



**FINEXSI**  
EXPERT & CONSEIL FINANCIER

Free Translation of the original « *Rapport du Commissaire à la fusion sur la rémunération des apports devant être effectués par la société PEUGEOT S.A. au profit de la société FIAT CHRYSLER AUTOMOBILES N.V.* » issued by the merger appraiser, dated November 20, 2020

**PEUGEOT S.A.**

Limited company (*société anonyme*) with a share capital of €894,828,213  
Centre Technique de Vélizy, Route de Gisy,  
78140 Vélizy-Villacoublay,  
France.

Registered with the Versailles Trade and Companies Register under  
no. 552 100 554

**FIAT CHRYSLER AUTOMOBILES N.V.**

Dutch public limited liability company (*naamloze vennootschap*)  
Registered office in Amsterdam, Netherlands and address at 25 St. James's  
Street, London SW1A 1HA, United Kingdom  
Dutch Business Register no. 60372958

**Report of the merger appraiser  
on consideration for the contributions to be made by PEUGEOT S.A.  
to FIAT CHRYSLER AUTOMOBILES N.V.**

*Order of the President  
of the Nanterre Commercial Court  
on 11 February 2020*



To the Shareholders,

In accordance with the engagement entrusted to us by order of the President of the Nanterre Commercial Court on 11 February 2020 regarding the merger of PEUGEOT S.A. (hereinafter “**PSA**”) with and into FIAT CHRYSLER AUTOMOBILES N.V., a Dutch company (hereinafter “**FCA**” and, together with PSA, the “**Companies**”), we have prepared this report on consideration for the contributions as required by Article L. 236-10 of the French Commercial Code. Our assessment of the value of the contributions is the subject of a separate report.

Consideration for the contributions results from the exchange ratio, which has been agreed in the Combination Agreement (as defined hereafter) executed by the representatives of the relevant companies on 27 October 2020 (hereinafter the “**Merger Proposal**”).

Our role is to express an opinion on the fairness of the exchange ratio. To this end, we performed our procedures in accordance with the professional standards issued by the French National Institute of Auditors (“*Compagnie Nationale des Commissaires aux Comptes*”) applicable to this type of engagement. Those professional standards require us to perform procedures to verify that the relative values attributed to the shares of the companies taking part in the Transaction (as defined hereafter) are appropriate, and to analyse the positioning of the exchange ratio by comparison with relative values deemed relevant.

Our engagement ends with the issuance of this report and it is not our responsibility to update the report to take into consideration any facts or circumstances occurring after the date of its signature. Our reports are those provided for by the French Commercial Code regarding the merger appraiser’s engagement and are intended for the attention of those persons referred to under the applicable provisions of French law. Our reports meet the requirements of these regulations, but not those of the Netherlands, Italy or the US (United States of America), even though our reports may be brought to the knowledge of the shareholders of FCA. This report on the value of the contributions does not take into account the accounting requirements applicable by FCA to such contributions.

Furthermore, our reports do not preclude the need to read all of the existing or future publicly available information about the transaction.

At no time have we found ourselves in any of the situations of incompatibility, prohibition or disqualification provided for by French law.

Please find below our findings and our conclusion presented in the following order:



- 1. Presentation of the transaction**
- 2. Assessment of the appropriateness of the relative values attributed to the shares of the companies taking part in the transaction**
- 3. Assessment of the fairness of the proposed exchange ratio**
- 4. Summary**
- 5. Conclusion**

## 1. Presentation of the transaction

### 1.1 Background to the transaction

In a joint press release issued on 31 October 2019, PSA and FCA announced that they were in discussions with a view to entering into a cross-border merger between equals, subject to certain conditions (hereinafter the “**Merger**” or the “**Transaction**”).

The terms of this Merger were agreed in a combination agreement dated 17 December 2019 (hereinafter the “**Original Combination Agreement**”), which was amended on 14 September 2020 (hereinafter the “**Amendment**”, and together with the Original Combination Agreement, the “**Combination Agreement**”).

Under the terms of the Combination Agreement, PSA will be merged with and into FCA, which will take the name STELLANTIS as of the day following the completion of the Merger (hereinafter the “**Combined Company**”).

The Merger will take place in accordance with the provisions of Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law, and with the legal provisions applicable in France and the Netherlands.

Under the terms of the Combination Agreement:

- FCA intends to declare, prior to the Merger closing, an extraordinary dividend of €2.9 billion (hereinafter the “**FCA Dividend**”) to be paid to its shareholders of record prior to the completion of the Merger;
- The Combination Agreement initially contemplated that PSA’s stake in FAURECIA S.E. (hereinafter “**FAURECIA**”), which was initially around 46% of FAURECIA’s share capital, was to be distributed to the shareholders of the Combined Company prior to the Merger closing. The Amendment has changed the sequence of events and provide that the distribution will occur after the completion of the Merger. Following agreement by the parties that PSA would sell approximately 7% of FAURECIA’s share capital before the completion of the Merger, on 29 October 2020 PSA sold 9,663,000 FAURECIA shares in a private placement by way of an accelerated bookbuilding restricted to institutional investors (hereinafter the “**FAURECIA Stake Disposal**”). The proceeds of this sale, amounting to approximately €308 million, will be distributed to the shareholders of the Combined Company along with a distribution of the remaining 39% interest in FAURECIA,<sup>1</sup> promptly after the Merger closing and

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<sup>1</sup> In accordance with the terms and conditions of the equity warrants issued by PSA, STELLANTIS must, at the time of the distribution of FAURECIA, keep some FAURECIA shares in order to deliver them to the holder of the equity warrants on the date of their exercise (i.e. between July 31, 2022

subject to approval of the Board of Directors and the shareholders of the Combined Company. Besides, FCA and PSA asked to the *Autorité des Marchés Financiers* for an exemption of the obligation for the Combined Company to launch a mandatory public tender offer regarding the remaining portion of the share capital of FAURECIA following the acquisition by the Combined Company of more than 30% of the capital and the voting rights of FAURECIA as a result of the Merger. A decision of the *Autorité des Marchés Financiers* is expected in the coming days;

- The Boards of PSA and FCA will review a potential €500 million distribution to the shareholders of each of the Companies ahead of the Merger closing, or €1 billion to the shareholders of the Combined Company after the Merger closing;
- On the Effective Time, each PSA ordinary share issued and outstanding will be exchanged for 1.742 FCA common shares;
- Application will be made for the newly issued shares of the Combined Company to be admitted to trading on the NEW YORK STOCK EXCHANGE (hereinafter the “NYSE”) and the MERCATO TELEMATICO AZIONARIO (hereinafter the “MTA”) organised and managed by BORSA ITALIANA S.P.A., and for all of the shares of the Combined Company to be admitted to trading on EURONEXT PARIS;
- The Combined Company’s future articles of association will provide that no shareholder may exercise more than 30% of the voting rights in general shareholders’ meetings;
- Prior to the Merger closing, the double voting rights attached to the PSA ordinary shares will be cancelled while the FCA special voting shares held by EXOR will be purchased by FCA at no cost and without consideration with a view to their cancellation.

The Companies have the following reasons to merge.

The Merger will create the fourth largest global carmaker in terms of volumes based on 2019 sales. The combined group will be a key player in the automobile industry, with the management, capabilities, resources and scale to successfully capitalise on the opportunities presented by the new era in sustainable mobility. It will have a balanced and profitable global footprint with an iconic and highly complementary brand portfolio.

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and July 31, 2026). The number of FAURECIA shares thus retained will correspond to the number of FAURECIA shares that the holder of the warrants would have received if the holder had held the shares to which the warrants entitle the holder at the time of the distribution.



The combined group will be able to provide an expanded range of models and brands as well as services to better meet customers' changing needs, with a portfolio of vehicles that will cover all key vehicle segments, from luxury, premium and mainstream passenger cars to SUVs, trucks and light commercial vehicles;

The Merger will add scale and substantial geographic balance in addition to product diversity, as well as accelerating PSA's entry into significant markets such as North America. FCA's strength in North America and Latin America and PSA's solid position in Europe will result in a much greater geographic balance for the combined group compared to each of FCA and PSA, with approximately 46% of revenues derived from Europe, Middle East and Africa and Eurasia and approximately 44% from North America, based on combined 2019 revenues, excluding FAURECIA. The Merger will also create opportunities for the combined group to reshape the strategy in other geographic regions.

The Combined Company will have a balanced governance structure that will promote performance. The Board of Directors will have 11 members and the majority of non-executive directors will be independent. Five directors will be appointed by FCA and its reference shareholder (including JOHN ELKANN as Chairman), and five by PSA and its reference shareholders (including the Senior Independent Director and the Vice-Chairman). The Board will also have two directors representing FCA and PSA employees. CARLOS TAVARES will be appointed Chief Executive Officer for an initial term of five years and will also have a seat on the Board.

The final percentage interests in the Combined Company will depend on the number of PSA ordinary shares issued and outstanding on the Merger closing date as well as other factors and is not known at this stage. However, by way of illustration, based on the number of FCA common shares and PSA ordinary shares issued and outstanding at 30 June 2020, and taking into account the repurchase of 10,000,000 DONGFENG MOTOR CORPORATION (hereinafter "**DONGFENG**") shares in September 2020 (hereinafter the "**DONGFENG Disposal**"), PSA and FCA shareholders would own approximately 49.54% and 50.46% respectively of the Combined Company's common shares on closing of the Transaction.

