MAZARS ERNST & YOUNG et Autres

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Peugeot S.A.

Year ended December 31, 2017

Statutory auditors' report on the consolidated financial statements

MAZARS
Tour Exaltis
61, rue Henri-Regnault
92400 Courbevoie
S.A. à directoire et conseil de surveillance
au capital de € 8.320.000
784 824 153 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Peugeot S.A.

Year ended December 31, 2017

Statutory auditors' report on the consolidated financial statements

To the Annual General Meeting of Peugeot S.A.,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Peugeot S.A for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Finance and Audit Committee.

Basis for opinion

- **Audit Framework**

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics *(Code de déontologie)* for statutory auditors.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Purchase price allocation of Opel Vauxhall
(Note 2 to the consolidated financial statements)

Risk identified

On July 31, 2017, PSA group acquired the majority of the subsidiaries of General Motors in Europe, composed of Opel and Vauxhall brands (hereafter "Opel Vauxhall").

This acquisition resulted in the recognition of goodwill of 1,810 million euros after the allocation of the purchase price. This allocation will be finalized within the twelve-month period following the acquisition date. This allocation is based on fair value estimates of assets and liabilities acquired. PSA group engaged an independent expert to assist the group in the identification and valuation of the main tangible and intangible assets of Opel Vauxhall.

We consider that the purchase price allocation is a key audit matter given the significance of the transaction and the level of Management's judgment to identify the acquired assets and liabilities, to assess their fair value and to correctly describe this information in the notes to the consolidated financial statements.

Our response

As part of our audit of the consolidated financial statements, our work consisted in:

- obtaining an understanding of the scope of the work performed by PSA group and by its independent expert to identify and estimate the fair value of the assets and liabilities acquired ;

- analyzing, with the support of our valuation experts, the methodologies applied for the valuation of the most significant assets and liabilities acquired, and assessing the main assumptions and parameters used to determine their fair value and notably:

  - the consistency of future cash flows used in the valuation with the business plan of a market participant (as determined by IFSR 3);

  - the consistency of tangible assets fair value estimates with market data or similar transactions valuation;

  - the elements supporting the valuation of onerous contracts;

  - for brands valuation, the consistency of the royalty rates applied to revenue projections with the sector's benchmarks.

- analyzing the appropriateness of the information provided in the notes to the consolidated financial statements in respect with the purchase price allocation.

Valuation of the recoverability of the fixed assets
(Notes 8.3 A, 8.3 B et 8.3 C to the consolidated financial statements)

Risk identified

As at December 31, 2017, the net book value of the Group's fixed assets amounted to € 3,321 million for goodwill, € 7,916 million for intangible assets, and € 13,278 million for tangible assets. These assets are allocated to cash generating units ("CGU").

The recoverability of the fixed assets is tested each time impairment indicators are identified and at least once a year for assets with infinite useful life (mainly goodwill and brands).

Impairment is recorded when the net booked value of these assets exceeds their net recoverable value. The net recoverable value is the highest amount between the value in use and the market value. The value in use is determined using discounted cash-flow and involves a high level of Management's judgment notably in the determination of cash-flow projections, discount rates and long-term growth rates.

We consider that the valuation of the recoverability of the fixed assets is a key audit matter given the significance of these assets in the Group's consolidated financial statements, the level of Management's judgment and the uncertainties related to the assumptions used.

Our response

We performed a critical analysis of the methodologies used by the Management to determine the recoverable value of the Group's fixed assets. We obtained the medium-term plans ("MTP") and the impairment tests for each CGU and assets showing impairment indicators.

On the basis of this information, our work consisted in:

- reconciling with the accounts the net book values of the CGUs and individual assets that are subject to impairment testing;

- analyzing the cash flow projections and the consistency of the margin rates and volumes used for the purpose of those tests with external benchmarks and the latest Management's estimates presented to the Group's governing bodies;

- comparing future projections with the estimates used for impairment tests in previous years and with the Group's historical performance;

- comparing the discount rates used with the available market data;

- verifying, on a sample basis, the accuracy of the valuation model used by t Management ;

- performing a sensitivity analysis of the CGUs' recoverable value to a variation of the main impairment test assumptions (long-term growth rates, margin rate used for terminal value, discount rates).

Valuation of the equity accounted affiliates of the automotive activities
(Notes 8.3 D et 11 to the consolidated financial statements)

Risk identified

As at December 31, 2017, the net book value of the equity accounted affiliates in the automotive activity amounted to € 858 million. These equity accounted companies mostly include the Group's share in the joint ventures with Dong Feng Motor Group and Changan in China.

The results of the equity accounted companies include fixed assets impairments resulting from the impairment tests performed in application of the same principles as those applied to test the fixed assets of PSA Group's automotive activities. When an impairment indicator is identified, the assets allocated to a specific car model are tested for each related Vehicle CGU. The total assets (including those not allocated to a specific car model) are also tested at the level of each joint venture. In addition, PSA Group tests the equity accounted affiliates when an impairment indicator is identified.

At December 31, 2017 the impairment tests performed at the level of the joint-ventures with Dong Feng Motor led to book an impairment of RMB 1,515 million (RMB 758 million for PSA share, representing € 97 million).

As at December 31, 2017 the impairment tests performed at the level of Changan PSA Automobile Co., Ltd, the joint-venture with Changan, did not lead to book additional impairment. At December 31, 2016 an impairment of € 263 million for PSA share was booked for this joint-venture. As a consequence, PSA Group maintains a full impairment of the equity accounted investment of € 51 million and a provision for risk of € 190 million after a loss of € 24 million was recognized for the financial year 2017.

We consider that the valuation of the equity accounted affiliates of the automotive activity is a key audit matter given the joint ventures' significant decrease in sales and profitability in China and Management's estimates in the determination of the assumptions underlying the assets valuation of these joint-ventures.

Our response

As part of our audit of the consolidated financial statements, our work consisted in:

- analyzing whether impairment indicators exist, such as a significant decrease in volumes and profitability;
- considered the audit work performed by the auditors of the joint-ventures' with Dong Feng Motor Group in China, and their conclusions on the implementation of the assets impairment tests performed by the joint-ventures and the reasonableness of the assumptions used by Management;
- assess the consistency and the appropriateness of the major assumptions used in the assets impairment tests performed for the joint-venture with Changan in China, including those in relation with the business plan submitted to the governance bodies of the joint-venture.

Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Peugeot S.A. by your Annual General Meetings held on May 25, 2005 for Mazars and on May 31, 2011 for ERNST & YOUNG et Autres.

As at December 31, 2017, MAZARS was in the 13th year and
ERNST & YOUNG et Autres in the 7th year of uninterrupted engagement respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Finance and Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

► Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

■ Report to the Finance and Audit Committee

We submit a report to the Finance and Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Finance and Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Finance and Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Finance and Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, March 1, 2018

The Statutory Auditors
French original signed by

MAZARS

ERNST & YOUNG et Autres

Thierry Blanchetier

Jerome de Pastors

Laurent Miannay

Ioulia Vermelle