger-Levrault, a company listed on the Paris Bourse. He has now retired.

Number of Peugeot S.A. shares owned as of 31 December 2010: 150.

Jean-Louis Masurel

Member of the Finance and Audit Committee

First elected to the Supervisory Board on 27 August 1987
Current term expires in 2011

Born on 18 September 1940

Business address:
Arcos Investissement
13, rue Saint Florentin
75008 Paris
France

Member of the Supervisory Board of Peugeot S.A.

Other functions and Directorships as of 31 December 2010:
- Chairman of Arcos Investissement,
- Member of the Supervisory Board of 21 Centrale Partners S.A.,
- Director of Société des Bains de Mer (Monaco),
- Director of Compagnie de Transports Financière et Immobilière – Cotrafi,
- Director of Gondrand (subsidiary of Cotrafi),
- Director of Banque J. Safra (Monaco),
- Legal Manager of Société des Vins de Fontfroide,
- Chairman of Sogetel.

Former functions and Directorships in the past five years:
- Vice-Chairman of the Supervisory Board of Oudart S.A.,
- Director of Oudart Gestion S.A.

Relevant expertise and professional experience:
- From 1983 to 1989, Jean-Louis Masurel served as Vice-Chairman and Chief Executive Officer of Moët-Hennessy and later LVMH. Since 1995, he has been a Director and Chairman of the Finance Committee of Société des Bains de Mer (Monaco).

Number of Peugeot S.A. shares owned as of 31 December 2010: 1,600.

Jean-Paul Parayre

Chairman of the Finance and Audit Committee
Member of the Strategy Committee

First elected to the Supervisory Board on 11 December 1984
Current term expires in 2011

Born on 5 July 1937

Business address:
203, avenue de Molière
1050 Brussels
Belgium

Member of the Supervisory Board of Peugeot S.A.

Other functions and Directorships as of 31 December 2010:
- Chairman of the Supervisory Board of Vallourec,
- Director of Bolloré S.A.,
- Director of Société Financière du Planier,
- Legal Manager of B Stena International Sarl,
- Chairman of the Supervisory Board of Stena Maritime.

Former functions and Directorships in the past five years:
- Director of Stena International B.V.,
- Member of the Steering Committee of V&M do Brasil,
- Director of SNEF.

Relevant expertise and professional experience:
- Jean-Paul Parayre has held executive positions in a number of manufacturing and service companies, including Chairman of the Managing Board of PSA Peugeot Citroën (1977-1984), Chief Executive Officer and later Chairman of Dumez (1984-1990), Vice-Chairman and Chief Executive Officer of Lyonnaise des Eaux Dumez (1990-1992), Vice-Chairman and Chief Executive Officer of Bolloré Group (1994-1999) and Chairman and Chief Executive Officer of Saga (1996-1999). He has been Chairman of the Supervisory Board of Vallourec since 2000.

Number of Peugeot S.A. shares owned as of 31 December 2010: 83,396

Robert Peugeot

Chairman of the Strategy Committee
Member of the Appointments and Governance Committee
Member of the Finance and Audit Committee

First elected to the Supervisory Board on 6 February 2007
Current term expires in 2013

Born on 25 April 1950

Business address:
FFP
75, avenue de la Grande-Armée
75116 Paris
France

Member of the Supervisory Board of Peugeot S.A.

Other functions and Directorships as of 31 December 2010:
- Chairman and Chief Executive Officer of Société Foncière, Financière et de Participations – FFP,
- Chairman and Chief Executive Officer of Simante, SL.,
- Member of the Supervisory Board of Hermès International,
- Member of the Supervisory Board of IDI Emerging Markets S.A.,
- Director of SOFINA,
- Director of FCC S.A.,
- Director of Établissements Peugeot Frères,
- Director of Imerys,
- Director of Sanef,
- Director of Holding Reignier S.A.,
- Director of Faurecia,
- Director of DKSH AG,
- Legal Manager of SCI CHP Gestion,
- Legal Manager of SCI Rodom,
- Permanent representative of FFP on the Supervisory Board of Zodiac Aerospace,
- Legal representative of FFP at Financière Guiraud SAS.

Former functions and Directorships in the past five years:
- Member of the Supervisory Board of Groupe Taittinger,
- Member of the Supervisory Board of Citroën Deutschland AG,
- Member of the Supervisory Board of Aviva France,
- Chairman of Nutrition et Communication,
- Director of La Française de Participations Financières – LFPF,
- Director of Immeubles et Participations de l'Est,
- Director of IFP (Institut Français du Pétrole),
- Director of Société du Louvre – Groupe du Louvre,
- Director of Citroën Danemark A/S,
- Director of Aviva Participations,
- Director of GIE de Recherche et d'Études PSA Renault,
- Director of Citroën UK Ltd.,
- Director of Alpine Holding,
- Director of WRG – Waste Recycling Group Limited,
- Director of B-1998 SL,
- Director of FCC Construccion S.A.

Relevant expertise and professional experience:
- After graduating from École Centrale de Paris and INSEAD, Robert Peugeot held various executive positions within the PSA Peugeot Citroën Group. From 1998 to 2007, he was a member of the Group's Executive Committee and Vice-President, Innovation and Quality. He has been a member of the Supervisory Board of Peugeot S.A. since February 2007, serving on the Finance Committee, the Appointments and Governance Committee and the Strategy Committee, which he has chaired since December 2009.

Number of Peugeot S.A. shares owned as of 31 December 2010: 150.

Henri Philippe Reichstul

Member of the Strategy Committee

First elected to the Supervisory Board on 23 May 2007
Current term expires in 2013

Born on 12 April 1949

Business address:
Rua dos Pinheiros, 870
20° Andar – cjs. 201 –
CEP 05422-001 São Paolo,
SP Brazil

Member of the Supervisory Board of Peugeot S.A.

Other functions and Directorships as of 31 December 2010:
- Director and member of the Compensation Committee of Ashmore Energy International – AEI,
- Director and member of the "*Comision Delegada*" of YPF S.A.

Former functions and Directorships in the past five years:
- Director of TAM – Linhas Aéreas S.A., Holdings/Vivo and Pao de Açucar Group,
- Chairman and Chief Executive Officer of Brenco.

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. shares owned as of 31 December 2010: 25.

Marie-Helene Roncoroni

Member of the Finance and Audit Committee

First elected to the Supervisory Board on 2 June 1999
Current term expires in 2011

Born on 17 November 1960

Business address:
FFP
75, avenue de la Grande-Armée
75116 Paris
France

Member of the Supervisory Board of Peugeot S.A.

Other functions and Directorships as of 31 December 2010:
- Vice-Chairman of Société Foncière, Financière et de Participations – FFP,
- Chairman of the Equity Holdings Committee, member of the Investments Committee and member of the Appointments and Compensation Committee of FFP,
- Director of Société Anonyme de Participations – SAPAR,
- Director of Établissements Peugeot Frères,
- Director of SIMANTE SL,
- Director of Assurances Mutuelles de France,
- Permanent representative of Société Anonyme de Participations – SAPAR on the Board of Directors of Société des Immeubles de Franche-Comté,
- Permanent representative of Société Assurances Mutuelles de France on the Board of Directors of Azur – GMF Mutuelles d'Assurances Associées.

Former functions and Directorships in the past five years:
- Director of Immeubles et Participations de l'Est,
- Permanent representative of Covéa Ré on the Board of Directors of MMA IARD Assurances Mutuelles,
- Permanent representative of Covéa Ré on the Board of Directors of MMA Vie Assurances Mutuelles,
- Permanent representative of Covéa Ré on the Board of Directors of MMA IARD (S.A.),
- Permanent representative of Covéa Ré on the Board of Directors of MMA Vie (S.A.),
- Permanent representative of Covéa Ré on the Board of Directors of MMA Coopérations,
- Permanent representative of Immeubles de Franche-Comté on the Board of Directors of Société Anonyme Comtoise de Participation,
- Director of La Française de Participations Financières – LFPF.

Relevant expertise and professional experience:
- Marie-Hélène Roncoroni, a French national, graduated from IEP Paris and began her career in an international audit firm before holding positions in corporate finance, industrial relations and human resources within the PSA Peugeot Citroën Group.

Number of Peugeot S.A. shares owned as of 31 December 2010: 150.

Geoffroy Roux de Bézieux

Member of the Appointments and Governance Committee
Member of the Compensation Committee

First elected to the Supervisory Board on 23 May 2007
Current term expires in 2013

Born on 31 May 1962

Business address:
OmeA Telecom
12, rue Belgrand
92300 Levallois
France

Member of the Supervisory Board of Peugeot S.A.

Other functions and Directorships as of 31 December 2010:
- Chairman of OmeA Telecom (Virgin Mobile),
- Vice-Chairman of the Supervisory Board of Seloger.com,
- Director of Parrot S.A.

Former functions and Directorships in the past five years:
- Director of Nocibé,
- Director of Fromagers Plus,
- Director of Micromania,
- Director of Budget Telecom,
- Director of IMS – International Metal Service.

Relevant expertise and professional experience:
- Geoffroy Roux de Bézieux graduated from the ESSEC business school and held various positions at L'Oreal from 1986 to 1996. He was the founding 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 the Founder-Chairman of OmeA Telecom (Virgin Mobile). He was also the Chairman of the CroissancePlus think tank and lobbying group from 2005 to 2008.

Number of Peugeot S.A. shares owned as of 31 December 2010: 1,000.

Ernest-Antoine Seillière

Member of the Appointments and Governance Committee
Member of the Compensation Committee
Member of the Strategy Committee

First elected to the Supervisory Board on 22 June 1994
Current term expires in 2012

Born on 20 December 1937

Business address:
Wendel Investissement
89, rue Taitbout
75009 Paris
France

Member of the Supervisory Board of Peugeot S.A.

Other functions and Directorships as of 31 December 2010:
- Chairman of the Supervisory Board of Wendel,
- Member of the Supervisory Board of Hermès International S.A.,
- Director of Legrand,
- Director of Bureau Veritas,
- Director of Wendel-Participations,
- Director of Sofisamc (Switzerland).

Former functions and Directorships in the past five years:
- Chairman and Chief Executive Officer of CGIP,
- Chairman and Chief Executive Officer of Marine-Wendel,
- Chairman and Chief Executive Officer of Legrand Holding,
- Vice-Chairman of the Board of Directors of Cap Gemini,
- Director of Editis,
- Chairman and Chief Executive Officer of Société Lorraine de Participations Sidérurgiques – SLPS,
- Chairman of the Supervisory Board of Oranje – Nassau Groep B.V.,
- Member of the Supervisory Board of Bureau Veritas,
- Member of the Supervisory Board of Editis Holding,
- Member of the Supervisory Board of Gras-Savoye.

Relevant expertise and professional experience:
- Ernest-Antoine Seillière has held various company chairmanships and directorships.

Number of Peugeot S.A. shares owned as of 31 December 2010: 600.

Joseph F. Toot Jr.

First elected to the Supervisory Board on 24 May 2000
Current term expires in 2012

Born on 13 June 1935

Business address:
2826 Coventry LN. NW
Canton
Ohio 44708
United States

Member of the Supervisory Board of Peugeot S.A.

Other functions and Directorships as of 31 December 2010:
- Director of Rockwell Automation.

Former functions and Directorships in the past five years:
- Director of Rockwell Collins.
- Director of The Timken Company.

Relevant expertise and professional experience:
- Former Chief Executive Officer of The Timken Company.

Number of Peugeot S.A. shares owned as of 31 December 2010: 150.

François Michelin

First elected as advisor to the Supervisory Board on 25 July 2006
Current term expires in 2012

Born on 15 June 1926

Business address:
Pardevi
23, place des Carmes Déchaux
63040 Clermont-Ferrand
France

Advisor to the Supervisory Board

Other functions and Directorships as of 31 December 2010:
- Chairman of Participation et Développement Industriels S.A. – Pardevi,
- Managing General Partner of Compagnie Financière Michelin (Switzerland),
- Vice-Chairman of ANSA.

Former functions and Directorships in the past five years:
- Managing General Partner of Compagnie Générale des Établissements Michelin (CGEM),
- Managing General Partner of Manufacture Française des Pneumatiques Michelin (MFPM),
- General Partner of Michelin Reifenwerke (MRW).

Relevant expertise and professional experience:
- Under François Michelin's leadership, Michelin rose from the world's tenth largest tyre manufacturer to one of the top three.

Number of Peugeot S.A. shares owned as of 31 December 2010: 150.

Roland Peugeot

First elected as advisor to the Supervisory Board on 16 May 2001
Current term expires in 2013

Born on 20 March 1926

Business address:
Établissements Peugeot Frères
75, avenue de la Grande-Armée
75116 Paris
France

Advisor to the Supervisory Board

Other functions and Directorships as of 31 December 2010:
- Honorary Chairman of Établissements Peugeot Frères,
- Honorary Chairman of Football Club Sochaux Montbéliard – FCSM.

Former functions and Directorships in the past five years:
- Director of Société Foncière, Financière et de Participations – FFP,
- Director of Établissements Peugeot Frères,
- Permanent representative of Établissements Peugeot Frères on the Board of Directors of LFPF – La Française de Participations Financières.

Relevant expertise and professional experience:
- Roland Peugeot has held several positions as Chairman in the PSA Peugeot Citroën Group; in particular he served as Chairman of the Supervisory Board from 1972 to 1998. He was also a Director of Automobiles Peugeot from 1982 to 1996.

Number of Peugeot S.A. shares owned as of 31 December 2010: 20,041.

14.1.2. 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 bylaws, or by shareholders in a General Meeting, in accordance with French company law.

The current members of the Managing Board, who were appointed on 17 June 2009, are Philippe Varin, Chairman, Guillaume Faury, Jean-Marc Gales, Grégoire Olivier and Frédéric Saint-Geours. In addition to their collective decision-making role, the Managing Board members also have the following specific areas of responsibility: Guillaume Faury is in charge of Research and Development, Jean-Marc Gales leads the Brands Department, Grégoire Olivier heads the Asia Division and Frédéric Saint-Geours is in charge of Finance and Strategic Development.

Executive Committee

The Executive Committee comprises the five members of the Managing Board and five Executive Vice-Presidents reporting to the Chairman of the Managing Board: Yannick Bezard (Purchasing), Claude Brunet (Human Resources and Quality), Jean-Claude Hanus (Corporate Secretary), Denis Martin (Industrial Operations) and Jean-Christophe Quémard (Programmes).

Pierre Todorov – who joined PSA Peugeot Citroën on 1 March 2011 – will be appointed Corporate Secretary on 1 September 2011 to take over from Jean-Claude Hanus, who is retiring after 39 years with the Group.

In addition to the Executive Committee, four Senior Vice-Presidents report to the Chairman of the Managing Board: Carlos Gomez (Latin America), Caroline Mille (Corporate Communications), Bernd Schantz (Russia, Ukraine and CIS) and Claude Vajsman (Special Advisor).

Information about the Managing Board Members

Functions and Directorships held as of 31 December 2010

Philippe Varin

First appointed to the Managing Board on 1 June 2009
Current term expires in 2013

Born on 8 August 1952

Business address:
PSA Peugeot Citroën
75, avenue de la Grande-Armée
75116 Paris
France

Chairman of the Managing Board of Peugeot S.A.

Other functions and Directorships as of 31 December 2010:
- Chairman of Peugeot Citroën Automobiles S.A.,
- Director of Banque PSA Finance,
- Director of Faurecia,
- Director of Gefco,
- Director of PCMA Holding B.V.,
- Non-executive Director of BG Group PLC.

Former functions and Directorships in the past five years:
- Director of Tata Steel Europe Limited,
- Director of Tata Steel Limited,
- Director of Tata Steel UK Limited.

Relevant expertise and professional experience:
- Philippe Varin held a number of different executive positions with the Péchiney Group before being appointed as President of the Rhenalu Division in 1995. In 1999, he became Senior Executive President, Aluminium and a member of the Executive Committee. In 2003, he was named Chief Executive Officer of the Anglo-Dutch steel group Corus, which he left in April 2009 to join Peugeot S.A.

Number of Peugeot S.A. shares owned as of 31 December 2010: 25,001

Guillaume Faury

Executive Vice-President, Research and Development

First appointed to the Managing Board on 17 June 2009
Current term expires in 2013

Born on 22 February 1968

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.

Other functions and Directorships as of 31 December 2010:
- Chief Executive Officer of Peugeot Citroën Automobiles S.A.,
- Chairman of the Board of Directors of Peugeot Citroën Automoveis Portugal S.A.,
- Director of Peugeot Citroën Automoviles España S.A.

Former functions and Directorships in the past five years:
- Director of APSYS (EADS Group),
- Director of Eurocopter Deutschland GmbH,
- Member of the Supervisory Board of Eurocopter Deutschland GmbH.

Relevant expertise and professional experience:
- Guillaume Faury held various executive positions at Eurocopter and was Chairman of the Managing Board of Segula Technologies. He joined the PSA Peugeot Citroën Group in March 2009 as Deputy Executive Vice-President, Manufacturing and Components.

Number of Peugeot S.A. shares owned as of 31 December 2010: 0.

Jean-Marc Gales

Executive Vice-President, Brands

First appointed to the Managing Board on 21 April 2009
Current term expires in 2013

Born on 16 August 1962

Business address:
PSA Peugeot Citroën
75, avenue de la Grande-Armée
75116 Paris
France

Member of the Managing Board of Peugeot S.A.

Other functions and Directorships as of 31 December 2010:
- Chairman of the Board of Directors of Automobiles Peugeot,
- Chairman of the Board of Directors of Automobiles Citroën,
- Chairman of the Board of Directors of CITER,
- Chairman of the Board of Directors of Peugeot Motocycles,
- Permanent representative of Automobiles Peugeot on the Board of Directors of Banque PSA Finance,
- Member of the Supervisory Board of Citroën Nederland B.V.,
- Chairman and member of the Supervisory Board of Peugeot Deutschland,
- Chairman of the Board of Directors of Citroën Italia SpA,
- Chairman of the Board of Directors of Citroën (Suisse) SA,
- Chairman of the Board of Directors of Peugeot (Suisse) SA,
- Chairman of the Supervisory Board of Citroën Deutschland,
- Chairman of the Board of Directors of Peugeot Automobili Italia,
- Chairman of the Board of Directors of Citroën UK,
- Director of Citroën Belux,
- Director of Automoviles Citroën España SA,
- Director of Dongfeng Peugeot Citroën Automobile Company Ltd,
- Director of Peugeot España SA,
- Director of Peugeot Algeria.

Former functions and Directorships in the past five years:
- Vice-Chairman of the Supervisory Board of Citroën Deutschland,
- Director of Citroën Italia SpA,
- Chief Executive Officer of Automobiles Peugeot,
- Chief Executive Officer of Automobiles Citroën,
- Chairman of Citroën UK,
- Permanent representative of Automobiles Citroën on the Board of Directors of Banque PSA Finance.

Relevant expertise and professional experience:
- Jean-Marc Gales held various executive positions within the automotive industry before becoming Executive Vice-President, Global Sales at Mercedes Benz. He joined the PSA Peugeot Citroën Group in March 2009 as Chief Executive Officer of Automobiles Citroën and a member of the Managing Board.

Number of Peugeot S.A. shares owned as of 31 December 2010: 0.

Grégoire Olivier

Executive Vice-President, Asia

First appointed to the Managing Board on 6 February 2007
Current term expires in 2013

Born on 19 October 1960

Business address:
PSA Peugeot Citroën ADN
Route Nationale 118
78140 Vélizy-Villacoublay
France

Member of the Managing Board of Peugeot S.A.

Other functions and Directorships as of 31 December 2010:
- Director of Dongfeng Peugeot Citroën Automobile Company Ltd.

Former functions and Directorships in the past five years:
- Member of the Supervisory Board of Wendel,
- Chairman and Chief Executive Officer of Faurecia,
- Chairman and Chief Executive Officer of Sagem Communication,
- Chairman of the Managing Board of Sagem,
- Member of the Executive Board of Safran,
- Vice-Chairman of the Club Sagem Executive Committee,
- Director of Snecma, Sagem Défense & Sécurité and Imerys,
- Director of Peugeot Citroën Automobiles,
- 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 held various executive positions in industrial concerns before becoming Chairman and Chief Executive Officer of Faurecia in 2006, then Executive Vice-President, Programmes, and member of the Managing Board in 2007.

Number of Peugeot S.A. shares owned as of 31 December 2010: 0.

Frédéric Saint-Geours

Executive Vice-President, Finance and Strategic Development

Member of the Managing Board from 1 July 1998 until 1 January 2008 and since 17 June 2009
Current term expires in 2013

Born on 20 April 1950

Business address:
PSA Peugeot Citroën
75, avenue de la Grande-Armée
75116 Paris
France

Member of the Managing Board of Peugeot S.A.

Other functions and Directorships as of 31 December 2010:
- Chairman and Chief Executive Officer of Banque PSA Finance,
- Chairman of the Supervisory Board of Peugeot Finance International NV,
- Chairman of Union des Industries et Métiers de la Métallurgie,
- Vice-Chairman of Dongfeng Peugeot Citroën Automobile Company Ltd,
- Vice-Chairman and Chief Executive Officer of PSA International S.A.,
- Director of Casino Guichard-Perrachon,
- Director of Gefco,
- Director of Automobiles Citroën,
- Director of Peugeot Citroën Automobiles S.A.,
- Director of PCMA Holding B.V.,
- Permanent representative of Peugeot S.A. on the Board of Directors of Automobiles Peugeot.

Former functions and Directorships in the past five years:
- Member of the Supervisory Board of Peugeot Deutschland GmhH,
- Director of Peugeot España S.A.,
- Director of Automobiles Peugeot,
- Chief Executive Officer of Automobiles Peugeot,
- Permanent representative of Automobiles Peugeot on the Board of Directors of Gefco,
- Permanent representative of Automobiles Peugeot on the Board of Directors of Banque PSA Finance.

Relevant expertise and professional experience:
- Frédéric Saint-Geours has held various executive positions within PSA Peugeot Citroën, including Group Chief Financial Officer and deputy Chief Executive Officer of Automobiles Peugeot. He was Chief Executive Officer of Automobiles Peugeot and member of the Managing Board from July 1998 until the end of December 2007, then Advisor to the Chairman and member of the Executive Committee of the PSA Peugeot Citroën Group.

Number of Peugeot S.A. shares owned as of 31 December 2010: 1,570.

14.2. Information on the Situation of Members of the Supervisory Board and Managing Board

Membership Structure of the Supervisory Board and Family Relationships

The membership structure of the Supervisory Board appropriately reflects the percentage of capital held by the Company's main shareholder, the Peugeot family.

The Board comprises five family members: Thierry Peugeot, Jean-Philippe Peugeot, Robert Peugeot, Marie-Hélène Roncoroni and Marc Friedel. Marie-Hélène Roncoroni is Thierry Peugeot's sister, and Thierry Peugeot, Jean-Philippe Peugeot, Robert Peugeot and Marc Friedel are second cousins. There are no family ties among the other Supervisory Board or Managing Board members.

Jean-Louis Masurel, Henri Philippe Reichstul, Geoffroy Roux de Bézieux, Ernest-Antoine Seillière and Joseph F. Toot Jr. have no ties with the Company, its Group or its management and contribute their international finance and managerial experience to the Board's deliberations.

A former member of the Executive Committee, Jean-Louis Silvant contributes his long experience in a large number of executive positions with the Group, particularly in production and human resources management.

Jean-Paul Parayre, former Chairman of the Peugeot S.A. Managing Board and Chairman of the Supervisory Board of Vallourec, contributes his knowledge of the automotive industry and the Group's operating procedures, as well as of British and American corporate governance practices.

Conflicts of Interest Concerning Supervisory Board or Managing Board Members

To the best of the Company's knowledge, there are no conflicts of interest between the duties of Supervisory Board and Managing Board members to Peugeot S.A. and their private interests or other duties.

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.

In addition, corporate officers pledge to comply with the Stock Market Code of Ethics introduced in February 2010, which states that "corporate officers shall refrain from trading in any stocks or other securities, directly or indirectly, on their own behalf or for a third party, during the 30 calendar days preceding the publication of the annual financial statements, the interim financial statements and the consolidated revenue figures".

Sanctions Applicable to Supervisory Board or Managing Board Members

To the best of the Company's knowledge, in the last five years no member of the Supervisory Board or Managing Board has (i) been convicted of any fraudulent offence, (ii) been a member of the administrative, management or supervisory body of a company that has been declared bankrupt, or placed in liquidation or receivership, (iii) been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities or (iv) 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.

15

REMUNERATION AND BENEFITS OF CORPORATE OFFICERS

15.1. Managing Board Compensation

Base salary and Incentive Bonus

Compensation Policy

The compensation paid to each Managing Board member is determined by the Supervisory Board after reviewing the recommendations of the Compensation and Appointments Committee.

The annual compensation paid to Managing Board members includes a base salary and an incentive bonus based on the achievement of a certain number of qualified and quantified objectives.

At the end of the year, the Supervisory Board determines the base salary that will be paid to Managing Board members the following year and, at the beginning of the year, it calculates the incentive bonus based on an evaluation of how well each member met his or her assigned objectives over the year. Also at the beginning of the year, the Supervisory Board sets objectives for each Managing Board member for the current year.

2010 Compensation

- For 2010, **annual base salaries** amounted to €1,300,000 for the Chairman of the Managing Board and €618,000 for the other members of the Managing Board, unchanged from 2009. Grégoire Olivier, who is based in China, also received a distance allowance corresponding to half of his salary on an annualised basis.
- The Chairman and members of the Managing Board were also eligible to receive an **incentive bonus** in 2010, subject to performance conditions based on the achievement of objectives. Barring exceptional circumstances, the Chairman of the Managing Board could receive a bonus of up to 150% of his base salary if all of his objectives were met and the other members could be awarded up to 100% of their base salary.

The five members of the Managing Board were assigned both shared and personal objectives for 2010:

- The portion of the incentive bonus based on shared objectives corresponded to a maximum of 75% of the base salary of each of the Managing Board members. These quantified objectives were based on the following performance criteria: consolidated recurring operating income, recurring operating income for the Automotive Division, the free cash flow of the manufacturing and sales companies*, workplace safety, vehicle quality and customer service. The achievement level for each of the objectives was calculated based on accounting data or information provided by external organisations. Although the required achievement levels cannot be disclosed, they were determined precisely, in relationship with the corresponding budget items.
- The portion of the incentive bonus corresponding to personal objectives corresponded to a maximum of 35% of base salary for the Chairman of the Managing Board and 25% for the other members. These personal objectives – which related to each member's individual executive responsibilities – included criteria such as strategic development in Asia, implementing the excellence system, recurring operating income for certain divisions, the performance of vehicle projects, market share gains, and the services strategy.

The Supervisory Board was also entitled to grant the Chairman of the Managing Board an additional incentive bonus, equal to up to 40% of his base salary, for his overall performance in heading the Group, as assessed by the Supervisory Board.

In early 2011, the Supervisory Board determined the incentive bonus due to each member of the Managing Board, based on the extent to which his 2010 objectives were net.

In addition, in view of the particularly outstanding results achieved in 2010, the Supervisory Board decided to grant additional bonuses to Philippe Varin and the other members of the Managing Board, amounting to €300,000 and €120,000 respectively.

The corresponding amounts are shown in table 2.

* *Net cash generated by the operating activities of manufacturing and sales companies (excluding BPF) in 2010, less net cash used in investing activities.*

2011 Compensation

For 2011, the Supervisory Board has decided that, barring exceptional circumstances, the incentive bonus payable to the Chairman of the Managing Board may represent a maximum of 150% of his base salary, unchanged from 2010. The maximum percentage for the other members of the Managing Board has been increased to 110%, again barring any exceptional circumstances.

As in 2010, the incentive bonus for 2011 will be based on the achievement of both shared and personal objectives set for the five Managing Board members.

The shared Group objectives will be based on the following performance criteria: consolidated recurring operating income, recurring operating income for the Automotive Division, implementation of the Automotive Division Performance Plan, the net cash position of the manufacturing and sales companies, workplace safety, vehicle quality and customer service. The achievement level for each of the objectives will be calculated based on accounting data or information provided by external organisations.

For the Chairman of the Managing Board, the portion of the incentive bonus determined by reference to shared Group objectives and personal objectives will correspond to a maximum of, respectively, 90% and 30% of his base salary. The additional incentive bonus based on the Supervisory Board's assessment of his overall performance in heading the Group may represent a maximum of 30% of his base salary.

For the four other Managing Board members, the portions of their incentive bonus corresponding to shared Group objectives and personal objectives will remain unchanged in 2011, at 75% and 25% of their base salary respectively. The Supervisory Board will also be able to allocate each of these Managing Board members an additional bonus – representing up to 10% of their base salary – following an overall assessment of their performance.

Pension Benefits under an Insured Plan

The Group has set up a top hat pension plan for its senior executives (including eligible Managing Board members) to supplement the retirement benefits payable under statutory schemes. The eligibility criteria and the applicable terms and conditions are set out in the plan.

For the current members of the Managing Board

For current Managing Board members, the top hat plan guarantees a level of pension benefit in the aggregate for all plans (statutory and supplementary) equal to up to 50% of a benchmark salary, taken to be the average of the three highest gross annual salaries (including incentive bonus) received over the last five years with the Group.

The additional benefits comprise i) a fixed portion equivalent to 30% of the benchmark salary and ii) an additional 2% of the benchmark salary per year of service with the Group, up to a maximum 20%. To be entitled to this additional pension benefit, a member must have served as a senior executive of the Group (as defined in the plan) for at least five years and must end his career with the Group.

For future members of the Managing Board

The following terms and conditions will apply to future Managing Board members: the reference benchmark salary will correspond to the average of their base salary for the last three years in their position plus a percentage equal to the average of the ratios of their incentive bonus/base salary for the eight years preceding their retirement from the PSA Peugeot Citroën Group.

The additional benefits will comprise i) a fixed portion equivalent to 20% of the benchmark salary and ii) an additional 1.75% of the benchmark salary per year of service with the Group, up to a maximum 30%. The overall pension benefits payable under all plans (statutory and supplementary) will be capped at 50% of the benchmark salary and at 29 times the annual ceiling used for social security contributions. To be entitled to this additional pension benefit, a member must have served as a senior executive of the Group (as defined in the plan) for at least eight years and end his or her career with the Group.

Employment contracts

None of the members of the Managing Board has an employment contract that would be reinstated after he or she ceases to be a corporate officer. Consequently none of them would be entitled to receive any benefits for the termination of an employment contract.

Stock-Options / stock grants without consideration

None of the members of the Managing Board was granted any stock-options or performance shares in 2010.

The Managing Board members who received stock-options in 2007 and 2008 are subject to lock-up rules and are prohibited from using hedging instruments.

Details of previous stock-option plans in effect at 31 December 2010 are presented in note 26.3 to the consolidated financial statements in section 20, below. Table 5 below (§ 15.3) shows that none of these options were exercised by Managing Board members during the year.

To the best of the Company's knowledge, none of these options have been covered by a hedging instrument.

Other Benefits

The only benefit in kind provided to Managing Board members is a company car.

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 2010 are presented in tables 1, 2 and 10 below.

15.2. Supervisory Board Compensation

Supervisory Board members and advisors are paid annual attendance fees up to an aggregate amount determined in advance by the Annual Shareholders' Meeting. Pursuant to the decision of the Annual Shareholders' Meeting of 28 May 2008, this amount has been set at €600,000 until further notice.

In 2010, €30,000 was allocated to each member of the Supervisory Board and €17,000 to each advisor. The members of the Supervisory Board Committees were paid an additional €10,000, with the Chairmen of the Strategy Committee, the Appointments and Governance Committee and the Compensation Committee receiving an additional €15,000 and the Chairman of the Finance and Audit Committee €20,000.

The Chairman of the Supervisory Board also received €425,000 in compensation for 2010, unchanged since 2002, and each of the Vice-Chairmen of the Supervisory Board received €30,000.

No benefits in kind were awarded to Supervisory Board members, with the exception of a company car provided for the Chairman.

Details on the different types of compensation, commitments and benefits granted to Supervisory Board members in respect of 2010 are presented in the tables below.

In addition, Thierry Peugeot, Jean-Philippe Peugeot, Robert Peugeot and Marie-Hélène Roncoroni receive compensation for working or holding corporate offices in the Peugeot family's companies. Details regarding this compensation are provided in the *Foncière, Financière et de Participations* (FFP) Management Report.

The Supervisory Board has decided to increase its Chairman's annual compensation to €550,000 as from 2011 and to put forward a recommendation to the Annual Shareholders' Meeting to raise to €1 million the directors' fees allocated to Supervisory Board members for their duties as members of the Board and/or members/Chairmen of the Board Committees. The Supervisory Board considers that this recommendation is justified in view of the volume of work carried out by its members as well as the significant amount of time devoted to preparing and attending Board and Committee meetings.

15.3. Compensation and Benefits Awarded to Members of the Managing Board and Supervisory Board (in euros)

Table 1: Compensation and Stock-Options Awarded to Members of the Managing Board*

Philippe VARIN **Chairman of the Managing Board**	**2009** **1 June to 31 December**	**2010**
Compensation for the year (details in table 2)	777,830	3,253,700
Value of stock-options granted during the year (details in table 4)		
Value of performance shares granted during the year (details in table 6)		
TOTAL	**777,830**	**3,253,700**

Jean-Marc GALES **Executive Vice-President, Brands**	**2009** **21 April to 31 December**	**2010**
Compensation for the year (details in table 2)	432,569	1,266,000
Value of stock-options granted during the year (details in table 4)		
Value of performance shares granted during the year (details in table 6)		
TOTAL	**432,569**	**1,266,000**

Guillaume FAURY **Executive Vice-President, Research and Development**	**2009** **17 June to 31 December**	**2010**
Compensation for the year (details in table 2)	333,734	1,266,000
Value of stock-options granted during the year (details in table 4)		
Value of performance shares granted during the year (details in table 6)		
TOTAL	**333,734**	**1,266,000**

Grégoire OLIVIER **Executive Vice-President, Asia**	**2009**	**2010**
Compensation for the year (details in table 2)	630,700	1,362,820
Value of stock-options granted during the year (details in table 4)		
Value of performance shares granted during the year (details in table 6)		
TOTAL	**630,700**	**1,362,820**

* *Figures in the table do not take into account any pension benefits funded under the insured plan set up for Group senior management.*

15.3. Compensation and Benefits Awarded to Members of the Managing Board and Supervisory Board (in euros)

Frédéric SAINT-GEOURS Executive Vice-President, Finance and Strategic Development	2009 17 June to 31 December	2010
Compensation for the year (details in table 2)	350,087	1,266,000
Value of stock-options granted during the year (details in table 4)		
Value of performance shares granted during the year (details in table 6)		
TOTAL	**350,087**	**1,266,000**

Christian STREIFF Chairman of the Managing Board	2009 1 January to 29 March
Compensation for the year (details in table 2)	274,254
TOTAL	**274,254**

Jean-Philippe COLLIN Executive Vice-President, Automobiles Peugeot	2009 1 January to 16 June
Compensation for the year (details in table 2)	287,113
TOTAL	**287,113**

Gilles MICHEL Executive Vice-President, Automobiles Citroën	2009
Compensation for the year (details in table 2)	0
TOTAL	**0**

Roland VARDANEGA Executive Vice-President, Manufacturing and Components	2009 1 January to 16 June
Compensation for the year (details in table 2)	287,113
TOTAL	**287,113**

15.3. Compensation and Benefits Awarded to Members of the Managing Board and Supervisory Board (in euros)

Table 2: Compensation and Benefits Awarded to Members of the Managing Board*

Philippe VARIN Chairman of the Managing Board	2009 1 June to 31 December		2010	
	Earned	**Paid**	**Earned**	**Paid**
Salary	758,333	758,333	1,300,000	1,300,000
Bonus	-	-	1,651,000	-
Exceptional compensation	-	-	300,000	-
Attendance fees (1)	18,000	18,000	-	-
Company car	1,497	1,497	2,700	2,700
TOTAL	**777,830**	**777,830**	**3,253,700**	**1,302,700**

(1) Philippe Varin was paid €18,000 in 2009 in his capacity as a Director of Faurecia.

Jean-Marc GALES Executive Vice-President, Brands	2009 21 April to 31 December		2010	
	Earned	**Paid**	**Earned**	**Paid**
Salary	430,727	430,727	618,000	618,000
Bonus	-	-	525,300	-
Exceptional compensation	-	-	120,000	-
Attendance fees	-	-	-	-
Company car	1,842	1,842	2,700	2,700
TOTAL	**432,569**	**432,569**	**1,266,000**	**620,700**

Guillaume FAURY Executive Vice-President, Research and Development	2009 17 June to 31 December		2010	
	Earned	**Paid**	**Earned**	**Paid**
Salary	332,409	332,409	618,000	618,000
Bonus	-	-	525,300	-
Exceptional compensation	-	-	120,000	-
Attendance fees	-	-	-	-
Company car	1,325	1,325	2,700	2,700
TOTAL	**333,734**	**333,734**	**1,266,000**	**620,700**

Grégoire OLIVIER Executive Vice-President, Asia	2009		2010	
	Earned	**Paid**	**Earned**	**Paid**
Salary	618,000	618,000	618,000	618,000
Bonus	-	185,400	519,120	-
Exceptional compensation	-	-	120,000	-
Distance allowance	-	-	103,000	103,000
Attendance fees (1)	10,000	10,000	-	-
Company car	2,700	2,700	2,700	2,700
TOTAL	**630,700**	**816,100**	**1,362,820**	**723,700**

(1) Grégoire Olivier was paid €10,000 in 2009 in his capacity as a Director of Faurecia.

* *Figures in the table do not take into account any pension benefits funded under the insured plan set up for Group senior management.*

15.3. Compensation and Benefits Awarded to Members of the Managing Board and Supervisory Board (in euros)

Frédéric SAINT-GEOURS Executive Vice-President, Finance and Strategic Development	2009 17 June to 31 December		2010	
	Earned	**Paid**	**Earned**	**Paid**
Salary	332,409	332,409	618,000	618,000
Bonus	-	-	525,300	-
Exceptional compensation	-	-	120,000	-
Attendance fees [(1)]	16,500	16,500	-	-
Company car	1,178	1,178	2,700	2,700
TOTAL	**350,087**	**350,087**	**1,266,000**	**620,700**

(1) Frédéric Saint-Geours was paid €16,500 in 2009 in his capacity as a Director of Faurecia.

Four members of the Managing Board left the Company in 2009 and therefore did not receive any compensation in 2010. The compensation paid to these four former Managing Board members in 2009 is shown in the tables below.

Christian STREIFF Chairman of the Managing Board	2009 1 January to 29 March		Jean-Philippe Collin Executive Vice-President, Automobiles Peugeot	2009 1 January to 16 June	
	Earned	**Paid**		**Earned**	**Paid**
Salary [(2)]	249,697	249,697	Salary	285,591	285,591
Bonus	-	-	Bonus	-	123,600
Attendance fees [(1)]	23,750	23,750	Attendance fees	-	-
Company car	807	807	Company car	1,522	1,522
TOTAL	**274,254**	**274,254**	**TOTAL**	**287,113**	**410,713**

(1) Christian Streiff was paid €23,750 in 2009 in his capacity as a Director of Faurecia.

Gilles MICHEL Executive Vice-President, Automobiles Citroën	2009		Roland Vardanega Executive Vice-President, Manufacturing and Components	2009 1 January to 16 June	
	Earned	**Paid**		**Earned**	**Paid**
Salary			Salary	285,591	285,591
Bonus		123,600	Bonus		185,400
Company car			Company car	1,522	1,522
TOTAL	**0**	**123,600**	**TOTAL**	**287,113**	**472,513**

15.3. Compensation and Benefits Awarded to Members of the Managing Board and Supervisory Board (in euros)

Table 3: Attendance Fees and Other Compensation Paid to Members of the Supervisory Board and Supervisory Board Advisors

Supervisory Board members and advisors	Paid in 2009	Paid in 2010
Thierry Peugeot, Chairman of the Supervisory Board		
Attendance fees	20,000	30,000
Attendance fees for members of Board Committees	25,000	25,000
Other compensation	425,000	425,000
Jean-Philippe Peugeot, Vice-Chairman of the Supervisory Board		
Attendance fees	20,000	30,000
Attendance fees for members of Board Committees	25,000	25,000
Other compensation	30,000	30,000
Jean-Louis Silvant, Vice-Chairman of the Supervisory Board		
Attendance fees	20,000	30,000
Attendance fees for members of Board Committees	20,000	20,000
Other compensation	30,000	30,000
Marc Friedel, member of the Supervisory Board		
Attendance fees	20,000	30,000
Attendance fees for members of Board Committees	10,000	10,000
Jean-Louis Masurel, member of the Supervisory Board		
Attendance fees	20,000	30,000
Attendance fees for members of Board Committees	10,000	10,000
Jean-Paul Parayre, member of the Supervisory Board		
Attendance fees	20,000	30,000
Attendance fees for members of Board Committees	25,000	30,000
Robert Peugeot, member of the Supervisory Board		
Attendance fees	20,000	30,000
Attendance fees for members of Board Committees	20,000	35,000
Henri Philippe Reichstul, member of the Supervisory Board		
Attendance fees	20,000	30,000
Attendance fees for members of Board Committees	10,000	10,000
Marie-Hélène Roncoroni, member of the Supervisory Board		
Attendance fees	20,000	30,000
Attendance fees for members of Board Committees	10,000	10,000
Geoffroy Roux de Bézieux, member of the Supervisory Board		
Attendance fees	20,000	30,000
Attendance fees for members of Board Committees		10,000
Ernest-Antoine Seillière, member of the Supervisory Board		
Attendance fees	20,000	30,000
Attendance fees for members of Board Committees	20,000	20,000
Joseph F. Toot, member of the Supervisory Board		
Attendance fees	20,000	30,000
François Michelin, Advisor		
Attendance fees	15,000	17,000
Roland Peugeot, Advisor		
Attendance fees	15,000	17,000
TOTAL	**930,000**	**1,084,000**

Thierry Peugeot was also paid fees of €13,000 in 2009 in his capacity as a Director of Faurecia.

Robert Peugeot was also paid fees of €11,500 and €24,000 in 2009 and 2010 respectively in his capacity as a Director of Faurecia.

Table 4: Options to Purchase Existing or New Shares of Peugeot S.A. Stock Granted to Members of the Managing Board during the Year

Name	N° and date of plan	Type of shares to be purchased	Value based on the method used in the consolidated financial statements	Number of options granted during the year	Exercise price	Exercise period
				NONE		

Table 5: Options to Purchase Existing or New Shares of Peugeot S.A. Stock Exercised by Members of the Managing Board during the Year

No option exercised by members of the managing Board in 2010.

Table 6: Performance Shares Granted to Members of the Managing Board

None.

Table 7: Performance Shares Vesting during the Year for Members of the Managing Board

None.

Table 8: Options Granted to Members of the Managing Board to Purchase New or Existing Shares of Peugeot S.A. Stock

Plan	05/10/2000	20/11/2001	20/08/2002	21/08/2003	24/08/2004	23/08/2005	23/08/2006	22/08/2007	20/08/2008
Total number of shares under option of which available for purchase by:	709,200	798,600	860,100	996,500	1,004,000	943,000	983,500	1,155,000	1,345,000
Grégoire Olivier Executive Vice-President, Asia								60,000	60,000
Frédéric Saint-Geours Executive Vice-President, Finance and Strategic Development				33,000	40,000	40,000	40,000	60,000	25,000
Earliest exercise date	05/10/2002	20/11/2004	20/08/2005	21/08/2006	24/08/2007	23/08/2008	23/08/2009	22/08/2010	20/08/2011
Last exercise date	05/10/2008	20/11/2008	21/08/2009	21/08/2011	24/08/2012	23/08/2013	23/08/2014	22/08/2015	20/08/2016
Exercise price *(in euros)*	35.45	46.86	46.28	39.09	47.59	52.37	41.14	60.43	33.08
Exercise terms (applicable to plans comprising several tranches)									
Number of shares issued on exercise of options as at 31 December 2010	526,093	389,400	317,800	289,393	12,000	10,000	15,000	0	0
Number of options cancelled, expired or forfeited	183,107	409,200	542,300	29,000	80,000	65,000	98,000	226,500	210,000
Number of options outstanding at the period-end	0	0	0	678,107	912,000	868,000	870,500	928,500	1,135,000

15.3. Compensation and Benefits Awarded to Members of the Managing Board and Supervisory Board (in euros)

Table 9: Options Granted to and Exercised by the Top Ten Employee Grantees (Other than Corporate Officers) in 2010

	Total number of options granted/exercised for new or existing shares	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: Pension obligations concerning members of the Managing Board

	Employment contract		Supplementary pension plan		Compensation or benefits due or that may be due on termination or change in position		No-compete indemnity	
Managing Board members	Yes	No	Yes (1)	No	Yes	No (2)	Yes	No
Philippe Varin Chairman of the Managing Board since 1 June 2009		No	Yes			No		No
Jean-Marc Gales Executive Vice-President, Brands since 21 April 2009		No	Yes			No		No
Guillaume Faury Executive Vice-President, Research and Development since 17 June 2009		No	Yes			No		No
Grégoire Olivier Executive Vice-President, Asia since 16 February 2007		No	Yes			No		No
Frédéric Saint-Geours Executive Vice-President, Finance and Strategic Development since 17 June 2009		No	Yes			No		No

(1) Each of the current members of the Managing Board participates in a top hat pension plan that guarantees a level of pension benefit in the aggregate for all plans (statutory and supplementary) equal to up to 50% of a benchmark salary, taken to be the average of the three highest gross annual salaries (including incentive bonus) received over the last five years with the Group. To be entitled to this additional pension benefit, a member must have served as a senior executive of the Group (as defined in note 39 to the consolidated financial statements) for at least five years and must end his career with the Group.

(2) No such benefits are payable to Managing Board members other than the top hat pension benefits referred to in the previous column.

16

BOARD PRACTICES

16.1. Terms of Office of Directors and Senior Executives

Please refer to section 14.1 above.

16.2. 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.

16.3. Supervisory Board Committees

Please refer to section 16.5.1 above.

16.4. Compliance with Best Corporate Governance Practices

At its 16 December 2008 meeting, the Supervisory Board decided to adopt the AFEP/MEDEF Corporate Governance Code, as applicable to French joint-stock companies with a Supervisory Board and Managing Board. Further details on the Company's application of this Code are provided in the Report of the Chairman of the Supervisory Board on the preparation and organisation of Supervisory Board meetings and on internal control, in section 16.5.1 below.

16.5. Other Significant Corporate Governance Practices and Internal Control Processes and Procedures

The Group's internal controls are implemented based on its operational organisation as well as its legal structure. The applicable internal control processes are described in the Report of the Chairman of the Supervisory Board on the preparation and organisation of Supervisory Board meetings and on internal control.

The Report of the Chairman of the Supervisory Board on corporate governance and internal control was approved by the members of the Board at their meeting on 19 April 2011.

16.5.1. Report of the Chairman of the Supervisory Board on the Preparation and Organisation of Supervisory Board Meetings and on Internal Control

1. Preparation and Organisation of Supervisory Board Meetings

1.1. Membership of the Supervisory Board

The Supervisory Board has twelve members plus two non-voting advisors. The members are elected by shareholders for six-year terms.

No member of the Supervisory Board is a salaried employee of a Group company.

The Supervisory Board comprises five members of the Peugeot family and seven members qualified as independent based on the criteria applied by the Group.

The Board had one woman member in 2010. In accordance with French Act 2011-103 of 27 January 2011 concerning gender balance among Board members, the Supervisory Board conducted studies and undertook the necessary measures, taking into account the expiry dates of the current members' terms, to ensure that its membership complies with gender balance principles. At least 20% of members will be women following the 2014 Annual Shareholders' Meeting and at least 40% after the 2017 Annual Shareholders' Meeting.

In particular, at its 8 February 2011 meeting, the Board decided to put forward a proposal at the 2011 Annual Shareholders' Meeting to elect another woman as director.

More generally, the Appointments and Governance Committee has undertaken a member selection process designed to change the Board's membership structure.

1.2. The Supervisory Board's Roles, Responsibilities and Operating Procedures

Internal Rules

At its 9 February 2010 meeting, the Supervisory Board revised its internal rules that were originally adopted in February 2003. The new version defines the Board's roles and responsibilities as follows:

- The Supervisory Board appoints members of the Managing Board, can remove them from office and determines their compensation packages.
- The Supervisory Board sets the amount of compensation for its Chairman and Vice-Chairman or Chairmen and determines the procedures for allocating attendance fees among its members.
- 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.

  The Supervisory Board is therefore responsible for:
  - Overseeing the Managing Board's management of the Company by performing any checks and controls it deems appropriate,
  - Carrying out periodic controls of the Company's management (i) on a quarterly basis by reviewing business reports presented by the Managing Board and (ii) within three months of each year-end, by examining and issuing its opinion and comments on the annual financial statements of the Company and Group, as presented by the Managing Board, and on the Management Report to the Annual Shareholders' Meeting.
- The Supervisory Board ensures that the strategy proposed and applied by the Managing Board fits with the Group's long-term vision as defined by the Supervisory Board.

  The Board reviews the strategic plan and the various multi-year business plans, as well as the capital expenditure plan and the budget.

The internal rules also stipulate that the Supervisory Board is required to authorise in advance the following actions by the Managing Board as provided for in article 9 of the Company's bylaws:

- shareholder-approved share issues (whether paid up in cash or by capitalising retained earnings) and capital reductions;
- any and all issues of ordinary or convertible bonds;
- the drafting of any merger agreements or agreements for the sale of a business;
- the signature or termination of any manufacturing or sales agreements representing a future commitment for Peugeot S.A., with companies whose corporate purpose is similar or related to that of Peugeot S.A., and generally the execution of any major transaction which substantially alters the scope of the business or the balance sheet structure of the Company or the Group.

The Managing Board may carry out the following actions only with the unanimous backing of all of its members or, failing that, with the prior authorisation of the Supervisory Board:

- the purchase, sale, exchange or transfer of any and all operating real estate and businesses in transactions representing an amount in excess of the ceiling set by the Supervisory Board (currently €50 million);
- the purchase, acquisition or sale of any equity interest in any and all existing or future enterprises directly or indirectly representing an immediate or future investment, expense, debt guarantee or seller's warranty involving an amount in excess of the ceiling set by the Supervisory Board;
- the signature of 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).

Lastly, guarantees given on behalf of subsidiaries are submitted for Supervisory Board approval when the amount exceeds a certain level. In 2010, such approval was required for individual guarantees exceeding €25 million, or when the cumulative amount of guarantees given during the year exceeded €125 million (excluding customs and tax bonds).

The Supervisory Board's internal rules also set out the following:

- Supervisory Board information procedures, practices and guidelines;
- 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 roles and responsibilities of Supervisory Board Committees;
- the procedures for assessing the Board's performance;
- the obligations of Board members, particularly the requirement to comply with the Stock Market Code of Ethics introduced in 2010, which each Board member has signed.

Operating Procedures

Two weeks before each Supervisory Board meeting all of the Board's members receive the agenda of the forthcoming meeting and the draft minutes of the previous meeting. In addition, at the end of the week preceding the planned meeting, the Board members are sent an information pack containing a copy of the minutes of the previous meeting, the presentations to be given for each agenda item, the minutes of the meetings of the Board Committees and, where the meeting involves examining a quarterly business review, the Report of the Managing Board. The packs also contain the schedule for the meetings of the Supervisory Board and the Board Committees for the year in progress and the following year, an update of the "blackout periods" during which Board members are prohibited from trading in the Company's securities (as specified in the Stock Market Code of Ethics), press articles that have been published about the Group since the last Board meeting, and any external financial analyses that have been released. A copy of the pack is usually also provided in the meeting itself.

The members of the Managing Board attend Supervisory Board meetings and the Statutory Auditors attend the meetings where the annual and interim financial statements are examined.

The schedule for each year's meetings is prepared in April of the preceding year. Ordinary Supervisory Board meetings are systematically preceded by meetings held by the Finance and Audit Committee, the Appointments and Governance Committee and the Compensation Committee.

Each ordinary Supervisory Board meeting lasts for a minimum of three and a half hours, but may be longer when required. The Chairman of the Board may call special meetings where necessary.

Assessment of the Board's Performance

In February and March 2010 the Supervisory Board carried out a formal assessment of its own work and the work performed by its Committees based on an individual questionnaire completed by each Board member.

In summary, the findings of the self-assessment showed that the Board's membership structure is generally considered to be appropriate and that the members believe the quality of Board meetings to be high, with increasingly open discussions, enabling them to effectively deal with the items on the agenda. The Supervisory Board members also feel that the Committees effectively fulfil their role of preparing the Board's discussions.

However, a number of areas for improvement were also identified during the assessment process. For example, half of the Board's members felt that they do not receive the preparatory documents in sufficient time for meetings.

Concerning the Supervisory Board's membership structure, recommendations were put forward on the need to increase the proportion of women on the Board and to appoint an independent non-French member with proven financial experience who is also familiar with the business environment in Asia. The Appointments and Governance Committee subsequently launched a process to find candidates corresponding to this profile.

In addition, following recommendations expressed during the self-assessment, Supervisory Board meetings have been extended by between thirty and sixty minutes, and time discipline has been improved to leave room for discussion at the end.

Also further to suggestions made during the assessment process, the Board's programme for training and on-site visits was stepped up in 2010, with the introduction of two half-day sessions to be systematically held every year on the Group's future product ranges and long-term strategy. Supervisory Board members have also been provided with a list of on-site visits that they can make if they so wish.

Another area for improvement expressed during the self-assessment was for Board members to have a better understanding of the Group's strategy in Latin America and China. This request was fulfilled in October 2010 when the members of both the Supervisory Board and Managing Board spent five days in China. During the trip, they met local managers and freely discussed the Group's current position and outlook in the country. They also visited the manufacturing plants and sales units managed by the Group's joint ventures, and met its manufacturing partners as well as certain local political and administrative representatives. A similar visit to Latin America is scheduled for 2011.

The Supervisory Board carried out another self-assessment in January 2011 based on a more detailed questionnaire sent to the Board's members.

1.3. Supervisory Board Meetings in 2010

The Supervisory Board met eight times in 2010, with an average attendance rate of 90%.

During five of these meetings – held on 9 February, 20 April, 27 July, 19 October and 21 December – the Board reviewed business reports presented by the Managing Board concerning the Group's sales and manufacturing performance, as well as the financial results of its various divisions, and its overall financial situation. During these meetings, the Board was also informed about events affecting employees and quality, and gave its opinion on the Group's strategic growth vision, which it discussed in detail with the Managing Board during the February and April meetings.

The 9 February and 27 July meetings were attended by the Statutory Auditors and included, respectively, presentations of the full-year 2009 financial statements of the Company and the Group and the results for the first half of 2010.

At its February meeting, the Supervisory Board adopted the revised version of its internal rules (it subsequently adopted the internal rules of the Strategy Committee, the Appointments and Governance Committee and the Compensation Committee at its 20 April meeting and those of the Finance and Audit Committee on 27 July). During the same meeting in February the Board adopted a Stock Market Code of Ethics, which sets out the rules concerning transactions carried out by Supervisory Board members and non-voting advisors as well as Managing Board members in securities issued by Peugeot S.A., Société Foncière Financière et de Participations (FFP) and Faurecia. The Code provides for preventive measures under which Board members can trade in these securities while complying with market integrity rules.

Also at its 9 February meeting, the Board approved the new regulations applicable to the top hat pension plan for the Group's senior executives and set the performance criteria underlying Managing Board members' incentive bonuses for 2010.

On 20 April, the Supervisory Board examined the agenda, Report of the Managing Board and draft resolutions for the 2010 Annual Shareholders' Meeting and approved its own report to the meeting. In addition it reviewed the findings of its self-assessment, examined the independence of its members and defined the requisite profile for candidate members, as part of an underlying aim to diversify the Board's membership structure by increasing the number of women, non-French and independent members.

At its 19 October meeting – which took place in Shanghai in the offices of the Group's new Asia Division – the Managing Board gave a presentation on the Group's medium-term plan.

In December, the Supervisory Board was given a presentation by the Managing Board on the 2011 budget and announced the two audit firms whose reappointment as the Group's Statutory Auditors will be submitted to the 2011 Annual Shareholders' Meeting.

The Board's remaining three meetings during the year were held on 2 June, 29 September and 29 November.

At the 2 June meeting, the Board unanimously decided to appoint Thierry Peugeot as Chairman of the Supervisory Board for the remainder of his term as a Supervisory Board member, which was renewed at the Annual Shareholders' Meeting held on that same day and attended by all of the Supervisory Board members.

At each of these three meetings, the Board authorised the issue of bonds, in accordance with article 9 of the Company's bylaws. It also gave its opinion, took decisions or gave approvals as required on various matters, based on preparatory work performed by the Board Committees.

1.4. Supervisory Board Committees

The Supervisory Board is assisted by four specialised committees: the Finance and Audit Committee, the Strategy Committee, the Appointments and Governance Committee and the Compensation Committee.

The Compensation Committee and the Appointments and Governance Committee were set up in 2010 to replace the combined Compensation and Appointments Committee as the Board felt that, in view of the underlying strategic importance of appointments and the central role of corporate governance, the Group should have a committee specifically dedicated to these two areas. Furthermore, by having a committee that deals exclusively with compensation issues, the Group can track market practices more closely and enhance the effectiveness of its compensation policies.

The role of these Committees is to prepare certain matters to be discussed at Supervisory Board meetings. They therefore issue proposals, recommendations and opinions on the areas falling within their terms of reference and submit them to the Supervisory Board at its meetings.

1.4.1. The Finance and Audit Committee

ROLES AND RESPONSIBILITIES

The Finance and Audit Committee's internal rules were revised in 2010, in particular to bring them in line with the AMF report of the Audit Committee Working Group. The new version was approved by the Supervisory Board on 27 July.

In accordance with article 823-19 of the French Commercial Code, the Finance and Audit Committee oversees issues concerning the preparation and control of accounting and financial data. In particular, it oversees the process of preparing financial information, the effectiveness of internal control and risk management systems, the statutory auditing of the parent company and consolidated financial statements and the independence of the Statutory Auditors. It is also responsible for informing the Supervisory Board of its opinion on off-balance sheet commitments and any corporate action or other project requiring prior approval by the Board. As part of its duty to oversee the effectiveness of internal control systems, the Committee issues an opinion on the Internal Audit plan for the coming year and is informed of the findings of the Internal Audits performed in implementing the plan. The Committee reports on its work at each Supervisory Board meeting.

The Finance and Audit Committee, which enjoys free access to all the information it needs, can meet with the Head of Internal Audit and with the Statutory Auditors, with or without any Managing Board members attending.

MEMBERSHIP

The Finance and Audit Committee comprises five members, who are appointed in their own name and may not be represented by another party. Two of these five members are independent based on the criteria applied by the Group. The Committee's current members are:

- Jean-Paul Parayre, Committee Chairman;
- Marc Friedel;
- Jean-Louis Masurel;
- Robert Peugeot;
- Marie-Hélène Roncoroni.

It is chaired by a Supervisory Board member who is classified as independent in accordance with the criteria applied by the Group, and as required by law, includes another independent member specialised in financial or accounting matters (Jean-Louis Masurel who is the Chairman of another company's Finance Committee) and who has served as Co. Chairman and Chief Executive Officer of large listed companies.

Marie-Hélène Roncoroni, who represents the Company's main shareholder, has specific knowledge in financial and accounting matters, and worked for seven years in the Group's Finance Department.

FINANCE AND AUDIT COMMITTEE MEETINGS IN 2010

The Finance and Audit Committee met eight times in 2010, with an average attendance rate of 98%.

In January, the Committee and the Chief Financial Officer examined the possible financial arrangements and potential financial conditions for a strategic development project, as well as its potential financial impact.

In February, the Committee met with the Statutory Auditors and the Chief Financial Officer to review the 2009 consolidated and parent company financial statements. During a second meeting held in February, attended by the Chief Financial Officer and the Chairman of the Managing Board, the Committee examined the financial outlook in general and the potential financial consequences of the strategic development projects in progress. It also examined with an external consultant the rating methods used by financial ratings agencies and how these are applied for the Group.

In April, the Committee reviewed the first quarter results for 2010 – with a particular focus on changes in the Group's debt – and examined the draft resolutions to be tabled at the Annual Shareholders' Meeting.

In July it met with the Statutory Auditors and Chief Financial Officer to examine the consolidated financial statements for the first half of 2010. It also reviewed the Group's financing and strategic outlook and began the Statutory Auditor selection process in view of the upcoming expiry of the current Auditors' terms of office. At this same meeting the Committee reviewed the Group's various risk exposures in conjunction with the line managers concerned, as well as the processes used to manage and track these risks. In addition, it examined the structure and operating procedures of the Group's Internal Audit function as well as the findings of the assignments performed by the Internal Audit teams.

At its September meeting, which was attended by the Group Vice-President, Finance and Treasury, the Committee analysed the proposed issue of Peugeot S.A. bonds as part of the on-going EMTN programme. At the same time, with the Chief Financial Officer and the Corporate Secretary, it reviewed the status of the OCEANE convertible bond issue carried out in June 2009.

In October, the Committee reviewed the Group's medium-term plan and related projects as well as issues relating to the Group's financial rating. It also decided on the date for hearing the Statutory Auditors' service and fee proposals as part of the Auditor selection process.

Lastly, in December, the Finance and Audit Committee examined the end-of-year forecasts and the 2011 budget. It also issued its recommendation to the Board concerning the two audit firms short-listed during Statutory Auditor reproposal process.

The 2011 audit plan, which was provided to the Finance and Audit Committee in December 2010, was examined by the Committee during its meeting in January 2011, which was not attended by the Chief Financial Officer. At this meeting, which was specifically dedicated to audit matters, the Vice-President, Internal Audit, updated the Committee on the Internal Audit programme and the Committee gave its opinion on the organisation of the Internal Audit function.

1.4.2. The Strategy Committee

ROLES AND RESPONSIBILITIES

The role of the Strategy Committee – whose internal rules were revised and adopted by the Supervisory Board at its 20 April 2010 meeting – is to examine the Group's long-term future, reflect on potential avenues of growth and recommend to the Supervisory Board the Group's overall strategic vision. It also ensures that the strategy proposed and applied by the Managing Board fits with the Group's long-term vision as defined by the Supervisory Board and issues recommendations on the long-term strategic plans and Medium-Term Plan presented by the Managing Board.

The Strategy Committee examines all major projects from their outset and is kept informed of the projects' terms and conditions (particularly their financial structure), as well as of any changes and developments. In particular, the Committee meets to discuss any project that falls within the scope of article 9 of the Company's bylaws, whereby the Supervisory Board must approve in advance "the signature or termination of any manufacturing or sales agreements representing a future commitment for Peugeot S.A., and generally the execution of any major transaction which substantially alters the scope of the business or the balance sheet structure of the Company or the Group".

MEMBERSHIP

The Strategy Committee comprises seven members, who are appointed in their own name and may not be represented by another party. The Committee's current members are:

- Robert Peugeot, Committee Chairman;
- Jean-Paul Parayre;
- Jean-Philippe Peugeot;
- Thierry Peugeot;
- Henri Philippe Reichstul;
- Ernest-Antoine Seillière;
- Jean-Louis Silvant.

Four of these seven members are independent based on the criteria applied by the Group.