For information, on 17 December 2019, PSA and DONGFENG signed a Share Repurchase Agreement (hereinafter the "**SRA**") setting out the terms of PSA's repurchase of 30.7 million PSA ordinary shares held by DONGFENG. Following PSA's acquisition on 23 September 2020 of 10 million of those PSA ordinary shares at a price of approximately €163.9 million (which PSA ordinary shares were cancelled after the settlement of the transaction), the parties agreed to amend the terms of the SRA on 25 September 2020. Under the amended terms, Dongfeng is required to sell the balance of the 30.7 million shares covered by the agreement, i.e. 20.7 million shares (or the equivalent in FCA common shares should the sale take place after the Merger closing);:



- To PSA or, one or more third parties before 31 December 2020;
- To one or more third parties in one or more transactions before 31 December 2022.

As provided for in Article 11.2 of the Merger Proposal, the sale of those 20.7 million shares by DONGFENG will not result in an adjustment to the exchange ratio agreed by the parties. Should DONGFENG sell those shares to PSA prior to the Merger closing, this transaction would reduce the overall share of the Combined Company's share capital held by PSA's former shareholders, as it would reduce the number of PSA ordinary shares issued and outstanding prior to the completion of the Merger.

## 1.2 Presentation of the companies party to the Transaction

### 1.2.1 PSA, absorbed company

#### 1.2.1.1 Share capital

PSA is a French-law *société anonyme* with a Managing Board and a Supervisory Board, having its registered office at Centre Technique de Vélizy, Route de Gisy, 78140 Vélizy-Villacoublay, France. It is registered in the Versailles Trade and Companies Register under number 552 100 554.

At 30 September 2020, it had a share capital of €894,828,213 divided into 894,828,213 fully paid ordinary shares all of the same class, each with a par value of €1. At the date hereof, 341,336,798 ordinary shares of the Company, representing about 38.1% of its share capital, carried double voting rights and 7,790,235 shares were treasury shares held by the Company. As stated earlier, PSA's double voting rights will be cancelled simultaneously with the Merger closing.

PSA ordinary shares are listed and traded on compartment A of Euronext Paris regulated market under ISIN FR0000121501.

#### 1.2.1.2 Performance share plan and equity warrants

PSA has granted its executives and employees performance share plans. At 30 June 2020, those plans could result in the issuance of a maximum of 8,243,422 additional shares.

The treatment of these performance share plans under the Merger is addressed in Article 17.2 of the Merger Proposal. That article notably provides that the existing PSA plans will be converted into Restricted Share Unit awards (hereinafter “**RSU**”) entitling the beneficiaries to receive a number of FCA common shares equal to (i) the number of PSA ordinary shares that would have been received<sup>2</sup> had the Merger not taken place, multiplied by (ii) the Merger exchange ratio.

On 31 July 2017, in accordance with the 31<sup>st</sup> resolution passed at the shareholders' meeting held on 10 May 2017, 39,727,324 equity warrants (hereinafter the “**Equity Warrants**”) were issued to ADAM OPEL GMBH, a subsidiary of the GENERAL MOTORS GROUP, at a unit price of €16.3386515. These Equity Warrants entitle the holder to subscribe for a maximum of 39,727,324 PSA ordinary shares with a €1 par value on the basis of one share for one Equity Warrant at a price of €1, from 31 July 2022 to 31 July 2026.

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<sup>2</sup> As described in the Merger Proposal, the performance conditions could nonetheless be deemed to have been fulfilled in part or in whole, or not fulfilled, ahead of the Merger.

As indicated in the Merger Proposal, upon the Merger closing, the Equity Warrants will continue to be governed by the same terms and conditions, inasmuch as they will be converted into equity warrants entitling the holder to subscribe for a number of FCA common shares equal to the exercise ratio of the Equity Warrants referred to above multiplied by the exchange ratio agreed by the parties for the Merger.

### **1.2.1.3 Corporate purpose and business activity**

According to PSA's articles of association:

*"The Company's corporate purpose is to engage directly or indirectly in any and all industrial, commercial and financial transactions in or outside France - including through the purchase of new or existing shares or any and all other rights, the acquisition of equity interests, the creation of new enterprises as well as through capital contributions, mergers, joint ventures or otherwise – related to:*

- *The manufacture, sale and repair of cars, trucks, bicycles, motorcycles and other vehicles, their engines, spare parts and accessories;*
- *The manufacture and sale of stainless, rolled and drawn steel and related products, saws, hardware and other mechanical or electrical hand tools and equipment and household tools and appliances;*
- *The manufacture and sale of equipment, apparatus, machines and parts for any and all purposes related to mechanical and electrical engineering and manufacturing;*
- *Short, medium and long-term lending, including consumer loans, brokerage activities, discounting of financial instruments, the purchase and sale of any and all securities and any and all other financial and banking transactions;*
- *The provision of any and all services, including the transportation of passengers and merchandise for its own account or on the behalf of third parties, by any and all methods;*
- *The construction, installation, fitting out, use, rental, purchase and sale, by any and all methods, of buildings, land, industrial facilities, plants, offices and other assets and real estate rights; and*

*Generally, any and all industrial, commercial, financial, securities and real estate transactions that are directly or indirectly related to the above purposes, in part or in full, and any and all similar purposes that promote or develop the Company's business interests."*

PSA is the holding company of PSA group (hereinafter "**PSA Group**") and will therefore not engage directly in any material operating activities. It has a "parent-subsidiary" relationship with its subsidiaries, whose main business activities are summarised below.

PSA Group is a French car manufacturer that owns the CITROËN, DS AUTOMOBILES and PEUGEOT brands and, since its acquisition of GENERAL MOTORS' European division in March 2017, the OPEL and VAUXHALL brands.

PSA Group is organised into three divisions:

- The automotive division comprising the design, manufacture and sale of vehicles under the PEUGEOT, CITROËN, DS and OPEL/VAUXHALL brands (hereinafter the "**PSA Automotive Division**");
- The automotive equipment division with FAURECIA, a global leader in the design, manufacture and sale of interior modules, exhaust systems and emission control technologies, and audiovisual/multimedia equipment (hereinafter the "**PSA Automotive Equipment Division**");
- The financing division encompassing the financing of sales to customers of the five brands and their dealership networks (hereinafter the "**PSA Financing Division**").

In 2019, PSA Group derived 86.8% of its global wholesale and retail sales from Europe, 4.7% from the Middle East and Africa, 3.4% from China and South East Asia, 3.9% from Latin America, 0.8% from India and the Pacific and 0.5% from Eurasia.

It has almost 208,780 employees worldwide.

PSA's financial year-end is 31 December. It publishes statutory financial statements prepared in accordance with French GAAP and consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board as well as IFRS as adopted by the European Union ("**IFRS**").

## **1.2.2 FCA, absorbing company**

### **1.2.2.1 Share capital**

FCA is a Dutch-law limited liability company (*naamloze vennootschap*), having its corporate seat in Amsterdam in the Netherlands and its principal business address at 25



James's Street, London, SW1A 1HA, United Kingdom. The company is registered with the Dutch trade and companies register under number 60372958.

On 30 September 2020, FCA's authorised share capital was €40,000,000, divided into 2,000,000,000 common shares with a par value of €0.01 per share and 2,000,000,000 Special Voting Shares (hereinafter "**SVS**") with a par value of €0.01 per share.

On 30 September 2020, FCA's fully paid-up share capital was around €20 million, comprising 1,574,153,827 common shares and 449,610,500 SVS, all with a par value of €0.01 each.

The SVS held by EXOR will be purchased by FCA at no cost prior to the Merger with a view to their cancellation.

Based on the number of SVS held by Exor on 23 September 2020<sup>3</sup> and the total number of SVS on 30 September 2020, the number of SVS remaining after the Merger closes will be immaterial:

In €	Number	Nominal Value
Exor	449,410,092	4,494,101
Others	200,408	2,004
<b>Total SVS</b>	<b>449,610,500</b>	<b>4,496,105</b>
SVS Exor Cancellation	(449,410,092)	(4,494,101)
<b>Total SVS post-Merger</b>	<b>200,408</b>	<b>2,004</b>

The SVS give a voting right to their owners, as shown by their terms and conditions published on the FCA website. The SVS confer minimum economic entitlements to their holders.

#### **1.2.2.2 Bonus shares and equity warrants**

FCA has set up performance share plans, including awards of Performance Share Units (hereinafter "**PSUs**"), for its managers and employees. Awards of PSUs, which entitle holders to receive FCA common shares, are subject to performance conditions based on the attainment of targets relating to Adjusted EBIT and Total Shareholder Return (hereinafter "**TSR**"). Half of the potential awards under the various existing plans (the 2017-2021, 2019-2021 and 2020-2022 Long Term Incentive Plans or **LTIP**) will depend on the attainment of Adjusted EBIT targets, while the other half will depend on market conditions during the respective plan periods (which range from 3 to 5 years).

FCA has also set up bonus share plans, comprising RSU awards that are not subject to performance conditions, for its managers and employees.

<sup>3</sup>As set forth in the first amendment to Form F-4 filed with the U.S. Securities and Exchange Commission ("SEC") on September 28, 2020.

