

## **GIE PSA TRÉSORERIE**

Economic Interest Grouping with capital of €15,000  
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## **ORDINARY SHAREHOLDERS' MEETING OF 6 FEBRUARY 2019**

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### **SOLE DIRECTOR'S REPORT**

Dear members,

In my capacity as Permanent Representative of your Grouping's Sole Director, I am proud to report to you on its activities over the past year, presenting the outlook for 2019, submitting the 2018 annual financial statements for your approval and, finally, asking you to allocate the earnings for the year.

#### **RESPONSIBILITIES AND ACTIVITIES DURING 2018**

- Your Grouping centralises the cash requirements and surpluses of the industrial and commercial companies of Groupe PSA in Europe: (a) the euro zone countries through a euro cash-pooling, and (b) Great Britain, Switzerland, Poland, Mexico and Japan through a multi-currency cash-pooling managed by PSA International. Opel Automobile GmbH has also been consolidated since 1<sup>st</sup> August 2017 via cash pooling managed by PSA International SA.
- Your Grouping manages the net cash surpluses in accordance with the short-term investment policy of PSA Group and within the counterparty limits governing these commitments.
- Since June 2013, GIE PSA Trésorerie has given guarantees to bond holders, to cover the issues of Peugeot S.A.
- Since 13 January 2017, GIE PSA Trésorerie has stood as surety for PSA Automobiles SA (formerly PCA) in respect of the financing agreement signed in December 2016 between PSA Automobiles SA and the European Investment Bank (EIB) for an amount of €250 million over a period of 7 years (2024).
- On 1 January 2017, to achieve a better balance between its financial resources and their use, your Grouping terminated all mirror loans granted by Peugeot SA to the Grouping in respect of available financing stemming from long-term bond issues. The funds available to Peugeot SA from bond issues are no longer loaned to your Grouping. These funds are deposited in the current account of Peugeot SA held in your Grouping.

- Your Grouping has granted two lines of credit to PCMA Russia.

In December 2016, a first line of 3,748.2 million roubles (hereinafter RUB) with a maturity of 5 years was established to finance the fixed asset acquisitions and other production costs of PSA vehicles. At 31 December 2017, three draw-downs totalling RUB 2,595.6 million redeemable in 2021 had been completed. In 2018, PCMA repaid RUB 334.6 million; however, in June, it completed a new irredeemable draw-down of RUB 894.8 million. At 31 December 2018, the total amount of the remaining draw-downs owed was RUB 3,155.8 million.

In February 2017, with the same objective, a second line of credit of RUB 732.6 million was extended with a maturity of 4 years (2021). PCMA completed a draw-down of RUB 529 million in 2017 but repaid RUB 132.3 million in 2018. At 31 December 2018, the total amount of the remaining draw-downs owed was RUB 396.7 million.

- Your Grouping also granted a US\$ line of credit, equivalent to €200 million, to PC Argentina in September 2018 with a bullet repayment in November 2019. Three draw-downs were completed totalling US\$ 196 million, of which US\$ 79 million was repaid on 20 December 2018. At 31 December 2018, the total amount of the draw-down remaining due was US\$ 117 million.
- In November 2018, another line of credit was granted by your Grouping to PC Brazil for an amount of US\$ 65 million and was immediately used. No repayment had been made as at 31 December 2018.
- The line of credit of €3 billion in two distinct tranches, obtained by Peugeot PSA and GIE PSA Trésorerie in April 2014, was restructured into a single tranche of €3 billion in April 2018. This restructured facility became effective on 24 May 2018 with a maturity date of 24 May 2023, with 2 one-year extension options. At 31 December 2018, this credit facility was undrawn.

### **Cash position with respect to the members of the Grouping and other PSA Group counterparties**

The loan accounts granted to the members of the Grouping and other Groupe PSA counterparties (excluding Faurecia and Banque PSA Finance) represented €4,537 million in average annual outstandings (compared to €4,153 million in 2017) when the borrowing accounts of these same entities reached €12,807 million (compared to €11,821 million in 2017).

Since June 2009, the financing rate applied to members of the Grouping has been set on a monthly basis, in order to charge the funding costs incurred, less investment income received, back to members.

### **External financing**

In 2018, your Grouping did not make use of any new external financing, either directly or by the intermediary of Peugeot SA.

The net proceeds of the new bond issue of €650 million by Peugeot SA on 9 March 2018 was booked by GIE PSA Trésorerie via its current account.

In 2013, Peugeot PSA guaranteed a loan to GIE PSA Trésorerie for an issued amount of €1,000 million with a maturity of 6 March 2018. In 2018, using a withdrawal from its current account held in your Grouping, Peugeot SA redeemed the final €558.5 million of the bond issue it launched.

In 2018, the average outstanding amount of external financing remained stable and totalled €603 million (versus €610 million in 2017).

The financial resources allocated to the Grouping will therefore be short-term resources, with the exception of the €600 million 2033 bond issued on the Grouping and retained as a financial security.