STRATEGY COMMITTEE MEETINGS IN 2010

The Strategy Committee met three times in 2010, with an average attendance rate of 95%. The meetings were attended by the members of the Managing Board and Group executives involved in the issues discussed.

At the March meeting, the Committee primarily examined the Group's strategic development projects and the outlook for current or future co-operation agreements, particularly in China.

In May, the Committee discussed the Group's long-term goals, as expressed by the Peugeot and Citroën brands, and in September it examined the Group's Medium-Term Plan, ways to improve the Group's competitiveness, and potential new co-operation agreements.

1.4.3. The Appointments and Governance Committee

ROLES AND RESPONSIBILITIES

The Appointments and Governance Committee – whose internal rules were adopted at the Supervisory Board meeting held on 20 April 2010 – prepares Supervisory Board discussions concerning the appointment of new Supervisory Board and Managing Board members, by proposing selection criteria, organising the selection process, recommending candidates for appointment or re-appointment, and monitoring succession plans for members of the Managing Board. In addition, it tracks changes in French legislation concerning the governance of listed companies, as well as all of the recommendations issued by market regulators and representatives of listed companies. It also submits opinions or recommendations to the Supervisory Board concerning governance issues.

MEMBERSHIP

The Committee comprises six members, who are appointed in their own name and may not be represented by another party. The Committee's current members are:

- Jean-Philippe Peugeot, Committee Chairman;
- Robert Peugeot;
- Thierry Peugeot;
- Geoffroy Roux de Bézieux;
- Ernest-Antoine Seillière;
- Jean-Louis Silvant.

Three of these six members are independent based on the criteria applied by the Group.

APPOINTMENTS AND GOVERNANCE COMMITTEE MEETINGS IN 2010

The Appointments and Governance Committee met five times in 2010, with a 100% attendance rate.

At the beginning of the year, the Committee discussed (i) the membership structure of the Supervisory Board Committees, (ii) the amendments to the internal rules of the Supervisory Board and its Committees and (iii) the introduction in February 2010 of a Stock Market Code of Ethics applicable to Supervisory Board members, non-voting advisors and Managing Board members.

Also during the year, the Committee reviewed the criteria applied by the Supervisory Board when assessing the independence of its members, as well as future changes to the Board's membership to align it with best market practices. As part of this review, the Committee launched a process to find new Supervisory Board members with a view to increasing the proportion of women, non-French and independent members and creating a more diverse Board.

The Committee participated in the Board's process for assessing its own performance in 2010, by (i) finalising the questionnaire given to the members and (ii) recommending measures in response to the observations made in the questionnaires and to ensure that the Board continues to function effectively and applies best corporate governance practices. These recommendations were put into practice in 2010. A further self-assessment of the Supervisory Board's performance was performed in January 2011 based on a more detailed questionnaire.

Also in 2010, the Committee kept itself closely informed of actions implemented by the Group concerning ethics and conduct (such as the processes for revising and enriching the Code of Ethics and setting up an Ethics Committee) and undertook a review of the succession plans for a number of senior executives.

1.4.4. The Compensation Committee

ROLES AND RESPONSIBILITIES

The Compensation Committee – whose internal rules were adopted at the Supervisory Board meeting held on 20 April 2010 – prepares Supervisory Board discussions regarding all aspects of compensation and benefits for the Chairman, Vice-Chairmen and other members of the Supervisory Board as well as for Board Committee members and the Chairman and other members of the Managing Board.

To fulfil these responsibilities, the Committee stays informed of

- current and emerging market compensation practices;
- the pay levels and forms of compensation of senior executives who are not on the Managing Board, as well as the Managing Board policies for reviewing and updating these compensation packages.

MEMBERSHIP

The Compensation Committee comprises five members, who are appointed in their own name and may not be represented by another party. The Committee's current members are:

- Thierry Peugeot, Committee Chairman;
- Jean-Philippe Peugeot;
- Ernest-Antoine Seillière;
- Jean-Louis Silvant;
- Geoffroy Roux de Bézieux.

Three of these five members are independent based on the criteria applied by the Group.

COMPENSATION COMMITTEE MEETINGS IN 2010

The Compensation Committee met seven times in 2010, with a 100% attendance rate.

At the beginning of the year, the Committee determined the incentive bonuses for Managing Board members for 2010, examining, for each member, the maximum percentage of the base salary that the bonus could represent and the applicable Group and personal performance criteria.

Also in 2010, the Committee examined the new rules for the supplementary pension plan for the Group's senior executives.

Towards the end of the year, the Committee set the base salary of the members of the Managing Board as well as the terms and conditions for calculating their incentive bonuses for 2011.

In addition, the Committee reviewed the methods used for allocating attendance fees among Supervisory Board members out of the aggregate amount approved by shareholders.

At several of the meetings held in 2010, the Committee members examined the long-term incentive plan proposed by the Managing Board that involved granting performance shares to 291 senior executives and managers.

1.5. Supervisory Board and Managing Board Compensation Policies

Supervisory Board

Supervisory Board members and non-voting advisors are paid annual attendance fees up to an aggregate amount determined in advance by the Annual Shareholders' Meeting. Pursuant to the decision of the Annual Shareholders' Meeting of 28 May 2008, this amount has been set at €600,000 until further notice. The individual amounts allocated by the Board in 2010 based on membership and chairmanship of the Board and its Committees were unchanged from the previous year, apart from the fee for the Chairman of the Finance and Audit Committee, which was raised from €15,000 to €20,000.

The Chairman of the Supervisory Board received €425,000 in attendance fees for 2010, unchanged since 2002.

Managing Board

EMPLOYMENT CONTRACTS

The former policy of suspending the employment contracts of Managing Board members upon their appointment to the Board was eliminated in 2009.

MANAGING BOARD COMPENSATION

- All Supervisory Board discussions on compensation are prepared by the Compensation Committee.
- At the end of the year, the Supervisory Board determines the base salary that will be paid to Managing Board members the following year and, at the beginning of the year, it calculates the incentive bonus based on how well each member met his or her assigned objectives over the year. At the same early-year meeting, the Supervisory Board sets objectives for each Managing Board member for the current year. These objectives – which are both quantified and qualified on the basis of pre-defined criteria – comprise targets set for all members of the Managing Board and specific performance-related targets based on each member's individual executive duties.
- The base salaries set for Managing Board members in 2010 were unchanged from 2009.
- At its April 2010 meeting, the Supervisory Board decided that, barring exceptional circumstances, the incentive bonus payable to the Chairman of the Managing Board for 2010 could represent up to 150% of his base salary. Incentive bonuses for the other members of the Managing Board could not exceed 100% of their base salary, again barring exceptional circumstances.
- In addition to being covered by government-sponsored basic and supplementary pension plans, Managing Board members are also entitled to pension benefits funded under an insured plan.
- 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.
- The Supervisory Board may also decide to grant stock-options and/or performance shares to Managing Board members further to an authorisation granted by shareholders. Where stock-options are granted the Supervisory Board determines the lock-up rules that will apply to shares acquired upon the exercise of the options in accordance with the law. The Managing Board, in full agreement with the Supervisory Board and in compliance with shareholder-approved limits, decided that starting in 2002, the benchmark price for options to purchase existing shares granted in a given year to executives or employees of the Company or related companies would be equal to the average of the opening share price during the 20 trading days following the publication of the Group's first-half consolidated earnings, without any discount.

In July 2007, in accordance with the law, the Supervisory Board determined the lock-up rules applicable to shares acquired by corporate officers on exercise of stock-options granted under any future plans. Under these rules, every time a Managing Board member sells such shares, he or she will be required to retain, until the end of his or her term of office, a number of Peugeot S.A. shares equal to 15% of the theoretical gross capital gain.

No stock-options or performance shares were granted to Managing Board members in 2010.

1.6. Application of the AFEP/MEDEF Corporate Governance Code

At its 16 December 2008 meeting, the Supervisory Board decided to adopt the AFEP/MEDEF Corporate Governance Code, as applicable to French joint-stock companies with a Supervisory Board and Managing Board. The consolidated version of the Code, issued in April 2010, may be viewed at Peugeot S.A.'s head office or on the MEDEF website at www.medef.com.

While Peugeot S.A. applies the vast majority of the recommendations set out in the Code, there are a certain number that it has elected not to apply. These exceptions are described below.

- Independence criteria

  The Supervisory Board has elected not to apply two of the AFEP/MEDEF's independence criteria, as follows:

- **not being a Director or Supervisory Board member of the corporation for more than twelve years**. The Supervisory Board does not apply this recommendation as it considers that the automotive experience of its members is extremely valuable, especially in a business requiring a medium and long-term vision. In addition, the Supervisory Board's internal rules state that one of the Board's key missions is to "ensure that the strategy proposed and applied by the Managing Board fits with the Group's long-term vision, as defined by the Supervisory Board";
- **not holding a directorship or equivalent position in another Group company in the past five years**. The Board considers that the fact of having recently been a Director of another Group company does not give rise to any risk of the type of conflict of interest that the AFEP/MEDEF independence rules are designed to avoid. In addition, no member of the Supervisory Board exercises any senior executive responsibilities or is a salaried employee of a Group company. Consequently Jean-Louis Silvant is considered to be independent, even though he sits on the Board of Directors of Peugeot Suisse, a company whose operations only represent a small proportion of the Group's automotive business.

In total, the Supervisory Board considers that Jean-Louis Masurel, Jean-Paul Parayre, Henri Philippe Reichstul, Geoffroy Roux de Bézieux, Ernest-Antoine Seillière, Joseph F. Toot Jr. and Jean-Louis Silvant can be qualified as independent. These independent members represent seven out of the 12 members of the Supervisory Board, which means that, based on the independence criteria applied by the Group, Peugeot S.A. complies with the AFEP/MEDEF recommendation that in controlled companies at least one third of Board members should be independent.

When selecting new Supervisory Board candidates based on the recommendations of the Appointments and Governance Committee, the Board seeks to appoint a greater number of independent members and to ensure that there are staggered renewals of members' terms of office. It is also considering the election of new members qualified as independent in accordance with the AFEP/MEDEF criteria and the re-election of certain members for terms of less than six years. At the same time, the Supervisory Board is committed to increasing the percentage of women members, in accordance with new legal requirements (Act 2011-103 of 27 January 2011) and based on the guidelines recently included in the AFEP/MEDEF Corporate Governance Code.

- Having a certain proportion of independent members on the Board's Committees. As an exception to the recommendations in the AFEP/MEDEF Corporate Governance Code concerning the proportion of independent members of Board Committees (at least two thirds for the Finance and Audit Committee and a majority for the Appointments Committee), the membership structure of the Finance and Audit Committee and the Appointments and Governance Committee takes into account the requirement to have representatives from members of the Peugeot family, which is the Group's majority shareholder.
- Setting Board members' terms of office at four years. Supervisory Board members' terms of office are set at six years rather than four as recommended in the Code, as the Supervisory Board considers that a supervisory and oversight body needs to be in place for a certain amount of time in order to be able to effectively perform its duties. The term of office for Managing Board members is four years however. The dates on which the terms of office of the current Supervisory Board members are due to end are staggered between 2011 and 2016.
- Having a variable component of attendance fees. Attendance fees payable to Supervisory Board members do not include any variable component based on actual attendance at Board and Committee meetings. Attendance rates at Supervisory Board meetings were 90% in 2010 and 96% in 2009 and attendance rates at the various Committee meetings ranged from 95% to 100% in 2010. Furthermore, the Chairman of the Supervisory Board frequently consults Board members on issues outside of scheduled meetings, and likewise, Board members regularly take the initiative of informing the Chairman of their opinions and recommendations.

1.7. Attendance at Peugeot S.A. Shareholders' Meetings

Any Peugeot S.A. shareholder may take part in the Company's Shareholders' Meetings irrespective of the number of shares held. No specific attendance requirements are stipulated in article 11 of the bylaws concerning Shareholders' Meetings.

1.8. Disclosure of Information that may have an Impact in the Event of a Public Tender Offer for the Company's Shares

This information is provided in this Registration Document as part of the disclosures required under article L. 225-100-3 of the French Commercial Code (see pages 370 and 371).

2. Risk Management and Internal Control Procedures

2.1. Objectives of the PSA Peugeot Citroën Internal Control System

As part of its commitment to preventing and limiting the effect of internal and external risks, the Group has set up risk management and internal control:

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

More generally, these procedures and processes also contribute to the proficient management of the Group's businesses, the effectiveness of its operations and the efficient use of its resources.

2.2. Risk Management and Internal Control Framework Used by PSA Peugeot Citroën

PSA Peugeot Citroën is committed to ensuring that its risk management and internal control system complies with the Reference Framework for Risk Management and Internal Control Systems issued by French securities regulator AMF in 2007 and updated in 2010. Banque PSA Finance has a specific system that complies with CRBF regulation 97-02 concerning the internal control systems of credit institutions.

As a listed company acting under the responsibility of its Board of Directors, Faurecia has a separate internal control system that it applies independently. Gefco has an internal control and risk management system that complies with PSA Peugeot Citroën recommendations and is aligned with the specific features of its business and its organisation.

2.3. Internal Control Principles

PSA Peugeot Citroën's internal control system was designed with five key goals in mind:

- to reflect the Group's strategic objectives, which are to be a global, profitable, independent company that ranks among the world's leading broadline automobile manufacturers:
  - the entire process is designed to proactively identify the risks capable of affecting the Group over the medium to long term,
  - all of the Group's companies are involved in the process, managing risks and ensuring internal control compliance in all of their operations,
  - the process focuses on action plans and outcomes, with a constant view to supporting operating efficiency,
  - the process is underpinned by compliance with applicable laws and regulations, exemplary behaviour and ethical practices, which the Group believes to be essential to responsible growth.
- to integrate a formal system, the Global Risk Management System (GRMS);
- to structure the system in such a way that it enables each department or division to deploy the same risk management and internal control process;
- to deploy the system with the support of dedicated standards and IT resources;
- to make the system auditable based on quality indicators.

2.4. Participants and Processes.

2.4.1. At Group level and in the Automotive Division

Senior Management defines the Group's organisation and operating procedures. To make the Group the benchmark in operating efficiency, Senior Management decided in particular to implement the PSA Excellence System deployed in 2010. Based on lean principles and a culture of continuous improvement, this system structures the Group's organisation, management practices and working methods, which are partly based on formally defined internal standards. All employees are trained to put the Excellence System into practice.

The Group's organisation and operating procedures are, in particular, described in the Group's Reference Handbooks, such as the Organisation Handbook and the Operating Procedures Handbook, which are available to every employee on a dedicated intranet page. These operating procedures, which were formalised in 2010 and are regularly expanded and updated, They describe the procedures to follow, the division of responsibilities and the rules to be applied by every employee, in all of his or her day-to-day business activities, and as such include the general guidelines for managing and controlling risks. Each of these guidelines is championed by a member of Senior Management, validated by the Executive Committee and posted on a dedicated intranet site accessible to all employees. Their application is regularly audited by the Group Internal Audit Department.

In 2010, Senior Management decided to consolidate the Group's ethics process. The Code of Ethics was revamped, expanded and focused more clearly on practical applications, then posted on the intranet portal with direct access for all employees. In every host country, senior executives formally pledged to apply the Code, while an Ethics Committee chaired by the Corporate Secretary was set up and now meets on a quarterly basis. Lastly, an international network of Chief Ethics Officers was put into place to deploy the process in every host country and to systematically report to the Ethics Committee any local ethical issues or breaches of compliance.

At its monthly meetings, the Executive Committee systematically tracks the Group's major risks, with a focus on new developments or the emergence of new risks. During these meetings, it is informed of any difficulties encountered in managing these risks and plays careful attention to the effectiveness and quality of the action plans being deployed.

In general, Senior Management is responsible for the quality of internal control and risk management systems, whose design and implementation it delegates to Administrative Services, and more particularly to the Risk Management and Control Department.

Each operating Division and corporate Department has its own reference manual, accessible by every employee on a dedicated intranet site and describing its operating procedures and processes as well as interfaces with the other Departments or Divisions. It offers an effective working framework to provide employees with the information they need to correctly perform the tasks assigned to them.

In accordance with the corresponding risk management and control guidelines, each Division or Department is responsible for managing and controlling its own risk. As such, each one applies in its remit the iterative five-step process described in the Global Risk Management System: (i) identify, (ii) analyse, (iii) assess, (iv) address and (v) control risks. Deployment of this process is managed by an Executive Risk Controller and by the Site Risk Managers, backed as needed by a network of specialists capable of managing specific risks, such as financial and legal risks, information system risks, environmental risks and supplier risks.

The Risk Management and Control Department, which reports to the Corporate Secretary, designs and maintains the Global Risk Management System and the dedicated information system. In this capacity, it works in close cooperation with the network of Executive Risk Controllers and Site Risk Managers, who submit the information that the Department consolidates and analyses to prepare an updated risk map. Every month, the updated map is sent to the Executive Committee along with comments on any difficulties encountered in managing the identified risks and the action plans to be implemented or enhanced.

The Internal Audit Department, which is part of Administrative Services, uses the risk map created from the Global Risk Management System as a base for preparing its annual audit plan, which is defined independently and subsequently submitted to Senior Management and the Finance and Audit Committee for review. In 2010, the Internal Audit Department carried out 85 audits, whose general conclusions were reported to Senior Management and to the external auditors for the purpose of their accounting and financial reports. The Internal Audit Department is also responsible for assessing the quality of the Group's internal control system.

The Legal Affairs Department, which is part of Administrative Services, is responsible for preparing or verifying the Group's contractual commitments and ensuring their legal and regulatory compliance. It is also in charge of organising the Group's defence in the event of disputes with third parties. In this way, it helps to limit and manage the Group's exposure to legal risks as an employer and in connection with the design and distribution of vehicles, the purchase of components and the supply of services.

Management controls within the Group are organised around an integrated three-tier structure:

- a Corporate Department is responsible for the entire system and for issuing finance and management standards and procedures, describing the methods to be used, the related software applications and the timelines for the various tasks;
- the second tier consists of management control structures at divisional level, with Automotive Division controls organised around the main entities (the brands, production, R&D);
- the third tier corresponds to management control structures in each operating unit, such as a plant or a marketing and sales subsidiary for the Automotive Division.

The Supervisory Board, with the support of the Finance and Audit Committee ensures that the risk management and internal control system operates effectively. It is informed of the internal control system and the risk map, with particular emphasis of risks capable of having an impact on the Company's financial and accounting information, and ensures that these systems are sufficiently mature and proficiently managed. It was with these objectives in mind that the Risk Management and Control Department presented the Group's internal control and risk management procedures and risk mapping methodology to the Finance and Audit Committee at its July meeting.

The Finance and Audit Committee 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 the recommendations have been implemented. As part of this process, a session was devoted entirely to the Internal Audit Department at the Finance and Audit Committee's January 2011 meeting, which was attended without the Chief Financial Officer and other members of the Managing Board. During the meeting, the Committee reviewed the findings of the 2010 audits, the progress made on the resulting action plans, the 2011 audit plan and the organisation and resources deployed to lead these audits and track their outcomes.

The Finance and Audit Committee may also be asked by the Managing Board, the head of Internal Audit, the head of internal control or the Statutory Auditors to review any event exposing the Group to significant risk.

2.4.2. Banque PSA Finance

In line with CRBF regulation 97-02, dealing with internal control systems of credit institutions, Banque PSA Finance's internal control system is organised around two lines of responsibility for recurring controls and periodic controls and the first-tier controls performed by the operating units.

The fundamental principles underpinning the organisation and implementation of Banque PSA Finance's internal control system are set out in an internal control charter that describes the system's organisation, resources, scope, missions and processes.

Recurring controls

First-Tier Controls, the Lynchpin of the Internal Control System

First-tier controls are carried out in the operating units. They are either embedded in procedures and performed by all employees in the normal course of their work, or they are performed by dedicated employees within the operating units. They are supervised by the structures responsible for recurring controls.

Second-tier Controls

Second-tier controls are performed by three departments and include controls concerning (i) compliance, (ii) operational risks of the finance companies, including insurance entities, and headquarters, (iii) accounting processes and procedures and (iv) the finance, treasury and IT services provided by the PSA Peugeot Citroën Group on the Bank's behalf.

The Compliance unit is responsible for preventing, controlling and overseeing compliance risks. In particular, it verifies that the Bank meets its obligations concerning data protection, the prevention of money laundering and compliance of new or substantially modified products. It ensures that the required systems are put in place and organises compliance training. This unit is also responsible for regulatory oversight and ensuring that the Bank effectively incorporates regulatory changes into its business, particularly into its IT systems.

Controls over operational risks for the finance companies and headquarters include (i) recurring assessments of the effectiveness of the operational risk management systems put in place within the Bank, including for outsourced services, and (ii) specific second-tier controls. The department tasked with controlling operational risks is also responsible for ensuring that operations staff regularly perform key first-tier controls on risks classified as major.

The department in charge of controlling operational risks associated with accounting, IT, refinancing and treasury processes performs recurring controls in all of these areas. In particular, it has developed a control certification system for the accounting department, whereby the finance managers of the Bank's subsidiaries and branches are required to sign a document after each accounts-closing process confirming that key controls over major accounting risks have been performed and providing the results of these controls.

These departments base their work on a risk map that sets out the main risks to which the Bank is exposed. The risk map helps to ensure the underlying strength of Banque PSA Finance's internal control system, by highlighting identified risks, potential losses that may arise from these risks, first-tier controls and the results of these controls, as well as the results of second-tier controls and any residual risk.

Risk Management Function

The Risk Management unit of the Management Control Department is responsible for measuring and overseeing the Bank's financial risks on a consolidated basis and participating in their overall management. It also ensures that the requirements of pillar 2 and 3 of Basel II are taken into account in the Bank's overall risk management system.

Periodic Controls

Periodic – or third-tier – controls consist of periodically checking transaction compliance, risk levels, compliance with procedures and the effectiveness of recurring controls. They are performed by the internal auditors, based on an Internal Audit plan that provides for all of the Bank's units and processes (including those that are outsourced) to be audited at least once every three years.

Oversight by Executive Management and the Board

The internal control system is overseen by executive management and the Board, supported by various committees.

The Board of Directors verifies that the Bank's main risks are properly managed and obtains assurance about the system's reliability, through the Audit Committee. The Audit Committee reviews the lessons to be learnt from risk monitoring activities and from recurring and periodic controls. It meets at least four times a year.

Executive management is responsible for defining and implementing the system of internal control. It oversees the system's efficiency and effectiveness, and ensures that adequate resources are assigned to internal control. In carrying out these duties it draws on the minutes of meetings of the Internal Control Committee, which has front-line responsibility for the operational management of the internal control system.

Organisation of Internal Control

The internal control system is built around regular first-tier controls backed by an organisation structure in which each individual's authority and responsibility are clearly defined, primarily through delegations of authority applicable to all operating units and corporate departments. These delegations of authority determine the levels at which decisions must be made in the areas of banking and financial transactions, loan approvals, lending terms, new products and services and expenditure commitments.

At Group level, Committees have been set up to determine and implement Bank policies in the areas of internal control and decision-making processes during regular meetings. These Committees are as follows:

- the Credit Risks Committee, which monitors changes in troubled loans and credit losses, analyses the performance of the risk selection systems, and reviews changes in Basel II rules;
- the Lending Margins Committee;
- the Products and Processes Committee;
- the Group Credit Committee, which reviews wholesale and fleet financing applications;
- the Refinancing Committee, which reviews the results of the Bank's refinancing and interest rate risk management policies;
- the IT Security Committee;
- the Compliance Committee.

2.4.3. Faurecia

In performing its duties, Faurecia's Board of Directors is supported by an Audit Committee that plays a key role in the internal control process, particularly by reviewing (i) the process used for preparing financial information, (ii) the effectiveness of internal control and risk management systems, and (iii) the statutory audit work on the parent company and consolidated financial statements. The Committee also conducts in-depth analyses of material financial transactions and reviews the Group's financial performance indicators.

Faurecia's internal control system is based on a set of procedures available for consultation by all employees via the Faurecia Intranet. The procedures mainly concern programme controls designed to track the performance of contracts to supply complex equipment to automakers – in the acquisition, design and production phases – as well as financial and accounting controls intended to ensure that financial and accounting information is properly processed, thereby ensuring the Group's responsiveness.

Faurecia has its own Internal Audit Department, responsible for overseeing the optimal effectiveness of internal financial control systems. In 2010, Faurecia continued to enhance its internal control system with a view to ensuring the implementation of identified best practices.

2.4.4. GEFCO

Gefco performs appropriate controls at each level of the organisation, covering the financial, accounting and operating aspects of its business.

The basic units in the Gefco organisation are the agencies, which are structured as profit centres, guaranteeing that each service is properly recorded, invoiced and paid for.

Each subsidiary aggregates the income statement data received from its agencies and ensures that the financial flows comply with prevailing standards. Lastly, headquarters internal control teams check each subsidiary's accounts using the information systems covering most of Gefco's operations.

Accounting system, financial statement preparation and management review processes are based on the standards and principles used by the PSA Peugeot Citroën Group.

Gefco's operational internal control system includes a self-assessment process for the business operations. The data reported in 2010 by the Group's 27 subsidiaries and 343 agencies via a dedicated information system were used to define action plans to drive improvements that will contribute to Gefco's operational excellence.

The Group has also implemented a risk management system aligned with PSA Peugeot Citroën recommendations to identify, analyse and address the main risks involved in Gefco objectives.

All of this information is assessed during internal audits performed in every aspect of the Group's business.

2.5. Preparation and Processing of Accounting and Financial Information

Control procedures concerning accounting and financial matters are based on specific processes that are defined and implemented by the Finance and Strategic Development Department which has appointed a coordinator to lead and monitor its work in this area.

Financial and accounting information is controlled at Group level by the Finance and Strategic Development Department, which has appointed a coordinator to lead and monitor its work in this area.

2.5.1. Internal Reporting

The Finance and Strategic Development Department uses a technical and organisational framework called "Nordic", which covers accounting and consolidation standards, best accounting practices, integrated accounting standards, financial management standards, financing and cash management standards and tax-related standards. 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. In addition, a set of guidelines on best accounting practices has been prepared by the Automotive Division Accounting Department to extend the application of identified accounting and internal control best practices. These guidelines are accessible by all Automotive Division employees.

The Group's accounting standards describe the accounting policies applicable to all 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. Specific standards are applied for Banque PSA Finance and Faurecia to reflect the specific nature of their businesses. The accounting, management control and consolidation teams hold regular meetings to report and validate information leading to the preparation of the consolidated financial statements. The subsidiary financial statements are reported via the Magnitude system, which has been set up at all consolidated subsidiaries to guarantee data security and traceability. Data archiving and backup procedures create an audit trail guaranteeing data traceability.

To keep managers well informed, the management control entities produce monthly reporting packages for submission to the Senior Management, based on the full monthly consolidation packages.

2.5.2. Procedures Relating to the Preparation and Processing of Accounting and Financial Information

Published financial information comprises the consolidated financial statements 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.

The consolidated financial statements are prepared by the Consolidation Department, which is also responsible for Group accounting policies. The statements are prepared in accordance with IFRS and the individual statutory accounts of the Group's subsidiaries are restated to align them with IFRS, apart from Faurecia and the companies that Faurecia consolidates. The subsidiaries' accounts are prepared under the responsibility of the Accounting and Finance Departments within the various divisions (Automotive, Automotive Equipment, Transportation and Logistics, 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 individual statutory accounts and restated IFRS accounts for Peugeot S.A.

The Finance and Strategic Development Department is in charge of the internal control procedures covering the preparation and processing of published financial and accounting information. To ensure that internal control objectives are met in its area of competence, the Finance and Strategic Development Department runs several campaigns each year to identify risks, risk coverage and related control procedures.

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. 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.

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 PSA Peugeot Citroën as well as inventories of property, plant and equipment held at Group sites, based on cycle counts which ensure that each asset is counted 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 and Strategic Development Department.

To uphold and improve the quality of accounting and internal control within the Finance and Strategic Development Department, an Accounting Quality Plan has been implemented at the level of each accounting team within the Automotive Division. This plan comprises all internal action plans established with the purpose of implementing the recommendations of the internal and external auditors, as well as those of the teams themselves. A meeting is held every quarter under the Chairmanship of the Group's Executive Vice-President, Finance and Strategic Development to monitor the Accounting Quality Plan. At each meeting the line managers present action plan progress reports.

The management control system also includes detailed automotive costing analyses, including analyses of variances and product margins, for use by line management.

2.6. Procedures for the Preparation of this Report

This report was prepared 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 and Strategic Development 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.

16.5.2. Statutory Auditors Report, Prepared in Accordance with Article L. 225-235 of the French Commercial Code, on the Report Prepared by the Chairman of the Supervisory Board of Peugeot S.A.

Year ended 31 December 2010

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Peugeot SA, and in accordance with article L.225-235 of the French Commercial Code *(Code de commerce)*, we hereby report to you on the report prepared by the Chairman of the Supervisory Board of your Company in accordance with article L.225-68 of the French Commercial Code for the year ended 31 December 2010.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by article L.225-68 of the French Commercial Code, in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the report sets out the other information required by article L.225-68 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Supervisory Board's report, prepared in accordance with article L.225-68 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by article L.225-68 of the French Commercial Code.

Neuilly-sur-Seine and Courbevoie, on 20 April 2011

The Statutory Auditors

PricewaterhouseCoopers Audit	**Mazars**
Pierre Riou	**Loïc Wallaert**

17

EMPLOYEES

17.1. A Global Employee Relations Commitment

17.1.1. Workplace Health and Safety is our Top Priority

Transforming the Group's Safety Culture

PSA Peugeot Citroën's workplace health and safety policy, signed by the Executive Committee on 12 January 2010, is defined and promoted at the highest level of the company. This policy, which applies to all subsidiaries and units, represents a completely new approach to workplace health and safety management and requires radical changes in behaviour on the part of both managers and employees.

At all Group sites, employees and outside contractors must be able to work in complete safety without any risk to their health. This is a critical factor in the Group's Responsible Development, anchored in respect and consideration for individuals. Employee health and safety is a pre-requisite for continuous improvement.

The Group systematically assesses and manages risk in all of its actions and decisions, with prevention guided by three core behaviours: lead by example, maintain vigilance and respond swiftly.

Uncompromising Application of the New Workplace Safety Management System

The Group's workplace health and safety policy is deployed through the Workplace Safety Management System, which comprises 22 requirements that define areas needing special attention and management. Applicable to all subsidiaries and units, the Workplace Safety and Management System is based on six fundamental principles:

- executive management involvement;
- structured leadership;
- clearly established and applied standards;
- defined roles;
- effective warning systems;
- effective monitoring and improvement resources.

Managers in units around the world apply the approach on a daily basis using a Workplace Safety Management System roadmap. This roadmap includes five steps that are crucial to instilling lasting change: raise awareness, change mindsets, change behaviours, change habits and align the corporate culture. It provides a framework for cascading best practices and for measuring results against objectives.

On 30 March 2010, more than 800 managers and prevention specialists from all Group sites and businesses attended the first workplace health and safety convention during which they were reminded of the Group's commitments and were presented with a progress report on the Workplace Safety Management System's deployment, backed by front-line accounts.

In addition to cross-functional training designed to help managers assimilate the knowledge they need to deploy the Workplace Safety Management System effectively, the Group conducts health and safety audits to ensure that the principles are put into practice. In 2010, corporate teams audited 12 manufacturing facilities and 12 sales areas (for a total of 80 units) in addition to local audits covering all subsidiaries.

Workplace Safety Management System Tools and Applications

- In Spain, management has invented a safety training resource for all employees called the Safety Box. Packed with Q&A quizzes and interactive games, the Safety Box gets people to think in a fun way about such important topics as driving rules and behaviour, individual protective gear and machine and installation safety. The Safety Box has been so successful that the Group has decided to introduce it at all manufacturing sites. In France, the first Safety Boxes have been inaugurated at the Aulnay, Poissy and Sochaux sites, with the goal of training all employees in 2011.
- The Safety Gates programme calls for posting safety rules at strategic locations throughout sites. Highly visible signs at plant and building entrances notify staff and non-staff of mandatory safety rules, notably concerning individual protective gear and precautions to be taken when moving about in workshops. The principle behind Safety Gates is to encourage employees, temporary staff, outside contractors and visitors to make sure they are in compliance before entering an area.

The Same Exacting Safety Standards for Everyone

Safety is a priority for everyone present at PSA Peugeot Citroën sites, including employees of outside contractors. Without taking on their legal responsibility, the Group ensures that these companies comply with safety practices and requires outside contractors to apply its standards within the scope of the Workplace Safety Management System. A support system has been set up with temporary employment agencies as part of the framework agreement on temporary employment. The Group includes workers from temporary employment agencies in its safety statistics monitoring.

Five Priority Commitments for 2010/2011

To meet its responsibility in preserving employees' health and safety, PSA Peugeot Citroën has strengthened its overall approach by focusing on five priority commitments that reflect the major risks to which the Group is exposed.

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. These disorders often stem from physical factors, such as exertion and repetitive movement, as well as from non-physical factors, such as work organisation, mental stress and operators' perception of their work. The measures taken fall into three broad categories:

- improving workstations. Manufacturing sites focus on alleviating physical and postural stress by reducing the number of workstations rated as "heavy". The process, structured by a workplace and organisation assessment method, is led by multi-disciplinary teams, comprising occupational physicians, engineers, safety technicians, ergonomists and managers. Between 2005 and end-2010, the percentage of workstations rated as "heavy" declined to 9% from 18%, while the percentage of "light" workstations rose to 53% from 37%. The Group intends to pursue this trend and has set a target of just 8% "heavy" workstations for 2012, increasing the percentage of "light" workstations to 58%;
- collecting employee input. A workplace alert system has been deployed to continuously collect employee input and identify and resolve problem areas in the earliest stages. The approach is designed to ensure that employees open up about strenuous situations and report any difficulties they may encounter as soon as possible. Supervisors analyse the information and take appropriate measures;
- training individuals involved in workplace health and safety. These team members learn about preventing MSDs in ergonomics training sessions approved by PSA Peugeot Citroën's corporate university.

Managing Chemical Risks

Preventing chemical risks is a critical health challenge in light of the risks related to the use of products and the pollution generated by certain processes. All chemical products located at a site or unit are inventoried and recorded. The data is carefully analysed so that the Group can assess risks, determine the type of information necessary, take preventive measures or find an effective substitute. A plan has also been deployed to track air quality. Information on the risks and specific measures for preventing chemical risks is available to employees who handle these products and is included in their initial job training. This approach is led by multi-disciplinary teams to ensure that the most effective protective measures are applied.

Preventing Psychosocial Risks

Psychosocial risks are a reality in the workplace. Starting in 2007, PSA Peugeot Citroën decided to look at stress head on and to recognise psychosocial risks as job-related risks. The deployment of preventive measures helps managers improve their management techniques so they can achieve high performance in a more serene environment.

A company-wide agreement was signed in October 2009 with five labour unions to implement a psychosocial risk prevention plan in all countries and all divisions. The plan calls for:

- close monitoring of identified cases of psychological distress and of collective situations that can create psychosocial risks;
- enhanced measures to help employees voice their problems and receive individualised support;
- a self-evaluation system to raise managerial awareness;
- a shared methodology for evaluating workplace stress that makes it possible to determine employees' stress levels and identify collective job-related factors;
- the development and deployment of collective action plans, prepared according to identified stress factors and risk situations.

In 2010, more than 14,000 employees in France volunteered to fill out a confidential questionnaire to measure workplace stress and identify job-related causes. The feedback is used for collective analyses that serve as the basis for developing prevention plans and, if necessary, individual monitoring by occupational physicians. A similar survey is being conducted in Spain. Each month, PSA Peugeot Citroën's senior management team receives a report on employee well-being prepared in cooperation with the workplace health departments.

Preventing Road Risks

As a carmaker, PSA Peugeot Citroën naturally puts a high priority on road safety. In association with employee representatives, an occupational road risk prevention manual was reissued in 2010 to provide employees with guidelines on how to use their cars when on business trips or commuting. All employees have been made aware of the manual, in part through presentations by their managers.

During the year, several units provided hands-on driver training, including for motorcycles and scooters, or worked with public officials to raise employee awareness using such resources as driving and rollover simulators, booths, conferences and free breathalysers. In Algeria, for example, the Group produced a manual on good driving habits to support the government's road safety programme. All employees and customers received the manual, along with a sticker for their cars.

As in previous years, the Group continued to work closely with local road safety associations to improve road safety through public awareness campaigns in all its host countries. Specific initiatives were carried out in China, Brazil and Russia.

Promoting Workstation Safety with STOP Audits

The STOP preventive observation procedure helps employees develop their ability to detect risky situations or behaviours at workstations. This procedure encourages discussions among employees and managers and facilitates adoption of preventive measures. STOP audits involve observing the working environment to identify factors that might result in an incident. This process, which is widely used at production sites, was gradually extended to sales sites in 2010.

Ambitious Objectives and Results

Deploying the Work Safety Management System and Measuring Results

Thanks to measures taken in 2010, safety performance improved noticeably in all the Group's subsidiaries and units. The Groupwide lost-time incident frequency (LTIF) rate, including temporary employees, stood at 3.87 in 2010, down 16% from 4.63 in 2009.

This reflects good results for both permanent staff and temporary employees, who have been included in the scope of consolidation since 2009. After stagnating for several years, the LTIF rate for Group employees improved by 18% in 2010 to 2.79, while the LTIF rate for temporary employees declined by nearly 50% to 25.1 from 48.2 in 2009.

Tangible measures contributing to this performance included:

- the assertive deployment of the Work Safety Management System, which led all subsidiaries through roadmap step 1 (raise awareness) in 2010.
- the implementation of the workplace alert system to help employees voice their difficulties at specific workstations.

Since 2010, all employees have had a direct stake in the Group's safety results with the creation of personal targets for managers and the inclusion of safety as a criterion in discretionary profit sharing agreements.

Eliminating Risky Situations to Achieve an Accident-Free Workplace

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. The improvement seen in 2010 provides a compelling reason to continue deploying the Work Safety Management System. The target for 2011 calls for a 30% decrease in the LTIF rate to 2.8, a midway point towards the goal of less than 1 set for 2013. This target has already been met in a number of units, including Porto Real, Buenos Aires, Mangualde and Tremery.

Promoting Employee Well-Being

Organising Work with a Focus on People

For PSA Peugeot Citroën, people are a critical factor in the equation when it comes to how work is organised. Management techniques allow employees to develop their skills in a work environment that is conducive to well-being and high performance. At all levels of the company, the application of Lean principles and a culture of continuous improvement are driving efforts to simplify working methods. Discussion, decision making and autonomy are facilitated by the implementation of measures that give each employee a clear mission and define long-term, motivating targets for individuals and teams. This type of organisation is designed to develop employee well-being and to eliminate factors that do not promote an efficient, stress-free workplace. On a daily basis, the approach makes use of resources like visual management, working standards and basic work units.

Improving Working Conditions

Employee satisfaction surveys are conducted annually, in addition to the work done to prevent psychosocial risks. These surveys cover a variety of topics, including internal communication, corporate culture, working conditions, professional development, training, compensation, employee-manager relations, Group policy and strategy, team work and food services. The 2010 surveys show that PSA Peugeot Citroën employees, in their vast majority, are satisfied.

Regardless of their area of activity, all subsidiaries and sites focus on creating a pleasant and safe working environment. The Group pays careful attention to the quality of workspace, break rooms and other facilities with a charter that defines standards for such things as lighting, office layout, washrooms and meeting rooms, as well as traffic flow plans.

Achieving a Better Work-Life Balance

PSA Peugeot Citroën offers individualised working schedules that let employees balance their work and personal lives. Requests for part-time work are approved whenever possible, with individualised solutions that align employee needs with efficient team performance. Part-time schedules also take into account legal and medical considerations. These solutions include working part of a day or half-day, as well as working a reduced number of total hours.

Part-time work is chosen by employees and not dictated by the company. In 2010, 6,125 Group employees worked part-time schedules worldwide.

Innovative local services have been introduced to assist employees in achieving a better work-life balance, such as company concierge services, travel agencies, special bus lines, carpooling sites or help with administrative formalities. By becoming a founding member of the French Labour Ministry's "Businesses and Daycare" initiative, the Group enhanced its commitment to helping employees find good childcare solutions. In 2010, more than 100 openings were offered in French daycare facilities.

Involvement in outside activities is also encouraged, with more than 80 sports, cultural and charity associations active within the Group. The PSA Peugeot Citroën Challenges multi-site sports events in different host countries are growing in popularity as well. In 2010, 20 of these fun-filled events were held, for even greater participation and diversity. Lastly, works councils supported by the company offer a wide variety of social, athletic and cultural activities.

An Active Commitment to health

Keeping Employees Healthy throughout their Careers

Good health is essential to sustaining the performance of human resources and business operations. For PSA Peugeot Citroën, health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity.

The Group's health policy focuses on developing well-being in the workplace and keeping employees healthy throughout their careers. Leveraging social dialogue and structured coordination among occupational physicians, the policy takes an individual and collective approach with five priority objectives:

- maintain a responsive occupational disease tracking system;
- educate and train employees to prevent negative impacts on health;
- correct disease-causing situations in the workplace and promote all types of measures that foster workplace well-being;
- prevent non-work related illnesses when measures in the workplace are possible;
- support employees with health issues inasmuch as is possible.

Plans and programmes developed for all Group employees make use of internal, multi-disciplinary skills and take each region's environment, regulations and healthcare priorities into account.

Encouraging Good Health and Hygiene Practices

PSA Peugeot Citroën's health services are actively involved in preventing and diagnosing non-work related diseases or risk factors capable of negatively impacting employees' health. These services provide systematic screening for hepatitis C and certain types of cancer, and manage a number of preventive programs, such as flu vaccinations and support for employees who want to quit smoking.

Awareness campaigns focusing on good eating habits, obesity and the benefits of physical exercise have also been carried out. In 2010, Group units in Ukraine promoted physical exercise, while operations in Brazil organised a health week with numerous conferences on good eating habits, relaxation techniques and the negative effects of smoking.

17.1.2. Developing Human Resources and Nurturing Talent

A New Dynamic

Supporting an Active Hiring Policy

PSA Peugeot Citroën began hiring again in 2010 in response to renewed demand in western Europe and expanding markets in Latin America and Asia. Designed to support strategic projects and growth, the recruiting drive has focused on leading-edge skills sets, notably in zero-carbon R&D, as well as on manufacturing and marketing.

A major hiring programme was carried out in France (excluding Gefco and Faurecia), bringing in nearly 1,600 engineers, sales people and technicians and more than 1,500 line operators. In addition, a number of production sites provided employees in less demanded skills sets with training, re-training and mobility opportunities.

A global sourcing reference centre has been set up to define policy in this area and shared services centres for recruitment have been opened in the main countries now hiring. In France, the shared services centre reinstated employer brand campaigns, featuring evening events, job fairs in schools and partnerships with employment agencies or the government job centre. It also renovated its hiring resources to make the most of social networks, with dedicated "PSA MyExperience" and "IngéTek" Facebook pages, virtual forums and a new jobs booth for schools.

The induction process was enhanced during the year to facilitate onboarding for new employees. The corporate university has created a 360° tour to help new hires get a clear view of the Group, its challenges and organisation, and to provide an opportunity for them to talk with employees from a variety of backgrounds.

Maintaining Flexibility to Preserve Jobs

Job creation relies to a great extent on the Group's ability to make its manufacturing base more competitive. PSA Peugeot Citroën constantly searches for the best solutions to adapt to changes in demand. All organisational modifications are negotiated beforehand to balance employees' interests with the need for flexibility and competitiveness.

In France, an agreement on enhancing flexibility and adding new hires at manufacturing facilities was signed in September 2010. Among other things, it calls for the possibility of introducing variable night shifts based on shorter night-time hours, with daily worktimes depending on order intake. This innovative agreement – the first of its kind in the French automobile industry – led to the recruitment of 900 additional employees under permanent contracts in 2010.

Supporting and Promoting an International Profile

Around the world, PSA Peugeot Citroën deploys experts and managers with capabilities and profiles that match the global diversity and local specificities of the markets in which the Group wants to expand. A dedicated Peugeot Citroën subsidiary for international skills management has been created to:

- motivate experts and managers from all countries;
- create career paths that give a view of the international challenges stemming from the globalised economy;
- give local team members the opportunity to take on more responsibility within the Group.

As the Group takes on an increasingly international profile, more non-French members will join the management teams and English will become the day-to-day working language.

Committing to Opportunities for Young People

PSA Peugeot Citroën is interested in attracting and hiring young people to prepare its future. For this reason, it pursued in 2010 an ambitious work-study programme launched in June 2009 to nurture the skills the Group will be needing in the years ahead. In response to current social and societal challenges, the programme includes a significant number of measures targeted to young people with few or no qualifications. It gives these individuals a real chance to envision their future and enter the workforce by discovering first-hand the jobs and values of a large manufacturer like PSA Peugeot Citroën. In 2010, more than 4,000 interns and 3,200 students were taken on under work-study, skills acquisition and apprenticeship contracts.

A number of targeted measures have also been deployed. In 2008, for example, the Group signed on to a French government plan to provide job opportunities for young people from disadvantaged neighbourhoods. Over three years, this led to contracts for 776 work-study students, 916 interns and more than 300 temporary and permanent employees. In Italy, the *Puntiamo su di te* (We're Counting on You) programme is designed to give young people with high potential experience in different departments throughout the company.

Retaining and Motivating Older Employees in Europe

PSA Peugeot Citroën does not believe in having a separate policy for employees over 50, who represent nearly 30% of the total workforce excluding Gefco and Faurecia. On the contrary, managing older employees is part of the Group's overall jobs and capabilities policy, which guarantees equal opportunity and treatment and anticipates demographic trends.

As part of this policy, agreements to retain and motivate older employees were signed in France and Japan in 2010. In particular, these agreements are designed to foster age diversity within teams, maintain motivating salary packages and career advancement opportunities, adapt working conditions to older employees, and manage end-of-career schedules and the transition to retirement. The goal is to recognise seniors' role in the company and consider their experience as an advantage for PSA Peugeot Citroën's success. For this reason, the issue of retaining and motivating seniors needs to be linked to that of providing job opportunities for young people, to anticipate demographic trends and prepare generational renewal. With this in mind, the Group calls on older employees to mentor and sponsor young people coming into the workforce.

Working with Employee Representatives to Prepare Jobs and Capabilities for the Future

Proactively responding to an evolving skills base, accurately predicting the capabilities needed in the future and improving employee visibility of over-the-horizon technologies and manufacturing processes are all critical challenges for PSA Peugeot Citroën. A forward-looking view is needed to initiate effective policies for training, career development, job mobility, hiring and jobs and skills redeployment. It is the company's responsibility to take this type of approach so that it can make the necessary adjustments smoothly, without sudden upheavals and last-minute retraining.

Forward-looking management involves analysing situations with employee representatives, discussing policies deployed and considering their foreseeable impact on jobs and skills.

A new human resources planning and development agreement signed in France in 2010 provides for a comprehensive system designed to meet three key goals:

- improve the ability to foresee changes in jobs, skills sets and capabilities by enhancing employee visibility of over-the-horizon technologies and manufacturing processes;
- instil a new dynamic for individual career management to encourage personal investment and job mobility in a commitment to developing the Group's skills and capabilities base;
- provide a support system for employees concerned by corporate transformation programmes, such as retraining, collective transfers or developments in less demanded professions.

The Group has oversight committees in its main host countries to discuss future trends in jobs, capabilities and skills sets with employee representatives. This forward-looking approach provides a qualitative and quantitative outlook for managing strategic skills sets, technological or organisational changes, alignment programs and other issues.

Anticipating Transformations and Helping Employees Navigate Change

PSA Peugeot Citroën systematically deploys measures to support employees through major transformations and changes in both the manufacturing and non-manufacturing sides of the business to maintain social cohesion. A structured approach is applied during each change project to analyse the impacts and consequences and prepare support measures.

In France, for example, the Group is gradually managing the redeployment of operations at the Moissy Cramayel site, primarily through internal transfers. All of the measures included in the jobs and skills redeployment plan are based on voluntary participation and all employees benefit from the dedicated job mobility department's resources. The Group is also involved in promoting new activities to support the local job base.

Human Resources Planning and Development in the Automobile Industry

In response to the recession and as part of the Supplier Relationship Excellence Initiative, PSA Peugeot Citroën is making an active contribution to foster:

- the emergence of a forward-looking vision of jobs and skills in each segment of the automobile industry;
- solutions to resolve supplier difficulties through social dialogue. Support here includes assistance in finding new owners and participation in roundtables with public officials and labour union representatives.

Our People are our Greatest Strength

Nurturing Employee Commitment

As a responsible employer, PSA Peugeot Citroën listens carefully to its employees so that it can stimulate people to give the most of themselves, both individually and collectively.

In 2010, an opinion survey conducted among the Group's managers enable the Group to identify levers and deploy action plans to improve managerial practices. A common survey for all units is expected to be rolled out to the entire workforce in 2011. This survey should help the Group make the most of its strengths and work on new areas for development.

Mapping Out Skills Using the Job Families and Professions Approach

PSA Peugeot Citroën's jobs and capabilities policy is designed to prepare the professions it will be needing to achieve high performance in the years ahead. The Group is organised into 20 job families, or cross-functional skills communities with worldwide scope, that provide a vision of jobs, professions and capabilities over a five-year period. The job families define action plans for each profession concerning hiring, expertise, training, retraining, mobility, localisation and internationalisation.

Two major steps were taken in 2010 to enhance this approach.

First, the organisation was structured into 120 professions. A profession is a consistent set of operations within a job family that requires a uniform group of skills, resources and processes.

This division into professions helps employees:

- understand the functions and skills involved in each profession and how they will change;
- access their specific profession's standards, processes and resources;
- be involved in local management of their profession at the appropriate level;
- share best practices in their profession;
- know about and access the approved training in their profession.

Second, a sponsor from the Executive Committee was appointed for each job family to ensure that its concerns are voiced at the highest level of management.

This new approach provides a solid framework for anticipating the professions of tomorrow and for giving employees the opportunity to grow.

Developing Human Resources

A new global human resources development policy was adopted in June 2010. Expressed and led by executive management, this policy is designed to promote the professional development of all employees and to make managers responsible for their teams' growth. The policy comprises seven core principles:

- each employee is an active participant in his or her career growth;
- each manager is responsible for developing his or her team;
- all employees are entitled to an annual performance review;
- career paths are defined by job family, through each family's professions;
- training represents a major investment for both the company and employees;
- professional mobility allows interested employees to expand their career horizons and develop their skills;
- PSA Peugeot Citroën manages jobs responsibly.

The policy is also intended to support the Group's international expansion and enhance its competitiveness by attracting and retaining top talent, providing employees with the necessary training to stay at the top of their game, and helping team members navigate the changes caused by major shifts in the automobile industry.

Supporting Active Job Path Management and Career Growth

At PSA Peugeot Citroën, capabilities are at the centre of career development and training. This focus makes its possible to clarify employees' career development prospects and anticipate more effectively the Group's needs in terms of both skills and workforce levels. Each year, Career Committees and Succession Planning Committees review career development possibilities. Organised within each division, these Committees map out employee career paths and develop succession plans for strategic positions.

The use of tools based on skills assessment and individual performance has been extended across the global organisation. All employees now have an annual performance review to discuss the results of the past year and set objectives for the year ahead. These reviews provide an opportunity to identify the necessary behaviours for effective performance and define a plan to develop the employee's technical capabilities and working methods. They are a key component of the human resources development policy and major lever for deploying the Group's vision and goals. In 2010, an employee-support programme, based on specific training for managers and the distribution of an e-learning module, was deployed worldwide to enhance the quality of the annual performance review process.

Giving Priority to Internal Resources in Job Mobility

Priority is given to internal resources in human resources planning. Every effort is made to give employees ample information so that they can see where the professions are headed and which paths may be open to them. In this way, they can anticipate moves that will be beneficial to their career development, with the company's support.

In France, mobility and career development units have been set up at all sites, while in Spain, a dedicated mobility programme has improved communication about available positions.

The Group's expansion in China, Russia and Latin America, as well as its cooperation strategy, provide further opportunities for career growth and diversification.

The Corporate University's Role in Effecting Change and Promoting Excellence

Fulfilling Key Missions Worldwide

As a core player in the transformation process, the corporate university is responsible for transmitting knowledge, behaviours and working methods aligned with the Group's values and policies. Since it was founded in April 2010, the university has offered a variety of training courses designed to help the Group fulfil its ambitions. The university guarantees that the technical and managerial skills acquired through these courses meet a defined level of excellence.

Basic courses are offered for all the divisions in a number of areas, including management, English as a foreign language, diversity, the PSA Excellence System, the Workplace Safety Management System, employee well-being, quality, individual performance reviews, ethics, the onboarding process, economy, the impact of globalisation and cultural diversity on business and new employee induction. Backed by innovative teaching resources and a solid understanding of the latest systems for sharing knowledge, the university also provides training in key skill areas that will allow the Group to remain a step ahead in products and services.

In 2010, nearly 5,000 courses were offered and employees across the Group received 3.1 million hours of training, representing an average of 24.6 hours per employee.

Developing Managerial Capabilities

To fulfil its ambitions, the Group needs managers with the skills to drive change and lead teams effectively. A number of courses are available to help managers sharpen these skills. Four sessions for different levels of experience have been developed to raise awareness about what it means to be a manager or to supervise managers and to nurture a sense of belonging to the corporate community. Each year, senior managers and executives participate in the most advanced session. In 2010, the syllabus focused on deploying the Group's change strategy and on new managerial behaviours, notably commitment.

Offering Courses that Meet Recognised Standards

The 120 professions identified by the job families will undergo a certification process by end-2012. The quality assurance certification will be awarded to each profession's training cluster every other year on the basis of rigorous specifications with five key requirements: describe and justify skills, deploy the related training clusters worldwide, offer three levels of training (beginner, advanced and senior), provide a system for validating the concepts mastered and ensure that the teaching system is appropriate in the local environment. Certified training clusters are organised in accordance with a standard model.

Fostering Strategic Partnerships

Among its missions, the corporate university is responsible for nurturing strategic relationships with schools and universities worldwide to enhance the Group's attractiveness among students, teachers and researchers. Examples include PSA Peugeot Citroën-sponsored chairs, foundations and long-term partnerships. Under these systems, researchers supported by three or four students can work full time for three to six months on technical topics that are of key importance to the company.

A New Human Resources Organisation that is Integral to the Group's Success

Human Resources and the PSA Excellence System

The PSA Excellence System is a working method and management style based on Lean principles and continuous improvement that is designed to help the Group set the industry benchmark for operating efficiency. The system requires implementation of and compliance with a clear framework and simple, understandable and effective operating methods. To succeed, it needs to be backed by an organisation that fosters the development of the Group's know-how.

Within the corporate Human Resources function, deployment of the PSA Excellence System has led to:

- three comprehensive policies on health and safety, human resources development and employee relations that define guidelines and expected outcomes for managers. The related management systems translate the Group's commitments into tangible, everyday actions for each employee;
- processes for coordinating and managing activities so as to improve employee working conditions;
- shared target agreements for teams that formalise priorities, the actions needed to meet them and tracking and monitoring indicators;
- the use of Obeya rooms for managing teams and operations. Based on the concept of visual management, Obeya rooms are used to track operations and define priority actions.

All of the components of the PSA Excellence System contribute to the effective implementation of a responsible, sustainable employee relations policy, as well as to its management and continuous improvement.

Human Resources Transformation projects

In 2010, a major project to transform the Human resources function was deployed worldwide with the goal of dividing missions differently between the corporate and front-line Human Resources Departments.

The corporate Human Resources Department is responsible for defining strategy, Group processes and standards and for ensuring that they are applied. It relies on the HR profession skills centres to devise and apply global, operational solutions. The front-line Human Resources Departments in the divisions and regions, which are closer to front-line managers and employees, are responsible for implementing human resources policies and processes within their areas. They focus first and foremost on tasks with high added value, notably with regard to employee development.

The project involves renovating the human resources information systems to provide the company with effective tools and help make PSA Peugeot Citroën a more global group.

17.1.3. Strengthening Social Cohesion

Deployed across the world, the Group's social policies are designed to foster a sense of community built on the strong values of solidarity, tolerance and commitment. At the core of these policies is a commitment to continuous dialogue with employee representatives. In initiating its major change projects, the Group has actively engaged in social dialogue, based on employee information and involvement. This approach has led to numerous agreements in all host countries. Since 2010, the main collective negotiations have converged thanks to monthly tracking of the labour agreement timetable in Europe.

A Commitment to Social Dialogue Capable of Driving Lasting Innovation

Managing with an Open Ear

On a daily basis, social dialogue is lead by the Group's managers. Effective dialogue requires employee involvement, ongoing discussions with employee representatives, active communication and leadership, and the ability to understand difficulties encountered in the front lines and to resolve them through continuous improvement. This type of local employee relations management helps to create a positive working environment. Managers receive specific training in employee relations to help them get a good grasp of their mission.

To ensure that it has the best front-line human resources capabilities, the Group also trains professionals in the human resources function who need to have a full understanding of the techniques and regulatory changes in their particular areas. This training in employee relations has been approved by the corporate university.

A Large Number of New Agreements

The Group's commitment to social dialogue has resulted in a large number of innovative, consistently pioneering agreements that reflect and embrace the social changes reshaping our world. They also reflect the Group's commitment to extending best human resources policies across the business base and to promoting such strong values as respect for human rights, equal opportunity, team diversity and workplace health and safety.

Unions and employee representative bodies are consistently informed and consulted before any major changes are undertaken in the Group.

In 2010, nearly 150 company agreements were signed, including more than 90 outside France. These agreements covered a wide range of topics, from organisation of the workweek and human resources planning and development to the evaluation and prevention of job-related stress, job classifications and career development, and retaining and motivating older employees. All of the agreements were approved by a large majority.

Worldwide, 94% of the Group's employees (excluding Faurecia) are covered by a collective bargaining agreement.

An Enhanced Role for the Extended European Works Council

The European Works Council provides management and employee representatives with a dedicated forum in which to discuss the Group's strategy, performance and outlook. The European Works Council was extended to include Argentina and Brazil in 2006. China and Russia will join this global council in 2011.

The European Works Council and its Liaison Committee of officers met ten times in 2010. These meetings featured a number of presentations, as well as work on the deployment and application of Lean approaches, with the goal of drawing up an assessment and producing suggestions with senior management. The extended European Works Council also met to prepare and sign the amendment to the Global Framework Agreement on Social Responsibility.

These organisations, which promote social dialogue worldwide, are an integral part of the Group's contractual agreements. They give management a place to hear employee concerns, expectations and suggestions and to initiate the necessary discussions when a major cross-functional project is in the works.

The Joint Union Management Strategy Committee

A forum for analysis, dialogue and discussion between management and European trade unions, this Committee explores in more detail issues related to the Group's short and medium-term situation and development, including all topics and trends that could have an impact on jobs.

The members met three times in 2010 to consider the Group's industrial competitiveness, measures to reduce carbon emissions, strategy in Asia and other major issues.

Fair and Competitive compensation

In all host countries, compensation policies are designed to maintain employee purchasing power, while rewarding performance, offering compensation that is fair and competitive with market practices and giving employees a stake in the value they help to create.

In 2010, 25 agreements were signed with employee representatives in France, the United Kingdom, Brazil, Argentina, Sweden, China, Spain and Portugal. These agreements not only maintained purchasing power, but also provided for individual performance-based bonuses.

In addition to across-the-board raises, merit raises are awarded each year to individual employees in all job categories, based on their performance, job proficiency and career development. Processes are strictly monitored to prevent any discrimination.

Enabling Employees to Share in the Value They Create

PSA Peugeot Citroën wants all employees to share in the value they create. In France, an enhanced profit-sharing agreement for 2010-2012 was signed, along with a discretionary profit-share agreement that recognises employees' contribution to the achievement of strategic targets. Group employees outside France also benefit from a profit sharing system. In 2011, €80 million will be distributed for 2010 to Automotive, Finance and Transportation & Logistics Division employees in the form of discretionary and non-discretionary profit-shares.

Encouraging Individual and Collective Performance

In addition to collective discretionary and non-discretionary profit sharing systems, bonuses are paid to managers in positions of responsibility that have a critical impact on the Group's earnings, reflecting a commitment to encouraging a results-orientated culture and to offering competitive compensation aligned with market practices. In 2010, the variable bonus system was extended to certain employees in China, Latin America and Europe.

Employee Share Ownership

Corporate savings plans have been set up to give employees a way to benefit from the Group's growth. In France, employees have the opportunity to invest in a PSA employees' fund, while in Germany, Spain, Portugal and the United Kingdom, they can select from a variety of investment vehicles depending on local legislation. The Group provides a matching contribution.

Preparing Satisfactory Retirement Benefits

To help employees prepare for the future, supplemental defined-contribution retirement plans are being set up in all host countries and wherever they are necessary to offset insufficient mandatory pension schemes and market practices. Such plans have already been introduced in Germany, Brazil, Spain, France, Japan, the Netherlands, the Czech Republic, Slovakia and the United Kingdom.

Managed by joint labour-management commissions in line with local practices, these systems are not designed to replace pay-as-you-go schemes in countries where such schemes are available. Rather, they have been created to provide beneficiaries with supplemental retirement income to offset the expected drop in replacement rates, as well as to harmonise retirement benefits across subsidiaries in each country.

Expanding Health and Insurance Coverage

In all host countries, insurance plans are being introduced to provide at least death and disability cover. Employer-funded healthcare plans have also been put in place in several countries. In 2010, death and disability coverage was introduced in Slovenia and Croatia and a health coverage plan was also set up in Croatia.

17.1.4. Responsible, Ethical Development

A sustainable Commitment to Social Responsibility

A New Global Framework Agreement on Social Responsibility

On 20 May 2010, PSA Peugeot Citroën renewed its Global Framework Agreement on Social Responsibility after four years of application. The agreement, which was signed by Executive Management, the International Metalworkers' Federation (IMF), the European Metalworkers' Federation (EMF) and members of the European Works Council Liaison Committee, commits nearly 90 unions in the Group's host countries.

In all subsidiaries worldwide, the Group has pledged to uphold and promote the fundamental human rights outlined in the Universal Declaration of Human Rights and to apply best practices in management and human resources development. Partners, suppliers and independent dealership networks are also asked to comply with these requirements.

The results after the first four years are very encouraging, showing that all the subsidiaries have taken the commitments contained in the agreement to heart. Each year, labour unions and employee representatives were involved in implementing innovative measures and sharing best practices.

The renewed agreement includes a fifteenth commitment on environmental protection and enhanced social commitments. It will provide new impetus for social and environmental progress.

Global Framework Agreement on Social Responsibility – Fifteen Commitments

1. Avoid complicity in human rights abuses
2. Uphold freedom of association and the effective recognition of the right to collective bargaining
3. Effectively abolish child labour
4. Eliminate discrimination in respect of employment and occupation
5. Work against all forms of corruption
6. Focus on safety, working conditions and health
7. Develop the skills of the future through continuing training
8. Provide employees with the means to participate
9. Advance planning for changes to professional and job profiles
10. Apply fair remuneration practices
11. Ensure social protection
12. Negotiate organisation of work and scheduling
13. Share social requirements with suppliers, subcontractors, industrial partners and distribution networks
14. Take into account the impact of the Company's business on the areas in which it operates
15. Preserve the environment

Providing Enhanced Support for Deploying Action Plans

As part of the agreement, all the subsidiaries and units implement three priority action plans each year. These innovative plans, backed by defined targets, help ensure that the commitments are effectively taken into account. In 2010, the subsidiaries defined and deployed more than 360 priority action plans.