### **1.2.2.3 Corporate purpose and business activity**

FCA is a Dutch-law Italian-American carmaker set up by FIAT after it purchased 100% of the CHRYSLER GROUP in January 2014. It owns the FIAT, ALFA ROMEO, LANCIA, MASERATI, ABARTH, JEEP, CHRYSLER, DODGE and RAM TRUCKS automotive brands.

The two main businesses<sup>4</sup> of the group, whose parent company is FCA, (FCA and its subsidiaries, the “**FCA Group**”) are:

- The automotive division, which shipped 4.4 million vehicles in 2019 in North America, EMEA, LATAM and APAC, under the ABARTH, ALFA ROMEO, CHRYSLER, DODGE, FIAT, FIAT PROFESSIONAL, JEEP, LANCIA and RAM brands and the SRT performance vehicle designation, as well as luxury vehicles under the MASERATI brand (together referred to herein as the “**FCA Automotive Division**”);
- Sales financing services (purchase, rental, leasing etc.) and financial services related to the sale of cars and light commercial vehicles in Europe, mainly through FCA BANK (FCA’s joint venture with CRÉDIT AGRICOLE CONSUMER FINANCE S.A.) and FIDIS SPA (a captive finance company wholly owned by FCA) (hereinafter the “**FCA Financing Division**”).

In 2019, FCA Group generated 67.8% of its revenue in North America, 19.0% in EMEA, 7.8% in LATAM and 2.6% in APAC. MASERATI and other activities each account for 1.5% and 2.8% of FCA’s revenue, respectively.

On 31 December 2019, the FCA Group employed 191,752 people worldwide (49.9% in North America, 31.6% in Europe, 16.5% in Latin America, 1.9% in Asia and 0.1% in the Rest of the World).

FCA’s financial year-end is 31 December. It publishes statutory financial statements in accordance with Dutch GAAP and consolidated financial statements in accordance with IFRS.

FCA also has a permanent establishment in France, which was registered on 11 December 2019 (the “**FCA Permanent Establishment**”).

### **1.2.3 Links between the companies concerned**

On the date the Merger Proposal was signed, there was no ownership link between the two companies, which do not have any managers in common.

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<sup>4</sup> The names we use to describe these businesses do not correspond with those used in the FCA Group's financial communication.

### **1.3 General arrangements relating to the transaction**

#### **1.3.1 Key features of the merger**

The arrangements relating to the Transaction, which are presented in detail in the Merger Proposal of 27 October 2020, are summarised below.

##### ***1.3.1.1 Effective Time***

Subject to the satisfaction or waiver of the conditions precedent set out in section 1.3.3 of this report and in accordance with Part 7, Sections 2, 3 and 3A of Book 2 of the Dutch Civil Code and Sections 1, 2 and 4 of Chapter VI, Title III, Book II of the legislative part and Sections 1 and 2 of Chapter VI, Title III, Book II of the regulatory part of the French Commercial Code, all of PSA's assets and liabilities will be transferred to FCA by universal succession of title, and FCA will be automatically subrogated to all of PSA's rights and obligations under any contracts and undertakings of any type.

All transferred assets and liabilities will be allocated to the FCA Permanent Establishment.

The Merger will take effect (hereinafter the “**Effective Time**”) at midnight Central European Time on the morning of the first day after the date on which a Dutch civil-law notary signs the notarised cross-border merger deed required by Dutch law (hereinafter the “**Closing Date**” or “**Closing**”).

The parties have agreed that the Merger will have retroactive effect from the first day of the calendar year in which the Effective Time occurs (hereinafter the “**Retroactive Effective Date**”). As a result, PSA's profits and losses from the Retroactive Effective Date will be included in the taxable profit of the FCA Permanent Establishment. FCA will also be deemed to have had the use of all of PSA's assets from the Retroactive Effective Date and all transactions carried out by PSA from the Retroactive Effective Date will be treated as if they had been carried out by FCA.

PSA will cease to exist as a separate entity and will be dissolved without liquidation on the Effective Date.

#### **1.3.2 Tax regime applicable to the Transaction**

##### ***1.3.2.1 French tax regime***

As stated in articles 23.3 to 23.5 of the Merger Proposal, under Articles 210-0 A and 210 C(2) of the French General Tax Code, FCA and PSA have agreed to carry out the

Merger under the favourable tax regime provided for in Article 210 A of the French General Tax Code applicable in regard to corporate income tax in France.

The parties also represent that the Merger will be subject to the favourable regime provided for in Article 816 of the French General Tax Code and Article 301-B of Appendix II to the French General Tax Code. As a result, the contribution resulting from the Merger will be registered in the month following the Closing Date without any registration levy payable in accordance with Article 816 of the French General Tax Code.

The Merger will not be subject to the financial transaction tax under Article 235 ter ZD(II)(5) of the French General Tax Code.

A ruling request regarding the confirmation of those three items has been filed with the “*service juridique de la fiscalité de la Direction Générale des Finances Publiques*” on 12 June 2020.

#### **1.3.2.2 Italian tax regime**

Article 23.22 of the Merger Proposal stipulates that the Merger will not result in any asset or liability being transferred out of the FCA Italian permanent establishment, which will continue to carry out, without interruption, the activities it was carrying out before the Effective Time.

#### **1.3.3 Conditions precedent**

In accordance with article 13 of the Merger Proposal, the Merger is subject to a set of terms and conditions provided for in the Combination Agreement signed by the parties and discussed below.

When reading this section 1.3.3, we advise readers to refer to the definitions set out in the Merger Proposal regarding the following terms: Law, Admission Prospectus, Competition Approvals, Consents, Substantial Detriment, Governmental Entity, Subsidiaries, Material Adverse Effect.

##### *FCA shareholder approvals*

- a) The extraordinary meeting of FCA shareholders must have adopted the following resolutions:
  - (i) Approval of the Merger Proposal (i.e. the resolution to merge);

- (ii) The appointment of the new members of the FCA Board of Directors, effective as from the Governance Effective Time<sup>5</sup>;
- (iii) A waiver regarding setting up and negotiating with a special negotiating body for employee participation on the FCA Board of Directors, pursuant to Dutch Law;
- (iv) An amendment of FCA's articles of association to increase the authorised share capital of FCA as from the Effective Time;
- (v) An amendment of FCA's articles of association to implement the new governance structure of FCA effective as from the Governance Effective Time;
- (vi) The adoption of the terms and conditions of the special voting shares of FCA, which will be effective as from the Governance Effective Time;
- (vii) Any other actions required by applicable Law and the organisational documents of FCA to be approved by the holders of FCA Common Shares to implement the Merger and the other transactions contemplated by the Combination Agreement;

#### *PSA shareholder approvals*

- b) The extraordinary meeting of PSA shareholders and the special meeting of PSA shareholders entitled to double voting rights must have adopted the following resolutions:
  - (i) The approval of the Merger Proposal, effective as from the Effective Time;
  - (ii) The removal of the double voting rights attached to certain PSA ordinary shares, effective as from the Effective Time;
  - (iii) Any other actions required by applicable Law and the organisational documents of PSA to be approved by the holders of PSA ordinary shares to implement the Combination and the other transactions contemplated by the Combination Agreement;

#### *Exchange listings*

- c) The FCA common shares (including the FCA common shares to be allotted to the holders of the PSA ordinary shares in connection with the Merger) must have been authorised for listing on EURONEXT PARIS, the NYSE and the MTA;

#### *Registration Statement and Admission Prospectus*

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<sup>5</sup> This means 1am, Central European Time on the first day after the day in which the Effective Time of the Merger occurs, unless a later time or date is mutually agreed in writing by PSA and FCA.

- d) The Registration Statement must have been declared effective by the SEC under the Securities Act, and must not be the subject of any stop order suspending the effectiveness of the Registration Statement. All necessary Consents from the Dutch financial market supervisory authority (AUTORITEIT FINANCIËLE MARKTEN, hereinafter “**AFM**”) with respect to the Admission Prospectus must have been obtained, and the AFM, upon request of FCA, must have validly provided notice of the Admission Prospectus (as well as of a translation into Italian and French of the summary of the Admission Prospectus, to the extent required by applicable laws) to each of the Autorité des Marchés Financiers, the COMMISSIONE NAZIONALE PER LE SOCIETÀ E LA BORSA and the EUROPEAN SECURITIES AND MARKETS AUTHORITY pursuant to Article 25 of the Regulation (EU) 2017/1129 of the European Parliament and the Council of 14 June 2017;

*Competition Approvals and other approvals*

- e) All waiting periods (and any extension thereof) in connection with the Competition Approvals must have expired or been terminated and (to the extent applicable) all of the Competition Approvals must have been granted, and must be in full force and effect;
- f) The Consents (other than (i) the Competition Approvals that are governed by condition precedent (e) above and (ii) such Consents, including competition clearances other than the Competition Approvals, where the failure to obtain or provide them would not, individually or in the aggregate, have a Substantial Detriment) of any Governmental Entity required of PSA, FCA or any of their respective Subsidiaries for the purposes of the closing of the Merger and the payment of the €2.9 billion dividend by FCA must have been obtained or provided and such Consents must (1) have been obtained on terms that, individually or in the aggregate, would not reasonably be expected to have a Substantial Detriment, and (2) be in full force and effect;

*Clearance by the European Central Bank*

- g) The approval from the European Central Bank (including as a result of the expiration of the applicable waiting periods) must have been obtained;

*Pre-combination certificates / creditor opposition*

- h) The “*attestation de conformité*” pursuant to Articles L. 236-29 and R. 236-17 of the French Commercial Code from the Clerk of the Commercial Court of Versailles (“*greffe du Tribunal de Commerce de Versailles*”) attesting to the proper completion of the pre-Merger acts and formalities under French Law, must have been issued;

- i) No opposition must have been validly filed by creditors in accordance with Article 2:316(2) of the Dutch Civil Code, or any opposition must have been withdrawn, resolved or lifted by an enforceable court order by the relevant court of the Netherlands;

*No injunctions or restraints*

- j) No Governmental Entity having jurisdiction over the Companies or their respective businesses or assets must have enacted, issued, promulgated, enforced or entered any Law that prohibits or makes illegal the closing of the Combination or the payment of the €2.9 billion dividend by FCA, but only to the extent that failure to comply with such prohibition(s) or decision(s), individually or in the aggregate, would reasonably be expected to have a Substantial Detriment; and

*No Material Adverse Effect*

- k) No Material Adverse Effect must have occurred with respect to the other merging company, prior to the closing, that continues to exist as of the Closing, it being stipulated that this Merger condition may be waived in writing only by FCA in the event of a Material Adverse Effect with respect to PSA and only by PSA in the event of a Material Adverse Effect with respect to FCA.

