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 regulations and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Peugeot S.A.

Year ended 31 December 2018

Statutory Auditors' report on the consolidated financial statements

MAZARS
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S.A. au capital de € 8.320.000
92400 Courbevoie

ERNST & YOUNG et Autres
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TSA 14444
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S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

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Membre de la compagnie
régionale de Versailles

Peugeot S.A.

Year ended 31 December 2018

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 31 December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

Basis for Opinion

- Audit Framework

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

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

- Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2018 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 for Statutory Auditors (Code de déontologie de la profession de commissaire aux comptes).

Emphasis of Matter

We draw attention to Note 1.2 to the consolidated financial statements, which describes the impacts of first-time application of standards IFRS 15 “Revenue from contracts with customers” and IFRS 9 “Financial instruments”. Our opinion is not modified in respect of this matter.

Justification of Assessments – Key Audit Matters

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

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

- Measurement of the recoverable amount of goodwill and brands

Risk identified	Our response
The net carrying amount of goodwill and brands is respectively €3,608m and €1,994m as at 31 December 2018. These assets are allocated to cash generating units (CGUs). As stated in Note 7.3 to the consolidated financial statements, in accordance with IAS 36, goodwill and brands are not amortized but are subject to impairment tests at each annual close or more frequently when there is an indication of impairment. Impairment is recognized when the recoverable amount of these assets is less than their net carrying amount. The recoverable amount is the higher of value in use and market value. Value in use is determined by reference to discounted future cash flows and requires a high degree of judgment on the part of management, in particular to determine forecasts, discount rates and perpetuity growth rates.	We performed a critical analysis of the methods used by management to determine the recoverable amount of goodwill and brands. For each of the CGUs to which these assets are allocated, we obtained management’s latest medium-term plans and the impairment test results. On the basis of this information, our work consisted in: ► Reconciling the net carrying amounts of the assets tested for impairment with the accounts; ► Analyzing the future cash flow projections, in particular the consistency of the margin rates and volumes used for the tests with external sources or management’s latest estimates presented to the Group’s governance bodies;

Given the significance of these assets in the Group's consolidated financial statements, and the degree of management's judgment inherent in the estimates and assumptions used, we consider the measurement of the recoverable amount of the Group's goodwill and brands as a key audit matter.	► Assessing the projections by comparing them with the data used for the previous impairment tests and the Group's historical performance; ► Analyzing the consistency of the discount rates used, notably by comparing them with the available market data; ► Verifying, by sampling, the arithmetical accuracy of the valuation model used by management; ► Analyzing the sensitivity of the recoverable amount of the CGUs tested to a variation in the main assumptions used (perpetuity growth rates, operating margin rate used for terminal value, discount rates); ► Assessing the appropriateness of the information disclosed in the notes to the consolidated financial statements.

■ Capitalization and valuation of development costs

Risk identified	Our response
Development costs are recognized under intangible assets on the balance sheet according to the conditions described in Note 4.3 to the consolidated financial statements and in accordance with IAS 38. The amount capitalized in 2018 was €1,897m. Capitalized development costs are amortized on a straight-line basis for the assets allocated to the Peugeot – Citroën – DS Automotive division and the Opel – Vauxhall Automotive division, based on the mass production agreement and on their useful life capped at seven years for vehicles and ten years for sub-assemblies and modules. For the Automotive Equipment business, development costs incurred for specific orders received from customers are amortized on a straight-line basis in line with the parts delivery cycle, with a minimum accumulated each year corresponding to straight-line amortization over five years. Research costs and study and development costs that do not fulfil the conditions set out in Note 4.3 to the consolidated financial statements are recognized as expenses in the financial year during which they are incurred.	Within the framework of our audit of the consolidated financial statements, our work notably consisted in: ► Analyzining the Group rules relating to the initial recognition of development costs based on the accounting standards in force, and assessing compliance with these rules; ► Testing, by sampling, the concordance of the amounts of development costs capitalized during the year with the underlying documented evidence; ► Discussing with management to identify any indications of impairment; ► Reconciling with the accounts the net carrying amounts of the CGUs subject to impairment testing; ► Analyzing the future cash flow projections, in particular the consistency of the margin rates and volumes used for the tests with external sources or management's latest estimates presented to the governance bodies;

Capitalized development costs are allocated to cash generating units (CGUs) and are subject to an impairment test at each annual close or more frequently when there is an indication of impairment. The Group recognizes impairment when the recoverable amount of the CGU to which the asset is allocated is less than its net carrying amount. The recoverable amount is the higher of value in use and market value. Value in use is determined by reference to discounted future cash flows and requires a high degree of judgment on the part of management, in particular to determine forecasts, discount rates and perpetuity growth rates. We have identified the capitalization and valuation of development costs as a key audit matter due to the significance of these intangible assets in the Group's consolidated balance sheet and the judgment exercised by management upon their initial capitalization and the performance of impairment tests, if any.	► Assessing projections by comparing them with the data used for the previous impairment tests and the Group's historical performance; ► Analyzing the sensitivity of the recoverable amount of the CGUs tested to a variation in the main assumptions used (margin rate used and discount rates).