With the agreement's renewal, the Group decided to provide enhanced support within the subsidiaries to give new momentum to the concept of corporate social responsibility.

An Industrial and Social Commitment with Automobile Industry Suppliers and Subcontractors

In line with French government initiatives stemming from the January 2009 Automobile Summit and the creation of the Automotive Industry Platform, PSA Peugeot Citroën is stepping up measures to support the automobile industry. To speed and support changes in the manufacturing base and initiatives in the area of innovation, the Group has named four Regional Delegates to reinforce actions undertaken by the government-appointed "Automobile Representatives" who report to the regional prefects. Backed by solid experience in the automobile industry and the Group's size and scope, the representatives will work with different regional stakeholders to actively bolster the French automobile industry. PSA Peugeot Citroën is also involved in Automotive Industry Platform discussions alongside employee representatives. It has emphasised the need to develop assessment tools for each job family and to analyse current and future changes in the various professions in order to effectively organise transformations in the manufacturing base. Social dialogue is also crucial.

Preventing Workplace Harassment, Discrimination and Violence.

PSA Peugeot Citroën condemns all infringements of respect for individual rights and dignity, as well as verbal or physical abuse, harassment, workplace violence and discrimination. This type of behaviour is liable to sanctions, and specific measures have been drawn up in all countries to prevent it. Employees are informed about the Group's policy on a regular basis and a large number of managers have been targeted through awareness building campaigns. Employees who are victims of or witnesses to cases of harassment, discrimination or violence at the workplace may contact their Human Resources Department. In the event of complications in using traditional channels, employees may anonymously contact identified managers responsible for diversity and/or harassment issues.

A standard tracking procedure aligned with the local legal framework has been established in all host countries. When a problem is identified, the information is reported to Human Resources and a review is carried out. In 2010, 137 complaints alleging workplace harassment, discrimination or violence were reported to the corporate Human Resources Department, clearly demonstrating that the Group will not tolerate this type of behaviour.

Diversity and Equal Opportunity in a Multifaceted Group

Bringing the Best Talent Together

PSA Peugeot Citroën has chosen to highlight the diversity of its people and their cultures and to make equality and respect for differences a founding principle of its responsible growth. All of the host countries are concerned by this societal challenge and the Group intends to go beyond local legal requirements in applying and promoting best human resources practices.

It also fights against all forms of discrimination and intolerance towards difference, considering that capabilities are the key factor in hiring and career development.

Promoting diversity means recruiting, bringing together and nurturing the brightest talent, regardless of nationality, gender, lifestyle, sexual orientation, age, marital status, pregnancy or parenthood, genetic characteristics, real or supposed belonging to an ethnic group, nation or race, political opinion, union activity, religious conviction, physical appearance, name, pre-existing health conditions or disability.

Because PSA Peugeot Citroën's business performance benefits from team diversity, the Group needs to hire people from a variety of backgrounds that reflect its host communities and environments. Diversity is a source of synergy, social harmony and economic efficiency. Diversity also stimulates the emergence of different points of view, making it an important source of creativity and innovation.

In April 2009, PSA Peugeot Citroën was one of the first French companies to obtain France's Diversity Label in recognition of its human resources policy and practices to promote diversity and equal opportunity and to prevent discrimination. The Label was renewed in 2010.

In France and Spain, joint labour-management diversity and equal opportunity oversight committees have been created to monitor effective application of agreements. They are responsible for ensuring that commitments are met and for analysing measures taken locally.

Each year, PSA Peugeot Citroën takes new steps to promote diversity. In 2010, it surveyed some 12,000 employees to find out more about sexual orientation discrimination based on what is already known about discrimination against disabilities and gender equality.

Ten pilot countries participated in qualitative and quantitative testing to get a better view of the state of diversity in each one. The Group used this snapshot to discover and review specific situations in each country, with the goal of expanding its commitment to diversity.

Articulating a Worldwide Diversity Commitment

PSA Peugeot Citroën has chosen to formalise its position in a worldwide diversity commitment that is applicable in all host countries.

Included in the PSA Excellence System, this commitment comprises seven founding principles that provide an overall view of diversity and its challenges. The goal is to improve the Group's action in this area and to help the subsidiaries make progress in implementing and promoting diversity measures.

In December 2010, global diversity correspondents met for the first time in Paris to launch the worldwide diversity commitment. Appointed in each country, these correspondents will be responsible for leading and deploying the commitment in the different subsidiaries, supported by a deployment kit and best practices sharing within the correspondents' network.

As part of the joint monitoring process with employee representatives, an annual self-assessment will be conducted to measure each the level of each subsidiary's commitment to diversity and the progress made during the year. In each country, diversity action plans are implemented to create a climate of continuous improvement in the subsidiaries.

Providing Managers with Diversity Training

Training sessions on managing diversity launched in France in 2008 continued to be deployed in 2009 and 2010. The module provides managers with tangible responses and resources for handling real-life equal opportunity issues within their teams. The idea is to help managers apply the principles underlying respect for difference, prevention, and zero tolerance for any type of discrimination. Nearly 2,500 managers completed the course in the first three years of deployment and another 1,150 will be trained in 2011.

As part of the worldwide diversity commitment, diversity training is being expanded to the different host countries, notably Spain, Portugal, Italy and Belgium.

In Spain, Gefco managers have attended sessions on diversity and equal opportunity, while in Poland, employees have been made aware of discrimination against older employees.

Enabling People with Disabilities to Flourish in the Workplace

PSA Peugeot Citroën is committed to hiring and retaining disabled employees. In the Automotive Division in France, 7.9% of employees are classified as handicapped (including sheltered workers under contract), above the mandatory national rate of 6%.

In 2010, the Group employed 5,925 disabled people. In addition to these direct hires, PSA Peugeot Citroën was the leading manufacturer in France for sourcing from sheltered workshops, with purchases representing value added of €30 million.

Agreements on social integration and job opportunities for the disabled have been concluded and implemented, backed by numerous awareness campaigns and tangible measures. In January 2011, for example, a partnership agreement was signed with three associations specialised in placing and hiring disabled applicants, with the goal of giving new momentum to employment of the disabled.

Bringing More Women into the Group

A Recognised Commitment

Over the last several years, PSA Peugeot Citroën has taken active measures to promote gender diversity and gender equality. Building on an initial agreement signed in 2003 and renewed in 2007, the Group signed a greatly expanded agreement in February 2011 to promote gender equality and the development of jobs for women.

PSA Peugeot Citroën was the first company in France to receive the Equal Opportunity Employer label from the Ministry of Social Cohesion and Equality in 2005. The label was renewed in 2008 in recognition of the Group's ongoing commitment to gender equality. In 2010, the Group extended this commitment to the rest of Europe by participating in working groups on gender equality with a view to creating a European label. Measures have been taken to obtain labels in France, Spain, Belgium and Italy as from early 2011.

Giving More Women a Place in the Group and its Professions

Gender diversity promotes synergy, social balance and business efficiency. Although the technical courses that lead to jobs in the automobile industry have traditionally attracted fewer women students, the percentage of women in the workforce has risen. This reflects both trends in the labour market and various measures taken, notably to improve working conditions.

Since 2002, the percentage of women in the Group's workforce has risen from 17.6% to 21.8%. PSA Peugeot Citroën intends to sustain this increase and make its jobs and professions more open to women.

Guaranteeing Equal Pay and Career Paths

In all job categories, men and women are offered the same job classifications and salary levels when they are hired.

In line with the company agreement on diversity and social cohesion signed in 2004 and renewed in 2008, promotions to a higher coefficient, category or level of responsibility are based solely on capabilities and results. This practice ensures equal opportunity and treatment for employees, with the possibility of salary adjustments if gaps are identified.

Promoting Gender Diversity in Management

True gender diversity means that women should have access to the same career paths and opportunities as men, notably as concerns positions of responsibility.

For this reason, the same criteria for detecting high potential individuals are applied to both women and men. These criteria do not take age and seniority into account so that women who take maternity leave are not disadvantaged. They are based solely on capabilities, effectiveness and performance.

As of 31 December 2010, the executive and senior management teams (excluding Faurecia and Gefco) included 49 women and 752 men, for a rate of 6.5% versus 5% in 2008. Executive management has set an objective of 11% for the senior management teams by end-2011.

A network of women managers was created within the Group in the spring of 2010. The network now has more than 100 members from different departments and divisions and helps promote the goal of bringing more women into the company. It is driven by a desire to share experience, advice and ideas and to support women along their career paths.

A Renewed, Expanded Commitment to Ethical Practices

New Code of Ethics

PSA Peugeot Citroën's corporate culture is based on respect and responsibility, reflecting both the history of the Group and that of the Peugeot and Citroën brands. This ethical outlook was reaffirmed in the strategic vision statement unveiled in 2009, which had as its core ambition Responsible Development.

This ambition is evidenced in collective commitments to key stakeholders, including customers, employees, shareholders, partners and the community. To meet these commitments, everyone in the corporate community must comply with shared ethical guidelines, compiled in the Group's Code of Ethics.

In 2010, PSA Peugeot Citroën emphasised the importance of ethical practices by deploying a new, expanded Code of Ethics. Available in eight languages and comprising 16 rules of ethical conduct, the Code of Ethics is designed to provide employees with updated guidelines that reflect the company's business, social and environmental responsibilities.

Structured Cascading

Managers from all levels were deeply involved in the extensive deployment of the new Code of Ethics.

The Group's 752 executive and senior managers were asked to personally sign the Code and cascade its rules to their teams. In addition, the Management Committees have been asked to spend at least two meetings each year formally measuring their practices against the Code of Ethics. The Group also has an Ethics Committee that reports to the Executive Committee. Its members includes the Corporate Secretary (Chairman), the head of Human Resources and the head of Internal Audit. If necessary, employees can reach the Ethics Committee directly via a dedicated e-mail address.

Employees who witness non-compliant behaviours or situations have several options available to them. They may express their concerns to their supervisor, their human resources manager or a member of the Executive Committee. In 2011, all managers, employees, technicians and supervisors will be asked to formally accept the Code's rules of conduct.

Global Social Audit

PSA Peugeot Citroën's social responsibility policies have been deployed worldwide and are regularly monitored. Social audits are a tracking tool that helps to drive continuous improvement in processes and ensure effective application of social policy. The social audit is designed to ensure compliance with legal and regulatory requirements, contractual commitments and the Group's social responsibility principles.

Social audits are carried out by more than 20 full-time auditors, with support from nearly 120 people around the world. These internal audits are supplemented by external compliance audits concerning employee relations information and social responsibility commitments.

The process relies heavily on self-assessments by sites, country organisations, departments and divisions. The auditor's role is to:

- perform targeted audits on the selected priority issues;
- guide senior management and unit managers in the self-assessment process;
- prepare audit grids for this process;
- work with the sites to ensure rapid implementation of the necessary corrective measures.

In 2010, nearly 40 sites or units were audited, with a focus on application of the Global Framework Agreement on Social Responsibility, hiring procedures and non-discrimination practices, the use of temporary workers, gender equality, diversity, social cohesion, and workplace health and safety. By recommending remedial actions and regularly tracking their application, social audits help to impel a dynamic of continuous improvement.

As a socially responsible company, PSA Peugeot Citroën shares its social requirements with suppliers. In 2010, 13 social and environmental audits were 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. Conducted by an external, independent organisation, these audits led to corrective action plans whenever cases of non-compliance were detected.

17.1.5. Employee Relations Indicators (French NRE Legislation)

PSA Peugeot Citroën's social responsibility policies have been deployed worldwide and are regularly monitored. Data are reported annually by every subsidiary around the world via a dedicated social reporting system, in full compliance with French NRE legislation.

The following employee-relations indicators comply with French decree no. 2002-221, 2002 and Global Reporting Initiative recommendations. A cross-reference index with GRI indicators may be found at the end of the Group's 2010 Sustainable Development Performance Indicator Report. With the exception of tables concerning headcount and hiring, the indicators have been prepared on the basis of data from all the companies fully consolidated by PSA Peugeot Citroën, other than Faurecia, the automotive equipment division.

Faurecia, a listed company 57.4%-owned by Peugeot S.A., manages its business independently and therefore prepares and publishes its own business and human resources indicators in its Registration Document.

In 2010, SCEMM and the Peugeot S.A. holding company were reclassified, as follows:

- the "Automotive Division" includes both the Automotive Division and SCEMM (versus the Automotive Division and the Peugeot S.A. holding company previously);
- the "Other businesses" comprise the Peugeot S.A. holding company, PMTC France, PMTC Germany and PMTC Italy (versus SCEMM, PMTC France and PMTC Germany, PMTC Italy previously).

Chapter 17.1 describes the Group's employee relations policies, with employee relations indicators presented in section 17.1.5. Additional information can be found in the Sustainable Development Performance Indicators report and on the Group's sustainable development website.

17.1.5.1. Workforce

To support its strategy and growth, PSA Peugeot Citroën began hiring again in 2010 in response to renewed demand in western Europe and expanding markets in Latin America and Asia.

Employees

Number of Employees under Permanent or Fixed-Term Contracts by Division, 2008-2010

(Consolidated Group, at 31 December)

	2010	2009	2008
Automotive Division	120,880	121,365	129,890
Banque PSA Finance	2,595	2,470	2,390
Gefco	9,380	9,335	10,060
Faurecia	64,190	52,065	58,140
Other Businesses	1,175	985	1,220
TOTAL	**198,220**	**186,220**	**201,700**

The increase in the Faurecia workforce primarily reflects the acquisition of Emcon (6,640 employees) and Plastal (2,700 employees).

Number of Employees under Permanent or Fixed-Term Contracts in France, the Rest of Europe and Rest of the World, 2008-2010

(Consolidated Group, at 31 December)

	2010	2009	2008
France	98,845	101,330	108,620
Rest of Europe	64,105	59,790	66,050
Rest of the world	35,270	25,100	27,030
TOTAL	**198,220**	**186,220**	**201,700**

In 2010, 50% of employees worked outside France, of which 32% in other European countries and 18% in the rest of the world.

Number of Employees under Permanent or Fixed-Term Contracts by Category in France, the Rest of Europe and Rest of the World

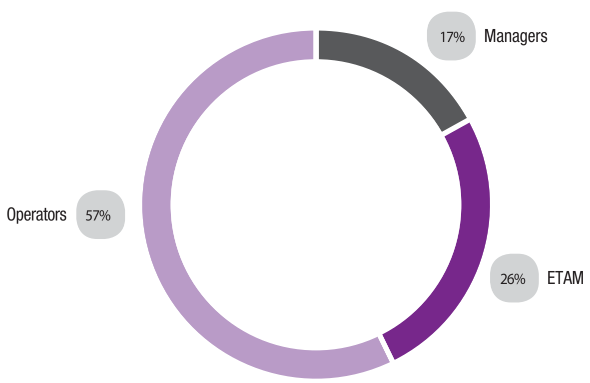
(Consolidated Group, at 31 December)

	France			Rest of Europe			Rest of the world			TOTAL		
	Operators	ETAM	Managers	Operators	ETAM	Managers	Operators	ETAM	Managers	Operators	ETAM	Managers
Automotive Division	43,930	19,845	15,820	15,935	9,755	3,840	6,725	3,195	1,835	66,590	32,795	21,495
Banque PSA Finance	0	510	320	0	1,335	295	0	80	55	0	1,925	670
Gefco	1,540	2,205	770	1,005	2,425	275	540	565	55	3,085	5,195	1,100
Faurecia	7,185	2,500	3,085	19,985	5,330	3,885	15,430	3,010	3,780	42,600	10,840	10,750
Other Businesses	455	265	415	0	35	5	0	0	0	455	300	420
TOTAL	**53,110**	**25,325**	**20,410**	**36,925**	**18,880**	**8,300**	**22,695**	**6,850**	**5,725**	**112,730**	**51,055**	**34,435**

- The manager category includes engineers and managers with a job description similar to managers in France.
- ETAM is the French acronym for administrative employees, technicians and supervisors.

Employees under Permanent or Fixed-Term Contracts by Category

(Consolidated Group, at 31 December 2010)



Hirings

Employees Hired under Permanent Contracts

(Consolidated Group, at 31 December)

		France	Rest of Europe	Rest of the world	TOTAL
Automotive Division	**2010**	**2,660**	**1,605**	**2,110**	**6,375**
	2009	975	1,340	1,045	3,360
	2008	1,995	3,155	1,695	6,845
Banque PSA Finance	**2010**	**60**	**180**	**20**	**260**
	2009	40	105	10	155
	2008	45	170	10	225
Gefco	**2010**	**100**	**430**	**270**	**800**
	2009	30	300	220	550
	2008	315	875	580	1,770
Faurecia	**2010**	**195**	**2,230**	**6,440**	**8,865**
	2009	80	1,280	4,640	6,000
	2008	625	5,405	4,160	10,190
Other Businesses	**2010**	**30**	**0**	**0**	**30**
	2009	10	0	0	10
	2008	0	0	0	0
TOTAL	**2010**	**3,045**	**4,445**	**8,840**	**16,330**
	2009	1,135	3,025	5,915	10,075
	2008	2,980	9,605	6,445	19,030

Employees Hired under Permanent Contracts by Category

(Consolidated Group, at 31 December 2010)

	France			Rest of Europe			Rest of the world			TOTAL		
	Operators	ETAM	Managers	Operators	ETAM	Managers	Operators	ETAM	Managers	Operators	ETAM	Managers
Automotive Division	1,155	785	720	675	700	230	1,260	605	245	3,090	2,090	1,195
Banque PSA Finance	0	55	5	0	160	20	0	15	5	0	230	30
Gefco	20	40	40	70	335	25	145	120	5	235	495	70
Faurecia	35	30	130	1,695	370	165	4,975	700	765	6,705	1,100	1,060
Other Businesses	0	5	25	0	0	0	0	0	0	0	5	25
TOTAL	**1,210**	**915**	**920**	**2,440**	**1,565**	**440**	**6,380**	**1,440**	**1,020**	**10,030**	**3,920**	**2,380**

Employees Hired under Fixed-Term Contracts

(Consolidated Group, at 31 December 2010)

	France	Rest of Europe	Rest of the world	TOTAL
Automotive Division	3,600	2,110	980	6,690
Banque PSA Finance	85	150	0	235
Gefco	150	125	15	290
Faurecia	360	2,190	4,920	7,470
Other Businesses	35	0	0	35
TOTAL	**4,230**	**4,575**	**5,915**	**14,720**

Separations

Separations of Employees under Permanent or Fixed-Term Contracts by Region

(Consolidated Group, excluding Faurecia, at 31 December 2010)

	France	Rest of Europe	Rest of the world	TOTAL
Resignations	1,055	1,325	590	2,970
Dismissals	745	690	440	1,875
Redundancies	2,365	265	40	2,670
Retirement or death	1,435	775	35	2,245
TOTAL	**5,600**	**3,055**	**1,105**	**9,760**
Separation rate	**6.5%**	**8.8%**	**8.5%**	**7.3%**

In 2010, the Groupwide separation rate (excluding Faurecia) was 7.3%, including separations as part of the jobs and capabilities redeployment plan.

The separation rate is calculated by dividing the total number of separations during the year involving employees under permanent or fixed-term contracts (through resignations, redundancies, dismissals, retirement, death, etc.) by the total number of employees under permanent or fixed-term contracts (excluding Faurecia) at 31 December.

Overtime

Overtime

(Consolidated Group, excluding Faurecia, at 31 December)

		France	Rest of Europe	Rest of the world	TOTAL
Automotive Division	**2010**	**873,535**	**1,016,890**	**1,430,435**	**3,320,860**
	2009	688,495	977,060	672,835	2,338,390
	2008	969,920	815,035	1,656,370	3,441,325
Banque PSA Finance	**2010**	**20,785**	**30,130**	**0**	**50,915**
	2009	13,040	28,945	5	41,990
	2008	12,240	22,545	0	34,785
Gefco	**2010**	**249,210**	**217,815**	**237,145**	**704,170**
	2009	182,860	205,320	128,335	516,515
	2008	195,515	212,925	181,260	589,700
Other Businesses	**2010**	**7,545**	**0**	**0**	**7,545**
	2009	6,300	0	0	6,300
	2008	10,615	0	0	10,615
TOTAL	**2010**	**1,151,075**	**1,264,835**	**1,667,580**	**4,083,490**
	2009	890,695	1,211,325	801,175	2,903,195
	2008	1,188,290	1,050,505	1,837,630	4,076,425

In most countries, working hours are determined on an annual or multi-year basis.

Number of Contractor Employees Working on Group Sites

Number of Contractor Employees Working on Group Sites

(Consolidated Group, excluding Faurecia, at 31 December, full time equivalents)

		France	Rest of Europe	Rest of the world	TOTAL
Automotive Division	**2010**	**7,310**	**2,360**	**2,955**	**12,625**
	2009	5,875	2,185	2,600	10,660
	2008	6,130	2,590	4,750	13,470
Banque PSA Finance	**2010**	**30**	**40**	**40**	**110**
	2009	30	35	35	100
	2008	25	40	35	100
Gefco	**2010**	**145**	**320**	**285**	**750**
	2009	245	260	75	580
	2008	220	265	95	580
Other Businesses	**2010**	**10**	**0**	**0**	**10**
	2009	20	0	0	20
	2008	20	0	0	20
TOTAL	**2010**	**7,495**	**2,720**	**3,280**	**13,495**
	2009	6,170	2,480	2,710	11,360
	2008	6,395	2,895	4,880	14,170

Only long-term positions with annual service contracts (such as food or security services) are included.

Redundancy Plan, Outplacement, Rehiring and Employee Support Programmes

The Jobs and Capabilities Redeployment Plan in France in 2010

(Automotive Division in France, at 31 December)

	Operators	ETAM	Managers	TOTAL
Personal projects	290	65	30	385
Outplacement leave	1,175	535	270	1,980
Voluntary retirement	285	75	130	490
TOTAL	**1,750**	**675**	**430**	**2,855**

The measures implemented in France in January 2009 under the jobs and capabilities redeployment plan ended on 31 March 2010.

17.1.5.2. Organisation of Working Hours

Full-Time Employees

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

Part-Time Employees

Part-time employees are defined as employees who work fewer hours per week or fewer average hours over a period of up to one year, than a comparable full-time employee.

Requests for part-time work are approved whenever possible, with individualised solutions that align employee needs with efficient team performance. These solutions include working part of a day or half-day, working a reduced number of total hours, and working every other week.

Number of Part-Time Employees under Permanent or Fixed-Term Contracts, 2008-2010

(Consolidated Group, excluding Faurecia, at 31 December)

		France	Rest of Europe	Rest of the world	TOTAL
Automotive Division	**2010**	**2,715**	**2,760**	**10**	**5,485**
	2009	2,815	5,335	20	8,170
	2008	2,940	5,130	10	8,080
Banque PSA Finance	**2010**	**45**	**190**	**0**	**235**
	2009	40	285	0	325
	2008	45	240	0	285
Gefco	**2010**	**170**	**170**		**340**
	2009	305	175	0	480
	2008	290	175	0	465
Other Businesses	**2010**	**65**	**0**	**0**	**65**
	2009	40	0	0	40
	2008	25	5	0	30
TOTAL	**2010**	**2,995**	**3,120**	**10**	**6,125**
	2009	3,200	5,795	20	9,015
	2008	3,300	5,550	10	8,860

As of 31 December 2010, 6,125 employees worked part-time worldwide (excluding Faurecia), of which nearly 950 worked half-time. Of the total, 58% were women and 42% were men.

The decline of number of part-time employees from the previous year primarily reflects a change in the classification of men on partial retirement in Spain. Since 1 January 2010, these employees are accounted for on the basis of actual hours worked rather than as part-time employees.

Absenteeism and its Causes

Paid Absences other than Vacation, 2008-2010

(Consolidated Group, excluding Faurecia, 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 Division	**2010**	**3,586,680**	**559,245**	**1,540,460**	**830,100**	**452,235**	**248,600**	**5,579,375**	**1,637,945**
	2009	3,949,325	907,960	1,690,580	926,740	417,285	279,075	6,057,190	2,113,775
	2008	4,209,145	976,715	1,760,045	736,225	550,145	52,520	6,519,335	1,765,460
Banque PSA Finance	**2010**	**28,775**	**12,115**	**85,990**	**45,395**	**85**	**580**	**114,850**	**58,090**
	2009	28,880	20,020	73,275	54,800	145	150	102,300	74,970
	2008	34,035	21,870	50,380	30,205	0	720	84,415	52,795
Gefco	**2010**	**268,740**	**78,270**	**161,275**	**59,940**	**13,075**	**14,320**	**443,090**	**152,530**
	2009	228,855	58,490	228,965	58,030	10,655	8,950	468,475	125,470
	2008	238,830	92,305	184,405	79,830	8,595	5,945	431,830	178,080
Other Businesses	**2010**	**59,400**	**4,285**	**1,275**	**305**	**0**	**0**	**60,675**	**4,590**
	2009	90,690	8,035	2,445	280	0	0	93,135	8,315
	2008	86,905	7,815	2,840	95	0	0	89,745	7,910
TOTAL	**2010**	**3,943,595**	**653,915**	**1,789,000**	**935,740**	**465,395**	**263,500**	**6,197,990**	**1,853,155**
	2009	4,297,750	994,505	1,995,265	1,039,850	428,085	288,175	6,721,100	2,322,530
	2008	4,568,915	1,098,705	1,997,670	846,355	558,740	59,185	7,125,325	2,004,245

Paid absences other than vacation totalled 8,051,145 hours, of which 6,197,990 for sick leave, 625,455 for maternity leave, 476,775 for accident-related absences and 750,925 for other reasons.

Based on the nearly 240 million hours worked, the overall absenteeism rate stood at around 3.4% for the year, compared with 3.7% in 2009.

17.1.5.3. Compensation

Total Payroll by Region, 2008-2010

(Consolidated Group, excluding Faurecia, at 31 December)

In 2010, total payroll costs (excluding Faurecia) came to €4,549,634 thousand, while related payroll taxes amounted to €1,831,446 thousand.

(in thousands of euros)	France	Rest of Europe	Rest of the world	TOTAL
2010	**4,621,763**	**1,391,183**	**368,134**	**6,381,080**
2009	4,619,340	1,419,552	254,242	6,293,134
2008	4,776,909	1,492,919	269,504	6,539,331

In all host countries, compensation policies are designed to maintain employee purchasing power, reward performance, offer compensation that is competitive with market practices and give employees a stake in the value they help to create.

In 2010, 25 wage agreements were signed with employee representatives. These agreements not only maintain purchasing power, especially for the lowest wage categories, but they also provide for individual performance-based bonuses for the most productive employees.

Group Minimum Wage Versus Local Statutory Minimum Wage, by Country in 2010

(Consolidated Group, excluding Faurecia and Gefco, base 100)

Country	Group minimum wage/local statutory minimum wage	Local statutory minimum wage
Germany	138	Regional minimum wage
Argentina	158	Local statutory minimum wage
Austria	100	Regional minimum wage
Belgium	129	Local statutory minimum wage
Brazil	234	Local statutory minimum wage
China	380	Regional minimum wage (Shanghai)
Spain	135	Local statutory minimum wage
France	127	Local statutory minimum wage
Italy	121	Industry minimum wage
Netherlands	100	Local minimum wage (for people over 23)
Poland	152	Local statutory minimum wage
Portugal	113	Local statutory minimum wage
Czech Republic	350	Local statutory minimum wage
United Kingdom	100	Local statutory minimum wage
Russia	296	Regional minimum wage
Slovakia	188	Local statutory minimum wage
Switzerland	N/R	No statutory minimum wage; no industry agreements
Turkey	128	Local statutory minimum wage

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.

Discretionary Profit Sharing

All employees are paid a discretionary profit-share out of operating income so that they can share in the value they create.

Employee Savings Plans

In a number of host countries, PSA Peugeot Citroën offers a variety of employee savings schemes that enable employees to invest their own funds by making voluntary contributions at any time during the year.

Gender Equality in the Workplace

Number of Women Employees under Permanent or Fixed-Term Contracts

(Consolidated Group, at 31 December)

PSA Peugeot Citroën's commitments to gender equality were first expressed in the 12 November 2003 agreement on gender equality and employment for women (renewed in 2007 and early 2011). As a result, 2002 has been chosen as the reference year.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	% increase year-on-year
Operators	16,235	16,295	19,105	19,060	21,065	22,365	21,635	19,980	21,190	+30.5%
ETAM	14,420	15,510	16,655	16,395	16,175	15,650	15,610	14,600	15,285	+6.0%
Managers	4,245	4,580	5,325	5,945	6,320	6,255	6,310	6,155	6,650	+56.7%
TOTAL	**34,900**	**36,385**	**41,085**	**41,400**	**43,560**	**44,270**	**43,555**	**40,735**	**43,125**	**+23.6%**

Percentage of Women Employees in the Workforce

(Consolidated Group, at 31 December)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
% women in the workforce	17.6%	18.2%	19.8%	19.8%	20.6%	21.3%	21.6%	21.9%	21.8%

Women account for 19.3% of engineers and managers, 29.8% of administrative employees, technicians and supervisors (ETAM) and 18.8% of operators.

The number of women employees rose by nearly 6% in 2010.

The slight decline in the percentage of women in the workforce reflected the acquisitions made by Faurecia during the year.

Percentage of Women Managers under Permanent or Fixed-Term Contracts by Age Group

(Consolidated Group, at 31 December 2010)

	<30 years	30-39	40-49	≥ 50
Number of women managers	900	3,080	1,770	900
Total number of managers	2,995	12,835	11,605	7,000
% OF WOMEN MANAGERS	**30.1%**	**24.0%**	**15.3%**	**12.9%**

Women accounted for 30.1% of managers under 30 and 12.9% of managers over 50.

Executive Management

(Consolidated Group, excluding Faurecia and Gefco, at 31 December 2010)

The Group executive management team is comprised of 13 people, including one woman.

Senior Executives

(Consolidated Group, excluding Faurecia and Gefco, at 31 December 2010)

At PSA Peugeot Citroën, "senior executives" are those executives and senior managers in charge of adapting and implementing the Group's strategic vision, policies and programmes.

	30-39 years	40-49 years	≥ 50 years	TOTAL
Men	22	340	341	703
Women	4	24	21	49
TOTAL	**26**	**364**	**362**	**752**

Nationality	Number	Percentage
French	642	85.4%
Spanish	31	4.1%
German	14	1.9%
British	13	1.7%
Argentine	9	1.2%
Belgian	9	1.2%
Italian	7	0.9%
Swiss	5	0.7%
Brazilian	4	0.5%
Portuguese	3	0.4%
American	2	0.3%
Austrian	2	0.3%
Chinese	2	0.3%
Dutch	2	0.3%
Canadian	1	0.1%
Danish	1	0.1%
Luxembourger	1	0.1%
Moroccan	1	0.1%
Norwegian	1	0.1%
Polish	1	0.1%
Romanian	1	0.1%
TOTAL	**752**	**100.0%**

17.1.5.4. Employee Relations and Collective Bargaining Agreements

An Expanded European Works Council with International Scope

Group employees are represented by the European Works Council set up in 1996. Following the renewal of the Global Framework Agreement on Social Responsibility in 2010, the extended European Works Council took on a global scope. Argentina and Brazil joined this dedicated forum for discussion and dialogue between management and employee representatives in 2006 and members from China and Russia will be included in 2011. The extended European Works Council considers the Group's strategy, performance and outlook. It is also involved in the contractual agreement process, in particular through application of the Global Framework Agreement on Social Responsibility.

The International Joint Union Management Strategy Committee

On 19 June 2008, the Committee was extended to the leading unions outside France in an agreement signed with IG Metall, T&GWU, SIT-FSI, UGT and CC-OO. It acts as a forum for analysis, dialogue and discussion to explore in more detail issues related to the Group's situation and development, policies and strategic vision, in such areas as products, markets, changing technologies and new business projects outside France.

A Large Number of New Agreements

In 2010, nearly 150 company agreements were signed, including more than 90 outside France. These agreements covered a wide range of topics, from organisation of the workweek and human resources planning and development to the evaluation and prevention of job-related stress, job classifications and career development, and retaining and motivating older employees. All of the agreements were approved by a large majority.

Worldwide, 94% of the Group's employees (excluding Faurecia) are covered by a collective bargaining agreement.

17.1.5.5. Workplace Health and Safety

PSA Peugeot Citroën's workplace health and safety policy, signed by the Executive Committee on 12 January 2010, is defined and promoted at the highest level of the Company. Applicable in all Group units, the workplace health and safety policy has also been formalised in the Global Framework Agreement on Social Responsibility, which expresses the Group's commitment to implementing the best standards and practices in this area and makes health and accident prevention a priority. For additional information, go to section 17.1.1.

17.1.5.6. Training

Hours of Training by Region

(Consolidated Group, excluding Faurecia, at 31 December)

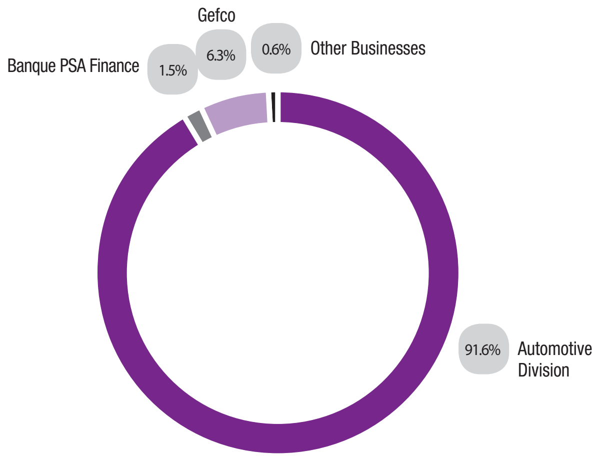
	Total hours of training *(in thousands)*			Average hours of training per employee (excluding Faurecia)		
	2008	2009	2010	2008	2009	2010
France	1,665	1,515	2,015	17.9	18.0	24.5
Rest of Europe	890	905	825	23.1	27.9	26.3
Rest of the world	380	260	260	31.3	24.9	21.4
TOTAL	**2,935**	**2,680**	**3,100**	**20.4**	**21.1**	**24.6**

Each employee received an average of 24.6 hours of training in 2010, with 97,850 employees attending at least one training course during the year. The 3.1 million hours of training conducted throughout the Group represented an outlay of close to €125 million.

Employees also benefited from 51,000 hours of language training not included in the table above.

Training Expenditure by Division

(Consolidated Group, excluding Faurecia, at 31 December 2010)



Percentage of Employees Having a Performance Review in 2010

(Consolidated Group, excluding Faurecia)

	France	Rest of Europe	Rest of the world	TOTAL
Operators	79.0%	61.0%	27.2%	69.3%
ETAM	76.7%	66.3%	69.8%	73.0%
Managers	91.2%	83.8%	79.9%	88.9%
TOTAL	**81.0%**	**65.2%**	**48.0%**	**73.8%**

The purpose of the annual performance review is for employees and their supervisors to define objectives and expected results for the year ahead, as well as the behaviours needed for effective on-the-job performance. It also provides an opportunity to discuss mutual expectations and review the employee's career prospects.

17.1.5.7. Hiring and Integrating the Disabled

Disabled Employees, 2008-2010

(Consolidated Group, excluding Faurecia, at 31 December)

		France	Rest of Europe	Rest of the world	TOTAL
Automotive Division	**2010**	**5,095**	**490**	**40**	**5,625**
	2009	5,260	500	35	5,795
	2008	5,515	515	55	6,085
Banque PSA Finance	**2010**	**10**	**20**	**0**	**30**
	2009	10	15	0	25
	2008	5	15	0	20
Gefco	**2010**	**185**	**35**	**0**	**220**
	2009	140	40	0	180
	2008	100	45	0	145
Other Businesses	**2010**	**50**	**0**	**0**	**50**
	2009	50	0	0	50
	2008	65	0	0	65
TOTAL	**2010**	**5,340**	**545**	**40**	**5,925**
	2009	5,460	555	35	6,050
	2008	5,685	575	55	6,315

Worldwide, the Group (excluding Faurecia) directly employs 5,925 disabled people, as defined by local legislation.

In the Automotive Division in France, 7.9% of employees are classified as handicapped (including sheltered workers under contract), above the mandatory national rate of 6%.

The above table does not include the 1,155 disabled people who work for Faurecia.

17.1.5.8. Social Services

Depending on the national and local situation, all Group companies and plants contribute to social and cultural activities and help to improve the quality of work life.

In all, the Automotive, Finance and Transportation & Logistics Divisions paid more than €249 million in employee benefits in 2010. Representing over 3.9% of payroll, this amount encompasses employer payments for housing, transportation, food services, health and social services, corporate concierge services, daycare centres, health care and personal protection insurance, as well as subsidies paid to works councils in France for employee welfare programmes.

17.1.5.9. Outsourcing

See section 17.1.4.

17.2. Stock-Option Plans and Free Allocation of Shares

17.2.1. Allocation Policy

See chapter 15.1 above and 21.1.4 after.

17.2.2. Share Subscription and Share Purchase Options

See chapter 15.1 above and 21.1.4 after.

17.2.3. Free Allocation of Shares

See chapter 15.1 above and 21.1.4 after.

For more information, see note 26.3 and 26.4 in the notes to the consolidated financial statements at 31 December 2010.

17.3. Employee Shareholding

17.3.1. The Group Employee Savings Plan

In many host countries, PSA Peugeot Citroën offers a variety of savings schemes that enable employees to invest their own funds, by making voluntary contributions and investing their discretionary and/or non-discretionary profit shares.

17.3.2. Employee Ownership of Company Stock

Percentage of Capital Held by Employees through Employee Stockholding Plans Worldwide

(France, Germany, Spain, United Kingdom, Portugal)

	2010	2009	2008
Percentage	2.79	2.80	2.76

More than 45,400 employees or former employees are Peugeot S.A. shareholders.

18

MAJOR SHAREHOLDERS

18.1. Capital and Voting Rights Structure at 31 December 2010

As of 31 December 2010, the Peugeot family group, whose members are presented in the table below, held 30.30% of the Company's outstanding shares and 46.3% of exercisable voting rights.

	31 December 2010				31 December 2009				31 December 2008			
Main identified shareholders [(1)]	Shares outstanding	% interest	% of exercisable voting rights	% theoretical voting rights	Shares outstanding	% interest	% of exercisable voting rights	% theoretical voting rights	Shares outstanding	% interest	% of exercisable voting rights	% theoretical voting rights
Établissements Peugeot Frères [(2)]	19,115,760	8.17	12.47	12.19	6,923,760	2.96	4.56	4.45	6,923,760	2.96	4.64	4.53
La Française de Participations Financières (LFPF)	-	-	-	-	12,156,000	5.19	8.00	7.82	12,156,000	5.19	7.64	7.47
Foncière, Financière et de Participations (FFP)	51,792,738	22.13	33.79	33.02	51,792,738	22.13	33.15	32.39	51,792,738	22.13	32.79	32.02
Comtoise de Participation	-	-	-	-	36,000	0.02	0.02	0.02	36,000	0.02	0.02	0.02
Maillot I	100	0.00	0.00	0.00	-	-	-	-	-	-	-	-
Peugeot family	**70,908,598**	**30.30**	**46.26**	**45.21**	**70,908,498**	**30.30**	**45.73**	**44.68**	**70,908,498**	**30.30**	**45.10**	**44.04**
Other individual shareholders [(3)]	18,413,671	7.87	6.15	6.00	14,908,642	6.37	5.11	4.99	14,246,389	6.09	4.89	4.78
Employees	6,538,348	2.79	3.88	3.80	6,546,866	2.80	4.00	3.90	6,468,981	2.76	3.80	3.71
BNP Paribas	2,491,800	1.06	1.63	1.59	2,641,800	1.13	1.74	1.70	2,641,800	1.13	1.77	1.73
Other French institutions	41,218,587	17.61	13.45	13.14	50,849,816	21.72	16.75	16.36	55,383,993	23.66	18.56	18.12
Other foreign institutions	87,290,771	37.30	28.63	27.97	81,006,070	34.61	26.67	26.06	77,210,923	32.99	25.88	25.27
Treasury stock	7,187,450	3.07	-	2.29	7,187,450	3.07	-	2.31	7,188,214	3.07	-	2.35
TOTAL	**234,049,225**	**100**	**100**	**100**	**234,049,142**	**100**	**100**	**100**	**234,048,798**	**100**	**100**	**100**

(1) Source Euroclear France – TPI 31 December 2010 – and Phoenix Investor Relations.

(2) Comtoise de Participation et LFPF were gathered within EPF starting from December 2010.

(3) Shares held in invidual securities accounts and others (by difference).

Potential Voting Rights, by Shareholder, at 31 December 2010

In compliance with article 223–11 of the AMF General Rules and Regulations, the above chart analyzes 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.

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.

Buyback of Shares

At year-end, the Group held 7,187,450 shares, or 3.07% of issued capital, in treasury to cover outstanding stock-options. Shares in excess of the number of options were not allocated to any particular purpose. The Company did not buy back any of its shares during the year.

For more information, please refer to notes 26.3 and 26.4 to the consolidated financial statements.

Cancellation of Shares

No shares were cancelled in 2010.

18.2. Different Voting Rights

Fully-paid up shares registered in the name of the same holder for at least four years shall carry double voting rights at Shareholders Meetings.

The number of years the shares had to be held to qualify for double voting rights was raised from two to four at the Extraordinary Meeting of Shareholders on 29 June 1987. In the event of a capital increase through the capitalization 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.

18.3. Ownership and Control of the Company's Share Capital

Other Shareholders

There are no shareholders' pacts.

To the best of Peugeot S.A.'s knowledge, no shareholder other than the ones listed in the table below directly or indirectly own more than 5% of the Company's issued capital or voting rights.

The Company's share capital is controlled as described above. However, the Company considers that there is no risk that such control may be abused.

18.4. Change of Ownership

There are no shareholders' pacts in force among the companies making up the Peugeot family group. However, these companies have signed a lock-up agreement concerning their Peugeot S.A. shares, in accordance with articles 787-B and 885-I *bis* of the French General Tax Code.

TRANSACTIONS WITH RELATED PARTIES

See note 38 to the consolidated financial statements in chapter 20.3.

In addition, the Special Report of Statutory Auditors on the regulated agreements and undertakings is presented below.

Statutory Auditors' Special Report on Related Party Agreements and Commitments

(Shareholders' Meeting for the approval of the financial statements for the year ended 31 December 2010)

This is a free translation into English of the Statutory Auditors' special report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Peugeot S.A., 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 French Commercial Code 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.

Agreements and commitments submitted for the approval of the shareholders' meeting

Agreements and commitments authorised during 2010

In accordance with Article L.225-88 of the French Commercial Code, we were informed of the following agreement authorised by the Supervisory Board.

Surety and guarantee granted to the European Investment Bank in connection with the €200 million loan granted to Peugeot Citroën Automobiles S.A. ("PCA") in August 2010

At its meeting of 27 July 2010, the Supervisory Board authorised a surety agreement with the European Investment Bank ("EIB") in connection with its €200 million loan granted to Peugeot Citroën Automobiles S.A. in August 2010 for a maximum term of seven years.

Under this agreement, the Company 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.

An annual guarantee fee of 0.12% is invoiced by the Company to PCA in consideration for the joint and several guarantee granted. The fee received by Peugeot S.A. in respect of this agreement in 2010 totalled €80,000.

Messrs Varin, Faury, Olivier and Saint-Geours were involved in authorising these agreements in their capacity as members of the Managing Board of Peugeot S.A. and members of the Board of Directors of PCA.

Agreements and commitments already approved by the shareholders' meeting

Agreements and commitments approved in previous years (2009 and before)

In accordance with Article R.225-57 of the French Commercial Code, we were informed that the following agreements and commitments approved by your Shareholders' Meeting in previous years (2009 and before) remained in force during the past year.

Loan granted by Peugeot S.A. to its subsidiary, Faurecia

At its meeting of 21 October 2008, the Supervisory Board of Peugeot S.A. authorised the granting of a loan to its subsidiary, Faurecia, for a maximum amount of €250 million subject to the same interest rates and periods as Faurecia's syndicated bank loan. This agreement provides for two tranches: tranche A (three-year term) and tranche B (five-year term). Faurecia has the option to extend the term of tranche A from three to four years (this option can be exercised on the first anniversary of the grant date), and from four to five years (on the second anniversary of the grant date). In November 2010 Faurecia exercised this option for the second time, extending the term of tranche A to five years, having already extended its term from three to four years in November 2009.

The three drawdowns made by Faurecia on the loan in 2009 were repaid in 2010. During 2010, Faurecia made 43 drawdowns and had repaid 38 of these at 31 December 2010. At this date, the amount drawn down by Faurecia under the loan totalled €142 million, representing the five drawdowns made in 2010, repayable in 2011. Accrued interest recognised within interest income in 2010 amounted to €2,480k, while the interest effectively received during the year totalled €2,584k.

Surety and guarantee granted to the European Investment Bank in connection with the €400 million loan granted to Peugeot Citroën Automobiles S.A. («PCA») in 2009

At its meeting of 10 February 2009, the Supervisory Board authorised a surety agreement and an agreement to pledge securities with the European Investment Bank ("EIB") in connection with the €400 million loan granted by the EIB to Peugeot Citroën Automobiles S.A. for a maximum term of seven years.

Under these agreements, the Company 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.

An annual guarantee fee of 0.12% is invoiced by the Company to PCA in consideration for the joint and several guarantee granted. The fee received by Peugeot S.A. in respect of this agreement in 2010 totalled €480,000.

Other guarantees

Other guarantees previously granted by the Company that remained in force in 2010 are summarised in the table below. This table shows the amounts guaranteed at 31 December 2010, along with the interest received during the year.

Type	Beneficiary of the guarantee	Beneficiary of the loan	Initial amount of loan in base currency	Amount outstanding under guarantee at 31 Dec. 2010	Interest in 2010
Joint and several surety and guarantee by pledge of shares	EIB	GIE Vulcain Energie	FRF 1,300,000,000	N/A	€9,288
Joint and several guarantee	JBIC	TPCA	€78,750,000	N/A	€23,345

Share of Group general and administrative expenses

In 2010, a total of €75,340,545 was received in respect of subsidiaries' share of Group general and administrative expenses.

Agreements and commitments approved during 2010

We were informed that the following agreements and commitments already approved by the Shareholders' Meeting of 2 June 2010 and referred to in the Statutory Auditors' special report of 20 April 2010, remained in force despite not having been implemented during 2010.

Commitments made in favour of corporate officers

As well as being covered by government-sponsored basic and supplementary pension plans, each eligible member of the Managing Board of Peugeot S.A. (Messrs Varin, Olivier, Gales, Faury and Saint-Geours) remains entitled to pension benefits funded under an insured plan set up specially for Group senior management. Benefits are capped at 50% of the average of their gross compensation, including bonuses, for their best three years out of their last five with the Company. Members are only eligible for this supplementary pension benefit if they have occupied a senior management position in the Group for at least five years.

Courbevoie and Neuilly-sur-Seine, 20 April 2011

The Statutory Auditors

Mazars
Loïc Wallaert

PricewaterhouseCoopers Audit
Pierre Riou

20

FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

20.1. 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:

2009 Financial Information

The consolidated financial statements are presented on pages 204 to 311 and the corresponding Statutory Auditors' Report is presented on page 201 to 202 in the 2009 Registration Document filed with the *Autorité des Marchés Financiers* under number D. 10-0301 on 22 April 2010.

2008 Financial Information

The consolidated financial statements are presented on pages 190 to 297 and the corresponding Statutory Auditors' Report is presented on pages 187 and 188 of the 2008 Registration Document, which was filed with the *Autorité des Marchés Financiers* under number D.09-0309 on 24 April 2009. An update to the 2008 Registration Document was filed with the *Autorité des Marchés Financiers* on 22 June 2009 under number D.09-0309-A01.

Please note the following summary financial information for the year ended 31 December 2008.

Consolidated Statements of Income

	2008			
(in million euros)	Manufacturing and Sales Companies	Finance companies	Eliminations	TOTAL
Sales and revenue	**52,705**	**2,088**	**(437)**	**54,356**
Recurring operating income/(loss)	(7)	557	-	550
Non-recurring operating income and (expenses)	(943)	(1)	-	(944)
Operating income	**(950)**	**556**	**-**	**(394)**
Consolidated profit/(loss) for the year	**(878)**	**358**	**-**	**(520)**
Attributable to equity holders of the parent	*(719)*	*356*	*-*	*(363)*
Attributable to minority interests	*(159)*	*2*	*-*	*(157)*
(in euros)				
Basic earnings per €1 par value share				(1.60)
Diluted earnings per €1 par value share				(1.60)

Consolidated Balance Sheets

Assets	31 December 2008			
(in million euros)	Manufacturing and Sales Companies	Finance companies	Eliminations	TOTAL
Total non-current assets	21,617	361	(25)	21,953
Total current assets	14,399	26,020	(645)	39,774
TOTAL ASSETS	**36,016**	**26,381**	**(670)**	**61,727**

Equity & liabilities	31 December 2008			
(in million euros)	Manufacturing and Sales Companies	Finance companies	Eliminations	TOTAL
Total equity				13,259
Total non-current liabilities	9,506	474	-	9,980
Total current liabilities	16,170	22,988	(670)	38,488
TOTAL EQUITY & LIABILITIES				**61,727**

Consolidated Statements of Cash Flows

	2008			
(in million euros)	**Manufacturing and Sales Companies**	**Finance companies**	**Eliminations**	**TOTAL**
Consolidated profit/(loss) for the year	(878)	358	-	(520)
Working capital provided by operations	2,342	439	-	2,781
Net cash from/(used in) operating activities	**(585)**	**590**	**16**	**21**
Net cash from/(used in) investing activities	**(3,177)**	**(22)**	**-**	**(3,199)**
Net cash from/(used in) financing activities	**695**	**(167)**	**42**	**570**
Net increase/(decrease) in cash and cash equivalents	(3,126)	337	59	(2,730)
Net cash and cash equivalent at beginning of year	5,143	943	(149)	5,937
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	**2,017**	**1,280**	**(90)**	**3,207**

20.2. *Pro Forma* Financial Information

Not applicable.

20.3. Consolidated Financial Statements for the Year ended 31 December 2010

20.3.1. Statutory Auditors' Report on the Consolidated Financial Statements

This is a free translation into English of the Statutory Auditors' Report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' Report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the 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 captions or on information taken outside of the consolidated financial statements.

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 2010, on:

- the audit of the accompanying consolidated financial statements of Peugeot SA;
- 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 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 at 31 December 2010 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 Note 1 to the consolidated financial statements which indicates the revised and amended accounting standards and interpretations applied for the first time by the Company in 2010.

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:

- In the context of our assessment of the accounting principles and methods applied by the Company, we examined the criteria for recognising development expenditure as an intangible asset and for amortising said expenditure (Note 1.12.A to the consolidated financial statements). In addition, we examined the method for determining the revenue related to sales of new vehicles with a buyback commitment (Note 1.5.A.a to the consolidated financial statements). We also ensured that the requirements laid down in IFRIC 14 as a precondition for the release to the income statement of the minimum funding requirement liability originally recognised for certain pension plans (Notes 1.20 and 7.6) had been satisfied at 31 December 2010;

- As indicated in Note 1.11 to the consolidated financial statements, goodwill is not amortised but is tested for impairment at least annually according to the method set out in Note 1.14, which is also applicable to all other long-lived assets. In 2010, the impairment tests led to the recognition of additional onerous contract provisions for two of the Automobile Division's cash-generating units (Note 7.1). As part of our assessment of the significant estimates made by management, we verified that this approach complied with IFRS, that the impairment tests described in the Notes to the consolidated financial statements were carried out correctly and that the methods for measuring onerous contract provisions were appropriate. We also reviewed the available documentation, notably relating to cash flow projections applied and other assumptions used;
- Lastly, the preparation of the consolidated financial statements also required management to make estimates and assumptions relating to other matters, the most significant of which are outlined in Note 1.4 to the consolidated financial statements. For all of these matters, we examined the available documentation and the quantitative translation of the assumptions made and concluded that the assumptions were consistent and the estimations reasonable.

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 and in accordance with professional standards applicable in France, we have also verified 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 Neuilly-sur-Seine, 24 March 2011

The Statutory Auditors

Mazars	PricewaterhouseCoopers Audit
Loïc Wallaert	Pierre Riou

20.3.2. Consolidated Statements of Income

(in million euros)	2010			
	Manufacturing and Sales companies	**Finance companies**	**Eliminations**	**TOTAL**
Sales and revenue (note 4)	**54,502**	**1,852**	**(293)**	**56,061**
Cost of goods and services sold	(44,900)	(981)	293	(45,588)
Selling, general and administrative expenses	(6,238)	(364)	-	(6,602)
Research and development expenses (note 6)	(2,075)	-	-	(2,075)
Recurring operating income	**1,289**	**507**	**-**	**1,796**
Non-recurring operating income (note 7)	349	27	-	376
Non-recurring operating expenses (note 7)	(436)	-	-	(436)
Operating income	**1,202**	**534**	**-**	**1,736**
Interest income (note 8)	86	-	-	86
Finance costs (note 9)	(455)	-	-	(455)
Other financial income (note 10)	228	1	-	229
Other financial expenses (note 10)	(286)	(3)	-	(289)
Income before tax of fully consolidated companies	**775**	**532**	**-**	**1,307**
Current taxes	(91)	(186)	-	(277)
Deferred taxes	(24)	46	-	22
Income taxes (note 11)	**(115)**	**(140)**	**-**	**(255)**
Share in net earnings of companies at equity (note 15)	202	2	-	204
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	**862**	**394**	**-**	**1,256**
Attributable to equity holders of the parent	*744*	*388*	*2*	*1,134*
Attributable to minority interests	*118*	*6*	*(2)*	*122*
(in euros)				
Basic earnings per €1 par value share (note 12)				5.00
Diluted earnings per €1 par value share (note 12)				4.97

	2009			
(in million euros)	Manufacturing and Sales companies	Finance companies	Eliminations	TOTAL
Sales and revenue (note 4)	**46,885**	**1,823**	**(291)**	**48,417**
Cost of goods and services sold	(40,156)	(992)	291	(40,857)
Selling, general and administrative expenses	(5,966)	(333)	-	(6,299)
Research and development expenses (note 6)	(1,950)	-	-	(1,950)
Recurring operating income	**(1,187)**	**498**	**-**	**(689)**
Non-recurring operating income (note 7)	30	1	-	31
Non-recurring operating expenses (note 7)	(755)	(3)	-	(758)
Operating income	**(1,912)**	**496**	**-**	**(1,416)**
Interest income (note 8)	85	-	-	85
Finance costs (note 9)	(491)	-	-	(491)
Other financial income (note 10)	206	2	-	208
Other financial expenses (note 10)	(319)	(3)	-	(322)
Income before tax of fully consolidated companies	**(2,431)**	**495**	**-**	**(1,936)**
Current taxes	(72)	(145)	-	(217)
Deferred taxes	803	3	-	806
Income taxes (note 11)	**731**	**(142)**	**-**	**589**
Share in net earnings of companies at equity (note 15)	73	-	-	73
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	**(1,627)**	**353**	**-**	**(1,274)**
Attributable to equity holders of the parent	*(1,511)*	*350*	*-*	*(1,161)*
Attributable to minority interests	*(116)*	*3*	*-*	*(113)*
(in euros)				
Basic earnings per €1 par value share (note 12)				(5.12)
Diluted earnings per €1 par value share (note 12)				(5.12)

20.3.3. Consolidated Statements of Income and Expenses Recognised Directly in Equity

	2010		
(in million euros)	**Before tax**	**Income tax benefit (expense)**	**After tax**
Consolidated profit (loss) for the year	**1,511**	**(255)**	**1,256**
Fair value adjustments to cash flow hedges	49	(17)	32
of which, reclassified to the income statement	*(40)*	*14*	*(26)*
of which, recognised in equity during the period	*89*	*(31)*	*58*
Gains and losses from remeasurement at fair value of available-for-sale financial assets	(35)	1	(34)
of which, reclassified to the income statement	-	-	-
of which, recognised in equity during the period	*(35)*	*1*	*(34)*
Exchange differences on translating foreign operations	280	-	280
Income and expenses recognised directly in equity, net	**294**	**(16)**	**278**
of which, companies at equity	*38*	-	*38*
TOTAL RECOGNISED INCOME AND EXPENSES, NET	**1,805**	**(271)**	**1,534**
of which, attributable to equity holders of the parent			*1,387*
of which, attributable to minority interests			*147*

Income and expenses recognised directly in equity correspond to all changes in equity resulting from transactions with third parties other than shareholders.

	2009		
(in million euros)	**Before tax**	**Income tax benefit (expense)**	**After tax**
Consolidated profit (loss) for the year	**(1,863)**	**589**	**(1,274)**
Fair value adjustments to cash flow hedges	(8)	4	(4)
of which, reclassified to the income statement	*(26)*	*10*	*(16)*
of which, recognised in equity during the period	*18*	*(6)*	*12*
Gains and losses from remeasurement at fair value of available-for-sale financial assets	96	(2)	94
of which, reclassified to the income statement	-	-	-
of which, recognised in equity during the period	*96*	*(2)*	*94*
Exchange differences on translating foreign operations	135	-	135
Income and expenses recognised directly in equity, net	**223**	**2**	**225**
of which, companies at equity	*2*	-	*2*
TOTAL RECOGNISED INCOME AND EXPENSES, NET	**(1,640)**	**591**	**(1,049)**
of which, attributable to equity holders of the parent			*(922)*
of which, attributable to minority interests			*(127)*

20.3.4. Consolidated Balance Sheets

Assets	31 December 2010			
(in million euros)	Manufacturing and Sales companies	Finance companies	Eliminations	TOTAL
Goodwill (note 13)	1,428	77	-	1,505
Intangible assets (note 13)	4,854	92	-	4,946
Property, plant and equipment (note 14)	13,714	14	-	13,728
Investment in companies at equity (note 15)	1,002	54	-	1,056
Investments in non-consolidated companies (note 16)	100	2	-	102
Other non-current financial assets (note 17)	796	157	(25)	928
Other non-current assets (note 18)	333	1	-	334
Deferred tax assets (note 11)	419	63	-	482
Total non-current assets	**22,646**	**460**	**(25)**	**23,081**
Operating assets				
Loans and receivables – finance companies (note 19)	-	23,491	(153)	23,338
Short-term investments – finance companies (note 20)	-	707	-	707
Inventories (note 21)	5,947	-	-	5,947
Trade receivables – manufacturing and sales companies (note 22)	2,051	-	(175)	1,876
Current taxes (note 11)	169	27	(4)	192
Other receivables (note 23)	1,959	748	(130)	2,577
	10,126	**24,973**	**(462)**	**34,637**
Current financial assets (note 24)	**306**	**-**	**-**	**306**
Cash and cash equivalents (note 25)	**9,278**	**1,316**	**(127)**	**10,467**
Total current assets	**19,710**	**26,289**	**(589)**	**45,410**
TOTAL ASSETS	**42,356**	**26,749**	**(614)**	**68,491**

Equity and Liabilities	31 December 2010			
(in million euros)	Manufacturing and Sales companies	Finance companies	Eliminations	TOTAL
Equity (note 26)				
Share capital				234
Treasury stock				(303)
Retained earnings and other accumulated equity, excluding minority interests				13,897
Minority interests				475
Total equity				**14,303**
Non-current financial liabilities (note 29)	8,259	-	-	8,259
Other non-current liabilities (note 30)	2,772	-	-	2,772
Non-current provisions (note 27)	704	23	-	727
Deferred tax liabilities (note 11)	490	389	-	879
Total non-current liabilities	**12,225**	**412**	**-**	**12,637**
Operating liabilities				
Financing liabilities (note 31)	-	21,704	(152)	21,552
Current provisions (note 27)	2,418	46	-	2,464
Trade payables	9,571	-	(10)	9,561
Current taxes (note 11)	59	61	(3)	117
Other payables (note 32)	3,937	1,012	(305)	4,644
	15,985	**22,823**	**(470)**	**38,338**
Current financial liabilities (note 29)	**3,357**	**-**	**(144)**	**3,213**
Total current liabilities	**19,342**	**22,823**	**(614)**	**41,551**
TOTAL EQUITY AND LIABILITIES				**68,491**

Assets

(in million euros)	31 December 2009 Manufacturing and Sales companies	Finance companies	Eliminations	TOTAL
Goodwill (note 13)	1,237	75	-	1,312
Intangible assets (note 13)	4,440	95	-	4,535
Property, plant and equipment (note 14)	13,425	35	-	13,460
Investment in companies at equity (note 15)	785	14	-	799
Investments in non-consolidated companies (note 16)	46	9	-	55
Other non-current financial assets (note 17)	836	46	(25)	857
Other non-current assets (note 18)	268	1	-	269
Deferred tax assets (note 11)	478	82	-	560
Total non-current assets	**21,515**	**357**	**(25)**	**21,847**
Operating assets				
Loans and receivables – finance companies (note 19)	-	22,653	(93)	22,560
Short-term investments – finance companies (note 20)	-	786	-	786
Inventories (note 21)	5,360	-	-	5,360
Trade receivables – manufacturing and sales companies (note 22)	1,855	-	(162)	1,693
Current taxes (note 11)	153	27	(20)	160
Other receivables (note 23)	1,665	850	(101)	2,414
	9,033	**24,316**	**(376)**	**32,973**
Current financial assets (note 24)	**349**	**-**	**(65)**	**284**
Cash and cash equivalents (note 25)	**7,843**	**1,289**	**(115)**	**9,017**
Total current assets	**17,225**	**25,605**	**(556)**	**42,274**
TOTAL ASSETS	**38,740**	**25,962**	**(581)**	**64,121**

Equity and Liabilities

(in million euros)	31 December 2009 Manufacturing and Sales companies	Finance companies	Eliminations	TOTAL
Equity (note 26)				
Share capital				234
Treasury stock				(303)
Retained earnings and other accumulated equity, excluding minority interests				12,381
Minority interests				135
Total equity				**12,447**
Non-current financial liabilities (note 29)	9,268	-	-	9,268
Other non-current liabilities (note 30)	2,552	-	-	2,552
Non-current provisions (note 27)	960	26	-	986
Deferred tax liabilities (note 11)	543	453	-	996
Total non-current liabilities	**13,323**	**479**	**-**	**13,802**
Operating liabilities				
Financing liabilities (note 31)	-	21,061	(206)	20,855
Current provisions (note 27)	2,369	30	-	2,399
Trade payables	8,424	-	(10)	8,414
Current taxes (note 11)	103	30	(20)	113
Other payables (note 32)	3,494	1,189	(262)	4,421
	14,390	**22,310**	**(498)**	**36,202**
Current financial liabilities (note 29)	**1,753**	**-**	**(83)**	**1,670**
Total current liabilities	**16,143**	**22,310**	**(581)**	**37,872**
TOTAL EQUITY AND LIABILITIES				**64,121**

20.3.5. Consolidated Statements of Cash Flows

	2010			
(in million euros)	**Manufacturing and Sales companies**	**Finance companies**	**Eliminations**	**TOTAL**
Consolidated profit (loss) for the year	**862**	**394**	**-**	**1,256**
Adjustments for:				
• Depreciation, amortisation and impairment (note 33.5)	2,950	16	-	2,966
• Provisions	(410)	12	-	(398)
• Changes in deferred tax	23	(47)	-	(24)
• (Gains) losses on disposals and other	(12)	(23)	-	(35)
Share in net (earnings) losses of companies at equity, net of dividends received	(172)	(2)	-	(174)
Revaluation adjustments taken to equity and hedges of debt	70	-	-	70
Change in the carrying amount of leased vehicles	(54)			(54)
Funds from operations [(1)]	**3,257**	**350**	**-**	**3,607**
Change in working capital (note 33.2)	517	(196)	117	438
Net cash from (used in) operating activities	**3,774**	**154**	**117**	**4,045**
Proceeds from disposals of shares in consolidated companies	1	-	-	1
Proceeds from disposals of investments in non-consolidated companies	30	-	-	30
Acquisitions of shares in consolidated companies[(2)]	(57)	(39)	3	(93)
Investments in non-consolidated companies	(50)	-	-	(50)
Proceeds from disposals of property, plant and equipment	112	57	-	169
Proceeds from disposals of intangible assets	5	-	-	5
Investments in property, plant and equipment	(1,672)	(16)	-	(1,688)
Investments in intangible assets	(1,193)	(8)	-	(1,201)
Change in amounts payable on fixed assets	(4)	-	-	(4)
Other	24	5	-	29
Net cash from (used in) investing activities	**(2,804)**	**(1)**	**3**	**(2,802)**
Dividends paid:				
• To Peugeot S.A. shareholders	-	-	-	-
• Intragroup	140	(140)	-	-
• To minority shareholders of subsidiaries	(6)	-	-	(6)
(Purchases) sales of treasury stock	-	-	-	-
Changes in other financial assets and liabilities (note 33.4)	237	-	(129)	108
Other (note 33.6)	4	3	(3)	4
Net cash from (used in) financing activities	**375**	**(137)**	**(132)**	**106**
Effect of changes in exchange rates	91	11	-	102
Net increase (decrease) in cash and cash equivalents	**1,436**	**27**	**(12)**	**1,451**
Net cash and cash equivalents at beginning of year	**7,817**	**1,289**	**(115)**	**8,991**
NET CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 33.1)	**9,253**	**1,316**	**(127)**	**10,442**

(1) Interest received and paid by the manufacturing and sales companies during the year is presented in note 33.7. Income tax paid (net of refunds) during the year is presented in note 11.1.