FCA's Board of Directors and PSA's Managing Board, or any duly authorised representative, will have all powers necessary to confirm the fulfilment of the aforementioned conditions precedent or the waiver of those conditions, which must be confirmed in writing by the parties.

In accordance with Article 2:318 of the Dutch Civil Code, the Merger must close within six months after the announcement of the publication of the Merger Proposal in a Dutch national daily newspaper or, if at the end of this six-month period the closing of the Merger would not be allowed due to a filed creditor opposition, within one month after such opposition has been withdrawn, resolved or lifted by an enforceable court order by the relevant court of the Netherlands. If this period lapses without the Merger becoming effective, the parties may opt to publish a new Merger proposal in accordance with applicable Laws and procedures.

#### **1.4 Description and valuation of the contributions**

The contributions consist of all of PSA's assets, liabilities and off-balance-sheet items.

In accordance with arrangements for mergers, all of PSA's assets and liabilities on the date the Merger closes will be transferred to FCA.

As stated in article 7.2 of the Merger Proposal, the parties have taken the view that for accounting purposes and under IFRS, PSA should be regarded as the purchaser. As a result, and in accordance with that analysis, the transfer values used for the Merger that is the subject of the Merger Proposal are accounting values.

### **1.5 Consideration for the contributions and exchange ratio**

The exchange ratio has been determined following negotiations between two independent parties.

According to the exchange ratio adopted by the parties, PSA shareholders will receive 1.742 FCA common shares for each PSA ordinary share they hold.

The exact number of new common shares to be issued by FCA will be determined at the Effective Time, based on the number of PSA ordinary shares issued and outstanding at that date. It is further stated that in accordance with the provisions of Dutch law, no Merger premium will be recorded in the statutory accounts of FCA as a result of the Merger.

Any fractional entitlements will be dealt with in accordance with section 6 of the Merger Proposal.

## **2. Assessment of the appropriateness of the relative values attributed to the shares of the Companies taking part in the Transaction**

### **2.1 Work done by the merger appraiser**

Our engagement, provided for by law, does not involve an audit or limited review. As a result, the purpose of our engagement is not to give an opinion on financial statements or to carry out specific work regarding compliance with corporate law. Our engagement cannot be likened to due diligence work that might be carried out for a lender or buyer, and does not include all work needed for such an engagement.

We have carried out the procedures that we considered necessary with reference to the professional standards of the French National Institute of Auditors (“*Compagnie Nationale des Commissaires aux Comptes*”) applicable to this engagement. Our work included:

- Verifying that the relative values attributed to the shares of the Companies taking part in the Transaction were appropriate;
- Assessing the relative importance given to values deemed appropriate;
- Analysing the positioning of the exchange ratio by comparison with relative values deemed appropriate;

- Examining whether the proposed exchange ratio results in any sustained loss of value for each shareholder category.

In particular, we:

- Considered the objectives of this Merger;
- Held discussions with the parties' managers, heads of departments dealing with the Transaction and advisors, to understand both the context of the Transaction and the economic, accounting, legal and tax arrangements relating to it;
- Considered the activities and markets in which the PSA Group and the FCA Group operate, along with the associated regulatory constraints;
- Examined the Merger Proposal signed on 27 October 2020 and its schedules;
- Considered the other legal agreements relating to the Merger, including the Combination Agreement;
- Considered the Form F-4 registration statement relating to the combination of FCA and PSA through the Merger, initially filed with the Securities and Exchange Commission on 24 July 2020 and amended on 28 September 2020 (hereinafter "**Form F-4**"), including the fairness opinions prepared by GOLDMAN SACHS INTERNATIONAL, D'ANGELIN & CO. LTD. and PERELLA WEINBERG UK LIMITED, along with the draft prospectus filed with the Dutch regulator (AFM);
- Examined the legal and accounting information forming the basis of the Transaction;
- Analysed information relating to proceedings undertaken with the competition authorities and their possible impact on the financial arrangements of the Combination Agreement (scope, synergies, etc.);
- Checked that the statutory auditors had certified the Companies' statutory and consolidated financial statements for the year ended 31 December 2019 without qualification, and that the auditors of PSA had also issued a limited review statement regarding the consolidated interim financial statements for the six months ended 30 June 2020;
- Considered PSA's 2020-2023 business plan and FCA's 2020-2022 business plan, and spoke with the relevant people responsible to assess the appropriateness of the underlying assumptions made;
- Examined the valuation reports of the parties' advisory banks and the valuation approaches used by the parties to assess the exchange ratio resulting from:

- the Report of PSA's Managing Board to the Extraordinary General Meeting of Shareholders dated 18 November 2020, which substantially reflects the final version that will be signed after the issuance of our reports;
- the FIAT CHRYSLER AUTOMOBILES N.V. Board Report with respect to the Common Draft Terms of the Cross-Border Merger of 27 October 2020;
- Carried out our own multi-criterion valuation to assess the exchange ratio adopted by the parties;
- Assessed the value created by the Transaction for shareholders given the expected synergies and dilution/accretion in terms of earnings per share (EPS).

We have obtained a representation letter from the Companies' representatives confirming the absence certain events that might materially impact the valuations and related implied exchange ratios presented in our report.

We have carried out work specifically appraising the contributions, and we will produce a separate report on that work.

## **2.2 Methods and criteria adopted by the parties**

As mentioned above, the exchange ratio results from negotiations between independent parties.

In accordance with the Merger Proposal signed by the two parties' representatives on 27 October 2020, the exchange ratio for this Merger is 1.742 new FCA common shares for each PSA ordinary share.

The two parties, with the assistance of their financial advisors, have each carried out a multi-criterion valuation to assess the Merger exchange ratio, as presented in the PSA Managing Board's draft report of 18 November 2020 and the report of FCA's Board of Directors of 27 October 2020.

PSA used the following approaches, which are presented in the Managing Board's report:

- An analysis of the respective contributions to the Combined Company based on an analysis of average market capitalisations over a historical 5-year period;
- An analysis of analyst target prices;
- A sum-of-the-parts (hereinafter "SOTP") approach adopted by analysts and the resulting target prices.

PSA and its financial advisors did not use the following methods, which they did not regard as appropriate, to assess the exchange ratio in relation to the Merger:

- An analysis of the multiples shown by listed peers, because there was no immediate correlation between market forecasts and movements in market capitalisations, particularly since market capitalisations are highly volatile in the automotive industry;
- A discounted cash flow analysis because of insufficient publicly available information to realize relevant comparison between the valuation of PSA and FCA. In addition, such valuation method is inherently subjective as it intrinsically depends on the financial parameters and assumptions being retained;
- An analysis of comparable transactions in the European auto industry, since there has not recently been any comparable large-scale transaction between two profitable sector companies.

Similarly, FCA, with the help of its financial advisors, valued the Companies on the basis of the following methods:

- A SOTP approach;
- A consolidated approach involving listed peers;
- An approach involving the present value of the Combined Company's future share price based on multiples;
- An approach involving the present value of the Combined Company's future share price based on discounting future cash flows (DCF).

Those analyses were carried out on the basis of internal financial forecasts made by FCA and PSA's respective management teams and/or consensus forecasts among analysts who cover both companies.

Below, we provide a brief summary of the main valuation methods used by the parties with the assistance of their financial advisors in order to assess the exchange ratio. Details of these approaches can be found in the PSA Managing Board's draft report of 18 November 2020 and in the report of FCA's Board of Directors of 27 October 2020.

When presenting these analyses, the parties did not take into account potential synergies or any value created as a result.

## **2.2.1 Work done by PSA and its advisors**

### *Analysis of average market capitalisations over a historical 5-year period*

This method consisted of assessing the exchange ratio based on PSA and FCA's relative size, with reference to their historical market capitalisations observed over various periods in the five years prior to 25 October 2019, i.e. before the date on which rumours of the Transaction first surfaced.

The market capitalisations are based on the number of shares outstanding as declared by both Companies as of 30 June 2019, on a fully diluted basis, and in PSA's case excluding warrants issued to GENERAL MOTORS, i.e. 901.9 million shares for PSA and 1,570.3 million shares for FCA.