■ Recoverability of the French tax group's deferred tax assets

Risk identified	Our response
As stated in Note 13 to the consolidated financial statements for 2018, the Group's deferred tax assets on loss carryforwards amount to €1,019m as at 31 December 2018, including €860m of deferred tax assets on losses within the French tax group of Peugeot S.A.. The French tax group's tax assets that may be offset against net deferred tax liabilities (up to a maximum of 50%) are recognized on the balance sheet. In addition, deferred tax assets are recognized if they have a reasonable chance of being realized given the taxable income projections. Deferred taxes are tested for impairment on the basis of tax projections that are consistent with the main assumptions of the Group's Medium-Term Plan and established over the period during which the Group estimates their recoverability to be probable.	Within the framework of our audit of the consolidated financial statements, our work consisted in: ► For deferred tax assets on loss carryforwards whose recoverability is justified by the existence of deferred tax liabilities, assessing whether the principle of recognition of deferred tax assets for 50% of net deferred tax liabilities has been correctly applied; ► For deferred tax assets on loss carryforwards whose recoverability is justified by taxable income projections, assessing the consistency of the tax projections with the main assumptions of the Group's Medium-Term Plan approved by the governance bodies; ► Assessing the appropriateness of the disclosures in Note 13 to the consolidated financial statements.

Given the significant amount of these assets and the degree of management's judgment inherent in the estimates and assumptions used, we have considered the recognition and recoverability of the deferred tax assets recognized in respect of the tax loss carryforwards of the tax group in France as a key audit matter.

■ Valuation of equity-accounted investments relating to the automotive activities

Risk identified	Our response
As stated in Note 10.2 to the consolidated financial statements for 2018, as at 31 December 2018, the equity-accounted investments relating to the PSA Group's automotive activities are recognized on the balance sheet for the amount of €590m. These investments mainly include the Group's share in joint ventures with the Dong Feng Motor Company Group and with the Changan Group for the activities located in China. The results of the equity-accounted companies include the depreciation of assets resulting from impairment tests performed according to the same principles as those applied to test the fixed assets of the PSA Group's automotive activities. When there is an indication of impairment, the assets allocated to a specific vehicle model are tested for each related Vehicle CGU. The total assets (including those not allocated to a specific vehicle model) are also tested at the level of each joint venture, as stated in Note 7.3.D to the consolidated financial statements. The PSA Group performs an additional impairment test at its level when there is an indication of impairment. Given the significance of these assets in the Group's accounts, the volatility of the Chinese market, and the degree of judgement that management is required to exercise concerning the assumptions underlying the valuation of the assets of these companies, we have considered the valuation of the equity-accounted investments relating to the automotive activities as a key audit matter.	Within the framework of our audit of the consolidated financial statements, our work consisted in: ► Analyzing the existence of impairment indicators, such as a significant decrease in volumes or a deterioration in profitability; ► Assessing the consistency and relevance of the main assumptions used for the impairment tests performed on the assets of the joint ventures with the Dong Feng Motor Company Group and the Changan Group, notably by reference to the medium-term plan approved by the governance bodies of these joint ventures; ► Assessing the appropriateness of the information disclosed in the notes to the consolidated financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French legal and regulatory texts the information pertaining to the Group presented in the Managing Board's management report.

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

We attest that the consolidated non-financial statement provided for by article L. 225-102-1 of the French Commercial Code (Code de commerce) is included in the management report, it being specified that, in accordance with the provisions of article L. 823-10 of said Code, we have verified neither the fair presentation nor the compliance with the annual accounts of the information contained in this statement, which should be the subject of a report by an independent third party.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

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

As at 31 December 2018, MAZARS was in its 14th year and ERNST & YOUNG et Autres in its 8th year of total uninterrupted engagement.

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

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

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

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

The consolidated financial statements were approved by the Managing Board.

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

Objectives and audit approach

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

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

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

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

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

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

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

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

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

Report to the Finance and Audit Committee

We submit to the Finance and Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, 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 as set out in particular in Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics for Statutory Auditors (Code de déontologie de la profession de commissaire aux comptes). 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, 26 February 2019

The Statutory Auditors

French original signed by:

MAZARS		ERNST & YOUNG et Autres	
Thierry Blanchetier	Jérôme De Pastors	Laurent Miannay	Ioulia Vermelle