(2) Acquisitions of shares in consolidated companies in 2010 correspond mainly to the following transactions:

- *for the manufacturing and sales companies, the amounts paid by the Group to acquire Emcon and Plastal (see note 2). The cash acquired in the Emcon acquisition amounted to €61 million and is reported under the line "Other" of the flows related to investing activities;*
- *for the finance companies, the amount paid by Banque PSA Finance to acquire additional shares in Dongfeng Peugeot Citroën Automobile Finance Company Ltd (see note 15.1).*

	2009			
(in million euros)	Manufacturing and Sales companies	Finance companies	Eliminations	TOTAL
Consolidated profit (loss) for the year	**(1,627)**	**353**	**-**	**(1,274)**
Adjustments for:				
• Depreciation, amortisation and impairment (note 33.5)	3,194	12	-	3,206
• Provisions	301	3	-	304
• Changes in deferred tax	(801)	(2)	-	(803)
• (Gains) losses on disposals and other	24	(1)	-	23
Share in net (earnings) losses of companies at equity, net of dividends received	(47)	-	-	(47)
Revaluation adjustments taken to equity and hedges of debt	229	-	-	229
Change in the carrying amount of leased vehicles	(296)			(296)
Funds from operations (1)	**977**	**365**	**-**	**1,342**
Change in working capital (note 33.2)	2,616	(259)	(129)	2,228
Net cash from (used in) operating activities	**3,593**	**106**	**(129)**	**3,570**
Proceeds from disposals of shares in consolidated companies	-	-	-	-
Proceeds from disposals of investments in non-consolidated companies	1	-	-	1
Acquisitions of shares in consolidated companies	-	-	-	-
Investments in non-consolidated companies	(8)	(7)	-	(15)
Proceeds from disposals of property, plant and equipment	90	15	-	105
Proceeds from disposals of intangible assets	9	1	-	10
Investments in property, plant and equipment	(1,670)	(10)	-	(1,680)
Investments in intangible assets	(1,009)	(9)	-	(1,018)
Change in amounts payable on fixed assets	(114)	-	-	(114)
Other	(83)	10	(1)	(74)
Net cash from (used in) investing activities	**(2,784)**	**-**	**(1)**	**(2,785)**
Dividends paid:				
• To Peugeot S.A. shareholders	-	-	-	-
• Intragroup	143	(143)	-	-
• To minority shareholders of subsidiaries	(10)	-	-	(10)
(Purchases) sales of treasury stock	-	-	-	-
Changes in other financial assets and liabilities (note 33.4)	4,565	-	105	4,670
Other (note 33.6)	281	-	-	281
Net cash from (used in) financing activities	**4,979**	**(143)**	**105**	**4,941**
Effect of changes in exchange rates	12	46	-	58
Net increase (decrease) in cash and cash equivalents	**5,800**	**9**	**(25)**	**5,784**
Net cash and cash equivalents at beginning of year	**2,017**	**1,280**	**(90)**	**3,207**
NET CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 33.1)	**7,817**	**1,289**	**(115)**	**8,991**

(1) Interest received and paid by the manufacturing and sales companies during the year is presented in note 33.7. Income tax paid (net of refunds) during the year is presented in note 11.1.

20.3.6. Consolidated Statement of Changes in Equity

(in million euros)	Share capital	Treasury stock	Retained earnings	Other accumulated equity – Excluding minority interests: Cash flow hedges	Other accumulated equity – Excluding minority interests: Available-for-sale financial assets	Other accumulated equity – Excluding minority interests: Translation reserve	Equity attributable to equity holders of the parent	Minority interests	Equity
AT 31 DECEMBER 2008	**234**	**(303)**	**13,285**	**17**	**40**	**(148)**	**13,125**	**134**	**13,259**
Income and expenses recognised directly in equity	-	-	(1,161)	(5)	94	150	(922)	(127)	(1,049)
Stock-options	-	-	11	-	-	-	11	1	12
Effect of changes in scope of consolidation and other (1)	-	-	3	-	-	(3)	-	129	129
Treasury stock	-	-	-	-	-	-	-	-	-
Conversion option embedded in convertible bonds (note 29.1)	-	-	98	-	-	-	98	7	105
Dividends paid	-	-	-	-	-	-	-	(9)	(9)
AT 31 DECEMBER 2009	**234**	**(303)**	**12,236**	**12**	**134**	**(1)**	**12,312**	**135**	**12,447**
Income and expenses recognised directly in equity	-	-	1,134	32	(34)	255	1,387	147	1,534
Stock-options and performance share grants	-	-	9	-	-	-	9	2	11
Changes in scope of consolidation and other (2)	-	-	120	-	-	-	120	197	317
Treasury stock	-	-	-	-	-	-	-	-	-
Conversion option embedded in convertible bonds (note 29.1)	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(6)	(6)
AT 31 DECEMBER 2010	**234**	**(303)**	**13,499**	**44**	**100**	**254**	**13,828**	**475**	**14,303**

(1) Including minority interests in Faurecia's May 2009 share issue (€133 million – see note 33.6).

(2) Corresponding mainly to the share issue carried out by Faurecia in connection with the Emcon acquisition (see note 2).

20.3.7. Notes to the Consolidated Financial Statements for the Year Ended 31 December 2010

Preliminary Note The consolidated financial statements for 2010 including explanatory notes were approved for issue by the Managing Board of Peugeot S.A. on 2 February 2011 with the exception of notes 39 and 40 which take into account events that occurred in the period up to the Supervisory Board meeting on 8 February 2011.

Note 1 Accounting Policies

The Group's consolidated financial statements for 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union[1] on 31 December 2010, the Group's fiscal year-end.

International Financial Reporting Standards include IFRSs and IASs (International Accounting Standards) and the related interpretations as prepared by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

New standards and interpretations whose application was compulsory in 2010

The revised and amended standards and interpretations whose application was compulsory in the European Union and that were applied for the first time by the PSA Peugeot Citroën group at 31 December 2010 were as follows:

- *IFRS 3 (Revised) – Business Combinations;*
- *IAS 27 (Revised) – Consolidated and Separate Financial Statements;*
- *2008 amendment to IAS 39 – Eligible Hedged Items;*
- *2009 Annual Improvements to IFRSs.*

The Group is not concerned by any other new texts whose application was compulsory in 2010.

Standards and interpretations early adopted by the Group

The Group did not early adopt any standards or interpretations that had been adopted for use in the European Union as of 31 December 2010 but whose application was not compulsory until financial years beginning after 1 January 2010.

Revised and amended standards not early adopted

The following new and amended standards may be applicable by the Group from 1 January 2011 if the Group conducts transactions that fall within their scope:

- *Amendment to IAS 32 – Classification of Rights Issues* clarifying that issues of rights, options and warrants where the holder has the right to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are to be classified as an equity instrument if, and only if, the entity offers the financial instrument pro rata to all of its existing owners of the same class of its own non-derivative equity instruments;
- *IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments*, which provides guidance for the accounting treatment to be applied by the issuer of the equity instruments (the debtor).

The Group is not concerned by the other texts adopted for use in the European Union as of 31 December 2010.

1.1. Consolidation

A. 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 joint control or significant influence over operating and financial policies are included in the consolidated financial statements 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 principles described in note 1.15.B. (2) (a). Their consolidation would not have a material impact on the consolidated financial statements.

All significant intragroup transactions 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.

(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).

B. Changes in Scope of Consolidation Resulting in Exclusive Control

Business combinations occurring after 1 January 2010 are accounted for by 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 in IFRS 3 (Revised). An acquired non-current asset (or disposal group) that is classified as held for sale at the acquisition date is measured at fair value less costs to sell. Only the acquiree's liabilities are taken into account. Restructuring provisions are therefore not accounted for as a liability of the acquiree unless it has an obligation to undertake such restructuring at the acquisition date. Acquisition-related costs are recognised as expenses in the period in which the costs are incurred.

For each acquisition, the Group has the option of using the full goodwill method, where goodwill is calculated by taking into account the acquisition-date fair value of minority interests, rather than their share of the fair value of the assets and liabilities of the acquiree.

In the case of a bargain purchase, the resulting gain is recognised as non-recurring operating income, if the amount is material.

Contingent consideration is measured at its acquisition-date fair value and is subsequently adjusted through goodwill only when additional information is obtained after the acquisition date about facts and circumstances that existed at that date. Such adjustments are made only during the 12-month measurement period that follows the acquisition date. All other subsequent adjustments are recorded as a receivable or payable through profit or loss.

In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss, if material, is recognised as non-recurring operating income or expense.

C. 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.

Puttable financial instruments – corresponding to put options granted to minority shareholders – are recognised as debt in accordance with the principles described in note 1.15.E.

1.2. 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

The functional currency of some subsidiaries outside the euro zone is considered to be the euro because the majority of their transactions are denominated in this 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.

1.3. Translation of Transactions in Foreign Currencies

Transactions in foreign currencies are measured and recognised in accordance with IAS 21 – The Effects of Changes in Foreign Exchange Rates. In compliance with this standard, 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;

Derivative instruments are measured and recognised in accordance with the general principles described in note 1.15.D. Derivative instruments designated as hedges of currency risks on foreign currency transactions are recognised in the balance sheet and remeasured at fair value at each balance sheet date.

The gain or loss from remeasuring derivative instruments at fair value is recognised as follows:

- in recurring operating income, for commercial transactions carried out by 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;
- directly in equity, for hedges of future transactions (for the effective portion of the gain or loss on the hedging instrument). The amount recognised in equity is reclassified into profit or loss when the hedged item affects profit or loss. The ineffective portion is recognised in the income statement under "Other financial income" or "Other financial expenses".

1.4. 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.

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

To reduce uncertainty, estimates and assumptions are reviewed periodically and the effects of any changes are recognised immediately.

The main items determined on the basis of estimates and assumptions are as follows:

- pension obligations;
- provisions (particularly vehicle warranty provisions, restructuring provisions and provisions for onerous contracts, claims and litigation);
- the recoverable amount and useful life of property, plant and equipment and intangible assets;
- the recoverable amount of finance receivables, inventories and other receivables;
- the fair value of derivative financial instruments;
- deferred tax assets;
- sales incentives.

1.5. Revenue

A. Manufacturing and Sales Companies

(a) Automobile Division

Revenue of the manufacturing and sales companies include 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 the vehicle is sold on the used car market. If the net difference is a loss, an allowance is booked when the buyback contract is signed.

(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 1.12.A) and tooling in property, plant and equipment (see note 1.13.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.

B. 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 1.15.A). 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.

1.6. 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.

1.7. Selling, General and Administrative Expenses

Selling, general and administrative expenses correspond to general administrative expenses, indirect selling expenses and warranty costs.

General and administrative expenses include the *Contribution Économique Territoriale* (CET), a new business tax in France that replaces the *Taxe Professionnelle* as of 1 January 2010. The CET comprises a tax on property (*Contribution Foncière des Entreprises* – CFE) and a tax on value added (*Cotisation sur la Valeur Ajoutée des Entreprises* – CVAE). The CFE is assessed on the rental value of real estate subject to property tax (*Taxe Foncière*), while the CVAE is assessed at the rate of 1.5% of value added. The CET is capped at 3% of value added. The Group considers the CET as an operating expense rather than a tax on income. It is therefore classified under general and administrative expenses, in the same way as *Taxe Professionnelle* until 2009.

Product Warranty Costs

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.

1.8. Research and Development Expenditure

Under IAS 38 – Intangible Assets, research expenditure is recognised as an expense, while development expenditure is recognised as an intangible asset when certain conditions are met (see note 1.12.A).

In accordance with this standard, all research costs and all development expenditure other than that described in note 1.12.A are recognised as an expense for the period in which they are incurred.

1.9. Operating Income and Recurring Operating Income

Operating income corresponds to profit before net financial income or expense, 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 7):

- restructuring and early-termination plan costs;
- movements on long-term provisions recorded in application of IFRIC 14 for obligations arising under the minimum funding requirements of certain pension plans to cover an existing shortfall in respect of services already received, as estimated in accordance with IAS 19;
- profits and losses and movements on provisions related to highly unusual events.

1.10. Borrowing Costs

Effective from 1 January 2009, 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.

1.11. Goodwill

When the acquisition of shares results in exclusive control being obtained over the acquiree, the Group can choose between two methods of measuring goodwill, for each specific transaction. Under the full goodwill method, goodwill is measured as the excess of the acquisition cost plus the fair value of any minority interests and any previously held equity interest over the acquisition-date fair value of the net assets acquired. Under the partial goodwill method, minority interests are not measured at fair value but as their share of net assets of the acquiree.

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. For the purposes of impairment testing, goodwill is allocated to cash generating units (CGUs), 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. Where goodwill is allocated to a specific geographic area within an operating segment, impairment tests are carried out at this more detailed level. The methods used to measure the recoverable amount of CGUs are described in note 1.14. Any impairment losses are deducted from consolidated profit for the year and, in the case of initial measurement using the full goodwill method, allocated between the parent and minority interests.

Goodwill attributable to acquisitions of associates and joint ventures 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 venture concerned.

1.12. Intangible Assets

A. Research and Development Expenditure

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 1.10).

(a) Automobile 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. 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. As from 2007, 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.

(b) 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.

Other research and development expenditure is recognised as an expense for the period in which it is incurred (see note 1.8).

B. Other Internally-Developed or Purchased Intangible Assets

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. Capitalised development costs for software that takes at least twelve months to get ready for its intended use include related borrowing costs (see note 1.10). 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.

1.13. Property, Plant and Equipment

A. 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. All specific tooling expenditure billed to the Group by its partners under cooperation agreements is also capitalised.

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 1.10).

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 1.5.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.

B. 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 Automobile 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 three 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.

1.14. Impairment of Long-Lived Assets

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 impairment test usually consists of estimating the asset's value in use. Assets with indefinite useful lives are tested for impairment at least once a year. Goodwill is the only asset with an indefinite life carried in the Group accounts.

Impairment tests are performed at the level of Cash Generating Units (CGUs), which 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. The value in use of CGUs is measured as the net present value of estimated future cash flows. If this value is less than the CGU's carrying amount, an impairment loss is recognised in profit or loss and first recorded as an adjustment to the carrying amount of any goodwill allocated to the CGU.

The Automobile 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 1.12.A). The Vehicle CGUs and all other fixed assets, including goodwill, together make up the Automobile Division CGU.

In the Automotive Equipment Division, each CGU corresponds to a programme and comprises all customer contract-related intangible assets (corresponding to capitalised development costs) and property, plant and equipment. These CGUs are combined in Business Units (Automotive Seating, Interior Systems, Automotive Exteriors – previously called the Front Ends Business Unit – and Emissions Control Technologies – previously called the Exhaust Systems Business Unit) to which support assets and goodwill are allocated.

Within the Banque PSA Finance group, fixed assets used in a given country constitute a homogenous group of assets (CGU).

For Gefco group companies, property, plant and equipment and intangible assets are allocated to either the Automotive CGU or the Integrated Supply Chain Solutions CGU.

1.15. Financial Assets and Liabilities

A. Definitions

Under IAS 39, financial assets include loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss (including financial assets designated upon initial recognition as being at fair value through profit or loss). On the balance sheet, these categories correspond to investments in non-consolidated companies (note 16), other non-current financial assets (note 17), other non-current assets (note 18), loans and receivables – finance companies (note 19), short-term investments – finance companies (note 20), trade receivables – manufacturing and sales companies (note 22), other receivables (note 23) current financial assets (note 24), and cash and cash equivalents (note 25).

The Group does not have any financial assets classified as "held-to-maturity", as defined by IAS 39.

Financial liabilities as defined by IAS 39 comprise financial liabilities at amortised cost. On the balance sheet, these categories correspond to current and non-current financial liabilities (note 29), financing liabilities (note 31), other non-current liabilities (note 30) and trade and other payables (note 32).

Since 31 December 2008, no financial liabilities have been accounted for using the fair value option, as defined by IAS 39.

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.

As allowed under IAS 39, the Group has chosen to recognise financial assets and liabilities at the transaction date. Consequently, when the transaction (or commitment) date is different from the settlement date, the securities to be delivered or received are recognised on the transaction date.

IAS 39 – Financial Instruments: Recognition and Measurement was only partially adopted by the European Commission. However, the Group is not affected by the provisions of IAS 39 dealing with fair value hedges of portfolios of interest rate instruments that were rejected by the European Commission.

B. Recognition and Measurement of 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.

(a) Cash and Cash Equivalents

Cash and cash equivalents include cash at bank, units in money market funds and other money market securities that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value in the case of an increase in interest rates. Bank overdrafts are not included in cash and cash equivalents.

(b) Short-Term Investments – Finance Companies

Assets reported under this caption comprise:

- fixed-income securities hedged by interest rate swaps;
- unhedged variable-income securities.

Any changes in the fair value of these securities are recognised directly in profit or loss for the period, together with the offsetting change in the fair value of the related swaps.

(c) Other Assets at Fair Value through Profit or Loss

This caption comprises items recognised under "other non-current financial assets" and "other non-current assets", primarily money market securities.

(2) Available-for-Sale Financial Assets

Available-for-sale financial assets are securities that are not intended to be held to maturity and that are not classified either as financial assets at fair value through profit or loss or as loans and receivables. These securities, which may be held on a lasting basis or sold in the short term, are recognised in the balance sheet at fair value. Gains and losses arising from remeasurement at fair value are generally recognised directly in equity. Only impairment losses reflecting a prolonged or significant decline in fair value are recognised in the income statement.

(a) Investments in Non-Consolidated Companies

These represent shares in companies that are not fully consolidated or accounted for by the equity method. They are shown on the balance sheet at historical cost, which the Group considers is representative of fair value in the absence of an active market for the shares. In practice, an impairment loss is recognised when there is objective evidence of a prolonged decline in value. Fair value is determined by applying the most appropriate financial criteria, considering the specific situation of the company concerned. The most commonly applied criteria are equity in underlying net assets and earnings outlook.

(b) Other Non-Current Financial Assets Classified as Available-for-Sale

This caption comprises listed securities that the Group intends to hold on a lasting basis or that can be sold in the short term. They are stated at market value, which the Group considers is representative of fair value.

(c) Other Non-Current Assets Classified as Available-for-Sale

This caption comprises unlisted securities that cannot be sold in the short term and that the Group intends to hold on a lasting basis.

(3) Loans and Receivables

(a) Loans and Receivables – Finance Companies

Loans and receivables reported in the balance sheet correspond to Banque PSA Finance's net financial commitment in respect of the loans and receivables. Consequently, their carrying amount includes the outstanding principal and accrued interest plus the following items (before the effect of hedge accounting):

- 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 principles. 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 1.15.D – Derivative instruments).

Loans and receivables are tested for impairment when a loss event occurs, corresponding in practice to default on a single installment. 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 installment. 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 installment is missed or at the latest when the loan is reclassified as non-performing. Reclassification occurs when at least one installment 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.

(b) Trade Receivables – Manufacturing and Sales Companies and other Receivables

This caption comprises trade and other receivables at amortised cost. Provisions for impairment may be recorded if necessary or the receivables may be derecognised, as described in note 1.17.

(c) Other Loans and Receivables

This caption comprises items classified as loans and receivables that are reported under "Other non-current financial assets", "Other non-current assets" and "Other current assets". They include advances to non-consolidated companies, very long-term loans under the French government housing scheme, and other loans and receivables. They are stated at amortised cost, measured by the effective interest method. Their carrying value includes the outstanding principal plus unamortised transaction costs, premiums and discounts. Their recoverable amount is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment losses are recorded in the income statement.

C. Recognition and Measurement of Financial Liabilities

Borrowings and other financial liabilities are generally stated at amortised cost measured using the effective interest method.

Items hedged by interest rate swaps are accounted for using fair value hedge accounting. The hedged portion of the financial liability is remeasured at fair value, with changes in fair value attributable to the hedged risk taken to profit or loss and offset by the loss or gain arising from remeasurement at fair value of the hedging instrument.

Under IAS 39, borrowings for which the interest rate is indexed to Group-specific indicators are considered as fixed rate borrowings at a rate corresponding to the original effective interest rate. If the underlying indicators are subsequently revised, the effective interest rate remains unchanged and the carrying amount of the debt is adjusted through the income statement by adjusting finance costs.

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 number 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.

The government loans at below-market interest rates obtained by the Group since 1 January 2009 are adjusted when the effect is material. The adjustment consists of calculating the loans' amortised cost by multiplying future cash flows on the loans by an effective interest rate based on market rates. The subsidy corresponding to the below-market interest rate is recognised in accordance with IAS 20 as related either to assets (see note 1.13.A) or to income, depending on the purpose for which the funds are used.

D. Recognition and Measurement of Derivative instruments

(a) Standard Method

Derivative instruments are stated at fair value. Except as explained below, gains and losses arising from remeasurement at fair value are recognised in profit or loss.

(b) Hedging Instruments

Derivative instruments may be designated as hedging instruments in one of two types of hedging relationship:

- fair value hedges, corresponding to hedges of the exposure to changes in fair value of an asset or liability due to movements in interest rates or foreign exchange rates;
- cash flow hedges, corresponding to hedges of the exposure to variability in cash flows from existing or future assets or liabilities.

Derivative instruments qualify for hedge accounting when:

- 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 effects of hedge accounting are as follows:

- for fair value hedges of existing assets and liabilities, 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;
- for 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.

E. Commitments to Purchase Minority Interests

In accordance with IAS 32, put options granted to minority shareholders of subsidiaries are recognised in the balance sheet under "Non-current financial liabilities" with an offsetting adjustment to equity. The adjustment is recorded as a deduction from minority interests to the extent possible, with any excess deducted from equity attributable to equity holders of the parent.

The liability is remeasured at the present value of the redemption amount (which is equal to the exercise price of the put) at each period-end by adjusting equity. If the put was contracted within less than twelve months, the liability's value at the balance sheet date is considered as being equal to the amount paid by the minority shareholder.

1.16. 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. As inventories do not take a substantial period of time to get ready for sale, their cost does not include any borrowing costs.

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.

1.17. 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 debtor's significant financial difficulties.

In accordance with the provisions of 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.

1.18. Deferred 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 only recognised 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.

1.19. Provisions

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.

Provisions are discounted only when the effect is material.

1.20. 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 (see note 28.1). These benefits are paid under defined contribution and defined benefit plans.

The payments made under defined contribution plans are in full discharge of the Group's liability and are recognised as an expense for the period.

In accordance with IAS 19 – Employee Benefits, obligations under defined benefit plans are measured by independent actuaries using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation, which is then discounted to present value. The calculations mainly take into account:

- an assumption concerning the expected retirement date;
- an appropriate discount rate;
- an inflation rate;
- assumptions concerning future salary levels and staff turnover rates.

The projected benefit obligation is measured every year for the main plans 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 gains and losses are recognised in the income statement of the following period using the corridor method, which consists of recognising a specified portion of net cumulative actuarial gains and losses that exceed the greater of (i) 10% of the present value of the benefit obligation, and (ii) 10% of the fair value of plan assets, over the remaining service lives of plan participants.

If the benefits provided by a plan change, the new rights acquired for services already received are recognised immediately, while the rights not yet acquired are recognised in profit or loss on a straight-line basis over the remaining acquisition period.

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, the unrecognised actuarial gains and losses and the unrecognised past service cost.

The purpose of external funds is to cover to the total projected benefit obligation, including the portion not recognised due to the deferral of actuarial gains and losses. Because actuarial gains and losses are deferred, in some cases the amount of these external funds exceeds the recognised portion of the projected benefit obligation. This leads to the recognition of a non-current asset in an amount not exceeding the sum of net actuarial losses and unrecognised past service costs.

In the case of plans that are subject to a minimum funding requirement under the law or the plan rules, if the Group does not have an unconditional right to a refund of a surplus within the meaning of IFRIC 14, this affects the asset ceiling. Regardless of whether the plan has a deficit or a surplus, a liability is recognised for the portion of the present value of the minimum funding in respect of services already received that, once paid and after covering the shortfall resulting from applying IAS 19, would generate a surplus in excess of the asset ceiling determined in accordance with IAS 19.

The net cost of defined benefit pension plans for the period therefore corresponds to the sum of the following:

- the service cost (in "Recurring operating income");
- amortisation of actuarial gains and losses and past service cost (in "Recurring operating income");
- the finance cost (in "Other financial expense");
- the expected yield on plan assets (in "Other financial income");
- any adjustment to the IFRIC 14 minimum funding requirement liability (in "Non-recurring operating income or expense").

Other employee benefit obligations recognised in the balance sheet concern:

- long-service awards payable by French and foreign subsidiaries (note 28.2);
- healthcare costs paid by certain subsidiaries in the United States (note 28.3).

1.21. Options to Purchase Existing or Newly Issued Shares at an Agreed Price and Performance Share Grants

Stock-options and performance shares are granted to Group management and certain employees under equity-settled share-based payment plans. These options and shares are measured at the grant date, i.e. at the date on which the grantees are informed, in accordance with IFRS 2 – Share-based Payment, using the Black & Scholes option pricing model. The fair value of stock-options depends in part on their expected life, which the Group considers as corresponding to the average option life. Performance shares are valued at the share price at the grant date minus a discount for the lock-up feature and for future dividends that will not be received during the vesting period. Changes in the fair value of options or performance shares after the grant date have no impact on the initial valuation.

To calculate the compensation cost to be recognised for each plan, the value of the option or performance share is multiplied by the estimated number of equity instruments that will eventually vest. This number is recalculated at each balance sheet date, based on expectations of performance against non-market criteria, thereby modifying the compensation cost under the plan.

The compensation cost is recognised on a straight-line basis (in the same way as amortisation) over the period from the grant date to the earliest exercise date (vesting period), with the offsetting adjustment recognised directly in equity.

If the non-market performance criteria are not met, the compensation cost under the performance share plan is cancelled in full.

When an option holder leaves the Group during the vesting period and forfeits his or her options, the related compensation cost recognised in prior periods is cancelled by crediting an equivalent amount to the income statement.

If an option holder leaves the Group earlier than expected, recognition of the compensation cost represented by the options or performance shares is accelerated.

In accordance with IFRS 2, only those stock-options granted after 7 November 2002 but not yet vested at 1 January 2005 are measured and recognised in compensation costs. No compensation cost has therefore been recognised for stock-options granted prior to 7 November 2002.

1.22. Treasury Stock

All Peugeot S.A. shares held by the Group are recorded at cost as a deduction from equity. Proceeds from sales of treasury stock are taken to equity, so that any disposal gains or losses have no impact on profit.

Note 2 Scope of Consolidation

2.1. Number of Consolidated Companies

	31 December 2010	31 December 2009
Fully consolidated companies		
Manufacturing and sales companies	337	295
Finance companies	42	41
	379	**336**
Companies at equity		
Manufacturing and sales companies	38	36
Finance companies	1	1
	39	37
CONSOLIDATED COMPANIES AT 31 DECEMBER	**418**	**373**

2.2. Changes during the Year

	2010
Consolidated companies at 1 January	**373**
Newly consolidated companies:	54
• *Automotive companies*	*1*
• *Automotive equipment companies*	*50*
• *Transportation and logistics companies*	*-*
• *Finance and insurance companies*	*3*
Companies sold or removed from the scope of consolidation	(4)
Merged companies and other	(5)
CONSOLIDATED COMPANIES AT 31 DECEMBER	**418**

The increase in the number of consolidated companies corresponds mainly to the Emcon companies consolidated within the Faurecia subgroup.

None of the other changes in the scope of consolidation in 2010 had a material impact on the consolidated financial statements, either individually or in the aggregate.

Acquisition of Emcon Technologies by Faurecia

On 30 October 2009, Faurecia signed an agreement for the acquisition of the Emcon Technologies Group from Emcon Holdings, a private equity company owned by One Equity Partners LP 11, JP Morgan Chase & Co's private equity division. Emcon Technologies is the leading integrator of emissions control technologies. The necessary authorisations were obtained from the relevant anti-trust authorities, notably in Europe and the United States, in early 2010.

Faurecia issued a total of 20,918,224 shares (representing 18.95% of the capital and 16.41% of the voting rights) to Emcon Holdings in exchange for 100% of the Emcon Technologies Group, and assumed Emcon Holdings debt in the amount of $22.3 million (approximately €16 million).

The acquisition and share issue were approved by Faurecia's shareholders at an Extraordinary Meeting held on 8 February 2010.

Faurecia's €299 million share issue resulted in a €172 million increase in the Group's share of its equity, while the portion attributable to minority interests increased by €127 million. However, as the Group did not take part in the issue, Peugeot S.A.'s percentage interest in Faurecia was reduced, leading to a €54 million reduction in PSA Peugeot Citroën Group consolidated equity attributable to equity holders of the parent and a corresponding increase in minority interests.

The initial acquisition cost of €315 million (excluding acquisition-related costs recorded as an expense for the period) was allocated to the acquired assets and assumed liabilities for a net amount of €142 million, with the remaining €172 million recorded as goodwill. The main fair value adjustments were as follows:

- recognition in intangible assets of technologies and contractual customer relationships for €25 million, based on independent valuations;
- recognition of additional provisions for contingent liabilities related to claims and litigation, estimated at €11 million;

- fair value adjustments to property, plant and equipment and investments in non-consolidated companies of €33 million and €22 million respectively;
- recognition of corresponding deferred tax assets and liabilities for a net amount of €28 million.

The remaining goodwill primarily reflects human capital and expected revenue and cost synergies.

The acquisition-related costs totalled €9 million, of which €7 million was recorded as an expense for 2009 and the balance as an expense for 2010.

Emcon and its subsidiaries have been consolidated from 1 January 2010, as income and expenses for the period from 1 January to 8 February 2010 are not material in relation to the consolidated financial statements. Their contribution to PSA Peugeot Citroën's 2010 revenue and recurring operating income amounted to €2,352 million and €32 million respectively.

As a result of Faurecia's acquisition of Emcon Technologies, PSA Peugeot Citroën's interest in Faurecia now stands at 57.43% compared with 70.86% in 2009. However, the Group continues to exercise exclusive control over the automotive equipment group.

Acquisition of Plastal Germany and Plastal Spain by Faurecia

On 3 February 2010, Faurecia signed an agreement to acquire the German assets of Plastal, a tier-one supplier of plastic exterior parts for the automotive industry, with an option to also acquire Plastal's Spanish and French operations The acquisition of Plastal Germany was completed on 31 March and that of Plastal Spain on 30 September, after anti-trust approval had been obtained. The call option on Plastal France was not exercised.

For Faurecia, the main benefits expected from the acquisition include:

- improved positioning in the European plastic exterior parts market;
- increased market shares among Germany automakers.

Plastal Germany was acquired through an asset acquisition and Plastal Spain through a share acquisition.

The initial acquisition cost of €50 million, net of assumed liabilities and excluding acquisition-related costs recorded as an expense, but including the Plastal Spain call option, was allocated to the acquired assets and assumed liabilities. Plastal Germany had been in administrative receivership since June 2009 and Faurecia was therefore able to acquire the business at a bargain price, resulting in the recognition of an €84 million gain. This amount is included in "Non-recurring operating income" (see note 7).

The acquisition cost was allocated to the acquired assets and assumed liabilities after the following fair value adjustments:

- recognition of contractual customer relationships in the amount of €7 million based on an independent valuation;
- negative fair value adjustments to property, plant and equipment totalling €17 million;
- recognition of call options on Plastal Spain and Plastal France shares for €4 million;
- recognition of the corresponding deferred tax assets and liabilities for a net amount of €2 million.

The acquisition-related costs have been recorded as an expense for the period and are not material.

The provisional amounts recorded for identifiable assets and liabilities and for goodwill may be adjusted during the one-year measurement period that began on 31 March 2010 for Plastal Germany and 30 September 2010 for Plastal Spain.

Plastal's contribution to PSA Peugeot Citroën's revenue and recurring operating income for the period from 1 April to 31 December 2010 amounted to €387 million and €19 million respectively.

Note 3 Segment Information

In accordance with IFRS 8 – Operating Segments, segment information is presented in line with the indicators used internally by management to measure the performance of the Group's different business segments. The disclosures below are derived from the internal reporting system and have been prepared in accordance with the IFRSs adopted by the European Union. The Group's main performance indicator is recurring operating income.

3.1. Business Segments

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

- the Automotive Division, covering the design, manufacture and sale of passenger cars and light commercial vehicles under the Peugeot and Citroën brands;
- the Automotive Equipment Division, corresponding to the Faurecia group and comprising Interiors Systems, Automotive Seating, Automotive Exteriors and Emissions Control Technologies;
- the Transportation and Logistics Division, corresponding to the Gefco group comprising Logistics and Vehicle & Goods Transportation;
- the Finance Division, corresponding to the Banque PSA Finance group, which provides retail financing to customers of the Peugeot and Citroën brands and wholesale financing to the two brands' dealer networks;
- other Businesses, which include the activities of the holding company, Peugeot S.A., and Peugeot Motocycles.

Balances for each segment, as shown in the table below, are on a stand-alone basis. Faurecia and Banque PSA Finance publish consolidated financial statements and segment information for these two businesses is therefore presented down to the level of net profit. 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 balance sheet items and transactions are eliminated and, for the purposes of reconciliation with the Group's financial statements, are shown under the heading "Eliminations and reconciliations" together with unallocated amounts.

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.

	2010						
(in million euros)	Automotive	Automotive Equipment	Transportation & logistics	Finance Companies	Other	Eliminations & reconciliations	TOTAL
Revenue							
• third parties	41,386	11,760	1,217	1,559	139	-	56,061
• intragroup, intersegment	19	2,036	2,134	293	79	(4,561)	-
Total	**41,405**	**13,796**	**3,351**	**1,852**	**218**	**(4,561)**	**56,061**
Recurring operating income	**621**	**456**	**198**	**507**	**11**	**3**	**1,796**
Non-recurring operating income	249	87	13	27	-	-	376
Restructuring costs	(77)	(117)	(1)	-	(1)	-	(196)
Impairment losses on CGUs	(230)	-	-	-	(4)	-	(234)
Other non-recurring operating income and (expenses), net	-	(6)	-	-	-	-	(6)
Operating income	**563**	**420**	**210**	**534**	**6**	**3**	**1,736**
Interest income		8		-		78	86
Finance costs		(99)		-		(356)	(455)
Other financial income		5		1		223	229
Other financial expenses		(31)		(3)		(255)	(289)
Net financial expense	**-**	**(117)**	**-**	**(2)**	**-**	**(310)**	**(429)**
Income taxes		(90)		(140)		(25)	(255)
Share in net earnings of companies at equity	184	19	-	2	(1)	-	204
Consolidated profit for the year		**232**		**394**			**1,256**
Capital expenditure (excl. sales with a buyback commitment)	**2,375**	**460**	**26**	**24**	**4**		**2,889**
Depreciation and amortisation	**(2,482)**	**(496)**	**(49)**	**(16)**	**-**		**(3,043)**

In 2010, Banque PSA Finance (Finance segment) reported net banking revenue of €1,000 million and net provision expense (cost of risk) of €129 million.

	2009						
(in million euros)	Automotive	Automotive Equipment	Transportation & logistics	Finance Companies	Other	Eliminations & reconciliations	TOTAL
Revenue							
• third parties	38,250	7,432	1,046	1,532	157	-	48,417
• intragroup, intersegment	15	1,860	1,842	291	119	(4,127)	-
Total	**38,265**	**9,292**	**2,888**	**1,823**	**276**	**(4,127)**	**48,417**
Recurring operating income	**(1,257)**	**(92)**	**102**	**498**	**54**	**6**	**(689)**
Non-recurring operating income	22	7	1	1	-	-	31
Restructuring costs	(206)	(130)	(18)	-	-	-	(354)
Impairment losses on CGUs	(217)	-	-	-	(1)	-	(218)
Other non-recurring operating income and (expenses), net	(162)	(11)	(10)	(3)	-	-	(186)
Operating income	**(1,820)**	**(226)**	**75**	**496**	**53**	**6**	**(1,416)**
Interest income		12		-		73	85
Finance costs		(147)		-		(344)	(491)
Other financial income		5		2		201	208
Other financial expenses		(36)		(3)		(283)	(322)
Net financial expense	**-**	**(166)**	**-**	**(1)**	**-**	**(353)**	**(520)**
Income taxes		(36)		(142)		767	589
Share in net earnings of companies at equity	62	11	-	-	-	-	73
Consolidated profit for the year		**(417)**		**353**			**(1,274)**
Capital expenditure (excl. sales with a buyback commitment)	**2,382**	**276**	**20**	**19**	**1**		**2,698**
Depreciation and amortisation	**(2,576)**	**(489)**	**(55)**	**(12)**	**-**		**(3,132)**

In 2009, Banque PSA Finance (Finance segment) reported net banking revenue of €944 million and net provision expense (cos of risk) of €112 million.

3.2. Geographical Segments

In the table below, revenue are presented by destination of products sold, and investments and assets by geographic location of the subsidiary concerned.

In accordance with IFRS 8, the Group's geographical segment analysis presents all non-current assets other than financial instruments, deferred tax assets and external pension plan surpluses.

	2010				
(in million euros)	Western Europe	Central & Eastern Europe	Latin America	Rest of the World	TOTAL
Revenue	40,775	4,067	4,770	6,449	56,061
Non-current assets (excl. deferred tax assets and financial instruments)	16,237	1,024	1,141	604	19,006

	2009				
(in million euros)	Western Europe	Central & Eastern Europe	Latin America	Rest of the World	TOTAL
Revenue	38,384	2,845	3,236	3,952	48,417
Non-current assets (excl. deferred tax assets and financial instruments)	16,013	956	977	305	18,251

Note 4 Sales and Revenue

(in million euros)	2010	2009
Sales of vehicles and other goods	51,641	44,310
Service revenues	2,861	2,575
Financial services revenue	1,559	1,532
TOTAL	**56,061**	**48,417**

Sales of goods consist mainly of sales of vehicles and automotive parts, sub-assemblies and components.

Service revenues primarily comprise vehicle and other goods transportation services, auto repairs and servicing by captive dealers, and vehicle leasing services.

Financial services revenue corresponds for the most part to interest income, insurance premiums and other gross revenues.

Note 5 Recurring Operating Expenses Analysed by Nature

Details of employee benefits expense and depreciation and amortisation expense are presented below in accordance with IAS 1. 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)	2010	2009
Automotive Division	(5,750)	(5,668)
Automotive Equipment Division	(2,303)	(1,833)
Transportation and Logistics Division	(393)	(391)
Finance companies	(135)	(129)
Other businesses	(103)	(105)
TOTAL	**(8,684)**	**(8,126)**

Details of stock-option and performance share costs are provided in notes 26.3.D and 26.4. Pension and other post-employment benefit costs are presented in note 28.1.F.

Depreciation and Amortisation Expense

Depreciation and amortisation expense included in recurring operating income breaks down as follows:

(in million euros)	2010	2009
Capitalised development expenditure	(832)	(746)
Other intangible assets	(74)	(64)
Specific tooling	(709)	(780)
Other property, plant and equipment	(1,428)	(1,542)
TOTAL	**(3,043)**	**(3,132)**

The useful lives of certain assets were adjusted during 2010. The impact of these adjustments on depreciation and amortisation for the year was not material.

Note 6 Research and Development Expenses

(in million euros)	2010	2009
Total expenditure	(2,340)	(2,286)
Capitalised development expenditure [(1)] (note 13.1)	1,097	1,082
Non-capitalised expenditure	**(1,243)**	**(1,204)**
Amortisation of capitalised development expenditure (note 13.1)	(832)	(746)
TOTAL	**(2,075)**	**(1,950)**

(1) Capitalised development expenditure shown above does not include borrowing costs capitalised in application of IAS 23 (Revised).

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

Note 7 Non-Recurring Operating Income and (Expenses)

(in million euros)	2010	2009
Net gain on disposals of property (note 7.5)	58	30
Reversal of liability in respect of minimum funding requirement for pensions (note 7.6)	204	-
Other non-recurring operating income	114	1
TOTAL NON-RECURRING OPERATING INCOME	**376**	**31**
Impairment loss on Automotive Division CGUs and provisions for Automotive Division onerous contracts (note 7.1)	(230)	(217)
Impairment loss on Other businesses CGUs (note 7.3)	(4)	(1)
Restructuring costs (note 7.4)	(196)	(354)
Liability in respect of minimum funding requirement for pensions (note 7.6)	-	(167)
Other non-recurring operating expenses	(6)	(19)
TOTAL NON-RECURRING OPERATING EXPENSES	**(436)**	**(758)**

Other non-recurring operating income includes the €84 million gain recognised on Faurecia's bargain purchase of Plastal Germany and Plastal Spain (see note 2).

7.1. Impairment Loss on Automotive Division CGUs and Provisions for Automotive Division Onerous Contracts

In accordance with the principle set out in note 1.14, the carrying amount of each vehicle CGU and the overall Automotive Division CGU was compared with the higher of their respective 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 the assets based on the latest projections from the Medium-Term Plan (2011-2015 plan for 2010 impairment tests) or the 10-year strategic plan for vehicles under development. For the impaired CGUs, the test took into account the latest volume forecasts.

In 2010, future cash flows were discounted based on an average cost of capital of 8% after tax, as determined using the same method as that applied in 2006 by an independent expert. It was based on a risk-free interest rate and a 5% risk premium, in line with historical data. The 2010 discount rate was the same as that applied for the impairment tests carried out in 2009.

In addition to these impairment tests on the CGUs' assets, onerous contract provisions may be recorded for the vehicle CGUs that have signed cooperation agreements under which manufacturing is carried out by the partner. These provisions cover the total estimated future loss arising from capacity reservation fees under these agreements, in line with the principle set out in note 1.19.

Impairment tests carried out at end-December 2009 led to the recognition in the income statement of an additional charge of €217 million concerning two vehicle CGUs. This amount included the total write-down of the two CGUs' assets for €101 million and a €116 million provision for estimated future losses on an onerous contract of one of the CGUs, due to downward adjustments of volume and margin forecasts for the models concerned.

In 2010, due mainly to the unfavourable change in the yen exchange rate, impairment tests led to the recognition of:

- an €89 million increase in the onerous contract provision recorded for one of the two CGUs for which an impairment loss was recorded in 2009;
- a €141 million onerous contract provision for a new CGU. The Group's investment in this CGU consisted exclusively of intangible items that were not recognised in the balance sheet.

Sensitivity tests were performed at the end of the year on the CGUs whose value is affected by changes in the yen/euro exchange rate. These tests showed that a 5% increase or decrease in the reference exchange rate (which was within the consensus range of exchange rates at end-December 2010) woud have reduced the charge for the year by €123 million or increased it by €189 million.

The Group also assessed the sensitivity of the core assumptions used to test the other CGUs for impairment. The sensitivity tests were based on a 100-basis point increase in the discount rate, a €200 decrease in margin per vehicle and a 10% decline in unit sales. The reduction in the CGUs' value in use that would result from these changes in assumptions would not affect the amounts at which the assets are carried in the balance sheet.

7.2. Impairment Loss on Faurecia Group CGUs and Other Assets

Faurecia Group CGUs

In accordance with the principle set out in note 1.14, 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 (2011-2014 plan for 2010 impairment tests, as revised at end-2010 based on the latest 2011 budget assumptions). The volume assumptions used to prepare the 2011-2014 Medium-Term Plan were based on external data.

The main assumption affecting value in use is the level of recurring operating income, particularly for the calculation of terminal value. 2014 margin is projected at 5.5%.

The calculation was performed by extrapolating to perpetuity projected cash flows for the last year of the Medium-Term Plan (2014) using a growth rate of 1.5% based on estimated trends developed by analysts for the automotive market. This was also the rate applied in the impairment tests carried out in fiscal 2009.

An independent expert was consulted to determine the weighted average cost of capital to be used to discount future cash flows. The market parameters used by the expert for the calculation were based on a sample of 10 companies from the automotive equipment sector (seven European companies and three US companies). Using these parameters and a risk premium ranging from 5.25% to 5.75%, the average cost of capital used to discount future cash flows was set at 9% after tax (9% in 2009).

The test performed at end-2010 confirmed that goodwill allocated to the following four CGUs was fairly stated in the balance sheet. The balance sheet values are presented in note 13.2.

The sensitivity of the impairment test to changes in the assumptions used in 2010 to determine the value in use of the CGUs accounting for the bulk of goodwill at end-2010 is illustrated in the table below:

(in million euros)	Test margin [(1)]	Discount rate applied to cash flows +50 bps	Perpetual growth rate -50 bps	Terminal recurring operating margin -50 bps
Automotive Seating	1,420	(172)	(136)	(166)
Interior Systems	1,326	(119)	(97)	(120)
Emissions Control Technologies	1,296	(201)	(116)	(138)
Automotive Exteriors	519	(58)	(36)	(45)

(1) Test margin = value in use - carrying amount.

Taken individually, the declines in values in use that would result from the above simulations would not affect the amount at which the goodwill allocated to the CGUs is carried in the balance sheet.

Faurecia CGU in the Accounts of PSA Peugeot Citroën

Faurecia goodwill was tested for impairment at end-2010 based on the PSA Peugeot Citroën Group's share in the sum of the discounted cash flows, net of capital employed and related goodwill, generated by Faurecia's businesses as determined based on the above assumptions. This amount was greater than the carrying amount of the goodwill and therefore no impairment loss was recognised. The balance sheet value is presented in note 13.2.

The sensitivity of the impairment test to changes in the assumptions used to determine the value in use of Faurecia goodwill at end-2010 is illustrated in the table below:

(in million euros)	Test margin [(1)]	Discount rate applied to cash flows +50 bps	Perpetual growth rate -50 bps	Terminal recurring operating margin -50 bps
	2,432	(269)	(221)	(316)

(1) Test margin = value in use - carrying amount.

Taken individually, the declines in values in use that would result from the above simulations would not affect the amount at which the goodwill is carried in the balance sheet.

7.3. Impairment Loss on "Other Businesses" CGUs

Following revised estimates of Peugeot Motocycles' business, an impairment loss of €4 million was recognised on assets of the CGU in 2010 (€1 million in 2009), which was allocated in full to property, plant and equipment.

The impairment tests were performed using a value in use defined as being equal to the sum of discounted future cash flows derived from Peugeot Motocycles' latest Medium Term Plan (covering the period 2011-2015) projected to perpetuity using a zero growth rate. The discount rate was calculated using a weighted average cost of capital of 9.7% after tax, unchanged from the rate used in fiscal 2009.

7.4. Restructuring Costs

A. Analysis by Type

(in million euros)	2010	2009
Early-termination plan costs [(1)]	(2)	1
Workforce reductions	(178)	(357)
End of production and other closure costs	(16)	2
TOTAL	**(196)**	**(354)**

(1) Early-termination plans relate to the agreements signed in 1999 for the Automotive Division and in 2001 for the Automotive Equipment Division. At the 2010 year-end, 814 employees were concerned by the plans, including 30 Faurecia group employees.

B. Analysis by Business Segment

(in million euros)	2010	2009
Automotive Division	(77)	(206)
Automotive Equipment Division	(117)	(129)
Transportation and Logistics Division	(1)	(19)
Finance companies	-	-
Other businesses	(1)	-
TOTAL	**(196)**	**(354)**

Automotive Division

Automotive Division restructuring costs amounted to €77 million and are described below:

FRANCE:

On 4 October 2010, the Central Works Council expressed support for a proposed jobs and skills alignment plan that focuses primarily on training existing employees in new skills. The net cost recognised in the 2010 accounts in respect of this plan amounted to €27 million and concerned the voluntary departure of 605 employees.

On 20 April 2010, the Group presented a plan to the Central Works Council concerning a new organisation of replacement part logistics operations.

Following the reorganisation, the Melun intermediate warehouse was no longer needed. The voluntary departure and internal redeployment measures therefore remained in force at this facility, leading to an €8 million net increase in the related provision.

In 2009, the workforce streamlining plan launched in 2008 was extended until March 2010 for certain employees of the Rennes plant, leading to the recognition of additional estimated net costs of €160 million. At 31 December 2010, the provision was increased by a net €17 million, based on the actual number of employees who joined the plan (6,236 persons).

EUROPE:

The cost of workforce reduction measures in other European countries amounted to €23 million in 2010 (€59 million in 2009).

Automotive Equipment Division (Faurecia Group)

Faurecia group restructuring costs totalled €117 million in 2010, including provisions for estimated cash costs of €105 million and asset impairments of €12 million. Restructuring costs in 2010 concerned 2,776 employees, mainly in Western Europe.

Restructuring costs in 2009 amounted to €129 million.

Transportation and Logistics Division

The Transportation and Logistics Division did not incur any material new restructuring costs in 2010.

In 2009 Gefco SA's management introduced a workforce streamlining plan in France, with the agreement of the trade unions. Restructuring costs of €11 million were recorded for the plan at the end of 2009, covering an estimated 262 employee departures as well as site closure costs.

Also in 2009, provisions of €6 million were set aside for a restructuring plan in the United Kingdom.

C. Employees Affected by the Restructuring Plans

In the following table, the number of employees reported as being affected by the restructuring plans in each period presented corresponds to (i) employees affected by new plans and (ii) additional employees affected by plans launched in prior years, representing the difference between the estimated total number of affected employees and the estimated number taken into account at the previous year-end.

(number of employees)	2010	2009
France [1]	2,264	2,957
United Kingdom	118	215
Germany	991	382
Rest of Europe	1,081	1,889
Rest of world (excluding Europe)	96	3,454
TOTAL	**4,550**	**8,897**

(1) In 2010, affected employees in France include the 545 employees affected by the Automotive Division' workforce streamlining plan at end-2008, plus the 5,691 affected by this plan in 2009, for a total of 6,236. The also include the 605 employees affected by the 2010 jobs and skills alignment plan (see note 7.4.B).

7.5. Net Gains on Disposals of Property

In 2010, net gains on disposals of property mainly concerned the Automotive Division and the Finance companies for €30 million and €24 million respectively. In 2009, they concerned the Automotive Division for €21 million and Faurecia for €7 million.

7.6. Liability in Respect of a Defined Benefit Plan Minimum Funding Requirement

In the second half of 2008, the Group negotiated a plan to cover the minimum funding requirement for plans operated by subsidiaries in the United Kingdom which do not have an unconditional right to a refund of the amounts paid. The corresponding liability recognised at 31 December 2008 was adjusted in 2009.

Unlike the generally accepted method of recognising pension and other post-employment benefit obligations, IFRIC 14 requires the total adjustment to the liability to be recognised in profit or loss when the entity applies the corridor method under IAS 19 (see note 1.20). In light of the earnings volatility created by this method, the difficulty of estimating future changes and the very long-term nature of the liability, adjustments to the liability are recognised in non-recurring operating income and expenses.

The 2009 adjustment to the liability reflected the latest minimum funding plan negotiated with the plan's trustees and the new assumptions used to measure the projected benefit obligation under IAS 19, including discount and inflation rates determined at the end of 2009. The increase in the liability recognised at 31 December 2009 amounted to €167 million.

In December 2010, the rules of three of the four UK pension funds were adjusted by their trustees to give the Group an unconditional right to a refund of the amounts paid, within the meaning of IFRIC 14. As a result, the minimum funding requirement liability originally recognised in application of IFRIC 14 was released to profit (see note 28.1.D).

Note 8 Interest Income

Interest income on loans corresponds to interest accrued according to the method set out in note 1.15.B (3) (c).

(in million euros)	2010	2009
Interest income on loans	6	12
Interest income on cash equivalents	75	56
Remeasurement of short-term investments classified as financial assets at fair value through profit or loss	5	16
Net gain (loss) on interest rate instruments designated as hedges of short-term investments	-	1
TOTAL	**86**	**85**

Note 9 Finance Costs

Interest on other borrowings corresponds to interest accrued according to the method set out in note 1.15.C.

(in million euros)	2010	2009
Interest on borrowings [(1)]	(395)	(401)
Interest on bank overdrafts	(25)	(33)
Interest on finance lease liabilities	(20)	(21)
Foreign exchange gain (loss) on financial transactions	(8)	(28)
Other	(7)	(8)
TOTAL	**(455)**	**(491)**

(1) Interest on borrowings includes €87 million in borrowing costs capitalised in accordance with IAS 23 – Borrowing Costs (€41 million in 2009).

Note 10 Other Financial Income and (Expenses)

(in million euros)	2010	2009
Expected return on pension funds	149	134
Other financial income	80	74
OTHER FINANCIAL INCOME	**229**	**208**
Interest cost on employee benefit obligations	(190)	(189)
Ineffective portion of the change in fair value of financial instruments	4	(16)
Other financial expenses	(103)	(117)
OTHER FINANCIAL EXPENSES	**(289)**	**(322)**

Note 11 Income Taxes

11.1. Changes in Balance Sheet Items

	2010					
(in million euros)	At 1 January	Expense	Equity	Payments	Translation adjustment and other changes	At 31 December
Current taxes						
Assets	160					192
Liabilities	(113)					(117)
	47	(277)	-	315	(10)	75
Deferred taxes						
Assets	560					482
Liabilities	(996)					(879)
	(436)	22	(16)	-	33	(397)

	2009					
(in million euros)	At 1 January	Expense	Equity	Payments	Translation adjustment and other changes	At 31 December
Current taxes						
Assets	207					160
Liabilities	(86)					(113)
	121	(217)	-	157	(14)	47
Deferred taxes						
Assets	550					560
Liabilities	(1,771)					(996)
	(1,221)	806	(41)	-	20	(436)

11.2. Income Taxes of Fully-Consolidated Companies

(in million euros)	2010	2009
Current taxes		
Corporate income taxes	(277)	(217)
Deferred taxes		
Deferred taxes arising in the year	81	954
Unrecognised deferred tax assets and impairment losses	(59)	(148)
TOTAL	**(255)**	**589**

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. In the case of Faurecia, in addition to France, the countries concerned are Germany, Spain, the United States, the United Kingdom, the Netherlands and Portugal. For the other businesses, the countries are Germany, Spain, the United Kingdom, Italy, Portugal, Japan and Austria.

B. Deferred Taxes

Deferred taxes are determined as described in note 1.18.

The Social Security Financing Act (no. 99-1140) of 29 December 1999 provided for the introduction of a surtax equal to 3.3% of the corporate income tax liability of French companies. This surtax had the effect of raising the French corporate income tax rate by 1.1%.

The French statutory income tax rate is 33.33%.

11.3. Reconciliation between Theoretical Income Tax and Income Tax in the Consolidated Statement of Income

(in million euros)	2010	2009
Profit (loss) before tax of fully consolidated companies	**1,307**	**(1,936)**
French statutory income tax rate for the year	*34.4%*	*34.4%*
Theoretical tax (expense) benefit for the year based on the French statutory income tax rate	**(450)**	**667**
Permanent differences	76	13
Income taxable at reduced rate	38	34
Tax credits	38	17
Effect of differences in foreign tax rates and other	102	6
Unrecognised deferred tax assets and impairment losses	(59)	(148)
INCOME TAX (EXPENSE) BENEFIT	**(255)**	**589**
Effective tax rate for the Group	-19.5%	-30.4%

To improve year-on-year comparability, a positive amount of €22 million at 31 December 2009 has been reclassified from "Permanent differences" to "Effect of differences in foreign tax rates and other", in order to present all tax effects related to tax-transparent companies on the same line.

Research-based tax credits meeting the definition of government grants are classified in recurring operating income.

In 2010, permanent differences include the positive tax effect arising from the recognition in the income statement of the gain on the bargain purchase of Plastal (see note 2), which is not taxable.

Unrecognised deferred tax assets and impairment losses mainly concern the Faurecia group.

11.4. Deferred Tax Assets and Liabilities

(in million euros)	2010	2009
• **Tax credits**		
Tax credits before offsetting	16	9
Tax credits offset (French tax group) (1)	(7)	(8)
Total tax credits	**9**	**1**
• **Deferred tax assets on tax loss carryforwards**		
Gross value before offsetting	2,907	2,501
Impairment	(81)	(112)
Previously unrecognised deferred tax assets	(773)	(668)
Tax loss carryforwards offset (French tax group) (1)	(1,878)	(1,565)
Other deferred tax assets offset	(95)	(80)
Total deferred tax assets on tax loss carryforwards	**80**	**76**
• **Other deferred tax assets**	**393**	**483**
DEFERRED TAX ASSETS	**482**	**560**
Deferred tax liabilities before offsetting (2)	(2,764)	(2,569)
Deferred tax assets and tax credits offset within the French tax group (1)	1,885	1,573
DEFERRED TAX LIABILITIES	**(879)**	**(996)**

(1) 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.

(2) Before offsetting the French tax group's deferred tax assets on tax loss carryforwards and tax credits. The main taxable temporary differences arise from the capitalisation of development costs and differences in amortisation or depreciation methods or periods.

Note 12 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:

12.1. Basic Earnings per Share

Basic earnings per share are calculated on the basis of the weighted average number of shares outstanding during the year.

The average number of shares outstanding is calculated by taking into account the number of shares issued and cancelled during the period and changes in the number of shares held in treasury stock.

	2010	2009
Consolidated profit (loss) attributable to equity holders *(in million euros)*	1,134	(1,161)
Average number of €1 par value shares outstanding	226,861,714	226,861,055
BASIC EARNINGS PER €1 PAR VALUE SHARE (IN EUROS)	**5.00**	**(5.12)**

12.2. Diluted Earnings per Share

Diluted earnings per share are calculated by the treasury stock method which consists of taking into account the shares that could be purchased with the proceeds from the exercise of stock-options, performance share grants and the conversion of anti-dilutive OCEANE convertible bonds. The following table shows the effects of the calculation:

A. Effect on the Average Number of Shares

	2010	2009
Average number of €1 par value shares outstanding	226,861,714	226,861,055
Dilutive effect, calculated by the treasury stock method, of:		
• Stock-option plans (note 26.2)	-	-
• Outstanding OCEANE convertible bonds (note 29.1)	-	-
Dilutive effect of Peugeot S.A. performance share grants (note 26.4)	202,985	-
DILUTED AVERAGE NUMBER OF SHARES	**227,064,699**	**226,861,055**

The performance shares granted in 2010 have a dilutive effect on the average number of shares. In light of the characteristics of the stock-option plans (see note 26.3) and the Peugeot S.A. OCEANE convertible bonds (see note 29.1), and the average Peugeot S.A. share price, there were no dilutive potential ordinary shares in 2010 or 2009.

B. Effect of Faurecia OCEANE Bond Conversions and Performance Share Grants on Consolidated Profit Attributable to Equity Holders of the Parent

	2010	2009
Consolidated profit (loss) attributable to equity holders of the parent *(in million euros)*	1,134	(1,161)
Dilutive effect of Faurecia OCEANE bond conversions and performance share grants [1]	(5)	-
CONSOLIDATED PROFIT (LOSS) AFTER DILUTIVE EFFECT OF FAURECIA OCEANE BOND CONVERSIONS AND PERFORMANCE SHARE GRANTS	**1,129**	**(1,161)**
Diluted earnings attributable to equity holders of the parent per €1 par value share *(in euros)*	4.97	(5.12)

(1) The Faurecia OCEANE bonds and performance share grants have a potential impact on the total number of Faurecia shares outstanding without affecting the number of shares held by the PSA Peugeot Citroën Group. Consequently, they have a dilutive effect on consolidated profit (loss) attributable to the PSA Peugeot Citroën Group. In light of the characteristics of the Faurecia stock-option plans, these options are anti-dilutive.

Note 13 Goodwill and Intangible Assets

13.1. Changes in Carrying Amount

	31 December 2010			
(in million euros)	Goodwill	Development expenditure	Software and other intangible assets	Intangible assets
Gross value				
At 1 January	**1,823**	**9,258**	**1,550**	**10,808**
Purchases/additions (1)		1,159	86	1,245
Disposals	-	(55)	(14)	(69)
Change in scope of consolidation and other (2)	180	6	43	49
Translation adjustment	13	35	9	44
At 31 December	**2,016**	**10,403**	**1,674**	**12,077**
Amortisation and impairment				
At 1 January	**(511)**	**(5,093)**	**(1,180)**	**(6,273)**
Charge for the year	N/A	(832)	(74)	(906)
Impairment losses	-	-	-	-
Disposals	-	51	12	63
Change in scope of consolidation and other	-	5	-	5
Translation adjustment	-	(15)	(5)	(20)
At 31 December	**(511)**	**(5,884)**	**(1,247)**	**(7,131)**
Carrying amount at 1 January	1,312	4,165	370	4,535
CARRYING AMOUNT AT 31 DECEMBER	**1,505**	**4,519**	**427**	**4,946**

(1) Including borrowing costs of €62 million capitalised in accordance with IAS 23 (Revised) – Borrowings Costs (see note 1.10).

(2) Including €172 million in goodwill recognised on the February 2010 acquisition of Emcon by Faurecia (see note 2).