The analysis shows that the ratio of PSA's market capitalisation to FCA's market capitalisation in the last five years has ranged between 47%:53% and 55%:45%.

### *Analysis of analyst target prices*

This method consists of determining the Companies' values based on the target prices adopted by analysts covering them.

Those analyses are based on the target prices of analysts covering PSA and FCA, taken from the BLOOMBERG and FACTSET databases on 25 October 2019, before the Merger was announced.

For PSA, based on the target prices of the 23 analysts presented in this approach, the analysis produces an average value per share of €25.3, corresponding to an implied market capitalisation of €22.8 billion based on the fully diluted number of shares as mentioned above.

Based on a similar approach involving the target prices of 24 analysts, FCA's average value per share is €14.4, corresponding to an implied market capitalisation of €22.6 billion.

### *Sum-of-the-parts approach*

This method consists of analysing notes written by analysts covering the Companies and taking from them the Companies' equity values obtained using a SOTP approach, which consists of valuing each of a company's businesses separately using appropriate valuation methods.

The analysis was carried out on the basis of notes (7 for PSA and 8 for FCA) written by analysts covering the Companies on 25 October 2019, i.e. before the Merger was announced.

The analysis produces an average value per share of €28.8 for PSA, giving an implied market capitalisation of €26.0 billion, based on the diluted number of shares.

For FCA, the average value per share is €17.7, corresponding to an implied market capitalisation of €27.8 billion.

## **2.2.2 Work done by FCA and its advisors**

### Sum-of-the-parts approach

When applying this approach, FCA and its advisors valued the group's industrial and financing businesses separately using:

- A listed peer approach based on forecasts resulting from the business plans of the Companies' management teams;
- A listed peer approach based on analyst consensus forecasts; and
- A discounted cash flow approach based on forecasts resulting from the business plans of the Companies' respective management teams.

These three approaches produce ratios of between:

- 1.59x and 2.28x for the first approach;
- 1.49x and 2.14x for the second approach;
- 1.48x and 2.28x for the third approach.

### Consolidated approach involving listed peers

The listed peer method consisted of determining FCA and PSA's value by applying multiples shown by a sample of other listed companies regarded as comparable:

- A listed peer approach based on forecasts resulting from the business plans of the Companies' Management teams; and
- A listed peer approach based on analyst consensus forecasts.

The first approach produces a ratio of between 0.99x and 1.97x, while the second produces a ratio of between 1.07x and 2.17x.

### Approach involving the present value of the future share price based on multiples (for information only)

This method consisted of determining the present value of the theoretical future value of FCA and the Combined Group by applying multiples to their expected earnings.

FCA's advisors applied this method on a standalone basis and on a proforma basis, in the latter case factoring in three different scenarios: (i) no synergies, (ii) phased synergies taking into account only a portion of the synergies potentially realizable from the Combination and based on the forecast timetable for realising them and (iii) run-rate synergies, i.e. considering synergies as fully realised.

On a standalone basis, FCA's present value per share lay in a range between €17 and €26. On a proforma basis, (i) without synergies, FCA's present value per share lay in a range between €20 and €27, (ii) with phased synergies, between €21 and €29, and (iii) with run-rate synergies, between €23 and €32.

*Approach involving the discounted cash flow (DCF) method (for information only)*

This method is similar to the one presented above but is based on a Discounted cash flow approach.

This approach produced a range of valuations between €21 and €37 per share for FCA on a standalone basis. On a proforma basis, (i) without synergies, FCA's value per share lay in a range between €22 and €34 and (ii) with run-rate synergies, between €26 and €40.

### **2.2.3 Other valuation work carried out in relation to the Transaction**

As stated in the Form F-4, on 17 December 2019, GOLDMAN SACHS INTERNATIONAL, appointed by FCA's Board of Directors, stated that the exchange ratio was fair from a financial point of view for FCA, taking into account the €5.5 billion special dividend for FCA shareholders and the distribution of PSA's entire stake in FAURECIA to PSA shareholders, as provided for in the Initial Combination Agreement.

Similarly, D'ANGELIN & CO. LTD. informed FCA's Board of Directors on 17 December 2019 of its opinion that the exchange ratio is fair from a financial point of view for FCA.

The Board of Directors stated that, in its view, the amendment of the Combination Agreement did not materially change the Merger arrangements for its shareholders.

On the recommendation of PSA's financial and audit committee, PSA's Supervisory Board appointed PERELLA WEINBERG UK LIMITED to prepare a fairness opinion based on the terms of the Merger as amended by the adjustments announced on 14 September 2020, which concluded that the Transaction is fair for PSA shareholders.

## **2.3 Assessment of the appropriateness of relative values**

The assessment of the relative values adopted by the parties calls for the following comments on our part:

- As regards the assessment of the exchange ratio in the context of a negotiation between independent third parties, the parties and their advisors assessed the exchange ratio with regard to criteria that we deem usual and appropriate;
- The approaches taken by the parties and their advisors are based on the use of homogeneous methods for valuing PSA and FCA, which seems appropriate to us since both Groups operate in the same business sector;
- The relative values adopted to calculate the exchange ratio are based on data that predate the announcement of the Transaction. However, although this approach appears appropriate to the parties' requirements in terms of setting the exchange ratio, it does not take into account any events since that date that may have had an impact on relative values, particularly the Covid-19 crisis, the Amendment and the FAURECIA Stake Disposal.

As part of our work, therefore, we adopted alternative or similar valuation approaches to those of the parties, but referring to more recent data and taking into account events which have occurred since the Transaction was announced:

- As the primary method, a SOTP approach based on:
  - The intrinsic valuation of both group's automotive businesses, i.e. the FCA Automotive Division and the PSA Automotive Division, by discounting forecast cash flows based on projections sent to us by both groups' Management teams. This approach, based on our own discounting parameters that were determined in a homogeneous manner for both PSA and FCA, was applied (i) by setting different levels of normative EBITDA margin and (ii) taking into account the two groups' specific characteristics;
  - The peer-group comparison valuation of both Groups' Financing Divisions with reference to price-to-book (hereinafter "**P/BV**") multiples;
  - The market value of the PSA Automotive Equipment Division based on FAURECIA's market capitalisation.
- As secondary methods:
  - A SOTP approach similar to the one used in the primary method but differing through its reference to the multiples of PSA and FCA's listed peers to determine the value of the two Groups' Automotive Divisions;
  - A valuation based on the target prices of analysts covering both PSA and FCA.

Finally, we analysed the consideration for the contribution in terms of its sensitivity to the main market parameters that could affect PSA and FCA's relative values.

The valuations we carried out, as detailed in sections 2.3.3 to 2.3.5 below, were solely intended to assess the relative sizes of the two Groups and therefore to determine the two entities' relative values in order to assess the exchange ratio adopted by the parties. We therefore decided not to use valuation approaches (i) that could not be applied to the Companies in a homogeneous or consistent way or (ii) that featured biases that made their results less relevant (see section 2.3.1).

### **2.3.1 Excluded methods**

Based on our analysis, we decided not to use the following methods:

#### **2.3.1.1 *Net book value***

Net book value is not usually regarded as representative of a company's intrinsic value since it does not factor in a company's growth and earnings prospects, nor any possible capital gains on assets. As a result, we did not use this valuation criterion in our analyses.

#### **2.3.1.2 *Valuation method based on transactions involving comparable companies***

We sought to use an approach based on observed multiples from historical transactions involving the equity of companies comparable to PSA and FCA.

We identified seven transactions since 2014 involving comparable sector companies that allowed us to calculate valuation multiples for those companies as a whole, i.e. without distinguishing between their various operating activities, particularly their financing businesses. We based our analysis on price/earnings ratios (hereinafter "**P/E ratio**"), since it did not seem appropriate to us to value the Companies' financing businesses on the basis of an EBITDA multiple.

The P/E ratio is the market value of a company's equity divided by its net income. The multiple takes into account the financial position of the company in question since net income is income after the payment of interest and tax.

Date	Target	Country	Acquirer	% acquired	xPER
23/09/2020	PSA Peugeot-Citroen SA	France	PSA Peugeot-Citroen SA	1.1 %	7.4x
07/11/2017	Daimler	Germany	Blackrock	0.9 %	8.2x
01/08/2017	Adam Opel GmbH	Germany	Peugeot S.A	100.0 %	3.2x
20/06/2017	Peugeot SA	France	Bpifrance	12.2 %	8.8x
30/09/2015	Volkswagen AG	Germany	Porsche Automobil Holding SE	1.5 %	5.4x
24/09/2015	Hyundai Motor Company	South Korea	M. Eui-Sun-Chung	1.4%	6.2x
21/01/2014	Chrysler Group LLC	United States	Fiat North America LLC	41.5 %	3.2x
<b>Median</b>					<b>6.2x</b>

Source: Capital IQ, Mergermarket, Epsilon, Finexsi analyses

However, we did not use this method because (i) the information on these transactions available in our databases is highly fragmented, with each transaction constituting a special case and (ii) it does not in any event allow a SOTP approach to be used, in order to take account of the two Groups' specific segments.

For information only, the exchange ratio resulting from using the approach based on P/E multiples ranged between 1.531x and 2.439x.

### 2.3.1.3 Approach based on the Companies' share prices

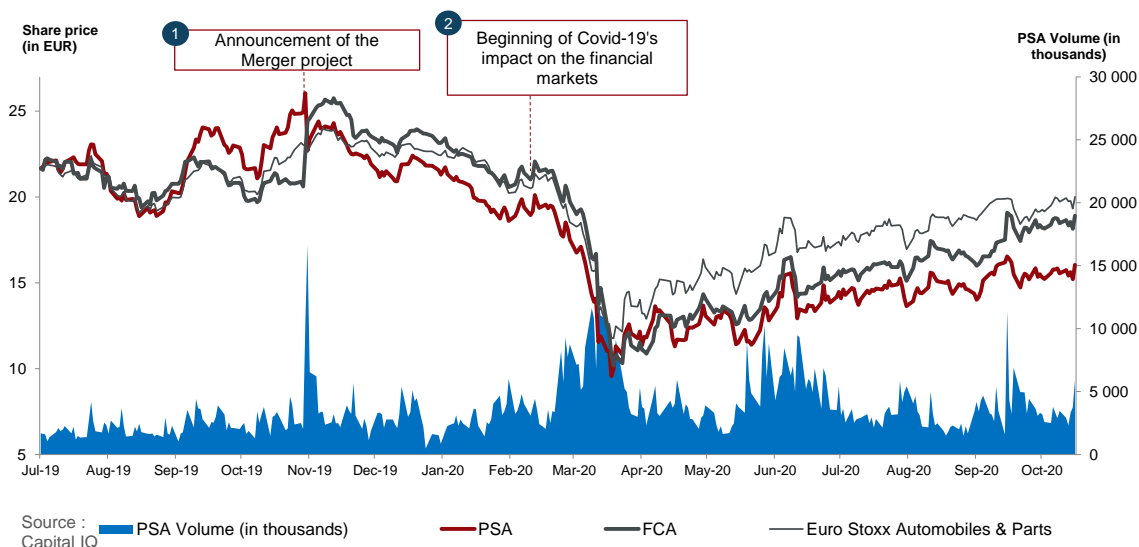
The Companies' share prices provide an important reference point given their free floats and share turnover ratios. PSA and FCA's free floats amounted to around 59% and 71% respectively on 30 June 2020.

PSA and FCA's free float turnover ratios were as follows in the 24-month periods to 29 October 2019 and 16 October 2020:

Free free turnover ratio (%)	PSA		FCA	
	29/10/2019	16/10/2020	29/10/2019	16/10/2020
Spot	0.4%	1.1%	1.0%	1.4%
1 month	10.6%	15.7%	16.2%	19.4%
60 days	26.8%	40.5%	45.3%	52.2%
3 months	29.3%	44.0%	50.6%	56.6%
6 months	54.5%	99.1%	121.1%	119.0%
12 months	113.5%	197.7%	234.8%	260.2%
24 months	263.7%	313.5%	505.5%	502.5%

### Share price after the Transaction was announced

We did not use any reference to the Companies' share prices after the Transaction was announced, because that announcement had a material impact on both PSA and FCA's share prices:



We see that:

- PSA's share price fell sharply, on 31 October 2019 morning, following the announcement of the Transaction: we observe that the stock performance in the month following the closing of the last market day before the rumours regarding the Transaction (i.e. 28 October 2019) is -11.8%;
- FCA's share price, meanwhile, rose significantly during that period, gaining 12.7%;
- By comparison, the Euro Stoxx Automobiles & Parts index remained relatively stable, falling 1.2% over the period.

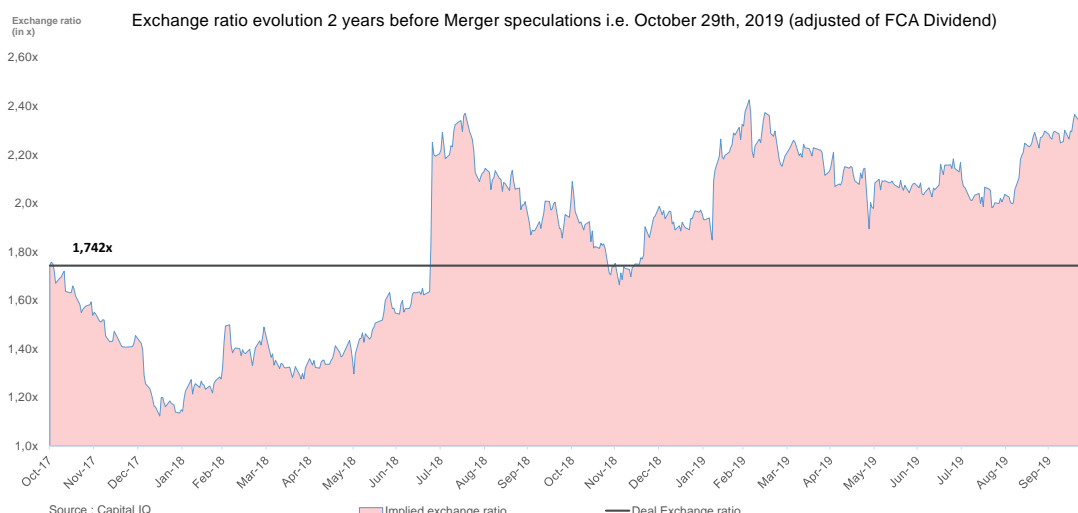
As a result, any reference to share prices after that date appears inappropriate to us: they no longer fully reflect the Companies' intrinsic value because they factor in the market's assessment of the Merger terms.

#### Share price before the Transaction was announced

We also decided not to use the Companies' share prices before the Transaction was announced. Although those share prices were not skewed by the Merger announcement, they do not factor in events since that date, particularly the current Covid-19 crisis.

Nevertheless, those share prices are useful in assessing the exchange ratio at the time it was adopted.

For information only, the exchange ratio evolution adjusted for the impact of the FCA Dividend in the two years before the Merger was announced were as follows:



For information only, the table below shows the ratios produced by using this approach on a 24-month Volume-Weighted Average Prices (hereinafter “VWAP”), being specified that we have adjusted share prices for the impact of the FCA Dividend.

#### Exchange ratio history table

Volume-Weighted Average Prices	PSA	FCA	FCA adjusted by FCA Dividend	Exchange ratio
Spot as of 29-oct.-19	24.92	11.75	9.91	2.515x
1-month VWAP	23.23	11.77	9.93	2.340x
60-days VWAP	22.36	11.89	10.05	2.224x
3-month VWAP	22.13	11.89	10.04	2.204x
6-month VWAP	21.80	12.18	10.34	2.109x
12-month VWAP	21.33	12.95	11.10	1.921x
24-month VWAP	20.57	14.86	13.01	1.581x

For information only, the historical comparative analysis of the Companies’ share prices produces ratios ranging from 1.581x (24-month VWAP) and 2.515x (spot).

#### 2.3.1.4 Approach based on the target prices of analysts covering both PSA and FCA before the Transaction was announced

We decided not to use this approach for the reasons mentioned above regarding share prices before the Transaction was announced.

However, we did apply the approach based solely on the target prices of analysts covering both PSA and FCA, by determining inherent ratios for each analyst to ensure the consistency of the valuation method used. As with share prices before the Transaction announcement, values were adjusted to take into account the FCA Dividend.

Date	Analyst	PSA		Date	FCA		Implied Exchange ratio
		Target Price	Recommendation		Target Price	Recommendation	
25/10/2019	Bernstein	30.0 €	Buy	25/10/2019	13.0 €	Neutral	2.689x
24/10/2019	J.P. Morgan	36.0 €	Buy	03/10/2019	15.0 €	Buy	2.736x
24/10/2019	Oddo BHF	29.0 €	Buy	17/10/2019	12.0 €	Neutral	2.855x
24/10/2019	Kepler Cheuvreux	32.0 €	Buy	11/10/2019	14.0 €	Buy	2.632x
23/10/2019	UBS	23.0 €	Neutral	30/09/2019	11.0 €	Neutral	2.512x
23/10/2019	Société Générale	30.0 €	Buy	02/08/2019	16.5 €	Buy	2.047x
23/10/2019	Commerzbank	23.0 €	Sale	17/10/2019	15.0 €	Buy	1.748x
23/10/2019	Morgan Stanley	18.0 €	Vente	21/08/2019	19.0 €	Buy	1.049x
23/10/2019	Jefferies	26.0 €	Buy	17/10/2019	14.0 €	Buy	2.139x
23/10/2019	Evercore ISI	23.0 €	Buy	05/08/2019	11.0 €	Neutral	2.512x
23/10/2019	MainFirst Bank AG	27.0 €	Neutral	16/10/2019	13.3 €	Neutral	2.357x
19/09/2019	HSBC	27.0 €	Buy	10/10/2019	15.0 €	Buy	2.052x
16/07/2019	Goldman Sachs	26.0 €	Buy	18/09/2019	11.5 €	Sell	2.692x
23/10/2019	Bank of America Mer	28.0 €	Buy	29/10/2019	16.0 €	Neutral	1.978x
<b>Min excl. extreme</b>		<b>23.0 €</b>		<b>11.5 €</b>			1.748x
<b>Average</b>		<b>27.0 €</b>		<b>14.0 €</b>			2.285x
<b>Median</b>		<b>27.0 €</b>		<b>14.0 €</b>			2.434x
<b>Max excl. extreme</b>		<b>32.0 €</b>		<b>16.5 €</b>			2.736x

The ratios resulting from this approach, after eliminating outliers, ranged between 1.748x and 2.736x.