	31 December 2009			
(in million euros)	Goodwill	Development expenditure	Software and other intangible assets	Intangible assets
Gross value				
At 1 January	**1,823**	**8,293**	**1,497**	**9,790**
Purchases/additions (1)	-	1,110	60	1,170
Disposals	-	(139)	(20)	(159)
Change in scope of consolidation and other	2	(22)	12	(10)
Translation adjustment	(2)	16	1	17
At 31 December	**1,823**	**9,258**	**1,550**	**10,808**
Amortisation and impairment				
At 1 January	**(511)**	**(4,500)**	**(1,133)**	**(5,633)**
Charge for the year	N/A	(746)	(64)	(810)
Impairment losses	-	(2)	-	(2)
Disposals	-	138	12	150
Change in scope of consolidation and other	-	17	6	23
Translation adjustment	-	-	(1)	(1)
At 31 December	**(511)**	**(5,093)**	**(1,180)**	**(6,273)**
Carrying amount at 1 January	1,312	3,793	364	4,157
CARRYING AMOUNT AT 31 DECEMBER	**1,312**	**4,165**	**370**	**4,535**

(1) Including borrowing costs of €28 million capitalised in accordance with IAS 23 (Revised) – Borrowings Costs (see note 1.10).

13.2. Breakdown of Goodwill

(in million euros)	31 December 2010	31 December 2009
Net value		
Faurecia	187	187
Faurecia businesses:		
• Automotive Seating	793	793
• Emissions Control Technologies [1]	336	151
• Automotive Exteriors	96	96
• Interior Systems	6	-
Peugeot Automotiv Pazarlama AS (Popas)	10	10
Crédipar	75	75
Bank PSA Finance Rus	2	-
TOTAL	**1,505**	**1,312**

(1) Including €172 million in goodwill recognised on the February 2010 acquisition of Emcon by Faurecia (see note 2).

Impairment tests on goodwill allocated to the Automotive Equipment CGUs are discussed in note 7. Impairment tests in 2010 and 2009 on the Popas (Turkey) goodwill, allocated to a specific Automotive Division CGU, and the Crédipar goodwill allocated to a specific Finance Companies CGU confirmed that the goodwill was fairly stated in the balance sheets at 31 December 2010 and 2009.

Note 14 Property, Plant and Equipment

	31 December 2010						
(in million euros)	Land and buildings	Plant and Equipment	Leased vehicles [2]	Vehicles and handling equipment	Fixtures, fittings and other	Assets under construction	TOTAL
Gross value							
At 1 January	**7,077**	**27,782**	**2,857**	**327**	**877**	**890**	**39,810**
Purchases/additions [1]	116	281	-	23	29	1,359	1,808
Disposals	(139)	(870)	-	(35)	(43)	-	(1,087)
Transfers and reclassifications	15	1,092	-	-	21	(1,128)	-
Change in scope of consolidation and other	84	293	200	-	(4)	(118)	455
Translation adjustment	59	162	29	1	13	16	280
At 31 December	**7,212**	**28,740**	**3,086**	**316**	**893**	**1,019**	**41,266**
Depreciation and impairment							
At 1 January	**(3,815)**	**(21,245)**	**(425)**	**(251)**	**(614)**	**-**	**(26,350)**
Charge for the year	(287)	(1,713)	(66)	(19)	(52)	-	(2,137)
Impairment losses	(8)	1	-	-	-	-	(7)
Disposals	84	829	-	25	36	-	974
Change in scope of consolidation and other	18	37	49	-	12	-	116
Translation adjustment	(19)	(100)	(4)	(2)	(9)	-	(134)
At 31 December	**(4,027)**	**(22,191)**	**(446)**	**(247)**	**(627)**	**-**	**(27,538)**
Carrying amount at 1 January	3,262	6,537	2,432	76	263	890	13,460
CARRYING AMOUNT AT 31 DECEMBER	**3,185**	**6,549**	**2,640**	**69**	**266**	**1,019**	**13,728**

(1) Including assets acquired under finance leases. Borrowing costs capitalised In accordance with IAS 23 (Revised) – Borrowing Costs amounted to €25 million (see note 1.10).

(2) "Other" movements in "Leased vehicles" include net changes for the year (additions less disposals) which, for the most part, do not give rise to any cash inflow or outflow.

	31 December 2009						
(in million euros)	Land and buildings	Plant and Equipment	Leased vehicles [2]	Vehicles and handling equipment	Fixtures, fittings and other	Assets under construction	TOTAL
Gross value							
At 1 January	**6,810**	**26,905**	**2,808**	**330**	**937**	**1,245**	**39,035**
Purchases/additions [1]	119	744	-	17	20	808	1,708
Disposals	(127)	(929)	-	(25)	(52)	-	(1,133)
Transfers and reclassifications	81	921	-	3	20	(1,025)	-
Change in scope of consolidation and other	151	17	10	1	(50)	(157)	(28)
Translation adjustment	43	124	39	1	2	19	228
At 31 December	**7,077**	**27,782**	**2,857**	**327**	**877**	**890**	**39,810**
Depreciation and impairment							
At 1 January	**(3,561)**	**(20,136)**	**(340)**	**(244)**	**(649)**	**-**	**(24,930)**
Charge for the year	(309)	(1,858)	(86)	(22)	(47)	-	(2,322)
Impairment losses [3]	24	(96)	-	-	-	-	(72)
Disposals	96	899	-	15	47	-	1,057
Change in scope of consolidation and other	(53)	36	6	-	38	-	27
Translation adjustment	(12)	(90)	(5)	-	(3)	-	(110)
At 31 December	**(3,815)**	**(21,245)**	**(425)**	**(251)**	**(614)**	**-**	**(26,350)**
Carrying amount at 1 January	3,249	6,769	2,468	86	288	1,245	14,105
CARRYING AMOUNT AT 31 DECEMBER	**3,262**	**6,537**	**2,432**	**76**	**263**	**890**	**13,460**

(1) Including assets acquired under finance leases. In accordance with IAS 23 (Revised) – Borrowing Costs, effective from 2009, the carrying amount of qualifying property, plant and equipment includes borrowing costs (see note 1.10). Borrowing costs capitalised in 2009 amounted to €13 million.

(2) "Other" movements in "Leased vehicles" include net changes for the year (additions less disposals) which, for the most part, do not give rise to any cash inflow or outflow.

(3) Provisions for impairment in the amount of €24 million were released following adjustment of the recoverable amounts of assets in connection with the reorganisation of the Automotive Division manufacturing facilities in France.

Leased vehicles include vehicles leased under short-term leases 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 1.5.A.

They can be analysed as follows:

(in million euros)	31 December 2010	31 December 2009
Vehicles sold with a buyback commitment	2,234	2,056
Vehicles under short-term leases	406	376
TOTAL, NET	**2,640**	**2,432**

Note 15 Investments in Companies at Equity

Most companies accounted for by the equity method are manufacturing and sales companies that manufacture automotive parts and components or complete vehicles.

15.1. Changes in the Carrying Amount of Investments in Companies at Equity

(in million euros)	2010	2009
At 1 January	**799**	**746**
Dividends and profit transfers	(30)	(25)
Share of net earnings	204	73
Newly consolidated companies	1	-
Capital increase (reduction)	1	1
Changes in scope of consolidation and other (1)	43	3
Translation adjustment	38	1
AT 31 DECEMBER	**1,056**	**799**
o/w Dongfeng Peugeot Citroën Automobile goodwill	68	61
o/w Dongfeng Peugeot Citroën Automobile Finance Company Ltd goodwill	6	-

(1) In May 2010, Banque PSA Finance raised its interest in China-based Dongfeng Peugeot Citroën Auto Finance Company Ltd to 75% by acquiring an additional 50% of the shares through its Dutch subsidiary, PSA Finance Nederland B.V. However, as governance is shared with the bank's local partner, Dongfeng Peugeot Citroën Auto Finance Company Ltd continued to be accounted for by the equity method at 31 December 2010.

15.2. Share in Net Assets of Companies at Equity

(in million euros)	Latest % interest	31 December 2010	31 December 2009
Renault cooperation agreement			
Française de Mécanique	50%	18	22
Société de Transmissions Automatiques	20%	2	3
Fiat cooperation agreement			
Sevelnord	50%	104	95
Gisevel	50%	1	26
Sevelind	50%	12	17
Sevel SpA	50%	71	64
Toyota cooperation agreement			
Toyota Peugeot Citroën Automobiles	50%	127	112
Dongfeng cooperation agreement			
Dongfeng Peugeot Citroën Automobile (1)	50%	610	402
Dongfeng Peugeot Citroën Automobile Finance Company Ltd (1)	75%	54	14
Other			
Other excluding Faurecia		13	13
Faurecia associates		35	27
TOTAL		**1,047**	**795**

(1) Including goodwill (see note 15.1).

The €1,047 million share in net assets (€795 million at 31 December 2009) corresponds to €1,056 million for companies with a positive net worth (€799 million at 31 December 2009) reported under "Investments in companies at equity" less €9 million (€4 million at 31 December 2009) for companies with a negative net worth, reported under "Non-current provisions".

15.3. Share in Net Earnings of Companies at Equity

(in million euros)	Latest % interest	31 December 2010	31 December 2009
Renault cooperation agreement			
Française de Mécanique	50%	(3)	1
Société de Transmissions Automatiques	20%	(1)	-
Fiat cooperation agreement			
Sevelnord	50%	8	8
Gisevel	50%	(21)	4
Sevelind	50%	(3)	(2)
Sevel SpA	50%	6	(29)
Toyota cooperation agreement			
Toyota Peugeot Citroën Automobiles	50%	37	22
Dongfeng cooperation agreement			
Dongfeng Peugeot Citroën Automobile (1)	50%	159	57
Dongfeng Peugeot Citroën Automobile Finance Company Ltd	75%	2	-
Other			
Other excluding Faurecia		1	1
Faurecia associates		19	11
TOTAL		**204**	**73**

(1) Dongfeng Peugeot Citroën Automobile is entitled to a tax benefit until 31 December 2012. In 2010, this tax benefit had the effect of reducing the effective tax rate paid by the company to 6% of pre-tax profit.

15.4. Key Financial Data of Companies at Equity

A. Aggregate Data

(in million euros)	31 December 2010	31 December 2009
Capital employed		
Property, plant and equipment	1,358	1,449
Working capital	(437)	(345)
Other capital employed (1)	284	137
TOTAL	**1,205**	**1,241**
Capital expenditure	**371**	**156**
Net financial position		
Long and medium-term debt	(220)	(195)
Other financial items	62	(251)
TOTAL	**(158)**	**(446)**

(1) At 31 December 2010, the main balance sheet items included in "Other capital employed" concern intangible assets for €267 million (€198 million at 31 December 2009) and provisions for €70 million (€106 million at 31 December 2009).

B. Key financial Data by Company

(a) Total Capital Employed

(in million euros)	Latest % interest	31 December 2010	31 December 2009
Renault cooperation agreement			
Française de Mécanique	50%	128	126
Société de Transmissions Automatiques	20%	(2)	6
Fiat cooperation agreement			
Sevelnord	50%	113	160
Gisevel	50%	-	22
Sevelind	50%	12	17
Sevel SpA	50%	321	259
Toyota cooperation agreement			
Toyota Peugeot Citroën Automobiles	50%	171	179
Dongfeng cooperation agreement			
Dongfeng Peugeot Citroën Automobile	50%	384	439
Dongfeng Peugeot Citroën Automobile Finance Company Ltd	75%	54	14
Other			
Other excluding Faurecia		11	7
Faurecia associates		13	12
TOTAL		**1,205**	**1,241**

(b) Net Financial Position

(in million euros)	Latest % interest	31 December 2010	31 December 2009
Renault cooperation agreement			
Française de Mécanique	50%	(110)	(104)
Société de Transmissions Automatiques	20%	4	(3)
Fiat cooperation agreement			
Sevelnord	50%	(9)	(65)
Gisevel	50%	1	4
Sevelind	50%	-	-
Sevel SpA	50%	(250)	(195)
Toyota cooperation agreement			
Toyota Peugeot Citroën Automobiles	50%	(44)	(67)
Dongfeng cooperation agreement			
Dongfeng Peugeot Citroën Automobile	50%	226	(37)
Dongfeng Peugeot Citroën Automobile Finance Company Ltd	75%	-	-
Other			
Other excluding Faurecia		2	6
Faurecia associates		22	15
TOTAL		**(158)**	**(446)**

The reduction in net debt of companies at equity mainly concerns Dongfeng Peugeot Citroën Automobile and reflects the positive impact of business growth.

Note 16 Investments in Non-Consolidated Companies

The recognition and measurement principles applicable to investments in non-consolidated companies are set out in note 1.15.B (2) (a).

16.1. Analysis by Company

(in million euros)	Latest % interest	31 December 2010	31 December 2009
Football Club de Sochaux Montbéliard	100%	17	14
Citroën Motors Ireland Limited	100%	4	-
Peugeot Citroën Ukraine	100%	2	-
Non consolidated dealers (Automotive)	-	27	12
Granat (Transportation and logistics)	100%	32	6
Bank PSA Finance Rus (consolidated as from 1 January 2010)	98%	-	7
Faurecia group portfolio	-	15	11
Other investments	-	5	5
TOTAL		**102**	**55**

16.2. Movements for the Year

(in million euros)	2010	2009
Gross value		
At 1 January	**81**	**87**
Acquisitions	97	14
Disposals	(30)	(3)
Change in scope of consolidation and other	(13)	(17)
Translation adjustment	2	-
At 31 December	**137**	**81**
Provisions		
At 1 January	**(26)**	**(26)**
Charges	(15)	(9)
Disposals	6	6
Change in scope of consolidation and other	-	3
Translation adjustment	-	-
At 31 December	**(35)**	**(26)**
Carrying amount at 1 January	55	61
CARRYING AMOUNT AT 31 DECEMBER	**102**	**55**

Note 17 Other Non-Current Financial Assets

The recognition and measurement principles applicable to other non-current financial assets are described in note 1.15.B (3) for loans and receivables, note 1.15.B (2) for short-term investments classified as "available-for-sale financial assets", note 1.15.B (1) for short-term investments classified as "financial assets at fair value through profit or loss", and note 1.15.D for derivatives.

	31 December 2010				
		Financial assets classified as			
(in million euros)	Loans and receivables	"available for sale"	"at fair value through profit or loss"	Derivative instruments	TOTAL
Gross value					
At 1 January	**235**	**217**	**319**	**192**	**963**
Purchases/additions	157	6	114	-	277
Disposals	(122)	-	(58)	-	(180)
Remeasurement	-	(32)	9	(15)	(38)
Transfers to current financial assets	(8)	-	-	-	(8)
Translation adjustment and changes in scope of consolidation	-	-	26	-	26
At 31 December	**262**	**191**	**410**	**177**	**1,040**
Provisions					
At 1 January	**(106)**	**-**	**-**	**-**	**(106)**
Net charge for the year	(6)	-	-	-	(6)
At 31 December	**(112)**	**-**	**-**	**-**	**(112)**
Carrying amount at 1 January	129	217	319	192	857
CARRYING AMOUNT AT 31 DECEMBER	**150**	**191**	**410**	**177**	**928**

The carrying amount of available-for-sale financial assets included an unrealised gain of €104 million at 31 December 2010 (€136 million at 1 January 2010).

	31 December 2009				
		Financial assets classified as			
(in million euros)	Loans and receivables	"available for sale"	"at fair value through profit or loss"	Derivative instruments	TOTAL
Gross value					
At 1 January	**231**	**104**	**416**	**223**	**974**
Purchases/additions	16	17	50	-	83
Disposals	-	-	(154)	-	(154)
Remeasurement	-	96	28	(22)	102
Transfers to current financial assets (1)	(12)	-	(25)	(9)	(46)
Translation adjustment and changes in scope of consolidation	-	-	4	-	4
At 31 December	**235**	**217**	**319**	**192**	**963**
Provisions					
At 1 January	**(105)**	**-**	**-**	**-**	**(105)**
Net charge for the year	(1)	-	-	-	(1)
At 31 December	**(106)**	**-**	**-**	**-**	**(106)**
Carrying amount at 1 January	126	104	416	223	869
CARRYING AMOUNT AT 31 DECEMBER	**129**	**217**	**319**	**192**	**857**

(1) Financial assets classified as "at fair value through profit or loss" transferred to current financial assets correspond to money market securities with maturities of less than one year at 31 December 2009.

The carrying amount of available-for-sale financial assets included an unrealised gain of €136 million at 31 December 2009 (€40 million at 1 January 2009).

Note 18 Other Non-Current Assets

(in million euros)	31 December 2010	31 December 2009
Excess of payments to external funds over pension obligations (note 28)	2	13
Units in the FMEA fund	59	57
Derivative instruments (1)	21	-
Guarantee deposits and other	252	199
TOTAL	**334**	**269**

(1) Corresponding to the non-current portion of derivative instruments acquired as hedges of commodity risks.

The Group is committed to investing a total of €200 million in Fonds de Modernisation des Équipementiers Automobiles (FMEA), which has been set up to support automotive equipment manufacturers. The units have been classified as "available-for-sale" in accordance with IAS 39 and are therefore measured at fair value (see note 1.15.B (2) (c)). They are reported as non-current assets because of the lock-up applicable to the Group's investment in the fund.

Note 19 Loans and Receivables – Finance Companies

The recognition and measurement principles for the loans and receivables of Group finance companies are defined in note 1.15.B (3) (a).

19.1. Analysis

(in million euros)	31 December 2010	31 December 2009
Retail, Corporate and Equivalent		
Credit sales	9,971	9,594
Long-term leases	4,665	4,653
Leases with a buyback commitment	2,492	2,665
Other receivables	201	212
Ordinary accounts and other	71	60
Total net Retail, Corporate and Equivalent	**17,400**	**17,184**
Corporate Dealers		
Wholesale finance receivables	5,165	4,359
Other receivables	562	592
Other	284	310
Total net Corporate Dealers	**6,011**	**5,261**
Remeasurement of interest rate hedged portfolios	80	208
Eliminations	(153)	(93)
TOTAL	**23,338**	**22,560**

Retail, Corporate and Equivalent finance receivables represent loans made by finance companies to Peugeot and Citroën customers for the purchase or lease of cars.

Wholesale finance receivables represent amounts due to Peugeot and Citroën by their dealer networks and certain European importers which have been transferred to the Group finance companies, and working capital loans made by the finance companies to the dealer networks.

Retail, Corporate and Equivalent finance receivables include €3,645 million in securitised finance receivables that were not derecognised at year-end (€4,710 million at 31 December 2009). The Banque PSA Finance group has carried out several securitisation transactions through special purpose entities.

On 21 April 2009, Banque PSA Finance's Spanish branch sold €1,180 million worth of finance receivables to the 2009-1 compartment of Auto ABS. Auto ABS 2009-1 issued €1,050 million worth of AAA-rated preferred bonds, €83 million worth of A-rated subordinated bonds and €47 million worth of B-rated subordinated bonds, all of which were purchased by Banque PSA Finance. The preferred bonds were subsequently given as collateral for repo transactions with the European Central Bank for €650 million net of the discount.

On 13 April 2010, Banque PSA Finance's two Brazilian subsidiaries began selling finance receivables and future revenue streams from leases with a buyback commitment to a Fundo de Investimentos em Direitos Creditórios (FIDC). As of 31 December 2010, receivables totalling BRL 1,221 million (approximately €551 million) had been sold. The FIDC is an open-end fund, allowing for successive sales of finance receivables pursuant to the terms of the related agreement with Banco Santander. The senior bonds issued by the FIDC (90%) have been purchased by Banco Santander and the subordinated bonds (10%) by the Brazilian subsidiaries of Banque PSA Finance.

On 25 November 2010, Banque PSA Finance's German branch sold €680 million worth of receivables to the 2010-1 compartment of Auto ABS corresponding to future revenue streams (including VAT) from long-term leases and the residual values of the leased vehicles. Auto ABS 2010-1 in turn issued €500 million worth of AAA-rated A bonds, €80 million worth of B bonds and €100 million worth of C bonds. All of the B and C bonds were purchased by Banque PSA Finance, and the €300 retained interest units issued by the fund were purchased by the German branch. The bonds were placed with leading European institutional investors.

The French FCCs and FCTs, the Italian securitisation vehicle, the Spanish FTA and the Brazilian FIDC qualify as special purpose entities and are fully consolidated insofar as the revenues from the retained interest held by the Banque PSA Finance subsidiaries and branches represent substantially all of the risks and rewards of ownership (respectively, essentially the credit risk and the recurring operating income generated by the SPEs).

Liabilities corresponding to securities issued by securitisation funds are shown in note 31 "Financing liabilities – finance companies".

19.2. Automotive Division Sales of Receivables

The following table shows outstanding Automotive Division receivables sold to the finance companies for which the Automobile Division pays the financing cost:

(in million euros)	31 December 2010	31 December 2009
	3,402	2,801

19.3. Maturities of Loans and Receivables

	31 December 2010					
(in million euros)	Credit sales	Leases with a buyback commitment	Long-term leases	Wholesale finance receivables	Other (1)	TOTAL
Unallocated	477	130	168	157	278	1,210
Less than 3 months	931	210	661	3,357	91	5,250
3 to 6 months	874	182	566	361	45	2,028
6 months to 1 year	1,844	360	927	1,372	103	4,606
1 to 5 years	6,038	1,690	2,537	9	403	10,677
Beyond 5 years	130	18	-	-	51	199
Total gross loans and receivables outstanding	**10,294**	**2,590**	**4,859**	**5,256**	**971**	**23,970**
Guarantee deposits on leases	-	-	(53)	(71)	-	(124)
Allowances	(260)	(59)	(69)	(20)	(27)	(435)
TOTAL NET LOANS AND RECEIVABLES OUTSTANDING	**10,034**	**2,531**	**4,737**	**5,165**	**944**	**23,411**

(1) Other receivables including ordinary accounts and items taken into account in amortised cost calculations.

	31 December 2009					
(in million euros)	Credit sales	Leases with a buyback commitment	Long-term leases	Wholesale finance receivables	Other [(1)]	TOTAL
Unallocated	467	127	164	144	240	1,142
Less than 3 months	1,013	216	581	2,155	134	4,099
3 to 6 months	911	206	464	1,066	54	2,701
6 months to 1 year	1,766	413	940	1,058	125	4,302
1 to 5 years	5,570	1,746	2,671	8	408	10,403
Beyond 5 years	200	57	-	-	36	293
Total gross loans and receivables outstanding	**9,927**	**2,765**	**4,820**	**4,431**	**997**	**22,940**
Guarantee deposits on leases	-	-	(55)	(49)	-	(104)
Allowances	(237)	(53)	(57)	(23)	(21)	(391)
TOTAL NET LOANS AND RECEIVABLES OUTSTANDING	**9,690**	**2,712**	**4,708**	**4,359**	**976**	**22,445**

(1) Other receivables including ordinary accounts and items taken into account in amortised cost calculations.

19.4. Allowances for Credit Losses

Net retail, corporate and equivalent loans and receivables outstanding

(in million euros)	31 December 2010	31 December 2009
Performing loans with no past due balances	16,414	16,464
Performing loans with past due balances	700	438
Non-performing loans	668	634
Total gross Retail, Corporate and Equivalent loans and receivables outstanding	**17,782**	**17,536**
Items taken into account in amortised cost calculations	**70**	**59**
Guarantee deposits	**(52)**	**(55)**
Allowances for performing loans with past due balances	(44)	(40)
Allowances for non-performing loans	(356)	(316)
Allowances	**(400)**	**(356)**
TOTAL NET RETAIL, CORPORATE AND EQUIVALENT LOANS AND RECEIVABLES OUTSTANDING	**17,400**	**17,184**
Allowances booked during the period	(138)	(114)
Allowances utilised during the period (releases)	94	43

Net corporate dealer loans and receivables outstanding

(in million euros)	31 December 2010	31 December 2009
Performing loans with no past due balances	5,893	5,166
Performing loans with past due balances	20	-
Non-performing loans	212	183
Total gross Corporate Dealer loans and receivables outstanding	**6,125**	**5,349**
Items taken into account in amortised cost calculations	**(6)**	**(4)**
Guarantee deposits	**(72)**	**(49)**
Allowances	**(36)**	**(35)**
TOTAL NET CORPORATE DEALER LOANS AND RECEIVABLES OUTSTANDING	**6,011**	**5,261**
Allowances booked during the period	(19)	(27)
Allowances utilised during the period (releases)	18	28

Note 20 Short-Term Investments – Finance Companies

The recognition and measurement principles applicable to short-term investments of the finance companies are described in note 1.15.B (1) (b).

(in million euros)	31 December 2010	31 December 2009
Short-term investments	707	786
TOTAL	**707**	**786**

Short-term investments consist primarily of certificates of deposit held by the securitisation funds.

Note 21 Inventories

	31 December 2010			31 December 2009		
(in million euros)	Gross	Allowance	Net	Gross	Allowance	Net
Raw materials and supplies	848	(170)	678	706	(156)	550
Semi-finished products and work-in-progress	865	(40)	825	651	(48)	603
Goods for resale and used vehicles	970	(125)	845	1,034	(181)	853
Finished products and replacement parts	3,766	(167)	3,599	3,530	(176)	3,354
TOTAL	**6,449**	**(502)**	**5,947**	**5,921**	**(561)**	**5,360**

Note 22 Trade Receivables – Manufacturing and Sales Companies

(in million euros)	31 December 2010	31 December 2009
Trade receivables	2,244	2,044
Allowances for doubtful accounts	(193)	(189)
Total – manufacturing and sales companies	**2,051**	**1,855**
Elimination of transactions with the finance companies	(175)	(162)
TOTAL	**1,876**	**1,693**

The increase in the manufacturing and sales companies' trade receivables was mainly due to the business recovery observed in 2010. Despite this increase, working capital remained fairly stable over the year (see note 33.2.A).

This item does not include dealer receivables transferred to the finance companies, which are reported in the consolidated balance sheet under "Loans and receivables – finance companies" (see note 19.2).

At 31 December 2010, receivables totalling €302 million sold under the programmes described in note 29.5 had been derecognised in line with the principles set out in note 1.17. A further €162 million worth of sold receivables were not derecognised. In cases where financing has been received in respect of the sold receivables, a debt is recognised for an amount equal to the sale proceeds.

(in million euros)	31 December 2010	31 December 2009
Sold and derecognised receivables	302	116
• *of which Faurecia group*	*181*	*99*
Sold receivables not derecognised	162	129
• *of which Faurecia group*	*153*	*129*

Note 23 Other Receivables

23.1. Manufacturing and Sales Companies

(in million euros)	31 December 2010	31 December 2009
State, regional and local taxes excluding income tax	1,197	1,090
Employee-related receivables	56	57
Due from suppliers	168	160
Derivative instruments (1)	108	50
Prepaid expenses	158	95
Miscellaneous other receivables	272	213
TOTAL	**1,959**	**1,665**

(1) This item corresponds to the fair value of instruments purchased by the Group to hedge commodity risks and currency risks on current or forecast operating receivables and payables. It includes €31 million (€21 million at 31 December 2009) in receivables that are matched by payables due to the finance companies.

23.2. Finance Companies

(in million euros)	31 December 2010	31 December 2009
State, regional and local taxes excluding income tax	50	32
Derivative instruments (1)	204	249
Deferred income and accrued expenses – finance companies	175	266
Miscellaneous other receivables	319	303
TOTAL	**748**	**850**

(1) This item corresponds to the fair value of instruments purchased by the Group essentially to hedge interest rate risks on finance receivables and financing liabilities.

Note 24 Current Financial Assets

The recognition and measurement principles applicable to current financial assets are described in note 1.15.B (3) for loans and receivables, note 1.15.B (1) for financial assets at fair value through profit or loss, and note 1.15.D for derivative instruments.

	2010			
(in million euros)	Loans and receivables	Financial assets at fair value through profit or loss	Derivative instruments	TOTAL
At 1 January	**229**	**25**	**30**	**284**
Purchases/additions	142	-	-	142
Disposals	(107)	(25)	-	(132)
Remeasurement at fair value	-	-	(6)	(6)
Transfers	8	-	-	8
Translation adjustment and changes in scope of consolidation	10	-	-	10
AT 31 DECEMBER	**282**	**-**	**24**	**306**

	2009			
(in million euros)	Loans and receivables	Financial assets at fair value through profit or loss	Derivative instruments	TOTAL
At 1 January	**242**	**249**	**24**	**515**
Purchases/additions	132	-	3	135
Disposals	(181)	(249)	(4)	(434)
Remeasurement at fair value	-	-	(2)	(2)
Transfers [(1)]	12	25	9	46
Translation adjustment and changes in scope of consolidation	24	-	-	24
AT 31 DECEMBER	**229**	**25**	**30**	**284**

(1) Financial assets at fair value through profit or loss transferred to current financial assets correspond to money market securities with maturities of less than one year at 31 December 2009.

In 2009, the decline in financial assets at fair value through profit or loss was due to the redemption of Euro Medium Term Notes (EMTNs) held in the portfolio, in the amount of €249 million.

Note 25 Cash and Cash Equivalents

Cash and cash equivalents are defined in note 1.15.B (1) (a) and include:

25.1. Manufacturing And Sales Companies

(in million euros)	31 December 2010	31 December 2009
Mutual fund units and money market securities	7,946	6,774
Cash and current account balances	1,332	1,069
Total – manufacturing and sales companies	**9,278**	**7,843**
o/w deposits with finance companies	*(127)*	*(115)*
TOTAL	**9,151**	**7,728**

Cash equivalents correspond to the investment of the proceeds from borrowings obtained to meet the Group's future financing needs and of the net cash generated by operating activities.

At 31 December 2010, cash equivalents included retail certificates of deposit for €3,417 million, money market funds for €3,202 million, overnight money market notes for €1,011 million and other money market securities for €316 million.

25.2. Finance Companies

(in million euros)	31 December 2010	31 December 2009
Due from credit institutions (1) (2)	1,296	1,190
Central bank current account balances and items received for collection (2)	20	99
TOTAL	**1,316**	**1,289**

(1) At 31 December 2010, this item included ordinary accounts in debit for €927 million (€605 million at 31 December 2009) corresponding mainly to the final customer direct debits for the period.

(2) The Banque PSA Finance liquidity reserve, in the amount of €305 million at 31 December 2010 (€652 million at 31 December 2009), is made up of interbank loans for €288 million (€562 million at 31 December 2009) and central bank deposits for €17 million (€90 million at 31 December 2009).

Note 26 Equity

26.1. Capital Management Policy

The Group's capital management policy concerns equity as defined under IFRS. Managing capital essentially involves deciding the level of capital to be held currently or in the future, in addition to the payment of dividends.

Equity breaks down into portions attributable to minority interests and to equity holders of the parent company.

Minority interests mainly represent non-Group shareholders of Faurecia. Equity attributable to minority interests varies in line with changes in the consolidated equity of the Faurecia group (in particular net earnings and 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.

For example, Faurecia's €299 million share issue in February 2010 resulted in a €172 million increase in the Group's share of its equity, while the portion attributable to minority interests increased by €127 million. However, as the Group did not take part in the issue, Peugeot S.A.'s percentage interest in Faurecia was reduced from 70.86% to 57.43%, leading to a €54 million reduction in PSA Peugeot Citroën Group consolidated equity attributable to equity holders of the parent and a corresponding increase in minority interests (see note 2).

Equity attributable to equity holders of the parent is equal to the share capital of Peugeot S.A. less any treasury stock, plus reserves and retained earnings of the Group's various businesses.

The Group manages its equity with the aim of securing its long-term financing and optimising the cost of capital.

There are no financial covenants based on consolidated equity. Banque PSA Finance complies with the capital adequacy ratio and other capital requirements imposed under banking regulations.

At 31 December 2010, the Peugeot family held 30.3% of the capital and 46.3% of the voting rights (45.2% of potential voting rights assuming exercise of all outstanding stock-options).

Until 2008, the Group carried out share buybacks with the aim of acquiring shares:

- for cancellation, in order to reduce the share capital;
- for allocation to employees, Directors and officers of the Company and its subsidiaries and related parties on exercise of stock-options; and,
- for allocation on conversion, redemption or exercise of share equivalents.

Shares are issued from time to time when holders of Peugeot S.A. OCEANE bonds present their bonds for conversion (see note 26.2).

26.2. Analysis of Share Capital and Changes in the Year

At 31 December 2010, the share capital amounted to €234,049,225 and was made up of ordinary shares with a par value of €1, all fully paid. The shares may be held in bearer or registered form, at the discretion of shareholders. Shares registered in the name of the same holder for at least four years carry double voting rights (article 11 of the bylaws).

(in euros)	2010	2009
Share capital at 1 January	234,049,142	234,048,798
Shares issued on conversion of OCEANE bonds	83	344
SHARE CAPITAL AT 31 DECEMBER	**234,049,225**	**234,049,142**

26.3. Employee Stock-options

A. Plan characteristics

Each year between 1999 and 2008, the Managing Board of Peugeot S.A. granted options to certain employees, Directors and officers of the Company and its subsidiaries, allowing them to purchase shares at a specified price. Following the 2001 stock split, the current terms of plans expiring after 2008 are as follows:

	Date of Managing Board decision	Vesting date	Last exercise date	Number of initial grantees	Exercise price *(in euros)*	Number of options granted
2002 Plan	20/08/2002	20/08/2005	20/08/2009	178	46.28	860,100
2003 Plan	21/08/2003	21/08/2006	20/08/2011	184	39.09	996,500
2004 Plan	24/08/2004	24/08/2007	23/08/2012	182	47.59	1,004,000
2005 Plan	23/08/2005	23/08/2008	22/08/2013	169	52.37	953,000
2006 Plan	23/08/2006	23/08/2009	22/08/2014	92	41.14	983,500
2007 Plan	22/08/2007	22/08/2010	21/08/2015	169	60.43	1,155,000
2008 Plan	22/08/2008	22/08/2011	19/08/2016	194	33.08	1,345,000

No stock-options were granted in 2009 or 2010.

On 31 December 2010, the share price was €28.41.

B. 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:

(number of options)	2010	2009
Total at 1 January	**5,392,107**	**6,527,907**
Options granted	-	-
Options exercised	-	-
Cancelled options	-	(619,000)
Expired options	-	(516,800)
TOTAL AT 31 DECEMBER	**5,392,107**	**5,392,107**
o/w exercisable options	*4,257,107*	*3,328,607*

Options outstanding at year-end are as follows:

(number of options)	31 December 2010	31 December 2009
2003 Plan	678,107	678,107
2004 Plan	912,000	912,000
2005 Plan	868,000	868,000
2006 Plan	870,500	870,500
2007 Plan	928,500	928,500
2008 Plan	1,135,000	1,135,000

C. Weighted Average Value of Options and Underlying Shares

	2010		2009	
(in euros)	Exercise price	Share price	Exercise price	Share price
Value at 1 January	**45.4**		**45.7**	
Options granted	-	-	-	
Options exercised	-	-	-	
Cancelled options	-	-	46.6	18.3
Expired options	-	-	46.3	20.7
Value at 31 December	**45.4**		**45.4**	

D. Valuation

In line with the principles described in note 1.21, stock-option plans have been valued as shown in the table below.

No stock-options were granted by either Peugeot S.A. or Faurecia in 2010.

The charge for the year can be analysed as follows:

Charge for the year	2010			2009
(in million euros)	Peugeot S.A.	Faurecia	Total	Total
2006 Plan	0	0	-	2
2007 Plan	3	1	4	5
2008 Plan	3	1	4	5
TOTAL	**6**	**2**	**8**	**12**

26.4. Performance Share Plans

Peugeot S.A. Performance Share Plan

The first performance share plan was set up in 2010.

A. Plan Characteristics

On 21 September 2010, the Peugeot S.A. Managing Board decided to use the authorisation given at the Extraordinary Shareholders' Meeting of 2 June 2010 to set up a performance share plan. Under the terms of the plan, the performance shares granted to French tax residents are subject to a vesting period that ends on the date of publication of Peugeot S.A.'s consolidated financial statements in February 2013 following by a two-year lock-up period ending in 2015. For grantees who are not French tax residents, the shares will be subject to a four-year vesting period ending on 21 September 2014 and will not be subject to any lock-up period. Grantees who leave the Group before the end of the lock-up period or vesting period, as applicable, will forfeit their performance shares.

The performance shares will vest provided that the PSA Peugeot Citroën Group's recurring operating income excluding Faurecia but including the Chinese subsidiaries at equity, reaches a certain level.

The Managing Board reserves the right to adjust the recurring operating income target in response to exceptional circumstances.

In line with the commitments given by the Group in application of the regulations governing agreements with companies that have received exceptional State aid, no performance shares were granted to members of the Managing Board in 2010.

B. Valuation

Up to 816,000 shares may be allocated under the plan, if the vesting conditions are met.

The fair value of the performance share grants has been estimated at €20.63 for the purpose of calculating the charge for shares granted to French tax residents and at €16.44 for other grantees. These fair values are based on the share price at the grant date, less the present value of dividends that will not be received by grantees during the vesting period and less a 3% discount to reflect the 2-year lock-up period.

The total cost of the plan, excluding the 10% employer contribution, is estimated at €12 million. This cost is being recognised in the income statement over the vesting period, in accordance with IFRS 2. The charge recognised in 2010 amounted to €1.2 million.

Faurecia performance share plan

In 2010, Faurecia used the authorisation given at the Extraordinary Shareholders' Meeting of 8 February 2010 to grant performance shares to senior managers within the Group. The shares are subject to performance conditions and will be forfeited if the grantee leaves the Group before the end of the vesting period or lock-up period.

The fair value of the performance share grants is equal to the Faurecia share price on the grant date, less the present value of dividends that will not be received by grantees during the vesting period and less a discount to reflect the lock-up period. The cost of the plan is being recognised in the income statement over the vesting period. The charge recognised in 2010 amounted to €2.6 million.

The Faurecia Board of Directors made 860,600 performance share grants on 23 June 2010 and 887,250 performance share grants on 21 July 2010, subject to the vesting and lock-up conditions described above.

26.5. Treasury Stock

In the past, the Group has used the buyback authorisations given at Shareholders' Meetings to purchase Peugeot S.A. shares into treasury. No shares were bought back in 2009 or 2010.

Changes in treasury stock can be analysed as follows:

A. Number of Shares Held

		2010	2009
(number of shares)	Authorisations	Transactions	Transactions
At 1 January		**7,187,450**	**7,188,214**
Share buybacks			
AGM of 28 May 2008	17,000,000	-	-
AGM of 3 June 2009	16,000,000	-	-
AGM of 2 June 2010	16,000,000	-	-
Share cancellations			
AGM of 28 May 2008	10% of capital	-	-
AGM of 3 June 2009	10% of capital	-	-
AGM of 2 June 2010	10% of capital	-	-
Share sales			
On exercise of stock-options		-	(764)
AT 31 DECEMBER		**7,187,450**	**7,187,450**
Shares held for allocation on exercise of outstanding options (note 26.3.B)		5,392,107	5,392,107
Shares held for allocation on exercise of options to be granted under future plans		462,543	1,278,543
Shares held for allocation under performance share plans		816,000	n/a
Unallocated shares		516,800	516,800

B. Change in Value

(in million euros)	2010	2009
At 1 January	**(303)**	**(303)**
Acquired	-	-
Cancelled	-	-
Exercised	-	-
AT 31 DECEMBER	**(303)**	**(303)**

26.6. 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 2010	31 December 2009
Peugeot S.A. legal reserve	28	28
Other Peugeot S.A. statutory reserves and retained earnings	7,767	7,120
Retained earnings and profit (loss) for the year, excluding minority interests	6,102	5,233
TOTAL	**13,897**	**12,381**

Other Peugeot S.A. statutory reserves and retained earnings are as follows:

(in million euros)	31 December 2010	31 December 2009
Reserves available for distribution		
Without any additional corporate tax being due	6,699	6,052
Subject to the payment of additional corporate tax [(1)]	1,068	1,068
TOTAL	**7,767**	**7,120**
Tax on distributed earnings	**169**	**169**

(1) Corresponding to the portion of the long-term capital gains reserve that the Group decided not to transfer to an ordinary reserve account before 31 December 2006 that remains subject to additional tax.

26.7. Minority Interests

Minority interests correspond mainly to the interests of shareholders of Faurecia and of some of its subsidiaries.

Note 27 Current and Non-Current Provisions

27.1. Non-Current Provisions

A. Analysis by Type

(in million euros)	31 December 2010	31 December 2009
Pensions (note 28.1)	564	810
Early-termination plan	15	29
Other employee benefit obligations	125	118
End-of-life vehicles	6	18
Other	17	11
TOTAL	**727**	**986**

In 2009, pension liabilities reported under non-current provisions included a £175 million (€194 million at 31 December 2009) liability recognised in connection with the minimum funding requirement for UK plans (IFRIC 14). The total amount of the liability was reversed in 2010 (see note 7.6).

B. Movements for the Year

(in million euros)	2010	2009
At 1 January	**986**	**925**
Movements taken to profit or loss		
Additions	138	310
Releases (utilisations)	(196)	(204)
Releases (unused provisions)	(253)	(54)
	(311)	**52**
Other movements		
Translation adjustment	23	19
Change in scope of consolidation and other	29	(10)
AT 31 DECEMBER	**727**	**986**

Provision releases mainly concern pensions and result from the workforce steamlining plans (see note 7.4) and the reversal of the minimum funding requirement liability (see note 7.6).

27.2. Current Provisions

A. Analysis by Type

(in million euros)	31 December 2010	31 December 2009
Warranties (1)	804	841
Claims and litigation	446	373
Restructuring plans	249	359
Long-term contract losses (2)	366	157
Sales with a buyback commitment	117	189
Other	482	480
TOTAL	**2,464**	**2,399**

(1) 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. The amount expected to be recovered from suppliers is recognised as an asset, under "Miscellaneous other receivables" (note 23).

(2) Provisions for long-term contract losses at 31 December 2010 include €272 million (€94 million at 31 December 2009) related to onerous contracts. The net increase in these provisions in 2010 reflects provision charges of €230 million (€116 million in 2009) less reversals of €52 million (€22 million in 2009) to cover the actual costs incurred (see note 7.1).

B. Movements for the Year

(in million euros)	2010	2009
At 1 January	**2,399**	**2,080**
Movements taken to profit or loss		
Additions	1,434	1,568
Releases (utilisations)	(1,250)	(1,043)
Releases (unused provisions)	(295)	(259)
	(111)	**266**
Other movements		
Translation adjustment	53	45
Change in scope of consolidation and other	123	8
AT 31 DECEMBER	**2,464**	**2,399**

The observed decline in warranty costs, confirmed by past experience, led to the release of €214 million from warranty provisions in 2010 (€188 million in 2009).

Note 28 Pensions and Other Post-Employment Benefits

28.1. Supplementary Pensions and Retirement Bonuses

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. Payments under defined contribution plans are in full discharge of the Group's liability and are recognised as an expense for the year in which they are made. Payments under defined benefit plans concern primarily France and the United Kingdom.

In France, the existing defined benefit plans concern (i) the retirement bonuses provided for by collective bargaining agreements, (ii) the portion of the top-hat pension scheme for engineers and management personnel (cadres) that was not transferred to an external fund in 2002 and guarantees a defined level of pension benefit in the aggregate from all plans of up to 60% of the employee's final salary (currently covering 2,780 retired employees), and (iii) 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 covered 50 active employees and 18,400 retired employees at end-2010.

The members of the Group's management bodies are eligible to participate in the supplementary pension plan provided that: (i) they have sat on the Managing Board, Executive Committee, other management body or the Extended Management Committee for a specified minimum period; and (ii) they end their career with the Group. This top hat plan guarantees a defined level of pension benefit in the aggregate for all plans (statutory and supplementary) equal to up to 50% of a benchmark salary, taken to be the three highest annual salaries received over the last five years of employment. Under this plan, benefits may be paid over to the executive's spouse or partner.

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 2010, 22,450 people were covered by these plans, including 1,350 active employees, 9,200 former employees and 11,900 retired employees. The plans guarantee a defined level of pension benefit representing 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; and
- a supplementary defined benefit plan based on salary band C.

B. Assumptions

The assumptions used to calculate the Group's projected benefit obligation for the last two years are as follows:

	Euro zone	United Kingdom
Discount rate		
2010	**4.70%**	**5.50%**
2009	5.00%	5.85%
Inflation rate		
2010	**2.00%**	**3.35%**
2009	2.00%	3.50%
Expected return on external funds		
2010	**5.25%**	**5.50%**
2009	5.25%	6.00%

At each period-end, the discount rate is determined based on the most representative returns on high quality corporate bonds with a life that approximates the duration of the benefit obligation.

Prime corporate bonds are defined as corporate bonds awarded one of the two highest 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 1.0% in 2010, and inflation plus 0.5% for subsequent years. The assumption for UK plans is based on inflation plus 1.5%.

Mortality and staff turnover assumptions are based on the specific economic conditions of each host country.

In the United Kingdom, new assumptions were used to calculate pension obligations in 2010. The changes concerned the index used to calculate the inflation rate, the mortality table and pension reversion statistics. The effect of these changes was a €125 million reduction in the projected benefit obligation.

Sensitivity of assumptions: a 0.25-point increase or decrease in the actuarial rate (discount rate less inflation rate) would lead to an increase or decrease in the projected benefit obligation of 2.2% for French plans and 3.8% for UK plans.

The expected return on external funds is estimated based on asset allocation, the period remaining before the benefits become payable and experience-based yield projections.

A 1-point increase or decrease in the expected return on external funds would lead to an increase or decrease in the investment income recognised in 2010 of €12 million for French plans and €12 million for UK plans.

C. External Funds

The breakdown of external funds intended to cover these obligations is as follows:

	31 December 2010		31 December 2009	
	Equities	Bonds	Equities	Bonds
France	34%	66%	35%	65%
United Kingdom	48%	52%	54%	46%

The actual return on external funds in 2010 was 1.95% for French plans and 12.5% for UK plans. In France, equity funds consist of tracker funds based on the DJ Eurostoxx index. Until October 2010, bond funds were invested solely in prime European Union government bonds, but since November 2010, around 20% of the government bonds have been sold and replaced by European corporate bonds rated A- or higher, to diversify the funds' exposure.

In the UK, two-thirds of the equity portfolio is invested in funds that track the main UK, European, US and Japanese stock market indices and one-third is invested in UK stocks that are actively managed. Bond funds in the UK track the main sterling-denominated government and corporate bond indices. In May 2010, an agreement was signed with the plan trustees to reduce the funds' volatility by reducing the equity weighting to 45%.

In France, at 31 December 2010, the Group had not decided the amount of contributions to be paid to external funds in 2011.

In 2009, €35 million was contributed to external funds for the top-hat pension plan for Peugeot S.A. senior executives. No contribution was paid in 2010.

In the United Kingdom, new pensions legislation was introduced in 2008 requiring companies to change the method used to calculate annual employer contributions. In line with the new legislation, the Group adjusted its 2008 and 2009 contributions to the main defined benefit plan and its 2009 contributions to the other two defined benefit plans. Adjusted contributions for 2010 amounted to £111 million. Contributions payable in 2011 are estimated at £101 million before taking into account the results of current negotiations with the trustees of the main plan concerning the level of financing for that year.

D. Movement for the Year

Excluding Minimum Funding Requirement (IFRIC 14)

(in million euros)	2010 France	2010 United Kingdom	2010 Other	2010 TOTAL	2009 France	2009 United Kingdom	2009 Other	2009 TOTAL
Present value of projected benefit obligation								
At 1 January	**(1,594)**	**(1,441)**	**(479)**	**(3,514)**	**(1,563)**	**(1,212)**	**(453)**	**(3,228)**
Service cost	(44)	(13)	(10)	(67)	(43)	(11)	(10)	(64)
Interest cost	(80)	(88)	(22)	(190)	(85)	(79)	(25)	(189)
Benefit payments for the year	112	56	28	196	125	52	25	202
Unrecognised actuarial gains and (losses):								
• *amount*	*12*	*81*	*(26)*	*67*	*(87)*	*(94)*	*(16)*	*(197)*
• *as a % of projected benefit obligation*	*0.8%*	*5.6%*	*5.4%*	*1.9%*	*5.6%*	*7.8%*	*3.5%*	*6.1%*
Past service cost	(71)	-	-	(71)	(4)	-	-	(4)
Translation adjustment	-	(73)	1	(72)	-	(97)	1	(96)
Effect of changes in scope of consolidation and other	-	-	(27)	(27)	-	-	(1)	(1)
Effect of curtailments and settlements	16	-	52	68	63	-	-	63
AT 31 DECEMBER	**(1,649)**	**(1,478)**	**(483)**	**(3,610)**	**(1,594)**	**(1,441)**	**(479)**	**(3,514)**
External funds								
At 1 January	**1,242**	**1,223**	**226**	**2,691**	**1,242**	**943**	**224**	**2,409**
Expected return on external funds	61	73	15	149	61	64	9	134
Unrecognised actuarial gains and (losses):								
• *amount*	*(28)*	*99*	*(3)*	*68*	*11*	*78*	*(5)*	*84*
• *as a % of external funds*	*2.3%*	*8.1%*	*1.3%*	*2.5%*	*0.9%*	*8.3%*	*2.2%*	*3.5%*
Translation adjustment	-	62	(4)	58	-	74	-	74
Employer contributions	9	132	18	159	49	115	13	177
Benefit payments for the year	(111)	(56)	(23)	(190)	(121)	(51)	(15)	(187)
Effect of changes in scope of consolidation and other	-	-	9	9	-	-		-
Effect of curtailments and settlements	-	-	(42)	(42)	-	-		-
AT 31 DECEMBER	**1,173**	**1,533**	**196**	**2,902**	**1,242**	**1,223**	**226**	**2,691**
Deferred items								
At 1 January	**169**	**62**	**(11)**	**220**	**110**	**43**	**(31)**	**122**
Deferred items arising in the year	87	(180)	29	(64)	80	16	21	117
Amortisation of unrecognised deferred items	(6)	-	(2)	(8)	(12)	-	(1)	(13)
• *actuarial gains and losses*	*(4)*	-	*(2)*	*(6)*	*(5)*	-	*(1)*	*(6)*
• *past service cost*	*(2)*	-	-	*(2)*	*(7)*	-	-	*(7)*
Translation adjustments and other	-	3	(1)	2	-	3	-	3
Effect of curtailments and settlements	(7)	-	3	(4)	(9)	-	-	(9)
AT 31 DECEMBER	**243**	**(115)**	**18**	**146**	**169**	**62**	**(11)**	**220**

Minimum Funding Requirement Liability (IFRIC 14)

	2010				2009			
(in million euros)	France	United Kingdom	Other	TOTAL	France	United Kingdom	Other	TOTAL
At 1 January	**-**	**(194)**	**-**	**(194)**	**-**	**(25)**	**-**	**(25)**
Charge for the year	-	-	-	-	-	(169)	-	(169)
Reversal for the year	-	204	-	204	-	-	-	-
Translation adjustment	-	(10)	-	(10)	-	-	-	-
AT 31 DECEMBER	**-**	**-**	**-**	**-**	**-**	**(194)**	**-**	**(194)**

The minimum funding requirement liability recognised in accordance with IFRIC 14 was released to the income statement in 2010 (see note 7.6).

E. Reconciliation of Pension Assets and Liabilities Shown in the Balance Sheet

	31 December 2010				31 December 2009			
(in million euros)	France	United Kingdom	Other	TOTAL	France	United Kingdom	Other	TOTAL
Projected benefit obligation	**(1,649)**	**(1,478)**	**(483)**	**(3,610)**	**(1,594)**	**(1,441)**	**(479)**	**(3,514)**
Fair value of external funds	1,173	1,533	196	2,902	1,242	1,223	226	2,691
Plan surplus (deficit)	**(476)**	**55**	**(287)**	**(708)**	**(352)**	**(218)**	**(253)**	**(823)**
Unrecognised net actuarial (gains) and losses	168	(115)	18	71	163	62	(11)	214
Unrecognised past service cost	75	-	-	75	6	-	-	6
Net (liability) asset before minimum funding requirement	**(233)**	**(60)**	**(269)**	**(562)**	**(183)**	**(156)**	**(264)**	**(603)**
Minimum funding requirement liability	-	-	-	-	-	(194)	-	(194)
NET (LIABILITY) ASSET RECOGNISED IN THE BALANCE SHEET	**(233)**	**(60)**	**(269)**	**(562)**	**(183)**	**(350)**	**(264)**	**(797)**
Of which, liability	(235)	(60)	(269)	(564)	(196)	(350)	(264)	(810)
Of which, asset	2	-	-	2	13	-	-	13
Of which, unfunded plans	*1.2%*	*0.0%*	*20.8%*	*3.3%*	*1.2%*	*0.0%*	*19.0%*	*3.1%*

The projected benefit obligation of French companies includes benefit obligations towards members of the managing bodies (described in note 39), in an amount of €32 million for supplementary pension benefits and €1 million for retirement bonuses. The service cost related to these two plans amounted to €6 million for 2010.

France's 2010 Social Security Financing Act was published in the *Journal Officiel* on 27 December 2009. The main measures affecting the Group's pension obligations concern the top-hat plan for members of the Group's management bodies. Effective from 1 January 2010, the 6% tax on contributions to this plan rose to 12% and, for pensions claimed on or after 1 January 2010, an additional 30% tax is payable on the total amount of pension benefits that exceed eight times the ceiling for Social Security contributions. These new measures were taken into account in the calculation of pension obligations at 31 December 2009. In line with the principle of applying accounting methods consistently from one year to the next, the resulting €7 million increase in the projected benefit obligation was treated as an actuarial loss in the same way as the effects of all previous pension reforms ("Fillon Acts").

The Pensions Reform Act was enacted by the President of the Republic and published in the Journal Officiel on 10 November 2010. The new legislation provides for a gradual rise in the retirement age from 60 currently to 62 in 2018. Its application by the Group has led to a €24 million reduction in the projected benefit obligation under the retirement bonus plan. The decrease has been treated as an actuarial gain in the same way as the gains and losses arising from all previous changes in the law affecting the actuarial assumptions used to calculate the projected benefit obligation (such as the 2003 Fillon Act and the 2007 and 2008 Social Security Financing Acts).

The 21 June 2010 industry-level agreements amending the 1970 agreement introducing monthly salary payments for non-management employees and the 1972 collective bargaining agreement applicable to engineers and managers are applicable from 30 July 2010. These new agreements align the retirement bonus rights for both managers and non-management employees under the applicable collective bargaining agreement. The €71 million increase in the projected benefit obligation under the retirement bonus plan resulting from this amendment has been treated as the effect of a plan amendment and reported under "past service cost". The portion of the increase corresponding to additional rights that vested on the amendment date has been recognised immediately, while the portion corresponding to rights not yet acquired is being recognised in profit or loss on a straight-line basis over the remaining acquisition period.

In the United Kingdom, certain changes in actuarial assumptions had a €125 million positive impact on the projected benefit obligation (see note 28.B), more than offsetting the €48 million negative impact of other changes. In addition, the return on external funds was higher than expected and experience adjustments for the year were favourable. As a result, the UK plan had a surplus of €55 million at 31 December 2010. This helps to explain the swing in actuarial gains and losses to a net loss of €115 million in 2010 versus a net gain of €62 million in 2009.

HISTORICAL DATA

(in million euros)	2010	2009	2008	2007
Projected benefit obligation	**(3,610)**	**(3,514)**	**(3,228)**	**(3,768)**
Fair value of external funds	**2,902**	**2,691**	**2,409**	**3,023**
Plan surplus (deficit)	**(708)**	**(823)**	**(819)**	**(745)**
Experience adjustments				
• France	50	(18)	(22)	41
• *as a % of projected benefit obligation*	*3.0%*	*1.1%*	*1.4%*	*2.5%*
• United Kingdom	13	4	(6)	29
• *as a % of projected benefit obligation*	*0.9%*	*0.3%*	*0.5%*	*1.7%*
• Other	1	7	3	7
• *as a % of projected benefit obligation*	*0.2%*	*1.5%*	*0.7%*	*1.5%*
TOTAL EXPERIENCE ADJUSTMENTS TO PROJECTED BENEFIT OBLIGATIONS	**64**	**(7)**	**(25)**	**77**

F. Pension Expense Recognised in the Income Statement

These expenses are recorded as follows:

- service cost and amortisation of deferred items are recorded under "Selling, general and administrative expenses";
- interest cost and the expected return on external funds are recorded under "Financial expenses" and "Financial income" respectively;
- the impact of restructuring operations and changes in the minimum funding requirement liability recognised in accordance with IFRIC 14 (see note 1.9) are reported under "Other non-recurring operating income" or "Other non-recurring operating expenses".

Pension expense breaks down as follows:

	2010				2009			
(in million euros)	France	United Kingdom	Other	TOTAL	France	United Kingdom	Other	TOTAL
Service cost	(44)	(13)	(10)	(67)	(43)	(11)	(10)	(64)
Amortisation of deferred items	(6)	-	(2)	(8)	(12)	-	(1)	(13)
• *actuarial gains and losses*	*(4)*	-	*(2)*	*(6)*	*(5)*	-	*(1)*	*(6)*
• *past service cost*	*(2)*	-	-	*(2)*	*(7)*	-	-	*(7)*
Interest cost	(80)	(88)	(22)	(190)	(85)	(79)	(25)	(189)
Expected return on external funds	61	73	15	149	61	64	9	134
Effect of curtailments and settlements [1]	9	-	13	22	54	-	-	54
Total (before minimum funding requirement liability)	**(60)**	**(28)**	**(6)**	**(94)**	**(25)**	**(26)**	**(27)**	**(78)**
Change in minimum funding requirement liability (IFRIC 14)	-	204	-	204	-	(167)	-	(167)
TOTAL	**(60)**	**176**	**(6)**	**110**	**(25)**	**(193)**	**(27)**	**(245)**

(1) Effect of curtailments and settlements.

The workforce streamlining measures introduced at the end of 2008 and extended in 2009, and the new measures introduced in 2010 (see note 7.4) led to further pension obligations towards employees who volunteered to leave the Group (to pursue personal projects or retrain in new skills) being reversed for an amount of €15 million (€49 million in 2009).

In addition, based on actual departures, a total of €12 million (provided for in full at 31 December 2009) was paid to employees who volunteered to leave the Group under the plan (to pursue personal projects or retrain in new skills), to compensate for their loss of certain supplementary pension rights that had been funded in 2002 through the payment of a single premium to an insurance company. The corresponding funding of €12 million, that was no longer required due to the cancellation of these rights, was transferred by the insurance company to a contract covering retirement bonuses payable to Group employees.

An additional €1 million was recorded in respect of the 2010 plan.

G. Projected Benefit Payments in 2011

Pension benefits payable in 2011 are estimated at €176 million.

28.2. Long-Service Awards

The Group estimates its liability for long-service awards payable to employees who fulfil certain seniority criteria, notably in France. The calculations are performed using the same method and assumptions as for supplementary pension benefits and retirement bonuses (see note 28.1.B above). The estimated liability is provided for in full in the consolidated financial statements and breaks down as follows:

(in million euros)	31 December 2010	31 December 2009
French companies	58	44
Foreign companies	10	19
TOTAL	**68**	**63**

28.3. Healthcare Benefits

In addition to the pension obligations described above, some Faurecia group companies, mainly in the United States, pay the healthcare costs of retired employees. The related obligation is provided for in full in the consolidated financial statements as follows:

(in million euros)	31 December 2010	31 December 2009
	33	27

Note 29 Current and Non-Current Financial Liabilities – Manufacturing and Sales Companies

The recognition and measurement principles applicable to borrowings and other financial liabilities, excluding derivatives, are described in note 1.15.C. Derivatives are accounted for as set out in note 1.15.D.

	31 December 2010 Amortised cost or fair value		31 December 2009 Amortised cost or fair value	
(in million euros)	Non-current	Current	Non-current	Current
Convertible bonds (1)	657	23	633	13
Bonds	2,967	1,373	3,030	71
Employee profit-sharing fund	17	5	20	7
Finance lease liabilities	295	254	362	149
Other long-term borrowings	4,311	421	5,200	223
Other short-term financing and overdraft facilities	-	1,130	-	1,198
Derivative instruments	12	7	23	9
TOTAL FINANCIAL LIABILITIES	**8,259**	**3,213**	**9,268**	**1,670**

(1) The amortised cost of OCEANE convertible bonds excludes the embedded conversion option which is recognised in equity.

29.1. Refinancing Transactions

In 2010, the Group kept up its proactive refinancing strategy and conservative liquidity policy, in order to meet its general financing needs, particularly the financing of current and future growth projects. This strategy enabled the Group to refinance its 2011 debt maturities on favourable terms. The refinancing transactions have extended the average life of Group debt while also lowering average borrowing costs.

The Group also rolled over its €2,400 million undrawn line of credit (see note 36.2).

The main refinancing transactions carried out during 2009 and 2010 are described below.

Peugeot S.A. Convertible Bond Issue (OCEANE)

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 due 1 January 2016 were issued at a price of €25.10 per bond and pay interest at an annual nominal rate of 4.45%. They are convertible at any time from 1 July 2009 at the bond holders' discretion on the basis of one share per bond. At 31 December 2010, 1,191 bonds had been converted. They may be redeemed by Peugeot S.A. on or after 1 January 2013 at par plus accrued interest if the Peugeot S.A. share price exceeds 1.3 times the bonds' face value.

In accordance with the principles presented in note 1.15.C, the debt and equity components of the bonds were recorded separately, as follows:

- the debt component was accounted for at amortised cost for an amount of €441 million, net of the allocated portion of issue costs;
- the conversion option was recorded in equity for an amount of €125 million net of the allocated portion of issue costs. The net of tax impact on equity was €82 million.

At 31 December 2010, the debt component amounted to €465 million.

Faurecia Convertible Bond Issue (OCEANE)

On 26 November 2009, Faurecia issued €211 million worth of OCEANE bonds convertible or exchangeable for new or existing shares. The 11,306,058 bonds due 1 January 2015 were issued at a price of €18.69 per bond and pay interest at an annual nominal rate of 4.50%. They are convertible at any time from 26 November 2009 at the bond holders' discretion on the basis of one share per bond. At 31 December 2010, no bonds had been converted. The bonds may also be redeemed by Faurecia on or after 15 January 2013 at par plus accrued interest if the Faurecia share price exceeds 1.3 times the bonds' face value.

In accordance with the principles presented in note 1.15.C, the debt and equity components of the bonds were recorded separately as follows:

- the debt component was accounted for at amortised cost for an amount of €184 million, net of the allocated portion of issue costs;
- the conversion option was recorded in equity for an amount of €23 million net of the allocated portion of issue costs.

The equity component was allocated between equity holders of the parent and minority interests in line with Peugeot S.A.'s percentage interest in Faurecia.

At 31 December 2010, the debt component amounted to €192 million.

Peugeot S.A. Bond Issues

On 10 July 2009, Peugeot S.A. issued €750 million worth of 5-year 8.38% bonds, to strengthen the Group's cash position and extend the average life of its debt.

On 21 June 2010, Peugeot S.A. launched a €500 million 5.63% bond issue due June 2015, the proceeds of which were used mainly to finance the buyback of 10-year bonds due September 2011.

On 21 October 2010, Peugeot S.A. placed a €500 million 4% 3-year bond issue due October 2013 and a €500 million 5% 6-year bond issue due October 2016. The issues helped to lower the Group's average borrowing costs and to spread its debt maturities more evenly, while also creating an opportunity to optimise the balance sheet structure.

Bond Buybacks

On 21 June 2010, PSA Peugeot Citroën launched an offer to buy back €245 million worth of ten-year bonds (nominal amount) due September 2011. The total buyback price, including accrued interest and the redemption premium, amounted to €264 million and was paid to bond holders on 6 July. The net gain from the buyback amounted to €3 million and was recorded as a deduction from finance costs.

Partial Repayment of the State Loan

In March 2009, Peugeot S.A. obtained a €3 billion 5-year loan from the French State. The funds were released at the end of April 2009. Initially set at a fixed 6%, the interest rate may be increased by the addition of a variable rate indexed to the Group's earnings, but will not exceed 9%.

The loan is repayable in full on the fifth anniversary of the date when the funds were released. Originally, it could be repaid in part or in full at the Group's discretion at any time as from the end of April 2011, but in September 2010 an addendum to the loan agreement was signed allowing for the repayment of €1 billion on 10 September 2010. This early repayment had the effect of reducing finance costs for 2010 by €37 million.

EIB Loans

In April 2009, Peugeot Citroën Automobiles S.A. obtained a €400 million 4-year bullet loan from the European Investment Bank (EIB). Interest on the loan is based on the 3-month Euribor plus 179 bps. Like other EIB loans, this loan is dependent on the Group carrying out the projects being financed and requires the Group to pledge a minimum amount of financial assets. At 31 December 2010, some Faurecia shares and government bonds were used by Peugeot S.A. as collateral for the loan.

The loan is at a reduced rate of interest. It has therefore been recognised at a market rate estimated at 5.90%, in accordance with the principles presented in note 1.15.C. The amortised cost of the loan at inception amounted to €362 million and the subsidy represented by the reduced rate of interest amounted to €38 million.

On 15 July 2010, Peugeot Citroën Automobiles S.A. obtained a €200 million loan due July 2017 with early repayment possible from July 2013. This loan is intended to finance part of the Group's research and development expenditure for a new vehicle project.

This new loan is also at a reduced rate of interest and has been recognised at a market rate estimated at 4.51%. The amortised cost of the loan at inception amounted to €188 million and the subsidy represented by the reduced rate of interest amounted to €12 million.

Faurecia Syndicated Credit Facility

Faurecia has a €1,170 million syndicated credit facility divided into three tranches, one for €20 million expiring in November 2011, one for €565 million originally expiring in November 2012 but extended during the year until November 2013 following exercise of the banks' extension option, and one for €585 million expiring in November 2013.

Other Refinancing Transactions Carried out by Faurecia

In 2009, Faurecia signed a credit facility with a syndicate of French banks for an amount of €205 million. Expiring in January 2011, the facility included the same covenants based on Faurecia's consolidated financial ratios as the syndicated credit facility (see note 35.1.F). It was repaid in full in August 2010.

29.2. Characteristics of Bonds and Other Borrowings

	31 December 2010			
(in million euros)	Non-current	Current	Issuing currency	Due
Manufacturing and sales companies (excl. Faurecia)				
2009 convertible bond issue – €575 million	465	13	EUR	Q1/2016
Faurecia				
2009 convertible bond issue – €211 million	192	10	EUR	Q1/2015
TOTAL CONVERTIBLE BOND ISSUES	**657**	**23**		
Manufacturing and sales companies (excl. Faurecia)				
2001 bond issue – €1,255 million	-	1,311	EUR	Q3/2011
2003 bond issue – €600 million	738	10	EUR	Q3/2033
2009 bond issue – €750 million	742	29	EUR	Q3/2014
2010 bond issue – €500 million	496	14	EUR	Q2/2015
2010 bond issue – €500 million	496	4	EUR	Q4/2013
2010 bond issue – €500 million	495	5	EUR	Q4/2016
Faurecia				
TOTAL BOND ISSUES	**2,967**	**1,373**		
Manufacturing and sales companies (excl. Faurecia) – euro-denominated loans				
2009 French State loan – €2,000 million	2,073	107	EUR	Q2/2014
EIB loan (1) – €400 million	377	2	EUR	Q2/2013
EIB loan (1) – €125 million	-	125	EUR	Q4/2011
EIB loan (1) – €250 million	250	-	EUR	Q4/2014
EIB loan (1) – €200 million	190	2	EUR	Q3/2017
FDES zero coupon debt (1)	24	-	EUR	Q1/2020
Borrowings – Spain	114	6	EUR	2011 to 2025
Manufacturing and sales companies (excl. Faurecia) – foreign currency loans				
Other borrowings	557	126	nc	nc
Faurecia				
Syndicated loan – France (2)	-	20	EUR	Q4/2011
Syndicated loan – France (2)	-	-	EUR	Q4/2013
Syndicated loan – France (2)	645	-	EUR	Q4/2013
Other borrowings	81	33	EUR	nc
TOTAL OTHER LONG-TERM BORROWINGS	**4,311**	**421**		

(1) EIB: European Investment Bank; FDES: French social and economic development fund.

(2) These contracts contain covenants based on financial ratios (see note 35.1.F).

29.3. Characteristics of Other Short-Term Financing and Overdraft Facilities

(in million euros)	Issuring currency	31 December 2010	31 December 2009
Commercial paper	EUR	252	199
Short-term loans	N/A	535	582
Bank overdrafts	N/A	318	391
Payments issued (1)	N/A	25	26
TOTAL		**1,130**	**1,198**

(1) This item corresponds to payments issued but not yet debited on bank statements as the due date was not a business day for the banks. It is offset by an increase in cash and cash equivalents for the same amount.

29.4. 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)	31/12/2010	31/12/2009
2010	-	175
2011	274	99
2012	68	76
2013	45	64
2014	32	54
2015	33	20
Subsequent years	155	72
	607	**560**
Less interest portion	(58)	(49)
PRESENT VALUE OF FUTURE LEASE PAYMENTS	**549**	**511**

29.5. Sales of Receivables

Faurecia meets part of its financing needs by selling receivables to non-Group financial institutions (see note 22). The Automotive Division subsidiaries also use this financing method. At 31 December 2010, the financial resource corresponding to the proceeds from these receivables sales amounted to €413 million (€204 million at 31 December 2009).

	31 December 2010			31 December 2009		
(in million euros)	Total receivables sold to non-Group financial institutions	Portion not derecognised	Portion derecognised	Total receivables sold to non-Group financial institutions	Portion not derecognised	Portion derecognised
Maximum authorised facilities	**1,117**			**633**		
• *of which Faurecia group*	*747*			*591*		
Receivables sold to non-Group financial institutions	**464**	**162**	**302**	**245**	**129**	**116**
• *of which Faurecia group*	*334*	*153*	*181*	*228*	*129*	*99*
Financed portion	**413**	**111**	**302**	**204**	**88**	**116**
• *of which Faurecia group*	*292*	*111*	*181*	*187*	*88*	*99*
Portion not financed (including guarantee deposit)	**51**	**51**		**41**	**41**	
• *of which Faurecia group*	*42*	*42*		*41*	*41*	

Note 30 Other Non-Current Liabilities

(in million euros)	31 December 2010	31 December 2009
Liabilities related to vehicles sold with a buyback commitment	2,766	2,543
Other long term debt	6	9
TOTAL	**2,772**	**2,552**

Note 31 Financing Liabilities – Finance Companies

Financing liabilities are accounted for as described in note 1.15.C.

(in million euros)	31 December 2010	31 December 2009
Bonds issued by securitisation funds (note 31.1)	3,381	3,841
Other bond debt	413	413
Other debt securities (note 31.2)	11,238	9,105
Bank borrowings (note 31.3)	6,280	7,288
	21,312	**20,647**
Customer deposits	392	414
	21,704	**21,061**
Amounts due to Group manufacturing and sales companies	*(152)*	*(206)*
TOTAL	**21,552**	**20,855**

31.1. Bonds Issued by Securitisation Funds

Banque PSA Finance derives part of its financing from securitisation transactions, mainly involving pools of automotive loans. The new securitisation transactions carried out in 2010 with external investors (in Brazil in April and in Germany in November) are described in note 19 "Loans and receivables – Finance companies".

The transactions are reported under "Bonds issued by securitisation funds" for €3,381 million at 31 December 2010 (€3,841 million at 31 December 2009) and under "Bank borrowings" for €650 million (€650 million at 31 December 2009).

31.2. Other Debt Securities

"Other debt securities" include mainly EMTN/BMTNs for €6,828 million (€5,409 million at 31 December 2009) and commercial paper for €4,086 million (€3,434 million at 31 December 2009).

In 2010, Banque PSA Finance continued to diversify its financing sources, in line with the strategy followed in prior years. It took advantage of strong investor demand in the fixed income markets to carry out the following EMTN issues:

- in January 2010, €750 million 3.875% issue due January 2013;
- in February 2010, €250 million issue due August 2011 at the 3-month Euribor +140 bps;
- in March 2010, €750 million 3.625% issue, due September 2013;
- in April 2010, €500 million 3.625% issue due April 2014;
- in July 2010, €500 million 4.00% issue, due July 2013;
- in September 2010, €600 million 3.50% issue due January 2014;
- in November 2010, €750 million 3.25% issue due November 2012;

In all, Banque PSA Finance raised over €4,100 million in the EMTN market during 2010.

The bank also carried out a number of EMTN issues in 2009:

- in May 2009, €750 million 8.50% issue due May 2012 and €750 million 6.375% issue due November 2010;
- in September 2009, €500 million 3.75% issue due March 2011;
- in October 2009, €750 million 3.625% issue due October 2011.

31.3. Bank Borrowings

In April 2009, Banque PSA Finance's Spanish branch carried out a securitisation transaction (see note 19).

The preferred bonds issued by the securitisation fund and purchased by Banque PSA Finance were sold under the European Central Bank's repo programme, raising €650 million, net of the haircut at 31 December 2010 (€650 million at 31 Deccember 2009).

Other Refinancing Transactions

In 2010, Banque PSA Finance obtained bilateral confirmed lines of credit for a total of some €2 billion including back-up facilities. The back-up facilities were drawn down in the amount of €1,183 million at 31 December 2010. The undrawn portion corresponds to long-term financing commitments received from banks.

In 2009, Banque PSA Finance obtained a €1,510 million syndicated line of credit from a pool of banks expiring in July 2011, and a new €1,755 million 3 1/2 year syndicated line of credit.

Also in 2009, Banque PSA Finance's Spanish branch obtained a €174 million 5-year loan from *Instituto de Crédito Oficial* (ICO) under the VIVE (*Véhiculo Innovador Véhiculo Electrico*) plan to promote the development of electric vehicles.

31.4. Analysis by Maturity

31 December 2010 *(in million euros)*	Securities issued by securitisation funds	Other bond debt	Other debt securities	Bank borrowings	TOTAL
Less than 3 months	402	-	4,353	3,181	7,936
3 months to 1 year	893	-	1,789	829	3,511
1 to 5 years	1,811	413	5,096	2,270	9,590
Beyond 5 years	275	-	-	-	275
TOTAL	**3,381**	**413**	**11,238**	**6,280**	**21,312**

31 December 2009 *(in million euros)*	Securities issued by securitisation funds	Other bond debt	Other debt securities	Bank borrowings	TOTAL
Less than 3 months	224	-	3,736	2,997	6,957
3 months to 1 year	1,019	-	2,582	1,999	5,600
1 to 5 years	2,598	413	2,787	2,118	7,916
Beyond 5 years	-	-	-	174	174
TOTAL	**3,841**	**413**	**9,105**	**7,288**	**20,647**

31.5. Analysis by Repayment Currency

All bonds are repayable in euros. Other financial liabilities can be analysed as follows by repayment currency:

	31 December 2010		31 December 2009	
(in million euros)	Other debt securities	Bank borrowings	Other debt securities	Bank borrowings
EUR	14,324	4,900	13,239	5,769
GBP	-	775	-	658
JPY	46	-	30	-
BRL	649	336	90	665
CHF	-	12	-	76
CZK	-	83	-	2
Other	13	174	-	118
TOTAL	**15,032**	**6,280**	**13,359**	**7,288**

Note 32 Other Payables

32.1. Manufacturing and Sales Companies

(in million euros)	31 December 2010	31 December 2009
Taxes payable other than income taxes	878	661
Personnel-related payables	1,010	860
Payroll taxes	469	476
Payable on fixed asset purchases	185	180
Customer prepayments	564	515
Derivative instruments (1)	66	43
Deferred income	356	348
Miscellaneous other payables	409	411
TOTAL	**3,937**	**3,494**

(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 35, "Management of market risks".

32.2. Finance Companies

(in million euros)	31 December 2010	31 December 2009
Personnel-related payables and payroll taxes	91	76
Derivative instruments (1)	235	426
Deferred income and accrued expenses	358	453
Miscellaneous other payables	328	234
TOTAL	**1,012**	**1,189**

(1) This item corresponds to the fair value of instruments purchased by the Group to hedge interest rate risks on finance receivables and financing liabilities. These instruments are analysed by maturity in note 35, "Management of market risks".

Note 33 Notes to the Consolidated Statements of Cash Flows

33.1. Analysis of Net Cash and Cash Equivalents Reported in the Statements of Cash Flows

(in million euros)	31 December 2010	31 December 2009
Cash and cash equivalents (note 25.1)	9,278	7,843
Payments issued (note 29.3)	(25)	(26)
Net cash and cash equivalents – manufacturing and sales companies	**9,253**	**7,817**
Net cash and cash equivalents – finance companies (note 25.2)	**1,316**	**1,289**
Elimination of intragroup transactions	*(127)*	*(115)*
TOTAL	**10,442**	**8,991**

33.2. Analysis of the Change in Working Capital

A. Manufacturing and Sales Companies

(in million euros)	2010	2009
(Increase) decrease in inventories	(281)	2,488
(Increase) decrease in trade receivables [(1)]	138	169
Increase (decrease) in trade payables	677	(23)
Change in income taxes	(68)	49
Other changes	51	(67)
	517	**2,616**
Net cash flows with Group finance companies	*(11)*	*210*
TOTAL	**506**	**2,826**

(1) Including a €186 million decrease in receivables related to sales of receivables to non-Group financial institutions (see note 22).

B. Finance Companies

(in million euros)	2010	2009
(Increase) decrease in finance receivables	(527)	235
(Increase) decrease in short-term investments	79	475
Increase (decrease) in financing liabilities	(342)	(1,264)
Change in income taxes	30	11
Other changes	564	284
	(196)	**(259)**
Net cash flows with Group manufacturing and sales companies	*128*	*(339)*
TOTAL	**(68)**	**(598)**

33.3. Analysis of the Change in Working Capital Items – Manufacturing and Sales Companies

	2010						
(in million euros)	At 1 January	Cash flows from operating activities	Cash flows from investing activities	Change in scope of consolidation and other	Translation adjustment	Revaluations taken to equity	At 31 December
Inventories	(5,360)	(281)	-	(192)	(114)	-	(5,947)
Trade receivables [(1)]	(1,855)	138	-	(272)	(62)	-	(2,051)
Trade payables	8,424	677	-	315	155	-	9,571
Income taxes	(50)	(68)	-	14	(6)	-	(110)
Other receivables	(1,665)	(186)	(15)	(22)	(50)	(21)	(1,959)
Other payables	3,494	282	(4)	115	56	(6)	3,937
	2,988	**562**	**(19)**	**(42)**	**(21)**	**(27)**	**3,441**
Net cash flows with Group finance companies	*113*	*(77)*	-	*66*	*6*	-	*108*
TOTAL	**3,101**	**485**	**(19)**	**24**	**(15)**	**(27)**	**3,549**

(1) Including a €186 million decrease in receivables related to sales of receivables to non-Group financial institutions (see note 22).

The 2010 change in working capital in the consolidated statement of cash flows (€517 million) corresponds to cash flows from operating activities (€562 million) less exchange differences (€45 milion) that do not have any impact on the statement of cash flows.

Cash flows from operating activities of the manufacturing and sales companies	**562**
Exchange differences	(45)
CHANGE IN WORKING CAPITAL IN THE STATEMENT OF CASH FLOWS	**517**

	2009						
(in million euros)	At 1 January	Cash flows from operating activities	Cash flows from investing activities	Change in scope of consolidation and other	Translation adjustment	Revaluations taken to equity	At 31 December
Inventories	(7,757)	2,488	-	3	(94)	-	(5,360)
Trade receivables [1]	(2,001)	169	-	(27)	4	-	(1,855)
Trade payables	8,428	(23)	-	(1)	20	-	8,424
Income taxes	(113)	49	-	-	14	-	(50)
Other receivables	(1,897)	229	-	41	(30)	(8)	(1,665)
Other payables	3,795	(245)	(114)	(2)	60	-	3,494
	455	**2,667**	**(114)**	**14**	**(26)**	**(8)**	**2,988**
Net cash flows with Group finance companies	*(97)*	*186*	*-*	*24*	*-*	*-*	*113*
TOTAL	**358**	**2,853**	**(114)**	**38**	**(26)**	**(8)**	**3,101**

(1) Including a €28 million decrease in receivables related to sales of receivables to non-Group financial institutions (see note 22).

The 2009 change in working capital in the consolidated statement of cash flows (€2,616 million) corresponds to cash flows from operating activities (€2,667 million) less the change in the ineffective portion of gain and losses on currency options (€17 million) and exchange differences (€35 million) that do not have any impact on the statement of cash flows.

Cash flows from operating activities of the manufacturing and sales companies	**2,667**
Change in the ineffective portion of gains and losses on currency options	(17)
Exchange differences	(35)
Other	1
CHANGE IN WORKING CAPITAL IN THE STATEMENT OF CASH FLOWS	**2,616**

33.4. Analysis of the Change In Other Financial Assets and Liabilities – Manufacturing and Sales Companies

(in million euros)	2010	2009
Increase in borrowings	1,978	5,191
Repayment of borrowings and conversion of bonds	(1,673)	(681)
(Increase) decrease in non-current financial assets	18	56
(Increase) decrease in current financial assets	25	249
Increase (decrease) in current financial liabilities	(111)	(250)
	237	**4,565**
Net cash flows with Group finance companies	*(129)*	*105*
TOTAL	**108**	**4,670**

33.5. Net Charges to Depreciation, Amortisation and Impairment in the Statement of Cash Flows

(in million euros)	2010	2009
Depreciation and amortisation expense (note 5.2)	(3,043)	(3,132)
Goodwill impairment (note 13.1)	-	-
Impairment of intangible assets (note 13.1)	-	(2)
Impairment of property, plant and equipment (note 14)	(7)	(72)
Negative goodwill recognised on a bargain purchase (note 7)	84	-
TOTAL	**(2,966)**	**(3,206)**

33.6. Other Cash Flows from Financing Activities

In 2010, the caption "Other" in the section of the statement of cash flows dealing with financing activities does not include any individually material items.

In 2009, it included the conversion option embedded in the Peugeot S.A. and Faurecia Oceane bonds for €125 million and €23 million respectively (see note 29.1), as well as minority interests in the Faurecia share issue described below.

In May 2009, Faurecia carried out a €455 million share issue for cash, underwritten by Peugeot S.A. in the amount of €322 million and by minority shareholders for €133 million. After the issue, Peugeot S.A.'s interest in Faurecia was unchanged at 70.86%. At the level of the PSA Peugeot Citroën Group, the issue led to an increase in cash and cash equivalents for an amount equal to the value of the shares purchased by minority shareholders and a corresponding increase in equity attributable to minority interests.

33.7. Interest Received and Paid by the Manufacturing and Sales Companies

(in million euros)	2010	2009
Interest received	81	68
Interest paid	(451)	(274)
NET INTEREST PAID	**(370)**	**(206)**

Note 34 Financial Instruments

A. Financial Instruments Reported in the Balance Sheet

	31 December 2010		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
Investments in non-consolidated companies	102	102	-	102	-	-	-
Other non-current financial assets	928	928	410	191	150	-	177
Other non-current assets	334	334	35	59	219	-	21
Loans and receivables – finance companies	23,338	23,154	-	-	23,338	-	-
Short-term investments – finance companies	707	707	707	-	-	-	-
Trade receivables – manufacturing and sales companies	1,876	1,876	-	-	1,876	-	-
Other receivables	2,577	2,577	-	-	2,296	-	281
Current financial assets	306	306	-	-	282	-	24
Cash and cash equivalents	10,467	10,467	10,467	-	-	-	-
ASSETS	**40,635**	**40,451**	**11,619**	**352**	**28,161**	**-**	**503**
Non-current financial liabilities [(1)]	8,259	8,747	-	-	31	8,216	12
Other non-current liabilities (note 30)	6	6	-	-	6	-	-
Financing liabilities – finance companies	21,552	21,623	-	-	-	21,552	-
Trade payables	9,561	9,561	-	-	9,561	-	-
Other payables	4,644	4,644	-	-	4,370	-	274
Current financial liabilities	3,213	3,190	-	-	-	3,206	7
LIABILITIES	**47,235**	**47,771**	**-**	**-**	**13,968**	**32,974**	**293**

(1) The fair values of the OCEANE convertible bonds issued by Peugeot S.A. (€760 million) and Faurecia (€274 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.

(in million euros)	31 December 2009 Carrying amount	Fair value	Analysis by class of instrument: Instruments at fair value through profit or loss	Available-for-sale financial assets	Loans, receivables and other liabilities	Borrowings at amortised cost	Derivative instruments
Investments in non-consolidated companies	55	55	-	55	-	-	-
Other non-current financial assets	857	857	319	217	129	-	192
Other non-current assets	269	269	33	57	179	-	-
Loans and receivables – finance companies	22,560	22,211	-	-	22,560	-	-
Short-term investments – finance companies	786	786	786	-	-	-	-
Trade receivables – manufacturing and sales companies	1,693	1,693	-	-	1,693	-	-
Other receivables	2,414	2,414	-	-	2,137	-	277
Current financial assets	284	284	25	-	229	-	30
Cash and cash equivalents	9,017	9,017	9,017	-	-	-	-
ASSETS	**37,935**	**37,586**	**10,180**	**329**	**26,927**	**-**	**499**
Non-current financial liabilities [1]	9,268	9,671	-	-	18	9,227	23
Other non-current liabilities (note 30)	9	9	-	-	9	-	-
Financing liabilities – finance companies	20,855	20,838	-	-	-	20,855	-
Trade payables	8,414	8,414	-	-	8,414	-	-
Other payables	4,421	4,421	-	-	3,968	-	453
Current financial liabilities	1,670	1,670	-	-	-	1,661	9
LIABILITIES	**44,637**	**45,023**	**-**	**-**	**12,409**	**31,743**	**485**

(1) The fair values of the OCEANE convertible bonds issued by Peugeot S.A. (€726 million) and Faurecia (€214 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.

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.

The main valuation methods at fair value applied are as follows:

Financial Assets Classified as "at Fair Value through Profit or Loss" and "Derivative Instruments"

- The fair value of cash and cash equivalents is equivalent to their carrying amount, in view of their short maturities.
- Other items recognised at fair value through profit or loss and derivative interest rate and currency hedging instruments are measured by using a valuation technique that benchmarks interbank rates (such as Euribor) and daily foreign exchange rates set by the European Central Bank. Derivative commodity hedging instruments are valued by external experts. All the financial instruments in this category are financial assets and liabilities designated at fair value through profit or loss on initial recognition in accordance with the criteria set out in note 1.15.

Financial Assets Classified as "Available for Sale"

- Investments in non-consolidated companies are stated at fair value in the balance sheet, in accordance with IAS 39 (note 1.15.B (2) (a)).
- For Other non-current financial assets classified as available-for-sale, fair value corresponds to their quoted market price at the balance sheet date (note 1.15.B (2) (b)).
- Other non-current assets classified as available-for-sale correspond to units in Fonds de Modernisation des Équipementiers Automobiles (FMEA). FMEA is a fund to support automotive equipment manufacturers set up at the French government's initiative under France's Automobile Industry Pact signed on 9 February 2009. The FMEA units are measured at fair value. This corresponds to their net asset value at the balance sheet date (note 1.15.B (2) (c)) which reflects the fair value of the investments held by the fund. In the first twelve months from the date of acquisition, the fair value of unlisted investments held by the fund is considered as being equal to their cost, as adjusted where appropriate for the effects of any unfavourable post-acquisition events. Beyond the first twelve months, their fair value will be adjusted where appropriate based on a valuation performed using the P/E method, and whenever any unfavourable events occur subsequent to the date of the fund manager's most recent estimate.

Financial Assets and Liabilities Classified as "Loans and Receivables" and "other Payables"

- "Loans and receivables – finance companies" are stated at amortised cost measured using the effective interest method, and are generally hedged against interest rate risks. The hedged portion is remeasured at fair value in accordance with hedge accounting principles, with the result that the margin is excluded from the remeasurement. The fair value presented above is estimated by discounting future cash flows at the rate applicable to similar loans granted at the balance sheet date.
- The fair value of "Trade receivables – manufacturing and sales companies", "Other receivables", "Trade payables" and "Other payables" is considered as being equivalent to carrying amount, after deducting accumulated impairment if any (note 1.17), due to their very short maturities.
- The fair value of other financial assets and liabilities classified in "Loans and receivables" and "Other receivables" also corresponds to carrying amount.

Financial Liabilities Classified as "at Amortised Cost"

- "Non-current financial liabilities", "Current financial liabilities" and "Financing liabilities" are stated at amortised cost measured using the effective interest method, and are generally hedged against interest rate risks. The hedged portion is remeasured at fair value in accordance with hedge accounting principles, with the result that the margin is excluded from the remeasurement. The fair value presented above is estimated by discounting future cash flows at the rate applicable to similar loans granted at the balance sheet date.

B. Information about Financial Assets and Liabilities Measured at Fair Value

	31 December 2010		
	Instruments recognised at fair value		
(in million euros)	Derivative instruments	Instruments at fair value through profit or loss	Available-for-sale financial assets
Level 1 fair value inputs: quoted market prices			
Investments in non-consolidated companies	-	-	-
Other non-current financial assets	-	237	191
Other non-current assets	-	-	-
Short-term investments – finance companies	-	-	-
Other receivables	-	-	-
Current financial assets	-	-	-
Cash and cash equivalents	-	5,796	-
Level 2 fair value inputs: based on observable market data			
Investments in non-consolidated companies	-	-	-
Other non-current financial assets	177	173	-
Other non-current assets	21	35	-
Short-term investments – finance companies	-	707	-
Other receivables	281	-	-
Current financial assets	24	-	-
Cash and cash equivalents (1)	-	4,671	-
Level 3 fair value inputs: not based on observable market data			
Investments in non-consolidated companies	-	-	102
Other non-current financial assets	-	-	-
Other non-current assets	-	-	59
Short-term investments – finance companies	-	-	-
Other receivables	-	-	-
Current financial assets	-	-	-
Cash and cash equivalents	-	-	-
TOTAL FINANCIAL ASSETS MEASURED AT FAIR VALUE	**503**	**11,619**	**352**

(1) Corresponding to traditional instruments for investing available cash such as certificates of deposit, commercial paper and money market notes.

	31 December 2009		
	Instruments recognised at fair value		
(in million euros)	Derivative instruments	Instruments at fair value through profit or loss	Available-for-sale financial assets
Level 1 fair value inputs: quoted market prices			
Investments in non-consolidated companies	-	-	-
Other non-current financial assets	-	192	217
Other non-current assets	-	-	-
Short-term investments – finance companies	-	-	-
Other receivables	-	-	-
Current financial assets	-	-	-
Cash and cash equivalents	-	5,514	-
Level 2 fair value inputs: based on observable market data			
Investments in non-consolidated companies	-	-	-
Other non-current financial assets	192	127	-
Other non-current assets	-	33	-
Short-term investments – finance companies	-	786	-
Other receivables	277	-	-
Current financial assets	30	25	-
Cash and cash equivalents [1]	-	3,503	-
Level 3 fair value inputs: not based on observable market data			
Investments in non-consolidated companies	-	-	55
Other non-current financial assets	-	-	-
Other non-current assets	-	-	57
Short-term investments – finance companies	-	-	-
Other receivables	-	-	-
Current financial assets	-	-	-
Cash and cash equivalents	-	-	-
TOTAL FINANCIAL ASSETS MEASURED AT FAIR VALUE	**499**	**10,180**	**329**

(1) Corresponding to traditional instruments for investing available cash such as certificates of deposit, commercial paper and money market notes.

(in million euros)	31 December 2010 Derivative instruments	Instruments at fair value through profit or loss	Other payables
Level 1 fair value inputs: quoted market prices			
Other payables	-	-	-
Current financial liabilities	-	-	-
Level 2 fair value inputs: based on observable market data			
Other payables	(274)	-	-
Non-current financial liabilities	(12)	-	-
Current financial liabilities	(7)	-	-
Level 3 fair value inputs: not based on observable market data			
Other payables	-	-	-
Non-current financial liabilities (1)	-	-	(31)
TOTAL FINANCIAL LIABILITIES MEASURED AT FAIR VALUE	**(293)**	**-**	**(31)**

(1) The change in "Non-current financial assets" as measured based on Level 3 fair value inputs is recognised in "Income and expenses recognised directly in equity, net".

(in million euros)	31 December 2009 Derivative instruments	Instruments at fair value through profit or loss	Other payables
Level 1 fair value inputs: quoted market prices			
Other payables	-	-	-
Current financial liabilities	-	-	-
Level 2 fair value inputs: based on observable market data			
Other payables	(453)	-	-
Non-current financial liabilities	(23)	-	-
Current financial liabilities	(9)	-	-
Level 3 fair value inputs: not based on observable market data			
Other payables	-	-	-
Non-current financial liabilities (1)	-	-	(18)
TOTAL FINANCIAL LIABILITIES MEASURED AT FAIR VALUE	**(485)**	**-**	**(18)**

(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".

ANALYSIS OF FINANCIAL ASSETS MEASURED USING LEVEL 3 FAIR VALUE INPUTS

(in million euros)	2010	2009
Fair value of financial assets at 1 January (level 3 inputs)	**112**	**61**
Gain or loss recorded under "Income and expenses recognised directly in equity"	(4)	-
Gain or loss recorded in profit or loss for the period	(9)	(4)
Purchases/financial assets consolidated for the first time	89	55
Sales/financial assets excluded from the scope of consolidation	(30)	-
Reclassification to another level in the fair value hierarchy	-	-
Translation reserve	3	-
FAIR VALUE OF FINANCIAL ASSETS AT 31 DECEMBER (LEVEL 3 INPUTS)	**161**	**112**

C. Effect of Financial Instruments on Profit or Loss

		Analysis by class of instrument				
(in million euros)	2010	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	6	-	-	6	-	-
Total interest expense	(440)	-	-	-	(440)	-
Remeasurement (1)	31	80	-	(3)	-	(46)
Disposal gains and dividends	(163)	-	6	(169)	-	-
Net impairment	(23)	-	(9)	(14)	-	-
Total – manufacturing and sales companies	**(589)**	**80**	**(3)**	**(180)**	**(440)**	**(46)**
Finance companies						
Total interest income	1,591	-	-	1,591	-	-
Total interest expense	(541)	-	-	-	(541)	-
Remeasurement (1)	(171)	8	-	(128)	5	(56)
Net impairment	(129)	-	-	(129)	-	-
Total – finance companies	**750**	**8**	**-**	**1,334**	**(536)**	**(56)**
NET GAIN (LOSS)	**161**	**88**	**(3)**	**1,154**	**(976)**	**(102)**

(1) For instruments classified as "at fair value through profit or loss", remeasurement includes interest and dividends received.

		Analysis by class of instrument				
(in million euros)	2009	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	12	-	-	12	-	-
Total interest expense	(455)	-	-	-	(455)	-
Remeasurement (1)	-	72	-	-	(28)	(44)
Disposal gains and dividends	(168)		6	(174)		
Net impairment	(1)	-	-	(1)	-	-
Total- manufacturing and sales companies	**(612)**	**72**	**6**	**(163)**	**(483)**	**(44)**
Finance companies						
Total interest income	1,582	-	-	1,582	-	-
Total interest expense	(584)	-	-	-	(584)	-
Remeasurement (1)	(213)	12	-	(8)	(26)	(191)
Net impairment	(112)	-	-	(112)	-	-
Total – finance companies	**673**	**12**	**-**	**1,462**	**(610)**	**(191)**
NET GAIN (LOSS)	**61**	**84**	**6**	**1,299**	**(1,093)**	**(235)**

(1) For instruments classified as "at fair value through profit or loss", remeasurement includes interest and dividends received.

In the case of the finance companies, the total net gain or loss on financial assets and liabilities, as defined in IAS 39, is recognised in recurring operating income.

Note 35 Management of Market Risks

35.1. Risk Management Policy

In the course of its business, the PSA Peugeot Citroën Group is exposed to currency and interest rate risks, as well as to other market risks arising, in particular, from changes in commodity prices and equity prices. The Group is also exposed to counterparty and liquidity risks.

A. Currency Risk

Currency Risk: Manufacturing and Sales Companies

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 Group management. All products used by PSAI are standard products covered by master agreements (ISDA).

Automotive Division positions are managed primarily by entering into forward foreign exchange contracts, as soon as the foreign currency invoice is accounted for, covering the period to the settlement date.

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 systematically hedged by PSAI using forward foreign exchange contracts.

The manufacturing and sales companies' intragroup loans are also hedged by PSAI.

In most cases, the hedging strategy consists of purchasing options which act as an insurance policy that limits the maximum risk to the amount of the premium. These hedges are set up from time to time by PSAI under the supervision of Group management.

At 31 December 2010, the Automotive Division had no material hedges of forecast transactions.

The Group does not hedge its net investment in foreign operations.

PSAI also carries out proprietary transactions involving currency instruments. These transactions are subject to very strict exposure limits and are closely monitored on a continuous basis. They are the only non-hedging transactions carried out by companies in the PSA Peugeot Citroën Group and have a very limited impact on consolidated profit.

Risks arising on these transactions are managed by applying simulated changes in market conditions (spot rates and volatility) to the existing portfolio using parameters that draw on (a) historical volatility over a trailing twelve-month period accurate to within ten trading days and (b) changes in implicit volatility. These parameters are verified or revised at least twice a year or in the event of a sharp unexpected shift in the market. Stress tests performed on the portfolio at 31 December 2010 showed that the impact on consolidated profit would not be material.

Currency fluctuation assumptions applied in the stress tests include the following:

	USD	YEN	CZK	GBP	CHF
Hypothetical fluctuation against the euro	10.0%	12.0%	9.0%	10.0%	5.0%

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. 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 CURRENCY EXPOSURE OF MANUFACTURING AND SALES COMPANIES FOR CURRENCIES REPRESENTING OPEN POSITIONS AT 31 DECEMBER

	31 December 2010						
(in million euros)	GBP	YEN	USD	PLN	CHF	RUB	Other
Total assets	191	23	559	74	32	238	414
Total liabilities	(656)	(21)	(230)	(10)	-	(125)	(10)
Forecast transactions (1)	(9)	-	28	(72)	-	-	(131)
NET POSITION BEFORE HEDGING	**(474)**	**(188)**	**357**	**(8)**	**32**	**113**	**273**
Derivative financial instruments	468	188	(438)	(8)	(32)	(221)	(345)
NET POSITION AFTER HEDGING	**(6)**	**-**	**(81)**	**(16)**	**-**	**(108)**	**(72)**

(1) This item mainly includes hedges of Faurecia's exposure to currency risk on forecast transactions for the next six months.

	31 December 2009						
(in million euros)	GBP	YEN	USD	PLN	CHF	RUB	Other
Total assets	291	21	568	50	28	81	345
Total liabilities	(323)	(123)	(191)	(4)	-	-	1
Forecast transactions (1)	(24)	-	7	(64)	-	-	(37)
NET POSITION BEFORE HEDGING	**(56)**	**(102)**	**384**	**(18)**	**28**	**81**	**309**
Derivative financial instruments	53	102	(373)	(4)	(28)	(81)	(324)
NET POSITION AFTER HEDGING	**(3)**	**-**	**11**	**(22)**	**-**	**-**	**(15)**

(1) This item mainly includes hedges of Faurecia's exposure to currency risk on forecast transactions for the next six months.

In the event of a 5% change in the closing exchange rate of each of the main currencies for which manufacturing and sales companies present an open currency exposure at 31 December 2010 (see table above), the impacts on income before tax and the direct impacts on net equity would respectively be as follows:

(in million euros)	GBP	CZK	USD	PLN	CAD	RUB	Other
Hypothetical fluctuation against the euro	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	N/A
Impact on income before tax	-	-	4	1	2	5	2
Impact on equity	-	1	1	3	-	-	-

Currency Risk: Finance Companies

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 where necessary such as 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 2010						
(in million euros)	GBP	YEN	MXN	PLN	CHF	RUB	Other
Total assets	1,599	-	41	181	380	116	161
Total liabilities	(489)	(46)	-	-	-	-	(64)
NET POSITION BEFORE HEDGING	**1,110**	**(46)**	**41**	**181**	**380**	**116**	**97**
Derivative financial instruments	(1,108)	46	(41)	(181)	(380)	(116)	(96)
NET POSITION AFTER HEDGING	**2**	**-**	**-**	**-**	**-**		**1**

	31 December 2009						
(in million euros)	GBP	YEN	USD	PLN	CHF	RUB	Other
Total assets	1,532	-	63	155	253	5	177
Total liabilities	(474)	(30)	-	-	-	-	(50)
NET POSITION BEFORE HEDGING	**1,058**	**(30)**	**63**	**155**	**253**	**5**	**127**
Derivative financial instruments	(1,056)	30	(63)	(155)	(253)	(5)	(127)
NET POSITION AFTER HEDGING	**2**	**-**	**-**	**-**	**-**	**-**	**-**

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. Interest Rate Risk

Interest rate Risk: Manufacturing and Sales Companies

Trade receivables and payables are due within one year and their value is not affected by the level of interest rates.

Cash surpluses and short-term financing needs of manufacturing and sales companies – except for automotive equipment companies – are mainly centralised at the level of GIE PSA Trésorerie, which invests net cash reserves on the financial markets in short-term instruments indexed to variable rates.

The gross borrowings of manufacturing and sales companies – excluding automotive equipment companies – consist mainly of fixed- and adjustable-rate long-term loans. Until 2008, the debt was converted to variable rate by means of derivatives; however, new borrowings obtained in 2009 and 2010 were kept at fixed rates in order to retain the benefit of record low fixed interest rates.

Faurecia's interest rate risks are managed on a centralised basis by its Finance and Treasury Department, which reports to executive management. Hedging decisions are made by a Market Risk Committee that meets on a monthly basis. As Faurecia's borrowings are primarily at variable rates, its hedging policy aims to limit the effect on profit of an increase in short-term rates, mainly through the use of swaps, caps and other options in euros and dollars. Substantially all interest payable in 2011 and 2012 is hedged, along with part of the interest payable in 2013.

Some of Faurecia's derivative instruments qualified for hedge accounting for the first time under IAS 39 in 2008. The other derivative instruments purchased by Faurecia represent economic hedges of interest rate risks on borrowings but do not meet the criteria in IAS 39 for the application of hedge accounting.

Faurecia is the only entity that holds cash flow hedges of interest rate risks.

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

		31 December 2010			
(in million euros)		Intraday to 1 year	1 to 5 years	Beyond 5 years	TOTAL
Total assets	Fixed rate	1,520	22	157	1,699
	Variable rate	8,103	-	-	8,103
Total liabilities	Fixed rate	(1,642)	(4,471)	(2,094)	(8,207)
	Variable rate	(2,810)	-	-	(2,810)
NET POSITION BEFORE HEDGING	**FIXED RATE**	**(122)**	**(4,449)**	**(1,937)**	**(6,508)**
	VARIABLE RATE	**5,293**	**-**	**-**	**5,293**
Derivative financial instruments	Fixed rate	(194)	-	738	544
	Variable rate	(544)	-	-	(544)
NET POSITION AFTER HEDGING	**FIXED RATE**	**(316)**	**(4,449)**	**(1,199)**	**(5,964)**
	VARIABLE RATE	**4,749**	**-**	**-**	**4,749**

		31 December 2009			
(in million euros)		Intraday to 1 year	1 to 5 years	Beyond 5 years	TOTAL
Total assets	Fixed rate	862	116	106	1,084
	Variable rate	7,429	-	-	7,429
Total liabilities	Fixed rate	(291)	(5,617)	(1,632)	(7,540)
	Variable rate	(2,920)	-	-	(2,920)
NET POSITION BEFORE HEDGING	**FIXED RATE**	**571**	**(5,501)**	**(1,526)**	**(6,456)**
	VARIABLE RATE	**4,509**	**-**	**-**	**4,509**
Derivative financial instruments	Fixed rate	(658)	1,588	702	1,632
	Variable rate	(1,632)	-	-	(1,632)
NET POSITION AFTER HEDGING	**FIXED RATE**	**(87)**	**(3,913)**	**(824)**	**(4,824)**
	VARIABLE RATE	**2,877**	**-**	**-**	**2,877**

Sensitivity tests show that a 100 bps increase or decrease in average interest rates would have a positive or negative impact of approximately €14 million on income before tax in 2010 (€15 million in 2009).

Interest Rate risk: Finance Companies

Banque PSA Finance's fixed-rate loans to customers of the Automotive Division are refinanced mainly through adjustable rate borrowings. The impact of changes in interest rates is hedged using appropriate 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 reference rate structure adjustable at 3-monthly intervals using appropriate hedging instruments.

Refinancing costs for new retail loans may be capped through the occasional use of swaptions. At 31 December 2010, part of the Bank's forecast loan originations for 2011 was hedged by swaptions on a notional amount of €2,378 million.

The net interest rate position of finance companies is as follows:

		31 December 2010			
(in million euros)		Intraday to 1 year	1 to 5 years	Beyond 5 years	TOTAL
Total assets	Fixed rate	7,500	10,305	-	17,805
	Variable rate	7,785	-	-	7,785
Total liabilities	Fixed rate	(1,552)	(5,231)	-	(6,783)
	Variable rate	(14,543)	-	-	(14,543)
NET POSITION BEFORE HEDGING	**FIXED RATE**	**5,948**	**5,074**	**-**	**11,022**
	VARIABLE RATE	**(6,758)**	**-**	**-**	**(6,758)**
Derivative financial instruments [(1)]	Fixed rate	(4,641)	(958)	-	(5,599)
	Variable rate	5,924	-	-	5,924
NET POSITION AFTER HEDGING	**FIXED RATE**	**1,307**	**4,116**	**-**	**5,423**
	VARIABLE RATE	**(834)**	**-**	**-**	**(834)**

(1) Including two swaps representing isolated open positions for €325 million. These swaps do not have a material impact on the income statement.

		31 December 2009			
(in million euros)		Intraday to 1 year	1 to 5 years	Beyond 5 years	TOTAL
Total assets	Fixed rate	6,786	10,511	-	17,297
	Variable rate	7,279	-	-	7,279
Total liabilities	Fixed rate	(2,213)	(2,606)	(9)	(4,828)
	Variable rate	(15,946)	-	-	(15,946)
NET POSITION BEFORE HEDGING	**FIXED RATE**	**4,573**	**7,905**	**(9)**	**12,469**
	VARIABLE RATE	**(8,667)**	**-**	**-**	**(8,667)**
Derivative financial instruments [(1)]	Fixed rate	(4,017)	(4,281)	9	(8,289)
	Variable rate	8,604	-	-	8,604
NET POSITION AFTER HEDGING	**FIXED RATE**	**556**	**3,624**	**-**	**4,180**
	VARIABLE RATE	**(63)**	**-**	**-**	**(63)**

(1) Including two swaps representing isolated open positions for €315 million. These swaps do not have a material impact on the income statement.

Sensitivity tests show that a 100 bps increase or decrease in average interest rates would have virtually no impact on income before tax in 2010 (€5 million in 2009).

C. Equity Risk

Equity risk corresponds to the price risk arising from a fall in the value of equities held by the Group.

Price change assumptions are based on average historical and implicit volatilities observed for the CAC 40 index over the reporting year.

	31 December 2010	
(in million euros)	Available-for-sale financial assets	Financial assets at fair value through profit or loss
Balance sheet position (Other non-current financial assets)	191	88
Sensitivity of earnings	-	(18)
Sensitivity of equity	(38)	N/A
Unfavourable change assumption	**20%**	**20%**

	31 December 2009	
(in million euros)	Available-for-sale financial assets	Financial assets at fair value through profit or loss
Balance sheet position (Other non-current financial assets)	217	76
Sensitivity of earnings	-	(15)
Sensitivity of equity	(43)	N/A
Unfavourable change assumption	**20%**	**20%**

D. Commodity Risk

The Group'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. 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 aluminum, copper, lead or precious metals, for which the transaction price is determined by direct reference to the prices quoted on the commodity market.

In 2010 and 2009, the Group hedged part of its exposure to fluctuations in metals prices by purchasing collars and swaps. These instruments cover physical deliveries for the Group's production needs. In 2010, the Group improved its protection by adding copper to the volumes eligible for hedge accounting under IAS 39 and hedging certain future purchases through 2013. This strategy took advantage of favourable market conditions and also responded to an increase in volumes eligible for hedge accounting under IAS 39.

In 2010, commodity hedges concerned purchases of aluminium, copper, lead, platinum and palladium.

In the event of a 30% rise (fall) in aluminium, copper and lead prices and a 35% rise (fall) in platinum and palladium prices, the impact of the commodity hedges held at 31 December 2010 would have been a €152 million increase (decrease) in consolidated equity at that date (versus €31 million at 31 December 2009). 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 2010 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.

E. Counterparty Risk

Counterparty Risk: Manufacturing and Sales Companies

The Group 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 Group customers are secured by arrangements with leading counterparties that are validated by the Group Treasury Committee.

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. 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 FBF agreements and contracts with the most frequently used counterparties provide for weekly margin calls.

Counterparty Risk: Finance Companies

Banque PSA Finance is exposed to credit risk on its loan book. Fleet and wholesale lending decisions are made internally by the local Credit Committee, based on a detailed risk assessment. Depending on the amount involved, the decision may require the approval of a central Credit Committee. The local Committees are assigned clearly defined lending limits and compliance with these limits is checked regularly.

Retail loan acceptance processes are based on a 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 file reviews.

In 2010, particular emphasis was placed on improving recovery rates for troubled retail loans. A dedicated headquarters-based collections unit leads the activities of all the finance companies in this area, manages their shared collection systems and oversees the two collection call centres.

The Corporate Lending Department is responsible for controlling wholesale financing credit risks throughout the credit cycle, using 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.

The following table presents the ageing analysis of sound finance company loans with past due installments that have not been written down:

AGEING ANALYSIS OF SOUND LOANS WITH PAST DUE INSTALLMENTS THAT HAVE NOT BEEN WRITTEN DOWN

(in million euros)	31 December 2010	31 December 2009
Up to 90 days past due	107	121
90 to 180 days past due	45	29
180 days to 1 year past due	119	109
More than 1 year past due	11	1
TOTAL	**282**	**260**

Loans to corporate dealers and corporate and equivalent financing for which one or more installments 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 PSA Peugeot Citroën Group entities amounted to €1,451 million in 2010 (€731 million in 2009).

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 swaptions) to hedge currency and interest rate risks.

Available cash is invested either in money market securities issued by 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.

F. Liquidity Risk

Liquidity Risk: Manufacturing and Sales Companies

In the prevailing economic environment, the Group kept up its proactive refinancing strategy and conservative liquidity policy, in order to meet its general financing needs, particularly the financing of current and future growth projects. The strategy is defined by the Chief Financial Officer with the 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 are reviewed at monthly meetings of the Treasury and Foreign Exchange

Committee chaired by the Chief Financial Officer. The Committee also performs checks to ensure that the Group has access to secure sources of financing at all times. The financing plan is implemented by the Finance & Treasury Department.

At 31 December 2010, the manufacturing and sales companies had net debt of €1,236 million (see note 36). Their long-term debt at that date amounted to €8,259 million, including €2,967 million worth of bonds and €4,311 million in other long-term borrowings.

Including the proceeds from the 2010 bond issues, representing a total of €1,255 million net of buybacks, and the cash flow generated during the year, the manufacturing and sales companies' cash and cash equivalents totalled €9,278 million at 31 December 2010 (see note 25.1).

Peugeot S.A. and GIE PSA Trésorerie have access to a €2,400 million confirmed line of credit that was extended in July 2010 for a further three years. This facility is not subject to any special drawing restrictions. It was undrawn at 31 December 2010 (see note 36.2)

CONTRACTUAL CASH FLOWS FROM 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.

			Undiscounted contractual cash flows				
(in million euros)	Assets	Liabilities	0-3 months	3-6 months	6-12 months	1-5 years	> 5 years
FINANCIAL LIABILITIES							
Bonds – principal repayments							
Manufacturing and sales companies – excluding Faurecia		(4,724)	-	-	(1,255)	(1,750)	(1,675)
Faurecia		(192)	-	-	-	(211)	-
Bond interest							
Manufacturing and sales companies – excluding Faurecia		(94)	(13)	(28)	(231)	(687)	(686)
Faurecia		(10)	(10)	-	-	(38)	-
Other long-term debt – principal repayments							
Manufacturing and sales companies – excluding Faurecia		(3,842)	(57)	(11)	(201)	(3,158)	(489)
Faurecia		(779)	(53)	-	-	(700)	(26)
Interest on other long-term debt							
Manufacturing and sales companies – excluding Faurecia		(111)	(4)	(160)	(13)	(531)	(4)
Faurecia		-	(4)	(4)	(7)	(22)	-
Other short-term debt		**(1,274)**	**(1,274)**				
Finance lease payments		**(549)**	**(106)**	**-**	**(168)**	**(178)**	**(155)**
Employee profit-sharing reserve		**(22)**	**-**	**-**	**(5)**	**(17)**	**-**
DERIVATIVE INSTRUMENTS							
Interest rate derivatives							
• of which fair value hedges	199	-	(15)	(3)	90	97	440
• of which cash flow hedges	-	(13)	(2)	(2)	(3)	(3)	-
• of which trading instruments (1)	-	-	(1)	(1)	(1)	(1)	-
Currency derivatives							
• of which fair value hedges	-	(1)	-	-	-	-	-
• of which cash flow hedges		(2)	(1)	(1)	-	-	-
• of which trading instruments (2)	65	(69)	(10)	(3)	-	-	-
Commodity derivatives							
• of which cash flow hedges	66	-	1	13	21	26	-
TOTAL	**330**	**(11,682)**	**(1,549)**	**(200)**	**(1,773)**	**(7,173)**	**(2,595)**

(1) 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) 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.

COVENANTS

The Faurecia syndicated loan and credit facility include certain convenants setting limits on net debt and requiring Faurecia to comply with certain consolidated financial ratios. The ratios are published at half-yearly intervals.

All of the covenants were complied with at 31 December 2010.

The ratios are as follows:

Ratio		31 December 2010	30 June 2011 and subsequent half-year periods
Adjusted net debt*/EBITDA**	maximum	4.00	3.50
Interest cover (EBITDA**/net finance costs)	minimum	4.25	4.50

* *Adjusted net debt: consolidated net debt adjusted for certain commitments defined in the loan agreement (mortgages, debt guarantees).*

** *EBITDA: Faurecia Earnings Before Interest, Tax, Depreciation and Amortisation for the last twelve months.*

None of the other manufacturing and sales companies' borrowings are subject to any ratings triggers. In some cases, the borrower is required to give certain guarantees that are commonly required within the automotive industry, such as:

- negative pledge clauses, whereby the borrower undertakes not to give any assets as collateral to third parties (generally with certain exceptions);
- material adverse change clauses;
- Pari passu clauses, requiring the lender to be treated at least as favourably as the borrower's other creditors;
- cross-default clauses, whereby if one loan goes into default, 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 the 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. or Faurecia shares. All of these clauses were complied with in 2010.

Liquidity Risk: Finance Companies

Banque PSA Finance has a capital base in line with regulatory requirements. Each year, a significant proportion of the year's net income is transferred to reserves, leading to robust regulatory ratios that reflect the quality of the asset base.

Its refinancing strategy consists of diversifying liquidity sources as broadly as possible, matching the maturities of assets and liabilities, and hedging all of its exposure to currency and interest rate risks. The Bank also endeavours to maintain a liquidity cushion in the form of undrawn confirmed syndicated lines of credit (see note 36.2) and, to a lesser extent, through permanent liquidity reserves. This strategy enabled the Bank to finance its operations during the recent severe turbulence in the financial markets without significantly weakening its liquidity position.

Refinancing is arranged with maturities that comfortably cover the maturities of the retail financing portfolio. In addition to current borrowings, the Bank has €7,439 million worth of undrawn syndicated lines of credit from leading banks expiring at four different dates through 2014, as well as various undrawn bilateral facilities for a total of €936 million.

In all, as in prior years these facilities are sufficient to cover over six months' wholesale and retail loan originations, based on constant outstanding loans at year-end.

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. Consequently, the cash flows do not include future contractual interest payments and derivative instruments used to hedge future contractual interest payments are not analysed by period.

	31 December 2010	Not allocated	0-3 months	3-6 months	6-12 months	1-5 years	> 5 years
Assets							
Cash	1,316	-	1,316	-	-	-	-
Short-term investments – finance companies	707	1	607	8	91	-	-
Hedging instruments (1)	203	203	-	-	-	-	-
Other non-current financial assets	157	46	98	-	-	13	-
Loans and receivables – finance companies	23,491	731	5,250	2,028	4,606	10,677	199
TOTAL CASH FLOWS FROM ASSETS	**25,874**	**981**	**7,271**	**2,036**	**4,697**	**10,690**	**199**
Liabilities							
Hedging instruments (1)	(234)	(234)	-	-	-	-	-
Financing liabilities	(21,704)	-	(8,326)	(1,320)	(2,192)	(9,590)	(276)
TOTAL CASH FLOWS FROM LIABILITIES	**(21,938)**	**(234)**	**(8,326)**	**(1,320)**	**(2,192)**	**(9,590)**	**(276)**

(1) Intercompany loans and borrowings between manufacturing and sales companies are mainly short-term.

COVENANTS

In addition to the standard covenants also applicable to the manufacturing and sales companies, many of Banque PSA Finance's loan agreements include specific covenants requiring it to maintain a banking licence and to comply with the capital ratios applicable to all French banks.

35.2. Hedging Instruments: Manufacturing and Sales Companies

The various types of hedging instrument used and their accounting treatment are described in note 1.15.D (b).

A. Details of Balance Sheet Values of Hedging Instruments and Notional Amounts Hedged

	31 December 2010					
	Carrying amount			Maturity		
(in million euros)	Assets	Liabilities	Notional amount	Within 1 year	1 to 5 years	Beyond 5 years
Currency risk						
Fair value hedges:						
• Forward foreign exchange contracts	-	(1)	70	70	-	-
• Currency options	-	-	-	-	-	-
• Currency swaps	-	-	728	728	-	-
Cash flow hedges:						
• Forward foreign exchange contracts	-	(2)	234	234	-	-
Trading instruments (1)	*65*	*(69)*	*7,104*	*6,948*	*156*	-
Intragroup	*31*	-				
Total currency risks	**65**	**(72)**	**8,136**	**7,980**	**156**	**-**
Interest rate risk						
Fair value hedges:						
• Interest rate swaps	199	-	1,855	1,255	-	600
Cash flow hedges:						
• Interest rate options	-	(13)	2,186	1,757	429	-
Trading instruments (2)	-	-	*1,486*	*1,486*	-	-
Intragroup	-	-				
Total interest rate risks	**199**	**(13)**	**5,527**	**4,498**	**429**	**600**
Commodity risk						
Cash flow hedges:						
• Swaps	66	-	489	299	190	-
• Options	-	-	-	-	-	-
Total commodity risks	**66**	**-**	**489**	**299**	**190**	**-**
TOTAL	**330**	**(85)**	**14,152**	**12,777**	**775**	**600**
o/w:						
Total fair value hedges	**199**	**(1)**	**2,653**	**2,053**	**-**	**600**
Total cash flow hedges	**66**	**(15)**	**2,909**	**2,290**	**619**	**-**

(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 sam.

(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.

	31 December 2009					
	Carrying amount			Maturity		
(in million euros)	Assets	Liabilities	Notional amount	Within 1 year	1 to 5 years	Beyond 5 years
Currency risk						
Fair value hedges:						
• Forward foreign exchange contracts	-	-	19	19	-	-
• Currency options	-	-	-	-	-	-
• Currency swaps	-	-	524	524	-	-
Cash flow hedges:						
• Forward foreign exchange contracts	1	-	136	136	-	-
Trading instruments [(1)]	*33*	*(54)*	*5,431*	*5,315*	*116*	-
Intragroup	*21*					
Total currency risks	**34**	**(54)**	**6,110**	**5,994**	**116**	**-**
Interest rate risk						
Fair value hedges:						
• Interest rate swaps	219	-	2,100	-	1,500	600
Cash flow hedges:						
• Interest rate swaps	-	(11)	1,657	1,137	520	-
Trading instruments [(2)]	-	*(10)*	*2,231*	*1,758*	*473*	-
Intragroup	-	-				
Total interest rate risks	**219**	**(21)**	**5,988**	**2,895**	**2,493**	**600**
Commodity risk						
Cash flow hedges:						
• Swaps	19	-	78	78	-	-
• Options	-	-	-	-	-	-
Total commodity risks	**19**	**-**	**78**	**78**	**-**	**-**
TOTAL	**272**	**(75)**	**12,176**	**8,967**	**2,609**	**600**
o/w:						
Total fair value hedges	**219**	**-**	**2,643**	**543**	**1,500**	**600**
Total cash flow hedges	**20**	**(11)**	**1,871**	**1,351**	**520**	**-**

(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.

B. Impact of Hedging Instruments on Income and Equity: Manufacturing and Sales Companies

Impact of Cash Flow Hedges:

(in million euros)	2010	2009
Change in effective portion recognised in equity	80	18
Change in ineffective portion recognised in profit or loss	3	(13)
Effective portion reclassified to the income statement under "Cost of goods and services sold"	34	6
Effective portion reclassified to the income statement under "Finance costs"	-	-
Effective portion reclassified to the income statement under "Other financial income and expenses"	-	-

Impact of Fair Value Hedges:

(in million euros)	2010	2009
Gains and losses on hedged borrowings recognised in profit or loss	17	28
Gains and losses on hedges of borrowings recognised in profit or loss	(16)	(22)
NET IMPACT ON INCOME	**1**	**6**

The "Net gain (loss) on hedges of borrowings" presented in note 9 also includes gains and losses on economic hedges that do not qualify for hedge accounting under IAS 39.

35.3. Hedging Instruments: Finance Companies

The different types of hedges and their accounting treatment are described in note 1.15 D (b).

A. Details of Balance Sheet Values of Hedging Instruments and Notional Amounts Hedged

Offsetting notional amounts have been netted to make the financial statements easier to read. However, separate disclosures are made at the foot of the page.

	31 December 2010					
	Carrying amount			Maturity		
(in million euros)	Assets	Liabilities	Notional amount	Within 1 year	1 to 5 years	Beyond 5 years
Currency risk						
Fair value hedges:						
• Currency swaps	3	(22)	2,052	2,052	-	-
Interest rate risk						
Fair value hedges:						
• Swaps on borrowings	25	(4)	624	82	542	-
• Swaps on EMTN/BMTN issues	28	(6)	6,008	1,350	4,658	-
• Swaps on bonds (1)	74	(74)	-	-	-	-
• Swaps on certificates of deposit	-	-	78	78	-	-
• Swaps on other debt securities	1	-	93	62	31	-
• Swaps on retail financing	3	(76)	12,402	6,213	6,189	-
• Accrued income/expenses on swaps	38	(29)	-	-	-	-
Cash flow hedges:						
• Swaptions	11	(3)	2,378	2,378	-	-
Trading (2)	21	(21)	325	325	-	-
TOTAL	**204**	**(235)**	**23,960**	**12,540**	**11,420**	**-**
o/w Intragroup		*(27)*				
Total fair value hedges	**172**	**(211)**	**21,257**	**9,837**	**11,420**	**-**
Total cash flow hedges	**11**	**(3)**	**2,378**	**2,378**	**-**	**-**

(1) This item includes €2,811 million in swaps acquired as hedges that represent closed positions in the consolidated financial statements.

(2) Swaps representing a total notional amount of €1,053 million cancel each other out within portfolios of instruments with similar characteristics, mainly symmetrical swaps set up at the time of the securitization transactions. At 31 December 2010, there were two swaps representing isolated open position, for a total of €325 million.

	31 December 2009					
	Carrying amount			Maturity		
(in million euros)	Assets	Liabilities	Notional amount	Within 1 year	1 to 5 years	Beyond 5 years
Currency risk						
Fair value hedges:						
• Currency swaps	4	(17)	1,773	1,747	26	-
Interest rate risk						
Fair value hedges:						
• Swaps on borrowings	25	-	888	420	468	-
• Swaps on EMTN/BMTN issues	24	-	3,625	1,516	2,100	9
• Swaps on bonds (1)	158	(158)	-	-	-	-
• Swaps on certificates of deposit	-	-	58	58	-	-
• Swaps on other debt securities	2	-	39	39	-	-
• Swaps on retail financing	1	(204)	12,899	6,011	6,888	-
• Accrued income/expenses on swaps	22	(37)	-	-	-	-
Cash flow hedges:						
• Swaptions	3	(1)	1,263	1,263	-	-
Trading (2)	10	(9)	315	-	315	-
TOTAL	**249**	**(426)**	**20,860**	**11,054**	**9,797**	**9**
o/w Intragroup		*(16)*				
Total fair value hedges	**236**	**(416)**	**19,282**	**9,791**	**9,482**	**9**
Total cash flow hedges	**3**	**(1)**	**1,263**	**1,263**	**-**	**-**

(1) This item includes €3,891 million in swaps acquired as hedges that represent closed positions in the consolidated financial statements.

(2) Swaps representing a total notional amount of €1,240 million cancel each other out within portfolios of instruments with similar characteristics, mainly symmetrical swaps set up at the time of the securitization transactions. At 31 December 2009, there were two swaps representing isolated open position, for a total of €315 million.

B. Impact of Hedging Instruments on Income and Equity: Finance Companies

Impact of Cash Flow Hedges:

(in million euros)	2010	2009
Change in effective portion recognised in equity	9	-
Change in ineffective portion recognised in profit or loss	(10)	(1)
Effective portion reclassified to the income statement under "Cost of goods and services sold"	7	20

In order to cap the refinancing cost of new financing (installment contracts, buyback contracts and long-term leases) granted in the first and second quarters of 2011, Banque PSA Finance purchased and sold swaptions (options on interest rate swaps) expiring in the first and second quarters of 2011.

Impact of Fair Value Hedges:

(in million euros)	2010	2009
Gains and losses on hedged customer loans recognised in profit or loss	(129)	(8)
Gains and losses on hedges of customer loans recognised in profit or loss	132	7
NET IMPACT ON INCOME	**3**	**(1)**
Gains and losses on remeasurement of financial liabilities recognised in profit or loss	6	(27)
Gains and losses on remeasurement of hedges of financial liabilities recognised in profit or loss	(7)	28
NET IMPACT ON INCOME	**(1)**	**1**

Note 36 Net Financial Position of Manufacturing and Sales Companies

36.1. Analysis

(in million euros)	31 December 2010	31 December 2009
Financial assets and liabilities of manufacturing and sales companies		
Cash and cash equivalents	9,278	7,843
Other non-current financial assets	796	836
Current financial assets	306	349
Non-current financial liabilities	(8,259)	(9,268)
Current financial liabilities	(3,357)	(1,753)
(NET DEBT) NET FINANCIAL POSITION OF MANUFACTURING AND SALES COMPANIES	**(1,236)**	**(1,993)**
o/w external loans and borrowings	(1,244)	(2,115)
o/w financial assets and liabilities with finance companies	8	122

36.2. Lines of Credit

On 9 July 2010, Peugeot S.A. signed a new €2,400 million 3-year syndicated revolving credit facility (with two extensions of one year at the banks' option) with a group of 21 banks. The new facility refinances the existing €2,400 million facility, which was due to expire in March 2011. The revolving facility has an opening margin of 170 basis points, including a 40% non utilization fee.