### 2.3.2 Parameters common to the valuation methods used

Our valuation of the Companies was carried out as of 30 June 2020, based on each company's most recent interim consolidated financial statements, which had undergone, with regards to PSA, a limited review by the statutory auditors of PSA.

However, we took into account, in all our approaches, events taking place since that date or events that we know would occur before the Merger and that are capable of affecting our valuations, particularly the FAURECIA Stake Disposal, the FCA Dividend and the DONGFENG Disposal.

The financial parameters used in our work, such as the discount rate applied to cash flows used in the DCF method or the market capitalisations of listed peers and FAURECIA, were determined as of 16 October 2020, as they have been presented to PSA's Supervisory Board on 27 October 2020.

With all the approaches we implemented, we used the number of outstanding shares at 30 June 2020 for both Companies, taking into account any impact from dilutive instruments at PSA and FCA where those instruments were "in the money".

The Companies' enterprise value to equity value bridges at 30 June 2020, used in the SOTP approaches, were based on the Companies' interim consolidated financial

statements for the six months ended 30 June 2020, and in FCA's case with reference to business-specific financial information available on FCA's website<sup>6</sup>.

They were assessed in a homogeneous way for both Groups and mainly factor in debts, from which cash and cash equivalents were deducted and, as regards the intrinsic approach, provisions, with related disbursements not included in cash flow figures. The bridges exclude elements relating to the Financing Divisions of PSA and FCA and Automotive Equipment Division of PSA since they are valued separately in a way that produces an equity value. Finally, the bridges include the value of investments in associates that were not assigned a value in our approaches, and which we valued at net book value because of their non-material nature.

### **2.3.3 Primary method: sum-of-the-parts approach based on the intrinsic valuation of the Automotive Divisions**

We valued the two Companies using a SOTP approach, distinguishing between the two Groups' different activities so that each of them was valued according to an approach that was homogenous and appropriate to its characteristics.

The two Groups have similar business divisions (Automotive Divisions and Financing Divisions), while PSA also operates in the auto parts sector via FAURECIA.

We therefore applied the following specific approach for each Division:

- Automotive Division: intrinsic approach based on the Companies' business plans (DCF method);
- Automotive Equipment Division: FAURECIA stake valued with reference to its stockmarket value;
- Financing Division: peer-group approach based on P/BV multiples.

In our view, this approach is the most appropriate because it is based on the latest forecasts of the PSA and FCA Management teams regarding their most significant businesses, i.e. their Automotive Divisions, in the context of a public health crisis that is greatly increasing market volatility.

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<sup>6</sup> Financial Data by Activity and Debt - Q2 2020 - [https://www.fcagroup.com/en-US/investors/financial\\_regulatory/key\\_financial\\_data/by\\_activity\\_and\\_debt/Pages/2020\\_q2.aspx](https://www.fcagroup.com/en-US/investors/financial_regulatory/key_financial_data/by_activity_and_debt/Pages/2020_q2.aspx)

### ***2.3.3.1 Discounted cash flow (DCF) method for the Automotive Divisions (primary method)***

#### ***Business plans used***

PSA's Management team has prepared a 4-year business plan (2020-2023) while FCA's has prepared a 3-year business plan (2020-2022), based on a validation process that we regard as appropriate, and after taking into account the impact of the Covid-19 crisis on both Groups' fundamentals.

The business plans factor in the adoption of IFRS 16.

#### ***Merger appraiser's assessment of the main valuation assumptions***

In view of the documentation obtained, we reviewed the main assumptions used to estimate future cash flows, particularly through working meetings with PSA and FCA's Management teams, and we carried out our own valuation (see sensitivity analyses below).

The Companies' business plans were adjusted in order to apply the valuation approach to cash flows determined in a way that was homogeneous and consistent with the information used in our enterprise value to equity value bridge.

When applying our DCF approach, we positioned our valuations at 30 June 2020 and therefore adjusted free cash flows for the first year of the business plans for the free cash flows achieved in the first six months of the year.

We carried out sensitivity analyses relating to (i) normative EBITDA margin and (ii) the discount rate.

### ***2.3.3.2 Banking division (financing business)***

We valued both Groups' financing businesses on the basis of a P/BV multiple, which represents the market value of a company's equity divided by its book value.

We used a P/BV multiple of between 0.8x and 1x based on:

- The multiple observed in PSA's acquisition of OPEL VAUXHALL in 2017, in which BANQUE PSA FINANCE acquired GENERAL MOTORS' European financing activities at a P/BV multiple of 0.8x;
- A broad sample of European banks: Based on a linear regression between P/BV and return on equity (ROE) figures for peers, BANQUE PSA FINANCE and FCA BANK in 2019, we determined the multiple applicable to BANQUE PSA FINANCE and FCA BANK.

To obtain valuations based on a homogeneous approach, we used the resulting range of multiples to value the two Companies' Financing Divisions.

#### ***2.3.3.3 Automotive Equipment Division (only for PSA)***

Since FAURECIA is listed on Euronext Paris, we valued PSA's stake in FAURECIA at its market value, based on a 3-month VWAP as of 16 October 2020.

#### ***2.3.3.4 Summary of the approach***

According to this method, the number of FCA common shares to be issued for each PSA ordinary share is between 1.619 and 2.005.

### **2.3.4 Secondary method: sum-of-the-parts approach based on the peer-group valuation of the Automotive Divisions**

We applied an alternative SOTP approach to the one presented above. This approach differs because it is based on valuing the Automotive Division on the basis of multiples observed in a sample of comparable listed companies.

Given the differences in size and profitability between companies deemed to be comparable and the possible impact of the Transaction announcement on the share prices of comparable companies, we present this as a secondary method.

The listed peer method consists of determining the value of a company by applying multiples shown by a sample of other listed companies in the same business sector to the relevant financial figures.

Using this approach relies on having a sample of companies that are comparable in terms of business, operating characteristics, size and profitability.

We based our approach on the median EBITDA multiple for the Automotive sector, based on a sample comprising: RENAULT SA, VOLKSWAGEN AG, FORD MOTOR COMPANY, GENERAL MOTORS COMPANY, DAIMLER AG and BAYERISCHE MOTOREN WERKE AKTIENGESELLSCHAFT.

To obtain purely Automotive figures, EBITDA from financing businesses and capitalised R&D spending was deducted from the consensus forecasts. The bridge from enterprise value to equity value was determined in the same way as for PSA and FCA, excluding the impact of the Financing and Automotive Equipment Divisions.

The resulting Automotive EBITDA multiples were applied to the 2021 and 2022 Automotive EBITDA figures<sup>7</sup> resulting from PSA and FCA's business plans.

Other operational divisions were valued in the same way as that presented in sections 2.3.3.2 and 2.3.3.3 above.

Based on this approach, the number of FCA common shares to be issued for each PSA ordinary share is between 1.685 and 2.465.

### **2.3.5 Secondary approach: analyst share target prices**

We applied this method on the basis of analyst notes published after the Companies' first-half 2020 results were released.

PSA and FCA are widely covered, with more than 20 analysts publishing target prices.

In our approach, since we were comparing relative values, we only used the target prices of analysts covering both PSA and FCA, by determining inherent ratios for each analyst to ensure the consistency of the valuation method used.

After excluding the extreme values, the number of FCA common shares to be issued for each PSA ordinary share according to this approach is between 1.685 and 2.697.

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<sup>7</sup> Given the current economic crisis, 2020 was not regarded as representative in terms of business levels and was not included in our analysis.

### **3. Assessment of the fairness of the proposed exchange ratio**

#### **3.1 Exchange ratio adopted by the parties**

As a result of their negotiations, the parties agreed upon an exchange ratio of 1.742 new FCA common shares per PSA ordinary share.

#### **3.2 Procedures carried out to verify the fairness of the exchange ratio**

We carried out the procedures that we deemed necessary according to the professional guidelines of the French National Institute of Auditors (“*Compagnie Nationale des Commissaires aux Comptes*”) to assess the fairness of the exchange ratio.