The Group now has the following additional borrowing capacity under revolving lines of credit expiring at various dates through to 2014:

(in million euros)	31 December 2010	31 December 2009
Peugeot S.A. and GIE PSA Trésorerie (1)	2,400	2,400
Faurecia (2)	505	568
Banque PSA Finance Group (3)	8,375	8,029
CONFIRMED UNDRAWN LINES OF CREDIT	**11,280**	**10,997**

(1) This €2,400 million facility that was due to expire in March 2011 was rolled over in July 2010 and its expiry date was extended until July 2013 (see note 29.1).

(2) Faurecia's additional borrowing capacity is represented by a €1,170 million syndicated line of credit that was not fully drawn down at 31 December 2010. This facility expires in tranches in November 2011 and November 2013 (see note 29.1 – Faurecia syndicated credit facility).

(3) Of which, in order of drawdown priority:

- *€936 million in long-term bilateral back-up facilities,*
- *€1,510 million expiring in July 2011,*
- *€1,755 million expiring in July 2013,*
- *€4,000 million expiring in two equal tranches in June 2012 and June 2014.*

Note 37 Off-Balance Sheet Commitments and Contingent Liabilities

Off-balance sheet commitments given in the normal course of business were as follows at 31 December 2010:

(in million euros)	31 December 2010	31 December 2009
Manufacturing and sales companies		
• **Commitments to invest in subsidiaries, associates or joint ventures (note 37.1)**	**227**	**-**
• **Financing commitments (note 37.2)**		
Guarantees given	170	233
Pledged or mortgaged assets	290	288
• **Operating commitments (note 37.3)**		
Capital commitments for the acquisition of non-current assets	1,135	983
Orders for research and development work	46	9
Financing commitments	280	365
Minimum purchase commitments	509	-
Non-cancellable lease commitments	814	832
Retirement obligations not recognised in the balance sheet	146	220
	3,617	**2,930**
Finance companies		
Financing commitments to financial institutions	-	50
Financing commitments to customers (1)	1,652	1,563
Guarantees given on behalf of customers and financial institutions (2)	1,335	1,897
	2,987	**3,510**

(1) Financing commitments to customers are given for periods of 0 to 3 months.

(2) This item includes receivables given as collateral to Société de Financement de l'Économie Française (SFEF), pursuant to France's amended 2008 Finance Act (Act no. 2008-1061 of 16 October 2008) and to the Bundesbank by Banque PSA Finance's German branch.

37.1. Commitments to Invest In Subsidiaries, Associates or Joint Ventures

New joint venture in China: commitment to contribute €227 million to the JV's capital.

On 6 May 2010, PSA Peugeot Citroën and China Chang'An Automobile Group (CCAG) signed a letter of intent for the creation of a 50/50 joint venture.

The joint venture agreement was signed on 9 July 2010. Based in Shenzhen, in Guangdong province, the new entity will manufacture and sell passenger cars and light commercial vehicles in China. It will have an initial production capacity of 200,000 vehicles and engines per year, with two production lines. One already exists and will be refurbished, while the other will be built from scratch. The entity will also have its own research and development centre. The first vehicle is expected to roll off the production line in the second half of 2012.

The joint venture will be set up with initial capital of RMB 4 billion, held equally between the partners (with the Group's share representing approximately €227 million at the 31 December 2010 exchange rate). The additional financing required will consist of external borrowings. The initial investment amounts to RMB 8.4 billion (approximately €952 million).

At 31 December 2010, the final official authorisations were still pending.

37.2. Financing Commitments

Pledged or mortgaged assets

This item includes the French government bonds (OATs) given as collateral for loans from the European Investment Bank (EIB).

The pledges and mortgages expire in the following periods:

Expiry dates

(in million euros)	31 December 2010	31 December 2009
2010	-	19
2011	63	45
2012	1	-
2013	95	105
2014	101	87
2015	-	-
Beyond	30	32
TOTAL PLEDGED ASSETS	**290**	**288**
Total assets	68,491	64,121
Percent of total assets	0.4%	0.4%

37.3. Operating Commitments

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.

In order to speed up its growth and reduce costs, the Group has entered into cooperation agreements with other carmakers for the joint development of mechanical sub-assemblies or vehicles. These joint ventures enable the partners to share project costs, delivering economies of scale that translate into competitive advantage.

To ensure that the partnerships are balanced, each partner commits to taking delivery of a minimum quantity of products manufactured by the joint venture. If they fail to honour this commitment, they are required to pay a penalty designed to cover the related production costs borne by the other partner.

In 2010, the Group kept up its strategy of cooperating with other carmakers, and signed new vehicle development and production agreements. Under the terms of these agreements, the Group has given new commitments to finance investment in research and development and specific tooling over the period to 2012. The Group is also committed to taking delivery of a minimum quantity of products manufactured by the joint ventures. If it fails to honour this commitment, it will be required to pay a penalty designed to cover the related production costs borne by the partner. In addition, certain agreements include a clause requiring the Group to pay a capacity reservation fee to offset the production costs that would not be recovered by the partner if the Group failed to take delivery of the planned volume of products.

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.

Capital Commitments for the Acquisition of Non-Current Assets

In addition to commitments to purchase property, plant and equipment, this item also includes the Group's commitment towards the Fonds de Modernisation des Équipementiers Automobiles (FMEA), a fund set up to support automotive equipment manufacturers. The Group's total commitment amounted to €200 million, of which €68 million had been paid as of 31 December 2010 (see note 18).

Financing Commitments

Construction of a Plant in Russia

As of 31 December 2010, the Group's remaining financing commitments for the construction of the Kaluga plant in Russia under the cooperation agreement with Mitsubishi Motors Cooperation amounted to €280 million, including a €143 million contribution to the joint venture's capital, versus €365 million and €189 million respectively at 31 December 2009.

Onerous Contracts

Under the terms of some of its cooperation agreements, the Group is committed to paying capacity reservation fees if it fails to take delivery of the agreed volumes. These off-balance sheet commitments amounted to €509 million at 31 December 2010 (converted at the year-end yen exchange rate).

Non-Cancellable Lease Commitments

Periods

(in million euros)	31 December 2010	31 December 2009
2010	-	165
2011	188	137
2012	156	119
2013	117	91
2014	89	77
2015	68	77
Beyond	196	166
TOTAL NON-CANCELLABLE LEASE COMMITMENTS	**814**	**832**

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.

Retirement Obligations not Recognised in the Balance Sheet

This item corresponds to deferred actuarial gains and losses (note 28.1.E) resulting from the application of the corridor method (note 1.20) and to past service cost.

Note 38 Related Party Transactions

38.1. Companies at Equity

These are companies that are between 20%- and 50%-owned, in which PSA Peugeot Citroën exercises significant influence. Most are manufacturing and sales companies that manufacture automotive parts and components or complete vehicles.

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)	31/12/2010	31/12/2009
Long-term loans	9	9
Trade receivables	258	406
Trade payables	(895)	(913)
Short-term loans	(1)	(10)

Sale and purchase transactions carried out by the consolidated Group with companies at equity are as follows:

(in million euros)	2010	2009
Purchases	943	673
Sales	(4,173)	(3,817)

38.2. Related Parties that Exercise Significant Influence over the Group

No material transactions have been carried out with any Directors or officers or any shareholder owning more than 5% of Peugeot S.A.'s capital.

Note 39 Management Compensation

(in million euros)	2010	2009
Compensation paid to:		
• Members of management bodies	10.6	5.6
• Members of the Supervisory Board	1.1	0.9
TOTAL MANAGEMENT COMPENSATION	**11.7**	**6.5**
Stock-option and performance share costs (note 1.21)	1.3	3.6
TOTAL	**13.0**	**10.1**

The Group is managed by the Managing Board.

From 6 February 2007 to 16 June 2009, the Group's management bodies corresponded to the Extended Management Committee, which comprised the members of the Managing Board, the other members of executive management and the executives reporting directly to the Chairman of the Managing Board.

Since 17 June 2009, the Group's management bodies correspond to the 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 variable bonuses awarded to the Managing Board in 2010 were approved by the Supervisory Board on 8 February 2011. No variable bonuses were paid to members of the Managing Board for 2009.

The amounts disclosed above include 2010 and 2009 bonuses, which were accrued in the financial statements for those years.

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 previous years:

(number of options)	2010	2009
Stock-options held at 31 December	587,000	579,000
Performance shares awarded in 2010 (1) that were held at 31 December (see note 26.4)	65,000	n/a

(1) In line with the commitments given by the Group in application of the regulations governing agreements with companies that have received exceptional State aid, no performance shares were granted to members of the Managing Board in 2010.

Members of the Group's management bodies participate in the supplementary pension plan described in notes 28.1.A and 28.1.F.

Members of the Group's management bodies are not entitled to any long-term benefits apart from pension benefits under the plan referred to above and the performance shares described above, or any other forms of share-based payments or any compensation for loss of office.

Note 40 Subsequent Events

No events occurred between 31 December 2010 and the 8 February 2011 meeting of the Supervisory Board to review the financial statements that could have a material impact on economic decisions made on the basis of these financial statements, with the exception of the following:

- on 20 January 2011, the Group topped up its two October 2010 bond issues. The issue due October 2013 was increased by €350 million and the issue due October 2016 by €150 million, at interest rates 40 bps and 30 bps lower, respectively, than the original rates;
- at its meeting on 2 February 2011, the Managing Board decided to repay the €2 billion outstanding on the State loan received in March 2009. Repayment will be made in two equal tranches of €1 billion, the first on 25 February and the second on 26 April 2011. The early repayment of the loan should enable the Group to report interest income of around €70 million in 2011;
- on 2 February 2011, the BMW and PSA Peugeot Citroën groups announced the signature of an agreement for the creation of a 50/50 joint venture to be named BMW Peugeot Citroën Electrification. The joint venture will focus on developing and producing hybrid components and software for hybrid systems. Joint research and development, production and component purchasing will leverage significant economies of scale for both companies. Subject to approval by the relevant competition authorities, the joint venture is expected to launch its operations in the second quarter of 2011. The new hybrid components will equip both partners' vehicles from 2014 onwards.

Note 41 Fees Paid to the Auditors

	PricewaterhouseCoopers		Mazars		Ernst & Young (Faurecia)	
(in million euros)	2010	2009	2010	2009	2010	2009
Audit						
Statutory and contractual audit services						
• Peugeot S.A.	0.4	0.5	0.2	0.2	-	-
• Fully-consolidated subsidiaries	8.4	7.2	2.5	2.5	3.6	3.2
o/w France	*4.8*	*3.8*	*1.4*	*1.6*	*0.3*	*0.9*
o/w International	*3.6*	*3.4*	*1.1*	*0.9*	*3.3*	*2.3*
Audit-related services						
• Peugeot S.A.	-	-	-	-	-	-
• Fully-consolidated subsidiaries	0.3	0.4	-	-	0.2	-
o/w France	*0.0*	*0.2*	-	-	*0.2*	-
o/w International	*0.3*	*0.2*	-	-	-	-
Sub-total	**9.1**	**8.1**	**2.7**	**2.7**	**3.8**	**3.2**
	100%	*100%*	*100%*	*100%*	*100%*	*100%*
Other services provided to subsidiaries						
Legal and tax services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Sub-total	**-**	**-**	**-**	**-**	**-**	**-**
	0%	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL	**9.1**	**8.1**	**2.7**	**2.7**	**3.8**	**3.2**
o/w Faurecia	2.7	1.6	-	-	3.8	3.2
Excluding Faurecia	6.4	6.5	2.7	2.7	-	-

The PSA Peugeot Citroën Group's auditors are PricewaterhouseCoopers and Mazars. The Faurecia group's auditors are PricewaterhouseCoopers and Ernst & Young.

Note 42 Consolidated Companies at 31 December 2010

Company	Country	F/E	% Interest
HOLDING COMPANY AND OTHER			
Peugeot S.A.	France	F	
Grande Armée Participations	France	F	100
PSA International S.A.	Switzerland	F	100
G.I.E. PSA Trésorerie	France	F	100
Financière Pergolese	France	F	100
D.J. 06	France	F	100
Société Anonyme de Réassurance Luxembourgeoise - SARAL	Luxembourg	F	100
Peugeot Motocycles	France	F	100
Peugeot Motocycles Italia S.p.A.	Italy	F	100
Peugeot Motocycles Deutschland GmbH	Germany	F	100
Jinan Quigqi Peugeot Motorcycles	China	E	50
AUTOMOTIVE DIVISION			
Process Conception Ingénierie S.A.	France	F	100
PCI do Brasil Ltda	Brazil	F	100
Société de Construction d'Équipements de Mécanisations et de Machines - SCEMM	France	F	100
Peugeot Citroën Automobiles S.A.	France	F	100
Peugeot Citroën Sochaux S.N.C.	France	F	100
Peugeot Citroën Mulhouse S.N.C.	France	F	100
Peugeot Citroën Aulnay S.N.C.	France	F	100
Peugeot Citroën Rennes S.N.C.	France	F	100
Peugeot Citroën Poissy S.N.C.	France	F	100
Peugeot Citroën Mécanique du Nord-Ouest S.N.C.	France	F	100
Peugeot Citroën Mécanique du Grand Est S.N.C.	France	F	100
Société Mécanique Automobile de l'Est	France	F	100
Mécanique et Environnement	France	F	100
Société Européenne de Véhicules Légers du Nord - SEVELNORD	France	E	50
Societa Europea Veicoli Leggeri - SEVEL S.p.A.	Italy	E	50
SNC PC.PR	France	F	100
G.I.E. PSA Peugeot Citroën	France	F	100
Gisevel	France	E	50
Sevelind	France	E	50
Française de Mécanique	France	E	50
Société de Transmissions Automatiques	France	E	20
Peugeot Citroën Automoviles España S.A.	Spain	F	100
PSA Services Deutschland GmbH	Germany	F	100
PSA Services SRL	Italy	F	100
PCMA Holding	Netherlands	F	70
PCMA Automotiv RUS	Russia	F	70
Peugeot Citroën Automobiles UK	United Kingdom	F	100
Peugeot Citroën Automoveis	Portugal	F	98
Toyota Peugeot Citroën Automobiles Czech s.r.o.	Czech Republic	E	50

Company	Country	F/E	% Interest
PCA Logistika CZ	Czech Republic	F	100
PCA Slovakia s.r.o.	Slovakia	F	100
Peugeot Citroën Trnava s.r.o.	Slovakia	F	100
Peugeot Citroën do Brasil Automoveis Ltda	Brazil	F	100
Peugeot Citroën Comercial Exportadora	Brazil	F	100
Peugeot Citroën Argentina S.A.	Argentina	F	100
CISA	Argentina	F	100
Dongfeng Peugeot Citroën Automobiles CY Ltd	China	E	50
Wuhan Shelong Hongtai Automotive KO Ltd	China	E	10
PCA (China) Automotive Drive Co.	China	F	100
Peugeot Citroën Gestion International	Switzerland	F	100
Automobiles Peugeot	France	F	100
Peugeot Motor Company Plc	United Kingdom	F	100
Société Commerciale Automobile	France	F	100
Société Industrielle Automobile de Champagne - Ardennes	France	F	100
Peugeot Moteur et Systemes	France	F	100
Société Industrielle Automobile de Provence	France	F	100
Grands Garages du Limousin	France	F	100
Peugeot Saint-Denis Automobiles	France	F	100
Peugeot Media Production	France	F	100
Peugeot Belgique Luxembourg S.A.	Belgium	F	100
S.A. Peugeot Distribution Service N.V.	Belgium	F	100
Peugeot Nederland N.V.	Netherlands	F	100
Peugeot Deutschland GmbH	Germany	F	100
Peugeot Bayern GmbH	Germany	F	100
Peugeot Berlin Brandenburg GmbH	Germany	F	100
Peugeot Niederrhein GmbH	Germany	F	100
Peugeot Main/TAUnUS GmbH	Germany	F	100
Peugeot Sudbaden GmbH	Germany	F	100
Peugeot Hanse GmbH	Germany	F	100
Peugeot Nordhessen GmbH	Germany	F	100
Peugeot Hannover GmbH	Germany	F	100
Peugeot Rheinland GmbH	Germany	F	100
Peugeot Rein-Neckar GmbH	Germany	F	100
Peugeot Saartal GmbH	Germany	F	100
Peugeot Sachsen GmbH	Germany	F	100
Peugeot Schwaben GmbH	Germany	F	100
Peugeot Weser-EMS GmbH	Germany	F	100
Peugeot Mainz Wiesbaden GmbH	Germany	F	100
Peugeot Automobili Italia S.p.A.	Italy	F	100
Peugeot Milan	Italy	F	100
Peugeot Gianicolo S.p.A.	Italy	F	100
Robins & Day Ltd	United Kingdom	F	100
Boomcite Ltd	United Kingdom	F	100
Aston Line Motors Ltd	United Kingdom	F	100
Melvin Motors (Bishopbriggs) Ltd	United Kingdom	F	100

Company	Country	F/E	% Interest
Warwick Wright Motors Chiswick Ltd	United Kingdom	F	100
Rootes Ltd	United Kingdom	F	100
Economydrive Cars	United Kingdom	F	100
Peugeot España S.A.	Spain	F	100
Hispanomocion S.A.	Spain	F	100
Peugeot Portugal Automoveis S.A.	Portugal	F	100
Peugeot Portugal Automoveis Distribucao	Portugal	F	99
Peugeot (Suisse) S.A.	Switzerland	F	100
Lowen Garage AG	Switzerland	F	97
Peugeot Austria GmbH	Austria	F	100
Peugeot Autohaus GmbH	Austria	F	100
Peugeot Citroën RUS	Russia	F	100
Peugeot Polska S.p.z.o.o.	Poland	F	100
Peugeot Ceska Republica s.r.o.	Czech Republic	F	100
Peugeot Slovakia s.r.o.	Slovakia	F	100
Peugeot Bratislava	Slovakia	F	100
Peugeot Hungaria Kft	Hungary	F	100
Peugeot Slovenija d.o.o. P.Z.D.A.	Slovenia	F	100
Peugeot Hrvatska d.o.o.	Croatia	F	100
Peugeot Otomotiv Pazarlama AS – Popas	Turkey	F	100
Tekoto Motorlu Tastlar Istambul	Turkey	F	100
Tekoto Motorlu Tastlar Ankara	Turkey	F	100
Tekoto Motorlu Tastlar Bursa	Turkey	F	100
Peugeot Algérie S.p.A.	Algeria	F	100
Stafim	Tunisia	E	34
Stafim – Gros	Tunisia	E	34
Peugeot Chile	Chile	F	97
Automotores Franco Chilena S.A.	Chile	F	100
Peugeot Mexico S.A. de CV	Mexico	F	100
Servicios Auto. Franco Mexicana	Mexico	F	100
Peugeot Citroën Japan KK Co. Ltd	Japan	F	100
Peugeot Tokyo	Japan	F	100
Peugeot Motors South Africa Ltd	South Africa	F	100
Automobiles Citroën	France	F	100
Société Commerciale Citroën	France	F	100
Citroën Champ de Mars	France	F	100
Citroën Dunkerque	France	F	100
Citer	France	F	98
Société Nouvelle Armand Escalier	France	F	100
Centrauto	France	F	100
Prince S.A.	France	F	100
Citroën Argenteuil	France	F	100
Citroën Orleans	France	F	100
Cie Picarde de Logistique Automobile	France	F	98
Sté Cle Distribution Pièces de Rechanges – SCPR	France	F	100
Citroën Belux S.A. – NV	Belgium	F	100

Company	Country	F/E	% Interest
Citroën Nederland B.V.	Netherlands	F	100
Citroën Deutschland AG	Germany	F	100
Citroën Commerce GmbH	Germany	F	100
Citroën Italia S.p.A.	Italy	F	100
Citroën U.K. Ltd	United Kingdom	F	100
Citroën Sverige AB	Sweden	F	100
Citroën Danmark A/S	Denmark	F	100
Citroën Norge A/S	Norway	F	100
Citroën (Suisse) S.A.	Switzerland	F	100
Citroën Osterreich GmbH	Austria	F	100
Automoveis Citroën S.A.	Portugal	F	100
Automoviles Citroën España	Spain	F	100
Comercial Citroën S.A.	Spain	F	97
Autotransporte Turistico Espanol S.A. (Atesa)	Spain	F	99
Garaje Eloy Granollers S.A.	Spain	F	99
Motor Talavera	Spain	F	100
Rafael Ferriol S.A.	Spain	F	99
Citroën Hungaria Kft	Hungary	F	100
Citroën Polska S.p.z.o.o.	Poland	F	100
Citroën Slovenija d.o.o.	Slovenia	F	100
Citroën – Hrvatska d.o.o.	Croatia	F	100
Citroën Slovakia s.r.o.	Slovakia	F	100
Citroën Ceska Republica s.r.o.	Czech Republic	F	100
Citroën Romania Srl	Romania	F	100
Citroën do Brasil	Brazil	F	100
AUTOMOTIVE EQUIPMENT DIVISION			
Faurecia	France	F	57
Financière Faurecia	France	F	57
SFEA - Société Foncière pour l'Équipement Automobile	France	F	57
Faurecia Investments	France	F	57
Faurecia Services Groupe	France	F	57
Faurecia Exhaust International	France	F	57
Faurecia Netherlands Holding B.V.	Netherlands	F	57
United Parts Exhaust Systems AB	Sweden	F	57
Société Internationale de Participations	Belgium	F	57
Faurecia USA Holdings, Inc.	USA	F	57
Faurecia (China) Holding Co. Ltd	China	F	57
Faurecia Informatique Tunisie	Tunisia	F	57
Faurecia Sièges d'Automobiles	France	F	57
Faurecia Industries	France	F	57
Faurecia Automotive Holdings	France	F	57
EAK – Composants pour l'Automobile (EAK SAS)	France	F	29
EAK – Composants pour l'Automobile (EAK SNC)	France	F	29
Trecia	France	F	57
Siebret	France	F	57
Siemar	France	F	57

Company	Country	F/E	% Interest
Sienor	France	F	57
Sieto	France	F	57
Sotexo	France	F	57
Siedoubs	France	F	57
Sielest	France	F	57
ECSA - Études et Construction de Sièges pour l'Automobile	France	F	57
Faurecia Intérieur Industrie	France	F	57
Faurecia Automotive Industrie	France	F	57
Automotive Sandouville	France	F	57
Société Automobile du Cuir de Vesoul	France	F	57
Faurecia ADP Holding	France	F	34
Faurecia JIT Plastique	France	F	57
Faurecia Autositze GmbH	Germany	F	57
Faurecia Automotive GmbH	Germany	F	57
Faurecia Innenraum Systeme GmbH	Germany	F	57
Faurecia Industrie N.V.	Belgium	F	57
Faurecia Asientos para Automovil España, S.A.	Spain	F	57
Asientos de Castilla Leon, S.A.	Spain	F	57
Asientos del Norte, S.A.	Spain	F	57
Industrias Cousin Freres, S.L.	Spain	F	29
Tecnoconfort	Spain	F	29
Faurecia Automotive España, S.L.	Spain	F	57
Faurecia Interior Systems España, S.A.	Spain	F	57
Faurecia Interior Systems Salc España, S.L.	Spain	F	57
Cartera e Inversiones Enrich, S.A.	Spain	F	57
Asientos de Galicia, S.L.	Spain	F	57
Valencia Modulos de Puerta, S.L.	Spain	F	57
Incalplas, S.L.	Spain	F	57
Faurecia AST Luxembourg S.A.	Luxembourg	F	57
Faurecia Automotive Seating B.V.	Netherlands	F	57
Faurecia – Assentos de Automovel, Limitada	Portugal	F	57
Sasal	Portugal	F	57
Faurecia Sistemas de Interior de Portugal. Componentes para Automoveis S.A. (ex-SAI Portugal)	Portugal	F	57
EDA – Estofagem de Assentos, Lda,	Portugal	F	57
Faurecia Automotive Seating UK Limited	United Kingdom	F	57
Faurecia Midlands Limited	United Kingdom	F	57
SAI Automotive Fradley Ltd	United Kingdom	F	57
SAI Automotive Washington Limited	United Kingdom	F	57
Faurecia Interior Systems Sweden AB	Sweden	F	57
Faurecia Fotele Samochodowe Sp.Zo.o	Poland	F	57
Faurecia Walbrzych Sp.Zo.o	Poland	F	57
Faurecia Legnica Sp.Zo.o	Poland	F	57
Faurecia Grojec R&D Center Sp.Zo.o	Poland	F	57
Faurecia Gorzow Sp.Zo.o	Poland	F	57
Faurecia Interior Systems Bohemia s.r.o.	Czech Republic	F	57

Company	Country	F/E	% Interest
Faurecia Components Pisek s.r.o.	Czech Republic	F	57
Faurecia Seating Talmaciu S.R.L.	Romania	F	57
Euro Auto Plastic Systems S.R.L.	Romania	F	29
Faurecia Slovakia s.r.o.	Slovakia	F	57
Faurecia Polifleks Otomotiv Sanayi Ve Ticaret Anonim Sirketi	Turkey	F	57
Faurecia Azin Pars Company	Iran	F	29
Faurecia Interior Systems South Africa (Pty) Ltd	South Africa	F	57
AI Manufacturers (Pty) Ltd	South Africa	F	57
Société Tunisienne d'Équipements d'automobile	Tunisia	F	57
Faurecia Automotive Seating Canada Ltd	Canada	F	57
Faurecia Automotive Seating, Inc	USA	F	57
Faurecia Interior Systems, Inc.	USA	F	57
Faurecia Automotive del Uruguay	Uruguay	F	57
Faurecia Argentina S.A.	Argentina	F	57
Faurecia Automotive do Brasil Ltda	Brazil	F	57
Faurecia Sistemas Automotrices de Mexico, S.A. de C.V. (ex-Faurecia Duroplast Mexico, S.A. de C.V.)	Mexico	F	57
Servicios Corporativos de Personal Especializado, S.A. de C.V.	Mexico	F	57
Faurecia Interior Systems Mexico, S.A. de C.V.	Mexico	F	57
Changchun Faurecia Xuyang Automotive Seat Co., Ltd (CFXAS)	China	F	34
Faurecia (Changchun) Automotive Systems Co., Ltd	China	F	57
Faurecia - GSK (Wuhan) Automotive Seating Co., Ltd	China	F	29
Faurecia (Wuxi) Seating Components Co., Ltd	China	F	57
Faurecia (Shanghai) Management Company, Ltd	China	F	57
Faurecia (Shanghai) Automotive Systems Co., Ltd	China	F	57
Faurecia (Wuhan) Automotive Seating Co., Ltd	China	F	57
Faurecia (Guangzhou) Automotive Systems Co., Ltd	China	F	57
Faurecia (Nanjing) Automotive Systems Co., Ltd	China	F	57
Faurecia (Shenyang) Automotive Systems CO., Ltd	China	F	57
Faurecia (Wuhan) Automotive Components Systems Co., Ltd	China	F	57
Changchun Faurecia Xuang Interior Systems Company Limited	China	F	34
Faurecia Trim Korea Ltd	South Korea	F	57
Faurecia Automotive Seating India Private Limited	India	F	57
Faurecia Japan K.K.	Japan	F	57
Faurecia Équipements Automobiles Maroc	Morrocco	F	57
Ooo Faurecia ADP	Russia	F	34
Ooo Faurecia Automotive Development	Russia	F	57
Faurecia Shin Sung Co. Ltd	South Korea	F	34
Faurecia Systèmes d'Échappement	France	F	57
Faurecia Bloc Avant	France	F	57
EMCON Technologies France SAS	France	F	57
Faurecia-Metalloprodukcia Holding	France	F	34
Faurecia Abgastechnik GmbH	Germany	F	57
Faurecia Kunststoffe Automobilsysteme GmbH	Germany	F	57
Leistritz Abgastechnik Stollberg GmbH	Germany	F	57
Faurecia Emissions Control Technologies, Germany GmbH	Germany	F	57

Company	Country	F/E	% Interest
Faurecia Emissions Control Technologies, Novaferra GmbH	Germany	F	57
Faurecia Emissions Control Technologies, Finnentrop GmbH	Germany	F	57
Faurecia Exteriors GmbH	Germany	F	57
Faurecia Sistemas de Escape España, S.A.	Spain	F	57
Faurecia Emissions Control Technologies, Pampelona, S.L.	Spain	F	57
Faurecia Automotive Exteriors España, S.A. (ex-Plastal Spain S.A.)	Spain	F	57
Faurecia - Sistemas de Escape Portugal, Lda	Portugal	F	57
Faurecia Exhaust Systems AB	Sweden	F	57
Faurecia Magyarorszag Kipufogo - Rendszer Kft	Hungary	F	57
Faurecia Exhaust Systems s.r.o.	Czech Republic	F	57
Faurecia Automotive Czech Republic, s.r.o.	Czech Republic	F	57
Faurecia Emissions Control Technologies, Mlada Boleslav, s.r.o	Czech Republic	F	57
Faurecia Emissions Control Technologies, UK Limited	United Kingdom	F	57
Faurecia Exhaust Systems South Africa Ltd	South Africa	F	57
Emission Control Technologies Holdings S.A. (Pty) Ltd	South Africa	F	57
Emission Control Technologies S.A. (Ga-Rankuwa) (Pty) Ltd	South Africa	F	57
Emission Control Technologies S.A. (Cape Town) (Pty) Ltd	South Africa	F	57
Faurecia Exhaust Systems, Inc.	USA	F	57
Faurecia Emissions Control Technologies, USA, LLC	USA	F	57
Faurecia Emissions Control Technologies, Spartanburg, Inc.	USA	F	57
EMCON Thailand LLC	USA	F	57
Faurecia Sistemas de Escape Argentina S.A.	Argentina	F	57
Faurecia Emissions Control Technologies, Cordoba	Argentina	F	57
Faurecia Sistemas de Escapamento do Brasil Ltda	Brazil	F	57
Faurecia Emissions Control Technologies, Limeira	Brazil	F	57
Faurecia Exhaust Mexicana, S.A. de C.V.	Mexico	F	57
Exhaust Services Mexicana, S.A. de C.V.	Mexico	F	57
ET Mexico Holdings I, S. de R.L. de C.V.	Mexico	F	57
ET Mexico Holdings II, S. de R.L. de C.V.	Mexico	F	57
Faurecia Honghu Exhaust Systems Shanghai, Co. Ltd (ex-SHEESC)	China	F	29
Faurecia Tongda Exhaust System (Wuhan) Co., Ltd	China	F	29
Faurecia Exhaust Systems Changchun Co., Ltd	China	F	29
Faurecia Emissions Control Technologies Development (Shanghai) Company Ltd	China	F	57
Faurecia (Qingdao) Exhaust Systems Co, Ltd	China	F	57
Faurecia (Wuhu) Exhaust Systems Co, Ltd	China	F	57
Faurecia Emissions Control Technologies Consulting (Shanghai) Co., Ltd	China	F	57
Faurecia Emissions Control Technologies, (Shanghai) Co., Ltd	China	F	57
Faurecia Emissions Control Technologies, (Chongqing) Co., Ltd	China	F	57
Faurecia Emissions Control Technologies, (Yantai) Co., Ltd	China	F	57
Faurecia Emissions Control Technologies, Chengdu	China	F	57
Faurecia Emissions Control Systems Korea (ex-DAEKI)	South Korea	F	57
Faurecia JIT and Sequencing Korea	South Korea	F	57
Faurecia Interior Systems Thailand Co., Ltd.	Thailand	F	57
Faurecia Emissions Control Technologies, Thailand Co., Ltd	Thailand	F	57
ET (Barbados) Holdings SRL	Barbados	F	57
EMCON Technologies Canada ULC	Canada	F	57

Company	Country	F/E	% Interest
EMCON Technologies Hungary Holdings Kft	Hungary	F	57
EMCON Technologies Kft	Hungary	F	57
Faurecia Emissions Control Technologies, India Private Limited	India	F	42
Faurecia Emissions Control Technologies, Italy SRL	Italy	F	57
ET Dutch Holdings Cooperatie U.A.	Netherlands	F	57
ET Dutch Holding BV	Netherlands	F	57
ET Dutch Holding II BV	Netherlands	F	57
Faurecia Emissions Control Technologies, Netherlands B.V.	Netherlands	F	57
Ooo Faurecia Metalloprodukcia Exhaust Systems	Russia	F	34
Componentes de Vehiculos de Galicia, S.A.	Spain	E	29
Copo Iberica, S.A.	Spain	E	29
Vanpro Assentos LimiTADA	Portugal	E	29
Arsed, Podjetje Za Proizvodnjo In Trzenje Kovinske Opreme (Arsed Doo)	Slovenia	E	29
Teknik Malzeme Ticaret Ve Sanayi A.S.	Turkey	E	29
Orcia Otomotiv Yan Sanayi Ve Ticaret Anonim Sirketi	Turkey	E	29
Kwang Jin Faurecia Co. Limited	South Korea	E	29
Faurecia-Nhk Co., Ltd	Japan	E	29
SAS Automotive France	France	E	29
Cockpit Automotive Systems Douai SNC	France	E	29
SAS Autosystemtechnik Verwaltungs GmbH	Germany	E	29
SAS Autosystemtechnik GmbH und Co. KG	Germany	E	29
SAS Automotive N.V.	Belgium	E	29
SAS Autosystemstechnick, S.A.	Spain	E	29
SAS Autosystemstechnik de Portugal, Unipessoal, Lda.	Portugal	E	29
SAS Automotive Limited	United Kingdom	E	29
SAS Autosystemstechnik s.r.o.	Czech Republic	E	29
SAS Automotive s.r.o	Slovakia	E	29
SAS Automotive RSA (Pty) Ltd	South Africa	E	29
SAS Automotive do Brazil Ltda	Brazil	E	29
SAS Automotive Systems S.A. de C.V.	Mexico	E	29
SAS Automotive Systems & Services, S.A. de C.V.	Mexico	E	29
SAS Automotive USA, Inc.	USA	E	29
SAS Automotriz Argentina S.A. (dormant company)	Argentina	E	29
AD Tech Co Ltd	South Korea	E	29
TRANSPORTATION AND LOGISTICS DIVISION			
Gefco	France	F	100
Gefco Benelux S.A.	Belgium	F	100
Gefco Deutschland GmbH	Germany	F	100
Gefco Suisse S.A.	Switzerland	F	99
Gefco Osterreich GmbH	Austria	F	100
Gefco Italia S.p.A.	Italy	F	100
Gefco U.K. Ltd	United Kingdom	F	100
Gefco España S.A.	Spain	F	100
Gefco Portugal Transitarios Ltd	Portugal	F	100
LLC Gefco (CIS)	Russia	F	100
Gefco Baltic	Latvia	F	100

Company	Country	F/E	% Interest
Gefco Ukraine	Ukraine	F	100
Gefco Polska Sp. z.o.o.	Poland	F	100
Gefco Ceska Republica s.r.o.	Czech Republic	F	100
Gefco Slovakia s.r.o.	Slovakia	F	100
Gefco Romania	Romania	F	100
Gefco Hongrie	Hungary	F	100
Gefco Prevoznistvo In Logistica	Slovenia	F	100
Algai	Russia	F	51
Gefco Tasimacilik Ve LojistiK AS	Turkey	F	100
Gefco Tunisie	Tunisia	E	50
Gefco Maroc	Morrocco	F	100
Gefco Participacoes Ltda	Brazil	F	100
Gefco do Brasil Ltda	Brazil	F	100
Gefco Argentina S.A.	Argentina	F	100
Gefco Chile SA	Chile	F	100
Gefco International Logistics China Co. Ltd	China	F	100
Gefco Hong Kong	China	F	100
FINANCE AND INSURANCE COMPANIES			
Banque PSA Finance	France	F	100
PSA Assurances SAS	France	F	100
Société Financière de Banque - SOFIB	France	F	100
Société de Financement des Réseaux Automobiles - SOFIRA	France	F	100
Société Nouvelle de Développement Automobile - SNDA	France	F	100
SAS Financière Greffhule	France	F	100
Compagnie Générale de Crédit aux Particuliers - CREDIPAR	France	F	100
Compagnie pour la Location de Véhicules - CLV	France	F	100
PSA Finance Belux	Belgium	F	100
PSA Finance SCS	Luxembourg	F	100
PSA Finance Nederland B.V.	Netherlands	F	100
PSA Financial Holding B.V.	Netherlands	F	100
Peugeot Finance International N.V.	Netherlands	F	100
FCC Auto ABS – Compartiment locatif 2006.01	France	F	100
FCC Auto ABS – Compartiment 2007.01	France	F	100
FCC Auto ABS – Compartiment 2008.01	Germany	F	100
FCC Auto ABS – Compartiment 2009.01	Spain	F	100
FCT Auto ABS – Compartiment 2010-1	France	F	100
PSA Factor Italia S.p.A.	Italy	F	100
PSA Renting Italia S.p.A.	Italy	F	100
SPV Auto Italy 2007	Italy	F	100
PSA Wholesale Ltd	United Kingdom	F	100
Vernon Wholesale Investments Co Ltd	United Kingdom	F	100
PSA Finance Suisse S.A.	Switzerland	F	100
PSA Gestao Comercio e Aluger de Veiculos	Portugal	F	100
PSA Finance Polska	Poland	F	100
PSA Finance Hungaria Rt	Hungary	F	100
PSA Finance Ceska Republika s.r.o.	Czech Republic	F	100

Company	Country	F/E	% Interest
PSA Finance Slovakia s.r.o.	Slovakia	F	100
BPF Financiranje D.o.o.	Slovenia	F	100
PSA Services Ltd	Malta	F	100
PSA Life Insurance Ltd	Malta	F	100
PSA Insurance Ltd	Malta	F	100
BPF Algérie	Algeria	F	100
BPF Pazarlama A.H.A.S.	Turkey	F	100
Banco PSA Finance Brasil S.A.	Brazil	F	100
PSA Finance Arrendamiento Comercial	Brazil	F	100
PSA Finance Argentina S.A.	Argentina	F	50
BPF Mexico S.A. DE CV	Mexico	F	100
PSA Financial Doo	Croatia	F	100
Bank PSA Finance RUS	Russia	F	98
Fond d'Investissement en Droits de Créances	Brazil	F	100
Dongfeng Peugeot Citroën Automobile Finance Company	China	E	87
O/w 12.5% via Dongfeng Peugeot Citroën Automobile			

20.4. Financial Statements of Peugeot S.A. for the Year ended 31 December 2010

20.4.1. Statutory Auditors' Report on the Financial Statements of Peugeot S.A.

Year ended 31 December 2010

This is a free translation into English of the Statutory Auditors' Report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' Report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the 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 captions or on information taken outside of the financial statements.

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 2010, on:

- the audit of the accompanying financial statements of Peugeot SA;
- 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 at 31 December 2010 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 matter:

Accounting rules, principles and estimates

At each balance sheet date, the Company determines the value in use of its investments using the methods described in notes 1C and 1D to the financial statements, and sets aside a provision for impairment when the carrying amount exceeds value in use, as described in notes 3 and 5 to the financial statements. As part of our assessment of the accounting principles applied and significant estimates made to prepare the financial statements, we verified the appropriateness of the accounting methods described in the financial statements and correct application thereof, as well as the reasonableness of the underlying estimates.

These assessments were made in the context 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

In accordance with professional standards applicable in France, we have also performed 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 relating to remuneration and benefits received by corporate officers 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 it or controlled by it. On the basis of our work and in view of the clarifications provided by reference to the management report of the listed company Foncière, Financière et de Participations (FFP) on the remuneration and benefits paid by the companies of the Peugeot family group to certain corporate officers of your Company, we attest to 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 shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine and Courbevoie, 20 April 2011

The Statutory Auditors

PricewaterhouseCoopers Audit
Pierre Riou

Mazars
Loïc Wallaert

20.4.2. Peugeot S.A. Financial Review

As the parent company of the PSA Peugeot Citroën Group, Peugeot S.A. does not carry out any manufacturing or sales activities. It performs senior management, oversight and supervisory functions for Group companies and provides services for which it receives a flat fee.

Peugeot S.A.'s assets mainly correspond to:

- equity investments in direct subsidiaries;
- cash raised on the market and loaned to GIE PSA Trésorerie to meet the borrowing needs of Automotive Division subsidiaries;
- office buildings leased to subsidiaries.

Peugeot S.A. is also head of a tax group set up with its more than 95%-owned subsidiaries in France.

Income statement

Operating Income and Expenses

Operating income – which primarily comprises management fees received from the main subsidiaries as well as rental income – amounted to €106 million in 2010, versus €145 million in 2009.

The management fees – which totalled €75 million in 2010 versus €120 million in 2009 – are calculated as a percentage of the revenue of the operating divisions and cover the operating expenses incurred by the Company for its senior management functions. These fees are invoiced to direct Peugeot S.A. subsidiaries based on the consolidated revenue of the division concerned. The year-on-year decrease chiefly reflected a €40 million reduction in the recurring operating expenses covered by the management fees.

Operating expenses amounted to €121 million, versus €130 million in 2009, and mainly corresponded to payroll costs and other purchases and external charges.

The Company ended the year with net operating expense of €15 million, compared with €15 million in net operating income in 2009.

Financial Income and Expenses

Financial income, which primarily comprises income received from subsidiaries and affiliates, amounted to €496 million in 2010 versus €531 million the previous year. The 2010 figure includes €303 million in interest received on loans granted to GIE PSA Trésorerie.

Other financial income decreased to €20 million from €35 million in 2009, due to lower interest rates on investments.

Financial provision reversals and expense transfers totalled €347 million against €159 million in 2009 and corresponded to reversals of provisions for impairment in value of shares in subsidiaries and affiliates (see note 3.B to the Company financial statements).

Charges to financial provisions came to €68 million in 2010 (€65 million in 2009) and mainly related to provisions for impairment in value of shares in subsidiaries and affiliates (see note 3.B to the Company financial statements).

Other financial expenses came to €312 million compared with €185 million for 2009, reflecting interest payments on new borrowings as well as the full-year impact of interest on borrowings set up in 2009 (see note 12).

The Company reported total net financial income of €482 million in 2010 versus €475 million in 2009.

Net Profit

Taking into account the net income tax benefit of €181 million corresponding to group relief, Peugeot S.A. reported €648 million in net profit for 2010, compared with €537 million for 2009.

Balance Sheet

Assets

Shares in and advances to subsidiaries and affiliates make up the majority of the Company's non-current assets.

At 31 December 2010 the gross amount of shares in subsidiaries and affiliates stood at €6,588 million (€5,892 million at end-2009) and provisions for impairment of these assets totalled €619 million (€891 million at 31 December 2009). Movements in these provisions in 2010 are described in note 3.B to the Company financial statements.

After deducting these provisions, the net value of shares in subsidiaries and affiliates was €5,969 million at 31 December 2010 versus €5,001 million at the 2009 year-end.

Advances to subsidiaries and affiliates represented a net amount of €5,149 million versus €4,619 million at 31 December 2009. The net €500 million year-on-year increase was attributable to the impact of new loans granted to GIE in 2010, less partial repayments of prior-year loans made by GIE during the year (see note 4).

Current assets primarily correspond to (i) cash equivalents which amounted to €2,878 million at 31 December 2010 against €3,167 million at 31 December 2009 (see note 8 to the Company financial statements) as well as (ii) marketable securities (including treasury shares) which totalled €444 million at 31 December 2010 (see note 7). Of the 7,187,450 shares held in treasury at 31 December 2010, 5,392,107 are for allocation on exercise of stock-options, 816,000 are being held for allocation by the Managing Board under the September 2010 performance share plan, 462,543 are for subsequent allocation, and 516,800 have not yet been allocated for a specific purpose. During the year the Group did not purchase any Peugeot S.A. shares using the authorisation granted by shareholders at the 2 June 2010 Annual Meeting.

Liabilities and Shareholders' Equity

Before the appropriation of net profit for the year, total shareholders' equity was €8,500 million at end-2010, versus €7,827 million at 31 December 2009. At its meeting on 19 April 2011, the Supervisory Board decided, following a two-year break, to propose to the AGM to pay a dividend of €1.1 per share.

Peugeot S.A. did not purchase any of its own shares in 2010 and no stock-options were granted or exercised. However, the Company's first performance share plan was set up during the year (see note 7).

Provisions for contingencies and charges totalled €1,073 million compared with €867 million at end-December 2009 (see note 6 to the Company financial statements). As explained in note 11, these provisions chiefly correspond to tax savings realised by Peugeot S.A. that may have to revert to companies in the tax group if those companies subsequently return to profit.

Total liabilities rose to €5,001 million at 31 December 2010 from €4,508 million at end-2009, reflecting new borrowings taken out by the Company during the year (see note 12).

Of the €136 million due to suppliers of fixed assets, €132 million corresponds to the uncalled portion of the commitment to the Automotive Industry Investment Fund (FMEA) (see note 5).

Given that Peugeot S.A. is a holding company, trade payables are not material, amounting to just €9 million at the year-end.

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.

Schedule of Payments to Suppliers

At 31 December 2010, payments due to suppliers represented €9.2 million and broke down as follows in the financial statements:

- trade payables: €9.2 million
- less accrued expenses: €6.5 million

Total due: €2.7 million

This amount is payable according to the following schedule:

	Currently due		Due in 0 to 30 days		Due in 30 to 60 days		Due in over 60 days*		TOTAL	
(in thousands euros)	31/12/2010	31/12/2009	2010	2009	2010	2009	2010	2009	2010	2009
Supplier invoices										
From third parties	107	141	384	105	-	-	244	350	735	596
From Group companies	173	212	1,865	699	-	-	-	-	2,038	911
TOTAL	**280**	**353**	**2,249**	**804**	**0**	**0**	**244**	**350**	**2,773**	**1 507**

* *Under a special payment agreement.*

The full €137 million recorded under "Other liabilities" at 31 December 2010 corresponds to amounts due to the Company's main French subsidiaries under the Group relief agreement.

For information on events subsequent to the balance sheet, please refer to note 25 to the Company financial statements.

20.4.3. Income Statements

(in million euros)	2010	2009
Operating income	106.1	144.7
Operating expenses	(121.1)	(129.9)
Net operating income (expense) (note 16)	**(15.0)**	**14.8**
Investment income	495.5	531.3
Other financial income	19.6	34.8
Financial provision reversals and expense transfers	347.3	158.8
Financial income	**862.4**	**724.9**
Charges to financial provisions	(68.2)	(65.0)
Other financial expenses	(311.8)	(184.5)
Financial expenses	**(380.0)**	**(249.5)**
Net financial income	**482.4**	**475.4**
Recurring income before tax	**467.4**	**490.2**
Non-recurring income	0.7	3.6
Non-recurring expenses	(1.1)	(3.5)
Net non-recurring income (expense)	**(0.4)**	**0.1**
Employee profit-sharing	**-**	**-**
income tax benefit (note 18)	180.9	46.7
NET PROFIT FOR THE YEAR	**647.9**	**537.0**

20.4.4. Cash Flow Statements

(in million euros)	2010	2009
Net profit for the year	**647.9**	**537.0**
Net change in provisions (note 6)	(100.7)	50.9
Net gains on disposals of fixed assets	-	-
Working capital provided by operations	**547.2**	**587.9**
Change in working capital requirement	(151.8)	(5.2)
Net cash from operating activities	**395.4**	**582.7**
Acquisitions of intangible assets and property and equipment	-	-
Proceeds from disposals of shares in subsidiaries and affiliates	-	-
Purchases of shares in subsidiaries and affiliates (note 3.A)	(696.2)	(354.3)
Net cash used in investing activities	**(696.2)**	**(354.3)**
Dividends paid	-	-
(Purchases) sales of Peugeot S.A. shares (note 7.A)	-	-
Increase (decrease) in other long-term debt (note 12)	492.5	4,317.6
(Increase) decrease in long-term loans and receivables (note 4)	(502.2)	(4,259.0)
Change in other financial assets and liabilities	22.3	(141.5)
Net cash from (used in) financing activities	**12.6**	**(82.9)**
Net (decrease) increase in cash and cash equivalents	**(288.2)**	**145.5**
Cash and cash equivalents at beginning of period	3,165.5	3,020.0
Cash and cash equivalents at end of period	**2,877.3**	**3,165.5**
Breakdown of cash and cash equivalents at end of period		
Cash equivalents (note 8)	2,877.2	3,165.6
Cash	0.1	(0.1)
Bank overdrafts	-	-
TOTAL	**2,877.3**	**3,165.5**

20.4.5. Balance Sheets at 31 December 2010 and 2009

ASSETS

	31 December 2010			31 December 2009
(in million euros)	Gross	Depreciation/ amortisation & provisions	Net	Net
Intangible assets	**0.1**	**-**	**0.1**	**0.1**
Property and equipment	**35.0**	**(26.9)**	**8.1**	**8.2**
Investments				
Shares in subsidiaries and affiliates (note 3)	6,587.9	(619.4)	5,968.5	5,000.6
Advances to subsidiaries and affiliates (note 4)	5,162.8	(14.3)	5,148.5	4,619.4
Other investments (note 5)	193.1	(3.7)	189.4	200.0
Long-term loans and receivables	2.4	(1.1)	1.3	1.2
	11,946.2	**(638.5)**	**11,307.7**	**9,821.2**
Total non-current assets (note 2)	**11,981.3**	**(665.4)**	**11,315.9**	**9,829.5**
Current assets				
Trade receivables	16.9	-	16.9	27.8
Other receivables and prepayments to suppliers	302.9	-	302.9	183.1
Marketable securities (note 7)	443.7	(80.5)	363.2	338.2
Cash equivalents (note 8)	2,878.4	-	2,878.4	3,166.5
Cash	0.1	-	0.1	0.2
Total current assets	**3,642.0**	**(80.5)**	**3,561.5**	**3,715.8**
Prepaid expenses	0.3	-	0.3	0.3
Bond redemption premiums (note 12)	14.9	(2.0)	12.9	6.7
TOTAL ASSETS	**15,638.5**	**(747.9)**	**14,890.6**	**13,552.3**

LIABILITIES AND SHAREHOLDERS' EQUITY

(in million euros)	31 December 2010	31 December 2009
Shareholders' equity		
Share capital (note 9)	234.0	234.0
Revaluation reserve	469.3	444.8
Other reserves		
Reserves and retained earnings	7,147.6	6,610.6
Net profit for the year	647.9	537.0
Untaxed provisions	0.8	0.7
TOTAL SHAREHOLDERS' EQUITY (NOTE 10)	**8,499.6**	**7,827.1**
Provisions for contingencies and charges (note 6)	1,072.5	867.3
Long- and short-term debt		
Bonds (note 12)	2,889.4	1,337.7
Other long- and short-term debt (note 12)	2,111.7	3,170.5
	5,001.1	4,508.2
Payables		
Trade payables	9.2	9.2
Accrued taxes and payroll costs	22.4	31.8
	31.6	**41.0**
Due to suppliers of fixed assets (note 5)	**136.1**	**147.9**
Other liabilities	**136.8**	**154.1**
Total liabilities	**5,305.6**	**4,851.2**
Deferred income	12.9	6.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**14,890.6**	**13,552.3**

20.4.6. Notes to the Financial Statements for the Year ended 31 December 2010

The following disclosures constitute the notes to the balance sheet at 31 December 2010, before appropriation of net profit for the year, which shows total assets of €14,890.6 million, and to the income statement for the year then ended, which shows net profit of €647.9 million.

The financial statements cover the twelve-month period from 1 January to 31 December 2010.

Notes 1 to 25 below are an integral part of the financial statements. All amounts are in millions of euros unless otherwise specified.

The financial statements were approved for publication by the Managing Board of Peugeot S.A. on 2 February 2011 with the exception of note 25, which takes into account events that occurred in the period up to the Supervisory Board meeting on 8 February 2011.

These financial statements are included in the consolidated financial statements of the PSA Peugeot Citroën Group.

Note 1 Summary of Significant Accounting Policies

The financial statements have been prepared on a going concern basis in line with the true and fair value principle, as supported by the fundamental principles of prudence, consistent application of accounting policies and segregation of accounting periods. They also comply with the preparation and presentation rules set out in France's *Plan Comptable Général* (PCG) 99-03, as amended by the standards issued by the *Comité de la Réglementation Comptable* ("CRC").

Items recorded in the accounts are stated in accordance with the historical cost convention.

The main accounting policies applied are as follows:

A. Intangible Assets

This item consists of the Panhard and Panhard & Levassor brands, which are stated at acquisition cost. The brands are not amortised.

B. Property and Equipment

Property 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.

Depreciation is calculated on a straight-line basis over the assets' estimated useful lives. Depreciation is recorded in the balance sheet as a deduction from the assets' carrying amount and in the income statement under depreciation expense.

The main useful lives are as follows:

- Buildings 20-30 years;
- Fixtures and fittings 10 years;
- Office furniture 10 years.

C. 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.

At each period-end, the value in use of shares in subsidiaries and affiliates is estimated, based generally on the Company's equity in the underlying net assets and the investee's earnings outlook.

For investees that are included in the consolidated financial statements of the PSA Peugeot Citroën Group, net assets correspond to consolidated or restated net assets determined in accordance with International Financial Reporting Standards (IFRS) 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.

D. Other Investments

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.

E. Loans and Receivables

Loans and receivables are stated at their nominal amount. A provision is booked to cover any probable losses.

F. Marketable Securities

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 vesting period. The charge is recognised in the income statement under "Payroll costs" by recording an expense transfer.

Peugeot S.A. shares held for allocation under performance share plans are recorded in a sub-account within marketable securities when it is probable that the shares will actually be allocated at the end of the vesting period. The amount recognised corresponds to the carrying amount of the shares at the grant date. A provision for contingencies and charges is booked on the liabilities side of the balance sheet, corresponding to the probable cost of the plan from its launch date until its closure. The probability of shares being allocated at the end of the vesting period is assessed separately for each individual plan, taking into account the plan's terms and conditions.

Where the grantees are Peugeot S.A. employees, the charge representing the probable cost of the plan is recognised under "Payroll costs" over the vesting period.

Where the grantees are employees of another Group company, the full charge for the provision set up to cover the probable cost of the plan is recorded in the income statement in the year when the plan is set up and is rebilled to the other Group companies concerned.

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.

These accounting policies comply with PCG 99-03, as amended by standard CRC 2008-15 of 4 December 2008.

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.

G. 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 General Tax Code.

H. 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 amortized 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.

I. Retirement Obligations

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 (note 20).

J. 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 General Tax Code.

The effects of group relief recorded in the Company's income statement comprise:

- the total income corresponding to the sum of the tax due by profitable subsidiaries;
- the net tax expense or tax benefit resulting from setting off the taxable profits and losses of the companies in the tax group;
- the income corresponding to any repayments from profitable subsidiaries to which tax savings were transferred in prior periods;
- any adjustments of income tax expense for prior periods;
- charges to the provision for tax savings to be transferred to loss-making subsidiaries (note 11);
- 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.

K. Changes in Measurement Method

There were no changes in measurement method during the year.

Note 2 Non-Current Assets

A. Intangible Assets, Property and Equipment

	Intangible assets	Property and equipment			
		Buildings			
(in million euros)	Brands	Land	Freehold buildings	Fixtures and fittings	Other
Cost at 1 January 2010	0.1	8.1	21.0	5.8	0.1
Additions					
Disposals	-	-	-	-	
Cost at 31 December 2010	**0.1**	**8.1**	**21.0**	**5.8**	**0.1**
Historical cost excluding revaluations [(1)]	0.1	5.5	10.9	5.0	
Depreciation/amortisation & provisions at 1 January 2010	-	-	(21.0)	(5.8)	(0.1)
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation/amortisation & provisions at 31 December 2010	**-**	**-**	**(21.0)**	**(5.8)**	**(0.1)**
CARRYING AMOUNT AT 31 DECEMBER 2010	**0.1**	**8.1**	**-**	**-**	**-**

(1) 1976 legal revaluation.

B. Investments

	Investments			
(in million euros)	Shares in subsidiaries and affiliates (note 3)	Advances to subsidiaries and affiliates (note 4)	Other investments (note 5)	Loans
Cost at 1 January 2010	5,891.7	4,645.3	200.0	2.2
Additions	*696.2*	*1,543.4*	*-*	*0.2*
Disposals		*(1,025.9)*	*(6.9)*	*-*
Cost at 31 December 2010	**6,587.9**	**5,162.8**	**193.1**	**2.4**
Historical cost excluding revaluations [(1)]	5,434.3	4,628.8		2.1
Provisions for impairment at 1 January 2010	(891.1)	(25.9)	-	(1.1)
Additions	*(30.6)*	*(14.3)*	*(3.7)*	*-*
Reversals	*302.3*	*25.9*	*-*	*-*
Other movements	*-*	*-*		
Provisions for impairment at 31 December 2010	**(619.4)**	**(14.3)**	**(3.7)**	**(1.1)**
CARRYING AMOUNT AT 31 DECEMBER 2010	**5,968.5**	**5,148.5**	**189.4**	**1.3**

(1) 1976 legal revaluation.

Note 3 Shares in Subsidiaries and Affiliates

A. Cost

During the year, Peugeot S.A. participated in the following share issues by subsidiaries:

- a €299.7 million issue carried out by Automobiles Peugeot in July, which was fully taken up by Peugeot S.A. Following this issue Peugeot S.A.'s interest in Automobiles Peugeot remained unchanged at 100%;
- a €368.0 million issue carried out by Automobiles Citroën in July, which was fully taken up by Peugeot S.A. Following this issue Peugeot S.A.'s interest in Automobiles Citroën remained unchanged at 100%;
- a €25.9 million issue carried out by Peugeot Motocycles in June, which was fully taken up by Peugeot S.A. Following this issue Peugeot S.A.'s interest in Peugeot Motocycles remained unchanged at 100%;
- two issues carried out by PSA Assurances S.A.S in January and December, totalling €6.0 million and €11.0 million respectively, in which Peugeot S.A. took up €0.7 million and €1.9 million. Following these issues, Peugeot S.A.'s interest in PSA Assurances S.A.S. was raised from 5% to 10%.

In the first half of 2010, Faurecia issued €299 million worth of shares to Emcon Holdings in exchange for 100% of the Emcon Technologies Group. As Peugeot S.A. did not take part in this issue, its percentage interest in Faurecia was reduced from 70.86% to 57.43%.

B. Fair Values

1) Faurecia

Before the impairment test carried out at end-2010 and taking into account the €300 million impairment provision recorded at end-2008 and maintained in 2009, the carrying amount of the Faurecia shares held by Peugeot S.A. at 31 December 2010 was €1,286 million, or €20.30 per share versus €55.70 per share at 31 December 2008.

The decline in the net per share value reflects the conditions of the share issue carried out in May 2009, when eight new shares were issued for every three existing ones at €7.00 per share. Peugeot S.A. took up its share of the issue.

The investment in Faurecia was tested for impairment at the 2010 year-end. The Company's equity in Faurecia's enterprise value was calculated based on its share of the values in use of all of the Faurecia sub-group's businesses, after hedging of its debt. As this amount greatly exceeded the cost value of the shares the €300 million provision in the 2009 balance sheet was reversed in full. Of this amount, €275.6 million was reversed through profit, and €24.4 million was allocated to the revaluation reserve in shareholders' equity to replace the amount deducted when the provision was set up. The revaluation reserve was originally created at the time of the 1976 legal revaluation of Ecia shares.

At 31 December 2010 the cost value of Peugeot S.A.'s investment in Faurecia shares was €1,586.0 million.

2) Grande Armée Participations

The fair value of the investment in this subsidiary was estimated based on its net assets adjusted to include potential capital gains on available-for-sale securities, capped at a prudent 80% of the average share price over the last six months to attenuate the impact of market volatility. Based on this estimate an additional €4.7 million provision for impairment of the investment was recorded in 2010, increasing the total provision to €219.8 million. However, after deducting the €4.1 million in dividends received from Grande Armée Participations in 2010, the net charge for the year before tax was €0.6 million.

3) Peugeot Motocycles

The investment in Peugeot Motocycles had been fully written down at 31 December 2010. A €29.9 million provision for contingencies has also been recognised in relation to this investment to cover the amount of the cash advance granted to Peugeot Motocycles by GIE PSA Trésorerie (note 6).

4) Process Conception Ingénierie

At 31 December 2010, the fair value of the investment in this subsidiary was estimated based on the net assets of the PCI sub-group.

During the year, €2.3 million was reversed from the impairment provision, increasing the carrying amount of the investment to €43.4 million and reducing the total provision to €126.9 million at the year-end.

C. Pledged Securities

Securities are lodged with the European Investment Bank as collateral for loans granted to Peugeot S.A. subsidiaries. At 31 December 2010, 4,695,000 Faurecia shares had been pledged for this purpose.

Note 4 Advances to Subsidiaries and Affiliates

1) Faurecia

On 26 November 2008, Peugeot S.A. granted a €250 million line of credit to Faurecia. The facility comprises two equal tranches, one due in November 2011, which can be rolled over by Peugeot S.A. for two further one-year periods, and one due in November 2013.

The line's terms and conditions are correlated with Faurecia's €1.17 billion syndicated loan, so that the drawdowns made by Faurecia on the Peugeot S.A. line of credit are proportionate to those made on the syndicated loan, based on the same rates and periods.

At 31 December 2010, €142.0 million had been drawn down on the Peugeot S.A. line of credit. Interest for the year amounted to €2.5 million.

2) PMTC

The €25.9 million advance made to Peugeot Motocycles in December 2009 was used in 2009 to underwrite a share issue by the subsidiary (note 3.A.) Following repayment of the advance in new shares, the €25.9 million impairment provision carried in the balance sheet at 31 December 2009 was reclassified as a deduction from "Shares in subsidiaries and affiliates" (note 6).

In December 2010, Peugeot S.A. paid a €14.3 million advance to Peugeot Motocycles, to finance a further share issue. The advance was written down in full during the year (note 6).

3) GIE PSA Trésorerie

Peugeot S.A. has granted the following loans to GIE PSA Trésorerie:

- a €500 million 3-year loan, corresponding to the bond issue carried out by Peugeot S.A. in October 2010 and bearing interest at an initial fixed rate of 4%. If the bonds are bought back or redeemed prior to maturity, GIE PSA Trésorerie will be required to repay the loan;
- a €500 million 6-year loan, corresponding to the bond issue carried out by Peugeot S.A. in October 2010 and bearing interest at an initial fixed rate of 5%. If the bonds are bought back or redeemed prior to maturity, GIE PSA Trésorerie will be required to repay the loan;.
- a €500 million 5-year loan, corresponding to the bond issue carried out by Peugeot S.A. in June 2010 and bearing interest at an initial fixed rate of 5.63%. If the bonds are bought back or redeemed prior to maturity, GIE PSA Trésorerie will be required to repay the loan;
- a €575 million 6-year loan, corresponding to the OCEANE convertible bond issue carried out by Peugeot S.A. in June 2009 and bearing interest at a nominal fixed rate of 4.45%. If the bonds are bought back or redeemed prior to maturity, GIE PSA Trésorerie will be required to repay the loan;
- a €750 million 5-year loan, corresponding to the bond issue carried out by Peugeot S.A. in July 2009 and bearing interest at an initial fixed rate of 8.38%. If the bonds are bought back or redeemed prior to maturity, GIE PSA Trésorerie will be required to repay the loan.

In September 2010, GIE PSA Trésorerie repaid to Peugeot S.A. €1 billion out of an original €3 billion 5-year loan, corresponding to a loan in the same amount granted to Peugeot S.A. by the French State. The sum repaid by GIE PSA Trésorerie was used by Peugeot S.A. to partially repay the State loan, in the same amount and on the same date. The interest rate on the State loan was initially set at a fixed 6% but may be increased by the addition of a variable rate indexed to the Group's earnings, but will not exceed 9%.