In particular, we relied on the work described in section 2.3 above to:

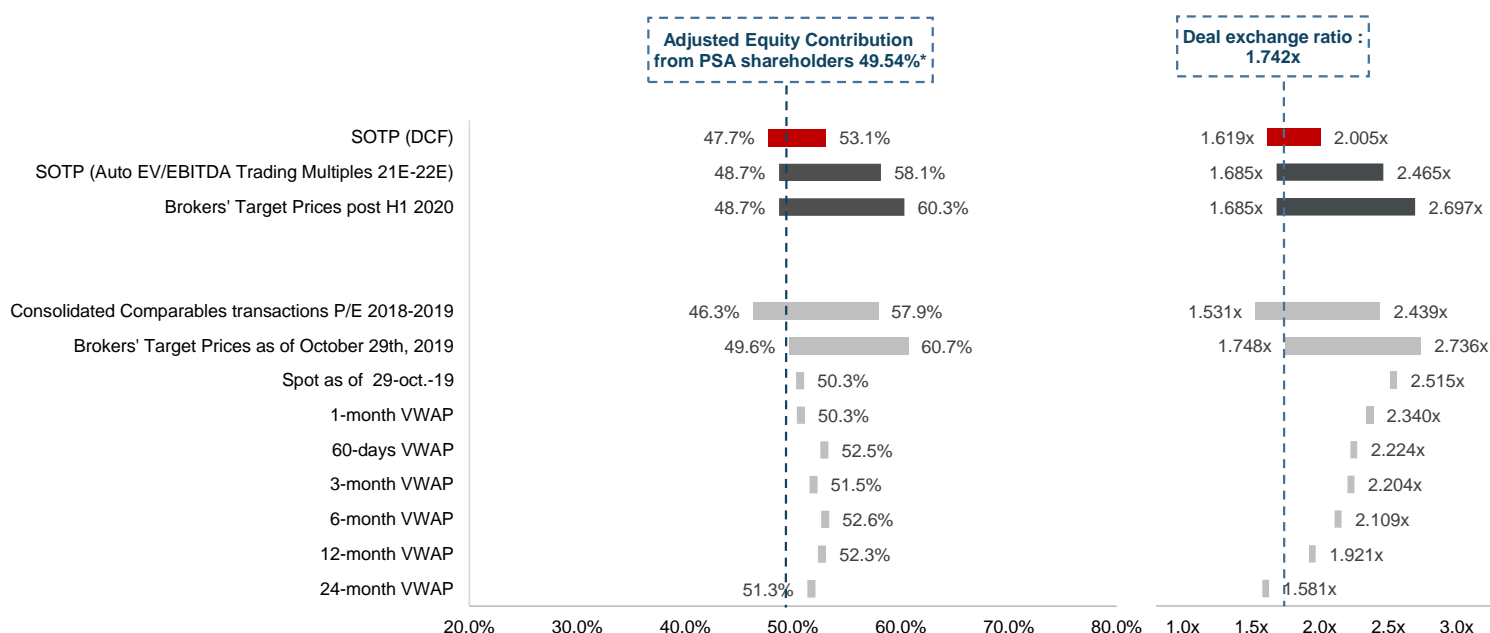
- Analyse the positioning of the exchange ratio by comparison with relative values deemed appropriate;
- Assess the impact of the exchange ratio on the future positions of the two sets of shareholders.

On that basis, we assessed whether the proposed consideration is fair.

#### **3.3 Assessment and positioning of the proposed exchange ratio**

To assess the exchange ratio adopted by the parties, we determined the number of FCA common shares to be issued for each PSA ordinary share, taking into account a range based on the various relative values resulting from our valuation approaches.

In our view, the various criteria adopted reflect a comprehensive and appropriate multi-criterion approach to the matter.



\*Relative weights are presented for information purposes as they will depend on the number of shares of the Companies outstanding at the Effective Date of the Merger.

The exchange ratio set by the parties is at the lower end of the range of ratios arising from our multi-criterion approach.

For PSA, this implies that the consideration to be received by its shareholders in the context of the Merger is at the lower end of the range of relative values for PSA arising from our valuation approaches.

For FCA shareholders, the exchange ratio of 1.742 FCA common shares per PSA ordinary share is more favourable, bearing in mind that they will also benefit from the FCA Dividend.

Assessing the fairness of the Transaction requires us to consider changes in the shareholders' position as a result of the exchange proposed to them, i.e. the shares in the Combined Company they will receive in exchange for the shares they own in each company on a standalone basis. Looking beyond the exchange ratio, the exchange must not result in a sustained loss of value for shareholders, but on the contrary give them exposure to development and various prospects capable of improving their position.

We must therefore assess the change in their position, factoring in the strategic potential of the new group and in particular the synergies that could be achieved by the combined entity. In financial terms, when assessing fairness, we must factor in the combined group's future earnings and the value enhancement for each set of shareholders.

### **3.4 Impact of the proposed exchange ratio on the position of shareholders**

In December 2019, based on a preliminary analysis, the parties announced that the Merger would generate operational synergies estimated at €3.7 billion. Implementation costs related to those synergies were estimated at €2.8 billion at the time.

After in-depth analysis, the expected amount of synergies was increased to over €5 billion per year, i.e. around 3% of the combined entity's revenue based on the 2019 combined financial statements presented in the Form F-4. The parties estimate that around 80% of the synergies will be achieved in the space of four years, with total implementation costs of €4.0 billion.

We held discussions with the people in charge of both groups who led the process of estimating these synergies, and considered the detail of the synergies. The representatives confirmed to us that the undertakings made by FCA, particularly those made to governments, would not jeopardise the achievability of the synergies expected from the Merger. Similarly, Companies' Management teams confirmed to us that any remedies that might be imposed by the competition authorities would not threaten that achievability. The synergies were quantified precisely and jointly by the two Companies, and are based on observations from other comparable transactions. The synergies will be achieved in the following four areas:

- Technology, platforms and products: sharing of and convergence between PSA and FCA's platforms, products and powertrains, combined with the optimisation of R&D expenditure and manufacturing processes;
- Purchasing: savings resulting from the scale of the combined group through reductions in procurement costs and access to new suppliers, along with the harmonisation of platforms;
- Marketing and selling, general and administrative (SG&A) expenses: the parties believe they can make savings by integrating functions such as sales and marketing, and by optimising costs in regions in which the Companies have a well established presence (EMEA and LATAM);
- All other functions: the Companies' Management teams expect synergies from optimising other functions, including logistics for new vehicles, the effect of increased purchasing volumes on the Companies' combined expenditure, the supply chain, quality and after-sales service.

The parties estimate that (i) around 75% of synergies will arise from technology, platform and product convergences and procurement savings, (ii) around 7% of synergies will arise from SG&A and (iii) the remaining synergies will come from other functions.

The annual run-rate synergies are expected to exceed the costs necessary to achieve them within the first year following the closing of the Merger.

At this stage, any revenue synergies that could result from the combination have not been estimated by the parties.

These synergies have not been factored into our assessment of the relative values of the Companies (see section 2.3) and they will benefit all groups of shareholders.

We also considered the detail of synergies estimated by the parties and simulated the position of PSA shareholders taking into account the synergies by comparison with PSA's share price before the Transaction was announced. The analysis shows that the threshold of synergies necessary for the Transaction to be value-accretive for PSA shareholders is well below those expected by the respective Management teams. Accordingly, we can confirm that PSA shareholders would not suffer any loss of value; on the contrary, the synergies would increase the value accretion resulting from the Merger.

Independently of the impact of the aforementioned synergies on value creation for shareholders, evolution of earnings per share should also be analysed.

Accordingly, we simulated how the synergies would affect earnings per share in 2021 and 2022, based on analyst consensus figures for the combined group's consolidated net income<sup>8</sup>. This analysis also shows value accretion for both sets of shareholders.

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<sup>8</sup> Source: Capital IQ.

#### 4. Summary

The Merger is a strategic transaction that will create value in the short term, aimed at giving the combined group a balanced and profitable global presence with a highly complementary and iconic brand portfolio. The Merger will create the world's fourth-largest carmaker by volume, and the scale effects and critical mass resulting from it should make the combined group more capable of dealing with the constraints to which the automotive industry is subject, particularly the R&D expenditure needed to comply with regulations in force and meet customers' new mobility needs. The combined group has the management, capabilities, resources and scale to successfully capitalise on the opportunities presented by the new era in sustainable mobility. The Merger will also reshape the combined group's strategy in certain geographic regions.

The two parties negotiated independently to determine the financial terms of the Merger and the new group's governance, which reflect the agreement to carry out a merger of equals.

The exchange ratio of 1.742 new FCA common shares per PSA ordinary share will result in the former shareholders of PSA and FCA each owning around 50% of the new entity. The final ownership structure will not be known until after the Merger has closed, but based on information available to us at the time of our report<sup>9</sup>, PSA shareholders will own around 49.54% of the Combined Company's common shares and FCA shareholders around 50.46%.

Our comments on these financial terms are as follows:

- The exchange ratio set by the parties is at the lower end of a fairly wide range resulting from the various criteria we adopted;
- This implies that the consideration to be received by PSA shareholders in the context of the Merger is at the lower end of the range of relative values for PSA and FCA arising from our valuation approaches.

In our view, this finding does not call into question the fairness of the exchange ratio adopted, since both sets of shareholders may benefit from additional value creation and an improvement in earnings per share because of the combined group's profitability profile.

We would also highlight the fact that analyses regarding synergies focus solely on cost savings. Revenue synergies could be achieved as well.

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<sup>9</sup> These ownership percentages are provisional and provided for illustrative purposes only, based on the Companies' shares in issue at 30 June 2020 adjusted for the Dongfeng Disposal.



Based on cost synergies alone, as identified and quantified by the two Companies' Management teams, the Transaction would create value and improve earnings per share for both sets of shareholders in the short term<sup>10</sup>.

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<sup>10</sup> Based on the review of analysts' consensus estimates of consolidated net income, attributable to equity holders of the parent, of the Companies – Source: Capital IQ.



## 5. Conclusion

In conclusion, we regard the exchange ratio of 1.742 new FIAT CHRYSLER AUTOMOBILES N.V. shares for each PEUGEOT S.A. share as fair, from the financial point of view, for both sets of shareholders.

Paris, 20 November 2020

The merger appraiser

FINEXSI EXPERT & CONSEIL FINANCIER

Olivier PERONNET

Statutory auditor

Member of the “*Compagnie Régionale de Paris*”