At 31 December 2010, accrued interest recognised on these loans amounted to €171.1 million.

Note 5 Other Investments

Peugeot S.A. holds units in France's Automobile Industry Investment Fund (FMEA), an FCPR private equity investment 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. When the units are not listed, their value in use is estimated at cost over the first twelve months following their acquisition, adjusted for any unfavourable subsequent events when necessary. After the first twelve months, their value in use will be estimated using revenue multiples.

At 31 December 2010 Peugeot S.A. recorded a €3.7 million provision for impairment against its investment in FMEA units.

These units are governed by the tax rules relating to FCPR investment funds and as such benefit from a favourable tax regime on long-term capital gains.

In December 2010, €6.9 million was paid out of the fund and the €68.4 million in monies already called and paid into the Fund was reduced by the same amount, to €61.5 million.

FCPR units not yet called at 31 December 2010 amounted to €131.6 million and were booked under "Due to suppliers of fixed assets" (note 1.D).

Note 6 Provisions

Type of provision *(in million euros)*	**At 1 January 2010**	**Increases**	**Utilisations**	**Reversals**	**Other movements**	**At 31 December 2010**
Untaxed provisions						
Reinvested capital gains	0.7	-	-	-	-	0.7
Provisions for contingencies and charges						
Provision for transferable tax savings (note 11)	824.1	175.6	-	-	-	999.7
Provisions for tax risks	27.1	0.8	-	-	-	27.9
Other provisions for contingencies and charges (1)	16.1	29.6	(0.7)	(0.1)	-	44.9
	867.3	206.0	(0.7)	(0.1)	-	1,072.5
Provisions for impairment of investments						
Shares in subsidiaries and affiliates (note 3.B)	891.1	30.6	-	(302.3)	-	619.4
Advances to subsidiaries and affiliates (note 4)	25.9	14.3	-	(25.9)	-	14.3
Other investments (note 5)	-	3.7	-	-	-	3.7
Loans	1.0	-	-	-	-	1.0
	918.0	48.6	-	(328.2)	-	638.4
Provisions for impairment of current assets						
Marketable securities (note 7.A)	**132.7**	**-**	**-**	**(52.2)**	**-**	**80.5**
Bond redemption premiums	**-**	**2.0**	**-**	**-**	**-**	**2.0**
TOTAL	**1,918.7**	**256.6**	**(0.7)**	**(380.5)**	**-**	**1,794.1**
Movements classified under:						
Operating income and expenses		12.0	-	-	-	
• Financial income and expenses		68.2	-	(356.1)	-	
• Non-recurring income and expenses		0.8	(0.7)	-	-	
• Income tax (note 18)		175.6	-	-	-	
• Revaluation reserve (note 3)			-	(24.4)	-	

(1) "Other provisions for contingencies and charges" correspond primarily to (i) the provision for contingencies recorded on Peugeot Motocycles, in the amount of €29.9 million at 31 December 2010 (note 3.B) and (ii) an €11.5 million provision for the 2010 performance share plan (note 7.1.b).

Note 7 Marketable Securities

Marketable Securities *(in million euros)*	**Peugeot S.A. shares (note 7.A)**	**Other marketable securities (note 7.B)**
Cost at 1 January 2010	302.9	168.0
Additions	-	-
Disposals	*(8.9)*	*(18.3)*
Cost at 31 December 2010	**294.0**	**149.7**
Provisions for impairment at 1 January 2010	132.7	-
Additions		-
Reversals	*(52.2)*	-
Provisions for impairment at 31 December 2010	**80.5**	**-**
CARRYING AMOUNT AT 31 DECEMBER 2010	**213.5**	**149.7**

A. Peugeot S.A. Shares

Movements for the Year

Peugeot S.A. did not purchase any of its own shares in 2010 and no stock-options were granted or exercised. However, the Company's first performance share plan was set up during the year.

a. Characteristics of the 2010 Performance Share Plan

On 21 September 2010, the Peugeot S.A. Managing Board decided to use the authorisation given at the Extraordinary Shareholders' Meeting of 2 June 2010 to set up a performance share plan. Under the terms of the plan, the performance shares granted to French tax residents are subject to a vesting period that ends on the date of publication of Peugeot S.A.'s 2012 consolidated financial statements in February 2013 followed by a two-year lock-up period ending in 2015. For grantees who are not French tax residents, the shares will be subject to a four-year vesting period ending on 21 September 2014 and will not be subject to any lock-up period. Grantees who leave the Group before the end of the lock-up period or vesting period, as applicable, will forfeit their performance shares.

The performance shares will vest provided that PSA Peugeot Citroën's recurring operating income excluding Faurecia but including the Chinese subsidiaries at equity, reaches a certain level.

The Managing Board reserves the right to adjust the recurring operating income target in response to exceptional circumstances.

In line with the commitments given by the Group in application of the regulations governing agreements with companies that have received exceptional State aid, no performance shares were granted to members of the Managing Board in 2010.

b. Valuation of the 2010 Performance Share Plan

Up to 816,000 shares may be allocated under the plan, if the vesting conditions are met. The cost value of the shares granted equals the carrying amount of the Peugeot S.A. shares held by the Company for allocation under the plan on the date the plan was launched, corresponding to €24.685 per share.

		Grantees: employees	
	Total	**Peugeot S.A.**	**Other Group companies**
Number of shares granted under the 21 September 2010 performance share plan	816,000	187,500	628,500

Value *(in million euros)*	**Total**	**Peugeot S.A.**	**Other Group companies**
Estimated total cost of the plan excluding the *contribution sociale* surtax	15.0	3.9	11.1
Of which expensed in 2010	11.5	0.4	11.1
Of which expensed in previous years	-	-	-
Of which to be expensed in subsequent years	3.5	3.5	-
Contribution sociale surtax expense for 2010	1.1	0.3	0.8

The overall cost of the plan excluding the *contribution sociale* surtax was estimated at €15.0 million at 31 December 2010, of which €3.9 million corresponds to grantees who are employees of Peugeot S.A.

A provision has been set aside over the vesting period of the shares for the cost for the portion of the plan whose grantees are Peugeot S.A. employees. A €0.4 million charge was therefore recorded in payroll costs in 2010, plus €0.3 million for the contribution sociale surtax, calculated based on the fair value of the shares estimated when preparing the consolidated financial statements of companies that apply IFRS. The full amount of this surtax payable on the plan was expensed in 2010.

The total cost of the plan – including the *contribution sociale* surtax – for grantees that are not employees of Peugeot S.A. was estimated at €11.9 million at end-2010 (including €0.8 million for the *contribution sociale* surtax). This amount will be rebilled to the companies concerned and Peugeot S.A. therefore recorded €11.9 million in accrued income in this respect at 31 December 2010.

At 31 December 2010

At 31 December 2010, the Company held 7,187,450 of its own shares purchased at a historical cost of €302.9 million. The cost value of the shares allocated to cover the 2010 performance share plan was measured as the carrying amount of the shares on the date the plan was launched, with the number determined based on the probable number of shares that will actually be allocated at the end of the vesting period, taking into account the applicable performance and vesting conditions. At the year-end, €8.9 million was reversed out of the provision originally recognised when the plan was launched, resulting in a corresponding decrease in the cost value of the Peugeot S.A. shares held by the Company, from €302.9 million to €294.0 million.

The total 7,187,450 Peugeot S.A. shares held include 5,392,107 for allocation under the 2003-2008 stock-option plans, 816,000 allocated by the Managing Board to cover the September 2010 performance share plan, 462,543 for allocation under future plans, and 516,800 excess shares which remain to be allocated.

During the year provision reversals of €52.2 million were recorded concerning all of the Peugeot S.A. shares held, including (i) €8.9 million to align the cost value of the shares allocated to cover the performance share plan with their carrying amount on the plan launch date and (ii) €43.3 million to mark to market the Peugeot S.A. shares held that have not been allocated to cover the performance share plan. Following these reversals, the total provision for impairment in value of Peugeot S.A. shares held stood at €80.5 million at 31 December 2010.

Peugeot S.A. shares held *(in million euros)*	Number of shares	Cost	Impairment	Net
Shares held for allocation on exercise of outstanding stock-options	5,392,107	229.0	(66.3)	162.7
Shares held for allocation under performance share plans	816,000	23.1	(1.9)	21.2
Shares held for allocation under future plans	462,543	18.1	(4.1)	14.0
Unallocated shares	516,800	23.8	(8.2)	15.6
TOTAL AT 31 DECEMBER 2010	**7,187,450**	**294.0**	**(80.5)**	**213.5**

a. Stock-options

The characteristics of the Company's stock-option plans are presented below (after adjustment for the 6-for-1 stock-split carried out in 2001 where applicable):

	Plan launch date	Vesting date	Last exercise date	Number of initial grantees	Exercise price *(in euros)*	Number of options granted
2002 plan	20/08/2002	20/08/2005	20/08/2009	178	46.28	860,100
2003 plan	21/08/2003	21/08/2006	20/08/2011	184	39.09	996,500
2004 plan	24/08/2004	24/08/2007	23/08/2012	182	47.59	1,004,000
2005 plan	23/08/2005	23/08/2008	22/08/2013	169	52.37	953,000
2006 plan	23/08/2006	23/08/2009	22/08/2014	92	41.14	983,500
2007 plan	22/08/2007	22/08/2010	21/08/2015	169	60.43	1,155,000
2008 plan	20/08/2008	20/08/2011	19/08/2016	194	33.08	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)	2010	2009
At 1 January	**5,392,107**	**6,527,907**
Options granted	-	-
Options exercised	-	-
Cancelled options	-	(619,000)
Expired options	-	(516,800)
AT 31 DECEMBER	**5,392,107**	**5,392,107**
Of which options currently exercisable	4,257,107	3,328,607

b. Performance Share Plans

The characteristics of the Company's performance share plans are as follows:

	Plan launch date	Vesting date	Number of initial grantees	Number of performance shares granted
2010 plan	21/09/2010	Mid-February 2013*	291	816,000

* *The vesting date for non-French tax residents is 21 February 2014.*

Members of the Group's management bodies are not entitled to any long-term benefits apart from pension benefits (see note 20), or any direct share-based payments or any compensation for loss of office.

B. Other Marketable Securities

All 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) were included in "Other marketable securities" in an amount of €149.5 million at 31 December 2010.

Note 8 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 cash 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 2010, advances to GIE PSA Trésorerie totalled €2,877.2 million and accrued interest on these advances amounted to €1.2 million.

Note 9 Share Capital

(number of shares)	2010	2009
At 1 January	234,049,142	234,048,798
Shares issued during the year	83	344
AT 31 DECEMBER	**234,049,225**	**234,049,142**

The 83 shares issued during the year correspond to the conversion of OCEANE bonds issued by Peugeot S.A. (note 12).

At 31 December 2010, the share capital comprised 234,049,225 ordinary shares with a par value of one euro each, all fully paid. Fully-paid shares registered in the name of the same holder for at least four years carry double voting rights. At 31 December 2010 a total of 79,218,810 shares carried double voting rights.

Note 10 Changes in Shareholders' Equity

(in million euros)	31 December 2009	Appropriation decided at the AGM of 2 June 2010	Share cancellations	Other movements for the year	31 December 2010
Share capital	**234.0**	**-**	**-**	**-**	**234.0**
Revaluation reserve (1)					
Property and equipment	2.6	-	-	-	2.6
Shares in subsidiaries and affiliates (note 2)	442.2	-	-	24.4	466.6
	444.8	**-**	**-**	**24.4**	**469.2**
Reserves and retained earnings					
Legal reserve	27.8	-	-	-	27.8
Long-term capital gains reserve	1,068.5	-	-	-	1,068.5
Other reserves	4,751.4	-	-	-	4,751.4
Retained earnings	762.9	537.0	-	-	1,299.9
	6,610.6	**537.0**	**-**	**-**	**7,147.6**
Net profit for the year	**537.0**	**(537.0)**		**647.9**	**647.9**
Untaxed provisions	**0.7**	**-**	**-**	**0.2**	**0.9**
TOTAL	**7,827.1**	**-**	**-**	**672.5**	**8,499.6**

(1) 1976 legal revaluation.

(2) Amount returned to the revaluation reserve for Faurecia shares following the reversal of the impairment provision previously recorded for these shares (note 3.B).

Note 11 Provision for Transferable Tax Savings

The €824.1 million provision for transferable tax savings recorded in the balance sheet at end-2009 was increased by €175.6 million to €999.7 million at 31 December 2010. The provision corresponds to tax savings realised by Peugeot S.A. through the utilisation of the tax losses of other companies in the tax group that would be able to use the losses in future periods if they were taxed on a stand-alone basis. Consequently, it does not cover the tax losses of companies that are dormant or are not expected to generate sufficient profit in future periods. The provision will be reversed in future periods as the subsidiaries whose tax losses have been utilised return to profit.

Note 12 Long- and Short-Term Debt

(in million euros)	31 December 2010	31 December 2009
Bonds	2,889.4	1,337.7
Other long- and short-term debt	2,111.7	3,170.5
TOTAL	**5,001.1**	**4,508.2**

In 2010, the Group kept up its proactive refinancing strategy and conservative liquidity policy, in order to meet its general financing needs, particularly the financing of current and future growth projects. This strategy enabled the Group to refinance its 2011 debt maturities on favourable term. The refinancing transactions have extended the average life of the Group's debt while also lowering average borrowing costs.

The Group also rolled over its €2,400 million undrawn line of credit.

The main refinancing transactions carried out during 2009 and 2010 are described below.

Peugeot S.A. bond issues

On 10 July 2009, Peugeot S.A. issued €750 million worth of 5-year 8.38% bonds, to strengthen the Group's cash position and extend the average life of its debt.

On 21 June 2010, Peugeot S.A. launched a €500 million 5.63% 3-year bond issue due June 2015, the proceeds of which were used mainly to finance the buyback of bonds issued in 2001 by GIE PSA Trésorerie and due in September 2011.

On 21 October 2010, Peugeot S.A. placed a €500 million 4% 3-year bond issue due October 2013 and a €500 million 5% 6-year bond issue due October 2016. The issues helped to lower the Group's average borrowing costs and to spread its debt maturities more evenly, while also creating an opportunity to optimise the balance sheet structure.

OCEANE convertible bond 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 due 1 January 2016 were issued at a price of €25.10 per bond and pay interest at an annual nominal rate of 4.45%. They are convertible at any time from 1 July 2009 at the bondholders' discretion on the basis of one share per bond. At 31 December 2010, 1,191 bonds had been converted. They may be redeemed by Peugeot S.A. on or after 1 January 2013 at par plus accrued interest if the Peugeot S.A. share price exceeds 1.3 times the bonds' face value.

Partial repayment of the State loan

In March 2009, Peugeot S.A. obtained a €3 billion 5-year loan from the French State. The funds were released at the end of April 2009. Initially set at a fixed 6%, the interest rate may be increased by the addition of a variable rate indexed to the Group's earnings, but will not exceed 9%.

The loan is repayable in full on the fifth anniversary of the date when the funds were released. Originally, it could be repaid in part or in full at Peugeot S.A.'s discretion at any time as from the end of April 2011, but in September 2010 an addendum to the loan agreement was signed allowing for the repayment of €1 billion on September 2010.

At 31 December 2010, accrued interest recognised on these borrowings amounted to €171.1 million.

Note 13 Maturities of Receivables and Liabilities

Receivables *(in million euros)*	**Total**	**Due within one year**	**Due beyond one year**
Advances to subsidiaries and affiliates	5,162.8	337.8	4,825.0
Loans	2.4	-	2.4
Non-current assets	**5,165.2**	**337.8**	**4,827.4**
Trade receivables	16.9	16.9	-
Other receivables and prepayments to suppliers			
• Income tax prepayments	123.6	123.6	-
• Subsidiaries	177.1	177.1	
• Other	2.2	2.2	-
• Total	302.9	302.9	-
Cash equivalents	2,878.5	2,878.5	-
CURRENT ASSETS	**3,198.3**	**3,198.3**	**-**
Prepaid expenses	0.3	0.3	-
TOTAL	**8,363.8**	**3,536.4**	**4,827.4**

At 31 December 2010, receivables due beyond five years amounted to €1 billion, corresponding to the loans granted to GIE PSA Trésorerie in relation to the 5% bonds issued in October 2010 and the 4.45% OCEANE convertible bonds issued in June 2009.

See note 6 for information on asset impairment.

Liabilities *(in million euros)*	**Total**	**Due within one year**	**Due beyond one year**
Long- and short-term debt	**5,001.1**	**176.1**	**4,825.0**
Payables	**31.6**	**31.6**	**-**
Due to suppliers of fixed assets	**136.1**	**52.0**	**84.1**
Shareholder advances	136.2	136.2	-
Other	0.6	0.6	-
Other liabilities	**136.8**	**136.8**	**-**
TOTAL	**5,305.6**	**396.5**	**4,909.1**
Deferred income	**12.9**	**3.3**	**9.6**

At 31 December 2010, liabilities due beyond five years amounted to €1 billion and corresponded to (i) the €500 million 5% bond issue carried out in October 2010 and (ii) the €500 million 4.45% OCEANE convertible bond issue carried out in June 2009.

The amount in "Due to suppliers of fixed assets" includes €131.6 million in payments to France's Automobile Industry Investment Fund (FMEA), which had not been called at 31 December 2010.

Deferred income corresponds to bond redemption premiums, which are being billed over the life of the debt.

Note 14 Accrued Income and Expenses

Accrued income and expenses included in other balance sheet items are as follows:

(in million euros)	31 December 2010	31 December 2009
Accrued income		
Advances to subsidiaries and affiliates (note 4)	166.3	166.3
Trade receivables	14.4	-
Other receivables	1.2	0.1
Marketable securities	0.1	-
Cash equivalents	1.2	1.0
TOTAL	**183.2**	**167.4**

(in € millions)	31 December 2010	31 December 2009
Accrued expenses		
Long- and short-term debt (note 12)	171.2	166.3
Trade payables	6.5	7.7
Accrued taxes and payroll costs	16.9	16.7
Other liabilities	0.3	0.3
TOTAL	**194.9**	**191.0**

Note 15 Related Party Transactions

(in million euros)	Related party transactions (1)
Balance sheet items	
Assets	
Shares in subsidiaries and affiliates (note 3)	6,587.9
Advances to subsidiaries and affiliates (note 4)	5,162.8
Trade receivables	16.9
Other receivables	177.1
Cash equivalents (note 8)	2,878.4
Liabilities	
Long- and short-term debt	-
Trade payables	2.4
Due to suppliers of fixed assets	4.5
Other liabilities	136.2
Income statement items	
Financial expenses	-
Investment income	192.5
Other financial income	322.2

(1) Companies consolidated or accounted for by the equity method in the consolidated financial statements of the PSA Peugeot Citroën Group.

Transactions with other related parties are not material.

Note 16 Operating Income and Expenses

(in million euros)	31 December 2010	31 December 2009
Revenue	103.5	140.7
Other income	-	-
Expense transfers	2.6	4.0
Operating income	**106.1**	**144.7**
Other purchases and external charges	(51.2)	(63.6)
Taxes other than on income	(4.3)	(7.2)
Wages and salaries	(36.1)	(42.6)
Payroll taxes	(16.1)	(15.2)
Other expenses	(1.4)	(1.3)
Additions to provisions for contingencies and charges	(12.0)	-
Operating expenses	**(121.1)**	**(129.9)**
NET OPERATING INCOME (EXPENSE)	**(15.0)**	**14.8**

Note 17 Revenue

Revenue breaks down as follows:

A. By Business Segment

(in million euros)	31 December 2010	31 December 2009
Service revenue	96.5	133.7
Rental income	7.0	7.0
TOTAL	**103.5**	**140.7**

Service revenue consists mainly of contributions to research costs and headquarters expenses billed by the Company to subsidiaries, together with management fees. The decrease in this item in 2010 chiefly reflects a lower amount of rebilled expenses.

B. By Geographical Segment

Substantially all revenue is generated in France.

Note 18 Income Taxes

The effects of the Company's election for group relief (note 1.J) on income tax are as follows:

(in million euros)	31 December 2010	31 December 2009
Tax payable to Peugeot S.A. by profitable members of the tax group	187.8	61.5
Return by profitable members of the tax group of tax savings previously transferred by Peugeot S.A.	72.3	42.0
Group relief	95.7	90.5
Adjustments of income tax for prior periods	1.5	(0.3)
Change in provision for tax savings to be transferred to loss-making subsidiaries (note 12)	(175.6)	(146.9)
Change in provision for tax risks	(0.8)	(0.1)
NET INCOME TAX BENEFIT	**180.9**	**46.7**

Note 19 Financial Commitments

(in million euros)	31 December 2010	31 December 2009
Commitments received		
Syndicated line of credit (1)	2,400.0	2,400.0
Bank guarantee (2)	52.8	52.8
Income tax reallocations (3)	634.2	706.5
TOTAL	**3,087.0**	**3,159.3**
Commitments given		
• Guarantees for loans obtained by:		
• Peugeot S.A. subsidiaries (4)	2,879.6	3,080.0
Other companies	-	-
• Other commitments given on behalf of Peugeot S.A. subsidiaries (5)	422.3	388.0
TOTAL	**3,301.9**	**3,468.0**
Commitments received from and given to related parties are as follows:		
• Commitments received	52.8	52.8
• Commitments given	3,301.9	3,358.2

Commitments received include:

(1) Rollover of the Peugeot S.A. line of credit

On 9 July 2010, Peugeot S.A. signed a new €2,400 million 3-year syndicated revolving credit facility (with two extensions of one year at the banks' option) with a group of 21 banks. The new facility refinances the existing €2,400 million facility, which was due to expire in March 2011. The revolving facility has an opening margin of 170 basis points, including a 40% non utilisation fee.

(2) Guarantee received for tax bonds issued in connection with tax litigation.

(3) Allocations of income tax previously paid by Peugeot S.A. to certain subsidiaries, which these subsidiaries have undertaken to repay to Peugeot S.A. when they return to profit.

There is no longer an off-balance-sheet commitment from the sale of SCMPL shares. However, a €2.5 million provision for residual risk has been recorded since 31 December 2009.

Commitments given include:

- *(4) for €1,855.1 million, guarantees given by Peugeot S.A. in connection with the two bond issues carried out by GIE PSA Trésorerie with nominal amounts of (i) €1,255.1 million (reduced from the original €1,500 million following buybacks of 244,925 bonds in 2010) due 2011 and (ii) €600 million, due 2033. The other guarantees mostly concern loans obtained by subsidiaries from the European Investment Bank.*
- *(5) for €266.7 million, the equivalent of outstanding loans by Banque PSA Finance to Group subsidiaries at 30 November 2010, that Peugeot S.A. is committed to repaying in the event of default by the subsidiaries concerned.*
- *for €108 million, the undrawn portion of the €250 million line of credit granted to Faurecia by Peugeot S.A. (note 4).*

Note 20 Retirement Commitments

Peugeot S.A. employees are entitled to supplementary pension benefits, payable annually, or lump sum length-of-service awards payable at the time of retirement. These benefits are paid under defined contribution and defined benefit plans.

Existing defined benefit plans concern the retirement bonuses provided for by collective bargaining agreements and the internally-managed portion of the supplementary pension scheme for engineers and management personnel (*cadres*) that was not transferred to an external fund in 2002, which guarantees a defined level of pension benefit from all plans of up to 60% of the employee's final salary. The members of the Group's management bodies are eligible to participate in the supplementary pension plan provided that: (i) they have sat on the Managing Board, Executive Committee, Expanded Executive Committee or other management body for a specified minimum period; and (ii) they end their career with the Group. This top hat plan guarantees a defined level of pension benefit in the aggregate for all plans (statutory and supplementary) equal to up to 50% of a benchmark salary, taken to be the three highest annual salaries received over the last five years with the Group. Under this plan, benefits may be paid over to the executive's spouse or partner.

At 31 December 2010, the projected benefit obligation amounted to €97.8 million, including €33.2 million in benefit obligations towards members of the management bodies.

The obligation is partly funded by external funds in the amount of €61.3 million. No provision has been recorded for the unfunded portion.

France's 2010 Social Security Financing Act was published in the *Journal Officiel* on 27 December 2009. The main measures affecting the Company's pension obligations concern the top-hat plan for members of the Group's management bodies. Effective from 1 January 2010, the 6% tax on contributions to this plan rose to 12% and, for pensions claimed on or after 1 January 2010, an additional 30% tax is payable on the total amount of pension benefits that exceed eight times the ceiling for Social Security contributions. These new measures were taken into account in the calculation of pension obligations at 31 December 2010, resulting in a €7 million increase in the projected benefit obligation.

The Pensions Reform Act was enacted by the President of the French Republic and published in the *Journal Officiel* on 10 November 2010. The new legislation provides for a gradual rise in the retirement age from 60 currently to 62 in 2018. Its application by Peugeot S.A. has led to a non-material decrease in the projected benefit obligation under the retirement bonus plan.

The 21 June 2010 industry-level agreements amending the 1970 agreement introducing monthly salary payments for non-management employees and the 1972 collective bargaining agreement applicable to engineers and managers are applicable from 30 July 2010. These new agreements align the retirement bonus rights for both managers and non-management employees under the applicable collective bargaining agreement. The increase in Peugeot S.A.'s projected benefit obligation under the retirement bonus plan resulting from this amendment was not material.

Note 21 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 €43.8 million at 31 December 2010.

Under France's amended 2004 Finance Act (Act no. 2004-1485 dated 30 December 2004) companies were given the option of transferring reinvested long-term capital gains taxed at a reduced rate to distributable reserves without paying the difference between the reduced tax rate and the standard rate, in exchange for a 2.5% exit tax. This option concerned the portion of the long-term capital gains reserve in excess of €200 million, and the transfer had to be carried out before 31 December 2006. Peugeot S.A. decided not to take up this opportunity. At 31 December 2010, the long-term capital gains reserve potentially subject to additional tax amounted to €1,068.5 million (note 10).

Note 22 Management Compensation

(in million euros)	31 December 2010	31 December 2009
Compensation paid to:		
• Members of management bodies	10.6	5.6
• Members of the Supervisory Board	1.1	0.9
TOTAL	**11.7**	**6.5**

The Group is managed by the Managing Board.

From 6 February 2007 to 16 June 2009, the Group's management bodies corresponded to the Extended Management Committee, which comprised the members of the Managing Board, the other members of executive management and the executives reporting directly to the Chairman of the Managing Board.

Since 17 June 2009, the Group's management bodies correspond to the 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 but do include any compensation paid by subsidiaries controlled by the Group. The variable bonuses awarded to the Managing Board in 2010 were approved by the Supervisory Board on 8 February 2011. No variable bonuses were paid to members of the Managing Board for 2009.

The amounts disclosed above include 2010 and 2009 bonuses, which were accrued in the financial statements for those years.

The following table presents details of outstanding Peugeot S.A. stock-options granted to members of the Group's management bodies under the plans set up since 1999:

(number of options)	31 December 2010	31 December 2009
Stock-options granted during the year	-	-
Stock-options held at 31 December	587,000	579,000

Members of the Group's management bodies participate in the supplementary pension plan described in note 20.

Members of the management bodies are not entitled to any long-term benefits apart from pension benefits under the plan referred to above, or any direct share-based payments or any compensation for loss of office.

At 31 December, 65,000 performance shares had been awarded by Peugeot S.A. and its subsidiaries to members of the Group's management bodies (excluding Managing Board members) under the 2010 plan.

Note 23 Average Number of Employees

(number of employees)	31 December 2010	31 December 2009
Managers	279.0	275.0
Other	57.0	59.0
TOTAL	**336.0**	**334.0**

Note 24 Training Entitlements

In line with the French Training Act (Act no. 2004-391) of 4 May 2004, employees are entitled to at least 20 hours' personal training per calendar year, which can be carried forward for up to six years. At the end of the six-year period, if the training entitlement is not used it is capped going forward at 120 hours.

On 15 April 2005, the PSA Peugeot Citroën Group signed an agreement with all of its trade unions in France concerning career-long training opportunities. In line with the law, each employee is awarded an annual training credit equal to 20 hours. The training rights accumulated since 1999 under earlier schemes have been maintained and the cap on the training entitlement that may be carried forward has been raised to 150 hours. Employees may attend training courses during their working hours, provided that this does not disrupt the organisation of their unit.

At 31 December 2010, training credits totalling 38,164 hours were available.

No accrual was booked in this respect at 31 December 2010, in line with opinion 2004-F issued on 13 October 2004 by the *Conseil National de la Comptabilité* urgent issues task force.

Note 25 Subsequent Events

No events occurred between 31 December 2010 and the meeting of the Managing Board to approve the financial statements on 2 February 2011 that could have a material impact on economic decisions made on the basis of these financial statements, with the exception of the following:

- on 20 January 2011, the Group topped up its two October 2010 bond issues. The issue due October 2013 was increased by €350 million and the issue due October 2016 by €150 million, at interest rates 40 bps and 30 bps lower, respectively, than the original rates;
- at its meeting on 2 February 2011, the Managing Board decided to repay the €2 billion outstanding on the State loan received in March 2009. Repayments will be made in two equal tranches of €1 billion, the first on 25 February and the second on 26 April 2011. This will reduce Peugeot S.A.'s financial expenses for 2011 by around €118 million but will also reduce its financial income by the same amount as GIE PSA Trésorerie will repay the €2 billion loan granted to it by Peugeot S.A., in the same tranches on the same dates.

20.4.7. Peugeot S.A. Five-Year Financial Summary

(Provided in compliance with articles D-133, D-135 and D-148 of the French decree of 23 March 1967)

(in euros)	2010	2009	2008	2007	2006
I - FINANCIAL POSITION AT 31 DECEMBER					
a - Share capital (1)	234,049,225	234,049,142	234,048,798	234,280,298	234,618,266
b - Shares outstanding	234,049,225	234,049,142	234,048,798	234,280,298	234,618,266
II - RESULTS OF OPERATIONS					
a - Net revenues	618,615,747	706,891,796	638,330,276	837,261,848	777,903,611
b - Income before tax, employee profit-sharing, depreciation, amortisation and provisions	199,298,390	393,686,214	518,965,886	740,999,549	730,770,923
c - Employee profit-sharing (charge for the year)	-	-	-	-	-
d - Income tax (2)	180,892,567	46,841,128	121,708,369	67,780,191	130,753,783
e - Income after tax, employee profit-sharing, depreciation, amortisation and provisions	647,883,601	537,011,853	47,527,964	525,580,339	747,728,148
f - Dividends (4)				**351,420,447**	**316,734,659**
III - PER SHARE DATA (3)					
a - Income after tax and employee profit-sharing before depreciation, amortisation and provisions	1.62	1.88	2.74	3.45	3.67
b - Income after tax, employee profit-sharing, depreciation, amortisation and provisions	2.77	2.29	0.20	2.24	3.19
c - Dividend per share (4):					
- Dividend		-	-	1.50	1.35
- Tax already paid (tax credit) (3)	-	-	-	-	-
TOTAL REVENUE	**-**	**-**	**-**	**-**	**-**
IV - EMPLOYEES					
a - Average number of employees	336	334	355	390	453
b - Total payroll	35,010,231	35,889,698	38,514,763	37,018,614	38,983,986
c - Total benefits (national health insurance, retirement pensions, etc.)	16,148,312	15,272,699	15,865,706	18,133,174	14,338,277

(1) Movements in share capital resulted from (i) the cancellation of shares following their purchase on the open market between 2006 and 2008 and (ii) since 2009, the conversion of bonds into shares under the OCEANE convertible bond issue.

(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.

(3) Beginning with dividends received in 2005, the tax credit has been replaced with tax relief.

(4) The amounts for 2010 are not yet known.

20.4.8. Subsidiaries and Affiliates at 31 December 2010

Company Or Group *(in thousand euros or local currency units)*		**Share capital**	**Reserves and retained earnings (before appropriation of profit for the year)**	**% interest**
I - DETAILED INFORMATION ABOUT INVESTMENTS REPRESENTING OVER 1% OF THE COMPANY'S SHARE CAPITAL				
A - Subsidiaries (at least 50%-owned)				
Peugeot Citroën Automobiles Route de Gisy, 78 Vélizy		294,817	(1,018,153)	100.00
Faurecia 2, rue Hennape, 92 Nanterre		772,567	1,104,473	57.42
Grande Armée Participations 75, avenue de la Grande-Armée, 75016 Paris		60,435	50,779	100.00
Banque PSA Finance 75, avenue de la Grande-Armée, 75016 Paris		177,408	1,892,848	74.93
Automobiles Citroën 12, rue Fructidor, 75017 Paris		159,000	27,506	100.00
Automobiles Peugeot 75, avenue de la Grande-Armée, 75016 Paris		172,712	229,700	100.00
Process Conception Ingénierie 9, avenue du Maréchal Juin, 92 Meudon la Forêt		22,954	28,445	84.54
Peugeot Motocycles Rue du 17 Novembre - 25 Mandeure		7,142	(10,441)	100.00
Gefco 77 à 81, rue des Lilas d'Espagne, Courbevoie (Hauts de Seine)		8,000	340,835	99.94
PSA International S.A. 62, quai Gustave Ador, 1207 Geneva (Switzerland)	CHF	5,979	228,619	-
	EUR	4,782	182,837	99.93
Société Anonyme de Réassurance Luxembourgeoise 6, B, Route de Trêves L2633 Senningerberg - Luxembourg		10,500	22	100.00
B - Affiliates (10 to 50%-owned)				
PSA Assurances SAS(*)		25,740	4,902	10.00
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)				
b) Foreign subsidiaries (total)				
B - Affiliates not listed in I:				
a) French companies (total)				
b) Foreign companies (total)				

(*) Peugeot SA's interest, which was initially one share out of the total 546,250 shares outstanding, was raised to 5% in January 2010 and to 10% in November 2010.

Carrying amount							
Cost	**Net**	**Outstanding loans and advances**	**Outstanding guarantees**	**Last published revenue**	**Last published profit or loss**	**Dividends received during the year**	**Comments**
2,610,622	2,610,622	-	1,005,460	58,426,756	(1,019,218)	-	
1,585,955	1,585,955	142,000	-	140,575	556,539	-	
408,923	189,123	-	-	0	4,568	4,147	
380,084	380,084	-	266,663	3,445,917	225,911	104,681	
625,653	625,653	-	1,300	8,582,379	20,491	-	
480,545	480,545	-	1,300	12,698,667	197,914	-	
170,304	43,424	-	-	123,422	5,610	423	
272,719	0	14,285	-	139,627	(13,881)	-	
32,198	32,198	-	39,000	1,921,674	140,793	49,970	
-	-	-	-	53,245	35,541		€1 = CHF 1.2504
6,844	6,844	-	-	42,582	28,424	22,872	
11,267	11,267	-	-	0	0	-	
2,574	2,574			1,464	5,133		
15	15	-	1,855,075			-	
10	10	-	-			12	
-	-	-	-			-	
219	219	-	-			-	

20.5. Auditing of Historical Annual Financial Information

20.5.1. Statutory Auditors' Assurance Opinion

Please refer to the Statutory Auditors' Reports on the consolidated financial statements and the Company financial statements for the year ended 31 December 2010 in sections 20.3.1 and 20.4.1 above respectively.

20.6. Date of Latest Financial Information

31 December 2010.

20.7. Interim and Other Financial Information

Not applicable.

20.8. Dividend Policy

	2006	2007	2008	2009	2010
Dividend per share					
Dividend	€1.35	€1.50	-	-	€1.10*
Tax credit	-**	-**	n/a	n/a	-**
Total revenue	-**	-**	n/a	n/a	-**

*   *Subject to shareholder approval at the May 31, 2011 Annual Meeting.*

**   *Beginning with the 2004 dividend received in 2005, the tax credit has been replaced, under certain conditions, with tax relief.*

Following a two-year break and given the results of 2010, it will be proposed to the AGM to pay a dividend of €1.1 per share.

20.9. Legal and Arbitration Proceedings

Please refer to section 4.5.1 of this Registration Document.

20.10. Significant Change in the Company's Financial or Trading Position

Please refer to section 12 and 13, to note 40 to the consolidated financial statements concerning subsequent events (see section 20.3.7 above) and to note 25 to the Company financial statements.

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ADDITIONAL INFORMATION

21.1. Share Capital

21.1.1. Issued Capital as of 31 December 2010

The issued capital amounted to €234,049,225 as of 31 December 2010. It was divided into 234,049,225 shares with a par value of €1.00, all fully paid-up and of the same class. The shares are held in registered or bearer form, at the shareholder's choosing.

As of 31 December 2009, the issued capital amounted to €234,049,142, divided into 234,049,142 shares with a par value of €1.00.

21.1.2. Shares not Representing Capital

Not applicable.

21.1.3. Shares Held by or on Behalf of the Company or by Subsidiaries

A total of 7,187,450 shares with a par value of €1.00 were held in treasury as of 31 December 2010, representing 3.07% of issued capital.

21.1.4. Shares of Common Stock, Share Equivalents, Options to Purchase New Shares of Common Stock and Stock Grants

Share equivalents are options to purchase existing shares, which are granted solely to employees.

These options have been granted to executives and senior managers in 2008 and preceding years. No stock-options were granted in 2009 or 2010.

A total of 5,392,107 options were outstanding at 31 December 2010.

Shares are issued from time to time when holders of Peugeot S.A. OCEANE bonds present their bonds for conversion (see note 26.2).

On 21 September 2010, the Peugeot S.A. Managing Board decided to use the authorisation given at the Extraordinary Shareholders' Meeting of 2 June 2010 to set up a performance share plan. The first performance share plan was set up in 2010. In line with the commitments given by the Group in application of the regulations governing agreements with companies that have received exceptional State aid, no performance shares were granted to members of the Managing Board in 2010.

21.1.5. Authorisations in Effect

The following financial authorisations have been granted by shareholders to the Managing Board.

In accordance with the articles of association, any corporate actions or bond issues must be submitted to the Supervisory Board for prior approval.

FINANCIAL AUTHORISATIONS IN EFFECT AT 31 DECEMBER 2010

	Authorisation	Validity	Granted	Used	Expires
1 – Annual Shareholders' Meeting					
Authorisation to carry out a share buyback programme *(6th resolution)*	Acquisition of up to 16,000,000 shares. Maximum purchase price: €65 per share	18 months	2 June 2010	No	2 December 2011
2 – Extraordinary Shareholders' Meeting					
Authorisation to grant options to purchase existing shares of Company stock *(7th resolution)*	2,000,000 shares	15 months	2 June 2010	No	31 August 2011
Authorisation to grant performance shares *(8th resolution)*	2,000,000 shares	15 months	2 June 2010	816,000	31 August 2011
Authorisation to cancel shares *(9th resolution)*	• Cancellation of shares representing up to 10% of the Company's share capital in any 24-month period	18 months	2 June 2010	No	2 December 2011
Authorisation to issue equity or securities conferring the right to acquire equity directly or indirectly with or without pre-emptive subscription rights (Roll-over of the authorisations granted in the 6th and 7th resolutions approved at the 3 June 2009 Annual Shareholders' Meeting)	• Aggregate par value of shares not to exceed €400 million • Aggregate nominal amount or debt securities not to exceed €1,500 million	26 months	3 June 2009	22,908,365 OCEANE convertible bonds issued for a nominal €575 million	3 August 2011
Authorisation to increase the amount of securities offered for issues that are oversubscribed *(8th resolution of the 3 June 2009 Annual Shareholders' Meeting)*	• Authorisation to increase the number of securities offered under any issues decided pursuant to the 6th and 7th resolutions approved at the Annual Shareholders' Meeting of 3 June 2009, provided that the ceilings specified in the resolutions are not exceeded	26 months	3 June 2009	Of the 22,908,365 OCEANE convertible bonds issued above, 2,988,047 were under this authorisation	3 August 2011
Authorisation to issue stock warrants while a takeover bid is in progress *(11th resolution)*	• Aggregate par value of shares not to exceed €160 million, to be deducted from the €400 million ceiling specified above • Number of warrants issued not to exceed 160 million	18 months	2 June 2010	No	2 December 2011
An authorisation to use the above authorisations while a takeover bid is in progress *(10th resolution)*		18 months	2 June 2010	No	2 December 2011

FINANCIAL AUTHORISATIONS THAT EXPIRED IN 2010

	Authorisation	Validity	Granted	Used	Expires
1 – Annual Shareholders Meeting					
Buyback of shares *(5th resolution)*	Acquisition of up to 16,000,000 shares Maximum purchase price: €65	18 months	3 June 2009	None	3 December 2010
2 – Extraordinary Shareholders Meeting					
Same as above, up to a maximum of 18 months while a takeover bid is in progress *(11th resolution)*	• Aggregate par value of shares not to exceed €400 million • Aggregate nominal amount of debt securities not to exceed €1500 million	18 months	3 June 2009	None	3 December 2010
Issuance of stock warrants while a takeover bid is in progress *(12th resolution)*	• Aggregate par value of shares not to exceed €160 million to be deducted from the €400 million ceiling specified above • Number of warrants issued not to exceed 160 million	18 months	3 June 2009	None	3 December 2010
Cancellation of shares *(10th resolution)*	• 10% of the capital stock per each 24-month period	18 months	3 June 2009	None	3 December 2010
Same as above, up to a maximum of 18 months while a takeover bid is in progress *(11th resolution)*		18 months	3 June 2009	None	3 December 2010

21.1.6. Share Buybacks

At the Annual Meeting on 2 June 2010, shareholders authorised a share buyback programme for the purpose of:

- reducing the Company's capital stock;
- acquiring shares for attribution on the exercise of stock-options granted to employees, executives or officers of the Company or any related entity;
- acquiring shares for attribution on redemption, conversion or exercise of share equivalents;
- 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*.

In compliance with the law, the Company may never directly or indirectly own more than 10% of issued capital.

The 18-month authorisation concerned the buyback of up to 16,000,000 shares for a maximum purchase price of €65 per share. It will expire on 2 December 2011 unless shareholders authorise another share buyback programme at the 31 May 2011 Annual Meeting.

21.1.7. Options to Purchase Existing Shares of Common Stock

Every year since 1999, the Managing Board has granted options to certain employees, executives and corporate officers of the Company and its subsidiaries, allowing them to purchase existing shares of common stock at a specified price.

No stock-options were granted in 2009 and 2010.

For a description of these plans, the number of options outstanding and the average weighted value of the options and underlying shares, please refer to note 26.3 to the consolidated financial statements at 31 December 2010 in section 20.3 above.

21.1.8. History of the Share Capital

(in euros)	2010	2009	2008
Share capital at the beginning of the year	234,049,142	234,048,798	234,280,298
Shares issued on conversion of OCEANE bonds	83	344	n/a
Shares cancelled	-	-	(231,500)
SHARE CAPITAL AT THE END OF THE YEAR	**234,049,225**	**234,049,142**	**234,048,798**

No other securities convertible, exchangeable, redeemable or otherwise exercisable for shares were outstanding at 31 December 2010.

21.1.9. The Market for the Company's Financial Instruments

Listing of the Peugeot S.A. Share

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. It is also traded in London on the SEAQ International system and in the United States in the form of American Depositary Receipts (ADRs), traded on the New York over-the-counter market. Each share of common stock is represented by one ADR.

The Peugeot S.A. share was delisted from the NYSE Euronext Brussels stock exchange after the close of trading on 28 August 2009.

SHARE DATA

ISIN	**FR0000121501**
Markets	Eurolist continuous trading – NYSE Euronext Paris, Compartment A. Ticker UGFP (Bloomberg) Other markets: • United States: Traded as American Depositary Receipts (ADRs), with one ADR representing one share of common stock on OTCQX. Ticker PEUGY US; • Europe: SEAQ International – London
Listed in the major indexes	CAC 40, SBF 120, SBF 250, Euronext 100, Dow Jones Euro Stoxx Auto, Advanced Sustainable Performance Indices (ASPI), FTSE4Good
Eligible for	Deferred settlement under the SDR system and inclusion in French PEA stock savings plans
Par value	€1.00
Shares outstanding at 31 December 2010	234,049,225
Closing price on 31 December 2010	€28.41
Market value at 31 December 2010	€6.649 billion
Weighting in the CAC 40 index at 31 December 2010	0.62%

Share information

(Source: NYSE Euronext)

PRICE DATA

	2010			2009			% change on 2009 closing price
(in euros)	High	Low	31 December 2010	High	Low	31 December 2009	
Peugeot S.A. share	32.225	17.92	28.410	25.67	11.43	23.67	20.03%
CAC 40 index	4,088.18	3,287.57	3,804.78	3,976.92	2,465.46	3,936.33	-3.35%

Trading data

	2010		2009	
	Total	Daily average	Total	Daily average
Number of shares	603,124,315	2,337,691	663,867,436	2,593,232
Value *(in million euros)*	14,133.90	54.78	12,335.9	48.2

Price And Trading Volume Of The Peugeot S.A. Share On The Nyse Euronext Paris Market (Deferred Settlement Service)

	Share price *(in euros)*			Trading volumes		
	Low	High	Closing	Volume per month	Value per month *(in thousands of euros)*	Daily average *(in thousands of euros)*
2009						
January	11.43	14.98	13.31	73,301,622	971,949	46,283.3
February	12.29	15.54	13.66	67,131,953	936,450	46,822.5
March	12.25	16.57	14.24	60,684,859	893,821	40,628.2
April	14.08	19.41	17.65	61,189,625	1,066,049	53,302.4
May	15.68	21.95	21.33	47,085,215	864,253	43,212.7
June	18.08	24.75	18.72	55,783,088	1,164,506	52,932.1
July	16.20	21.48	21.28	50,480,554	933,226	40,575.0
August	19.55	22.75	20.19	44,215,582	927,145	44,149.8
September	18.55	22.58	20.84	59,818,438	1,236,720	56,214.5
October	19.32	24.50	22.26	62,451,363	1,396,786	63,490.2
November	22.20	25.67	23.56	47,553,671	1,143,151	54,435.8
December	22.67	25.65	23.67	34,171,466	801,922	36,450.9
2010						
January	22.99	27.49	23.64	44,959,939	1,141,661	57,083.1
February	18.80	24.33	19.39	63,991,350	1,341,404	67,070.2
March	19.04	23.10	21.80	52,069,653	1,124,448	48,889.1
April	21.48	23.94	22.45	49,181,789	1,108,431	55,421.6
May	17.92	22.81	19.54	66,043,935	1,310,254	62,393.0
June	18.77	23.38	21.065	55,974,140	1,196,268	54,375.8
July	20.02	25.30	22.77	56,206,037	1,295,187	58,872.1
August	20.20	23.76	20.73	39,996,776	882,474	40,112.4
September	20.45	25.665	24.665	45,428,050	1,072,566	48,752.9
October	23.70	29.945	28.60	54,885,262	1,484,238	70,677.9
November	28.05	32.15	28.72	39,161,273	1,159,131	52,687.8
December	28.355	32.225	28.41	35,226,111	1,017,837	44,253.8
2011						
January	28.74	33.60	30.62	34,527,236	1,087,962	51,807.7
February	27.55	31.35	29.02	44,353,032	1,314,354	65,717.7
March	25.83	29.89	27.88	45,661,297	1,268.790	55,164.6

AMERICAN DEPOSITARY RECEIPTS (ADR) OF PEUGEOT S.A. TRADED ON THE US MARKET

	Share price *(in US dollars)*			Trading volumes
	Low	**High**	**Closing**	**Volume per month**
2009				
January	15.45	19.15	16.99	77,982
February	16.23	19.85	17.45	112,161
March	15.60	22.30	18.94	143,509
April	19.29	25.40	23.43	71,213
May	21.57	29.95	29.90	26,225
June	25.70	33.89	26.18	42,677
July	22.70	30.40	30.31	38,290
August	27.76	32.70	28.90	45,195
September	26.56	32.9	30.40	50,305
October	28.55	36.53	33.07	68,302
November	33.02	38.07	35.50	28,179
December	32.65	37.11	34.00	17,120
2010				
January	32.31	38.70	32.31	15,678
February	26.12	33.51	26.12	19,959
March	26.17	30.67	29.47	77,754
April	28.90	31.55	29.75	25,208
May	21.93	30.07	24.40	26,963
June	22.96	28.78	25.65	45,643
July	25.34	32.24	29.85	52,015
August	25.80	31.21	26.18	9,621
September	27.17	34.70	33.86	56,816
October	33.32	41.66	39.93	39,126
November	37.52	42.66	37.60	22,064
December	37.73	42.78	38.10	75,781
2011				
January	39.02	44.48	42.15	23,091
February	38.40	42.65	40.18	68,374
March	35.44	40.88	39.90	35,161

Coupons Eligible for Payment

Dividends

	Shares outstanding	Par value	Coupon number	Payment date	Time barred as from	Dividend paid	Tax credit	Total income per share
Shares	243,109,146	€1.00	42	2 June 2004	2 June 2009	€1.35	€0.675	€2.025
	243,109,146	€1.00	43	1 June 2005	1 June 2010	€1.35	*	*
	234,618,266	€1.00	44	31 May 2006	31 May 2011	€1.35	*	*
	234,618,266	€1.00	45	30 May 2007	30 May 2012	€1.35	*	*
	234,280,298	€1.00	46	4 June 2008	4 June 2013	€1.50	*	*
	234,048,798	€1.00	-	n/a	n/a	-	n/a	n/a
	234,049,142	€1.00	-	n/a	n/a	-	n/a	n/a
	233,049,225	€1.00	47	7 June 2011	7 June 2016	€1.10	*	*

* *Beginning with dividends received in 2005, the tax credit has been replaced, under certain conditions, with tax relief.*

Following a two-year break and given the results of 2010, it will be proposed to the AGM to pay a dividend of €1.1 per share.

Other rights

	Shares outstanding	Par value	Coupon number	Ex-dividend date	Type of transaction
Share	18,479,370	FRF 70	26	15 July 1987	Bonus share issue (1 new share for 5 existing shares)

21.2. Memorandum and Articles of Association

21.2.1. Objects and Purposes of the Company

(Summary of article 3 of the articles of association)

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 granting 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.

21.2.2. Provisions of the Articles of Association with Respect to the Members of the Administrative, Management and Supervisory Bodies

The organisation and procedures of the Managing Board and Supervisory Board are described in articles 9 and 10 of the articles of association.

The Company is managed by a Managing Board with at least two and no more than seven members.

21.2.3. Rights, Preferences and Restrictions Attached to Existing Shares

(Article 8 of the articles of association)

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.

21.2.4. Action Necessary to Change the Rights of Shareholders

(Excerpt from article 7 of the articles of association)

In addition to the statutory disclosure thresholds, any individual or corporate shareholder that acquires or increases its direct or indirect interest in the Company's capital to more than 2% or any multiple of 1% of the capital in excess of 2%, is required to disclose the total number of shares held. Said disclosure must be made within five full days of the date when the shares in excess of the relevant disclosure threshold are recorded in the shareholder's account. This requirement continues to apply to shareholders whose interest is in excess of the first statutory disclosure threshold of 5%.

At the request of one or more shareholders together holding at least 5% of the Company's capital, any undisclosed shares in excess of any of the above disclosure thresholds will be stripped of voting rights for a period of two years from the date at which the omission is remedied.

There are no other clauses in the articles of association limiting voting rights.

21.2.5. Shareholders Meetings

(Summary of article 11 of the articles of association)

Shareholders' Meetings are held either at the Company's registered office or at any other location specified in the Notice of Meeting, which is prepared in compliance with the applicable legislation.

Fully-paid up shares registered in the name of the same holder for at least four years shall carry double voting rights at Shareholders Meetings.

21.2.6. Conditions Imposed by the Articles of Association Governing Changes in the Capital

None.

21.2.7. Change of Ownership

See section 18.4 above for information concerning change of ownership.

21.2.8. Disclosure Thresholds

Information regarding disclosure thresholds is provided in sections 18.1 and 21.2.4 above.

21.2.9. Company Accounts

(Summary of article 12 of the articles of association)

Each financial year shall cover a twelve-month period commencing on 1 January and ending on 31 December.

The Annual Shareholders Meeting has full discretionary powers to decide the appropriation of net income, except for the appropriations required by law.

21.3. Fees Paid to the Statutory Auditors in 2010 and 2009

For information on fees paid to the Statutory Auditors, please refer to note 41 in the notes to the consolidated financial statements at 31 December 2010 in section 20.3.7 above.

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MATERIAL CONTRACTS

Repayment of the state loan

In September 2010, Peugeot S.A. signed an amendment to the €3 billion, five-year loan with the French State, which had been originally granted in March 2009. The parties agreed that Peugeot S.A. would make a €1 billion early repayment (excluding accrued interest) on 10 September 2010. For more information, please refer to note 29.1 to the Consolidated Financial Statements at 31 December 2010, section 20.7 above.

On 2 February 2011, the Managing Board decided to repay all of the remaining €2 billion in principal in two equal tranches of €1 billion each. These repayments were made on 25 February and 26 April 2011.

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THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTEREST

Not applicable.

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PUBLICLY AVAILABLE DOCUMENTS

24.1. Documents Available on the Company's Website

The following documents are available on the website of the Company (www. psa-peugeot-citroen.com):

- the present 2010 reference document filed with the *Autorité des Marchés Financiers* as an Annual Report;
- financial press releases;
- bylaws of Peugeot S.A.

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.

24.2. Annual Documents Created Pursuant to article 222-7 of the General Regulations of the *Autorité des Marchés Financiers*

List of Press Releases

During 2010 and until the publication of the present document, the following press releases have been published on the Company's website (www.psa-peugeot-citroen.com) or in the Legal Information section of the website:

04/20/2011	First-Quarter 2011 Revenues up 10.2% to €15.4 billion
04/20/2011	Supervisory Board Meeting April 19th, 2011
04/12/2011	PSA Peugeot Citroën launches «Production Manager Diversity» Programme
04/05/2011	GEFCO announces the signature of an agreement to acquire 70% of Gruppo MERCURIO SpA
04/01/2011	PSA Peugeot Citroën Participates in France's First Industry Week
03/31/2011	PSA Peugeot Citroën Presents its 2011 Suppliers' Awards
03/31/2011	PSA Peugeot Citroën Presents its "Mobility for Everyone" Solutions at the Planète Durable Trade Show
03/30/2011	Banque PSA Finance diversifies its sources of financing with an offering on the U.S. bond market
03/28/2011	European Production Gradually Returning to Normal
03/22/2011	With 1,152 patent applications published in 2010, PSA Peugeot Citroën is once again France's leading patent filer
03/21/2011	Disruption of European Production
03/15/2011	Supplier Relationship Excellence Initiative
03/14/2011	PSA Peugeot Citroën's Youth Employment Policy
03/04/2011	PSA Peugeot Citroën strengthens measures to promote employment of the disabled and confirms commitment to integrating disabled persons within the Group
03/03/2011	PSA Peugeot Citroën Reaffirms its Commitment to Women
03/03/2011	Pierre Todorov Joins Group as Corporate Secretary
02/28/2011	PSA Peugeot Citroën Signs Salary Agreement in France
02/28/2011	BMW Group and PSA Peugeot Citroën to Invest 100 Million Euros in Joint Venture on Hybrid Technologies
02/18/2011	Pay Round in France – PSA Peugeot Citroën Enhances Employee Purchasing Power With a 3% Overall Pay Rise
02/10/2011	Carole Dupont-Pietri Appointed Investor Relations Officer
02/09/2011	2010 Results: Strong recovery in net income to €1.1 billion - Solid Free Cash Flow generation of €1.1 billion
02/09/2011	Peugeot to start operations in India
02/03/2011	PSA Peugeot Citroën and France's National Employment Agency Sign Long-Term Cooperative Agreement
02/02/2011	BMW Group and PSA Peugeot Citroën Create Joint Venture to Enhance Cooperation on Hybrid Technologies
01/28/2011	PSA Peugeot Citroën Reaffirms its Commitment to Promoting Diversity and Hiring the Disabled
01/24/2011	PSA Peugeot Citroën raises €500 million on the bond market
01/20/2011	Securitisation transactions credit watch negative by S&P
01/20/2011	PSA Peugeot Citroën Appoints Four Regional Delegates to the Automobile Industry and Presents First Key Supplier Award
01/19/2011	PSA Peugeot Citroën Introduces Variable Night Shift at Its Plant in Rennes
01/13/2011	Record Sales Performance in 2010: Worldwide Sales Up 13% to 3.6 Million Units
12/21/2010	PSA Peugeot Citroën's Diversity Label Renewed
12/13/2010	The City on the Move Institute (IVM) Celebrates its 10th Anniversary
11/06/2010	PSA Peugeot Citroën's new-energy vehicles presented to Chinese President Hu Jintao
11/05/2010	PSA Peugeot Citroën consolidates presence in Latin America with the new Peugeot 408

10/21/2010	PSA Peugeot Citroën raises €1 billion on the bond market
10/20/2010	Third-Quarter 2010 Revenues up 10.3% to €13 billion
10/18/2010	BMW Group and PSA Peugeot Citroën Expand Cooperation to Hybrid Systems
10/13/2010	PSA Peugeot Citroën creates an OpenLabs network
09/30/2010	PSA Peugeot Citroën and French farmers' union FNSEA support the EU's 10% biofuel target
09/29/2010	FORD and PSA Peugeot Citroën announce development of EURO 6 diesel Engines and celebrate Ten years of successful diesel Engine Co-operation
09/29/2010	PSA Peugeot Citroën and Mitsubishi Motors Corporation signed a new cooperative agreement to develop electric version of Peugeot Partner and Citroën Berlingo
09/24/2010	Inauguration of the Terre Blanche Archives: 200 Years of PSA Peugeot Citroën History
09/21/2010	PSA Peugeot Citroën strengthens its partnership with Dongfeng Motors in China
09/16/2010	Further Step for PCMA Rus, with the Start of Production of SUVs
09/10/2010	PSA Peugeot Citroën to make today early repayment of €1 billion of the French State loan
09/08/2010	Agreement on Enhancing Production Plant Flexibility and 900 Additional Hires in 2010
07/28/2010	Availability of the Half-year Financial Report as of 30 June 2010
07/28/2010	First Half 2010 Results: Strong performance across all divisions and Strategic development in China
07/15/2010	European Investment Bank and PSA Peugeot Citroën sign €200 million Loan Agreement for the Development of Plug-In Hybrids
07/12/2010	Renewal of 2.4 billion euros Revolving Credit Facility
07/09/2010	China Changan Automobile Group and PSA Peugeot Citroën sign contract for automotive Joint Venture in China
07/08/2010	Banque PSA Finance issues another €500 million Fixed-Rate Bond
07/07/2010	First Half 2010: Worldwide Sales up 16.9% Record Half-Year Unit Sales
07/02/2010	Partial buyback of 2001 bonds
06/30/2010	New cooperative project for electric powertrains between PSA Peugeot Citroën and Mitsubishi Motors Corporation
06/24/2010	A New Youth Employment Drive for 2010-2011
06/21/2010	PSA Peugeot Citroën launches a five-year bond issue
06/09/2010	With e-HDi, PSA Peugeot Citroën Further Improves the Fuel Efficiency and Carbon Footprint of its Diesel Engines
05/28/2010	Challenge Bibendum: Michelin and PSA Peugeot Citroën are putting the motor vehicles of the future on the road in Brazil
05/26/2010	PSA Peugeot Citroën reorganises its Executive Committee with a Board member to be based in Asia
05/26/2010	PSA Peugeot Citroën decides to produce a "core range" model for emerging countries at Vigo site in Spain
05/21/2010	PSA Peugeot Citroën renews its worldwide agreement on corporate social responsibility
05/06/2010	China Chang'an Automobile Group and PSA in Joint Venture discussion
04/29/2010	PSA Peugeot Citroën, a major partner of the French Pavilion
04/29/2010	Carlos Gomes joins the Group as Senior Vice-President, Latin America
04/26/2010	Mitsubishi Motors and PSA Peugeot Citroen Begin a New Collaboration on a Compact SUV
04/23/2010	PSA Peugeot Citroën and Mitsubishi Motors Corporation begin production at their jointly owned plant in Kaluga (Russia)
04/22/2010	PSA Peugeot Citroën files the 2009 Registration Document
04/21/2010	Agreement Signed on the New Jobs and Capabilities Dynamic
04/21/2010	Supervisory Board Meeting – 20 April 2010
04/21/2010	First-Quarter 2010 Revenue up 27.5% to €14.0 billion
04/12/2010	PSA Peugeot Citroën to Invest €175 million to Produce New 3-Cylinder Turbo Petrol Engine
03/25/2010	PSA Peugeot Citroën to invest €530 million in Brazil
03/25/2010	PSA Peugeot Citroën presents a cleaner car for every customer at the *Planète Durable* trade show
03/23/2010	PSA Peugeot Citroën registered more patents than any other company in France in 2009
03/03/2010	PSA Peugeot Citroën and Mitsubishi Motors Corporation
02/19/2010	Christophe Bergerand appointed Director of the Peugeot and Citroën retails Olivier Veyrier appointed Director French Sales, Peugeot
02/10/2010	Full Year 2009 Results: Free cash flow generation and net debt reduction
02/02/2010	Caroline Mille-Langlois Appointed Vice-President, Corporate Communications
02/02/2010	BMW Group and PSA Peugeot Citroën signed an agreement on further development of 4-cylinder petrol engine

02/01/2010	PSA Peugeot Citroën to launch precautionary recall on selected range of Peugeot 107s & Citroën C1s
01/25/2010	2010 Pay Round in France: In an Uncertain Economic Environment, PSA Peugeot Citroën Enhances Employee Purchasing Power and Preserves the Future – Total average increase: 1,9%.
01/19/2010	Creation of Bank PSA Finance RUS
01/13/2010	Signature of an agreement on retaining and motivating seniors
01/11/2010	3,188,000 vehicles sold in 2009 Worldwide Market Share Rose to 5.1%
01/05/2010	France: All representative unions sign a new agreement on labour union rights

List of Documents Published on BALO *(Bulletin des Annonces Légales Obligatoires)*

09 July 2010	Periodic publication – Annual financial statements
14 June 2010	Voting rights
28 April 2010	Notice of Meeting – Shareholders Meeting (Notice of Meeting)

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INFORMATION ON SHAREHOLDINGS

See note 42 to the consolidated financial statements.

CROSS-REFERENCE TABLES

Cross-References to the Report of the Managing Board

This Registration Document includes all of the information in the Report of the Managing Board of PSA Peugeot Citroën, 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 to the corresponding pages of the Registration Document.

Cross-references to the Annual Financial Report

Information Required in the Annual Financial Report	Page
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Report of the Managing Board	
Analysis of profits and losses, financial position and risks of the parent company and the consolidated group (art. L. 225-100 and L. 225-100-2 of the French Commercial Code)	9 to 11; 13 to 25; 65 to 84; 95 to 103; 105 to 112 and 199 to 343
Information about the capital structure or that may have a bearing on a takeover bid (art. L. 225-100-3 of the French Commercial Code)	191 to 194 and 346 to 347
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Photos covers:
PSA Peugeot Citroën Direction de la Communication, Jérôme Lejeune,
Christophe Guibbaud, Communication Chine, Patrick Curtet.

Design:
sequoia

Designed & published by Labrador +33 (0)1 53 06 30 80

This document was printed in France by an Imprim'Vert® certified printer, which guarantees the proper handling and disposal of hazardous waste through approved entities and the use of paper that is certified 100% recycled.

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