The cost of these short-term resources and the 2033 bond is now used in the calculation of the cost of capital charged to members.

Financial expenses from external financing transactions remained stable and totalled €71 million for 2018 financial year (versus €23 million in 2017).

### **Interest rate hedges**

Given the level of interest rates, no new interest rate hedging was established in 2018. Accordingly, no financing, whether direct or via Peugeot SA, has been covered by rate hedges.

### **Currency hedges**

The foreign exchange policy is to automatically hedge all currency risk exposures. The Grouping uses derivatives to hedge loans in foreign currencies, in particular the loans in roubles granted to PCMA, for which the repayment of principal and interest is spread until 2021.

Your Group also hedged its foreign currency investments and securities via appropriate financial instruments.

### **Short-term investments**

The average outstanding amount of cash investments was €8,951 million in 2018, compared to €8,322 million in 2017.

In 2018, your Grouping continued to diversify its types of investments through capitalisation contracts and foreign currency products.

Investments of your Grouping in 2018 break down as follows, in average annual amounts:

(In € million)	
UCITS	5,161
Money-market securities and short-term loans	3,088
Cash and cash equivalents	229
Capitalisation contracts	473
<b>Total</b>	<b>8,951</b>

Profit or loss from external investment transactions, including the unrealised capital gains on UCITS and the profit sharing acquired at 31 December 2018 in the capitalisation contracts, having become known at the start of 2019, totalled €7.2 million in 2018, compared to -€0.5 million 2017, with an average Eonia rate at -0.36% in 2018, dropping 1 basis point from 2017.

### **OUTLOOK FOR 2019**

Your Grouping will continue to fulfil its responsibilities (i) of pooling the cash surpluses and requirements of members of the Grouping, (ii) of investing net surpluses, as well as (iii) acting as an intermediary in terms of managing interest rate risk.

Your Grouping will continue to optimise the return on its investments whilst preserving its short-term financial security.

## **REVIEW OF ACCOUNTS FOR 2018**

The annual financial statements were prepared in accordance with current legal requirements and have been approved by your Grouping's Statutory Auditors. They include the balance sheet, the statement of income and the notes to the financial statements. The notes contain information material to the understanding of the financial statements and, consequently, should be consulted.

**The statement of income for the financial year** shows a loss of €0.8 million, compared to a loss of €0.9 million the preceding year. This loss is due to:

- Operating income for the financial year of -€2.1 million, up by €0.5 million compared to -€2.6 million in 2017
- Financial income of €1.3 million, a decrease of €0.4 million from €1.7 million in 2017

The table below shows the composition of basic earnings for 2018, as well as the changes in the main items compared to 2017

Changes in profit and loss (in € million)	2017	2018	Change	Comments
<b>A - Operating income</b>	(2.6)	(2.1)	<b>+0.5</b>	Reduction in external charges and taxes - See Note 1)
<b>B - Financial results</b>	<b>1.7</b>	<b>1.3</b>	<b>(0.4)</b>	
Investments excl. Group	14.3	8.4	(5.9)	Reduction in investment income & other financial income - See Note 2)
Gain on currency hedges	6.7	10.6	3.8	Primarily on PCMA – See Note 3)
Financing excl. Group	(37.6)	(36.2)	1.4	Change in financing costs – See Note 4)
Group Financing	(8.4)	(17.5)	(9.1)	Borrowing costs from members - See Note 5
Group Investments	26.7	36.1	9.4	Income from members – See Note 6)
<b>Basic earnings (A+B)</b>	<b>(0.9)</b>	<b>(0.8)</b>	<b>0.1</b>	

### **1) Operating income (+€0.5 million)**

- This increase is due to the decrease in operating expenses from €2.6 to €2.1 million particularly
  - through a lower tax expense decreasing from €0.35 to €0.04 million (+0.31)
  - through external financial expenses of €2.06 versus €2.23 million (+0.17) due to termination costs incurred in 2017 but not carried over to 2018.

### **2) Earnings from financial investments outside Groupe PSA (-€5.9 million)**

- This decrease is due
  - to a reduction in investment income (-€10.8 million) from -€6.16 to -€16.95 million in 2018.
  - to the receipt of the 2017 capitalisation contract and the interest from the loans in foreign currencies, up by €4.7 million, from €6.7 to €13.7 million in 2018.
- Excluding this effect, the overall reduction in investment income was €6.7 million, with outstandings up by €869 million.
- However, the average yield from 2018 investments continued to fall and settled at -0.079% in 2018 compared to -0.007% in 2017 given the prevailing context of negative currency rates.
- This -€6.7 million does not take into account the unrealized capital gains on UCITS and 2018 profit sharing in capitalisation contracts. Profit or loss did not take them into account.

**3) Profit or loss from the currency hedging policy (+€3.8 million)**

- This profit is primarily due to the gains on the hedges for the PCMA draw-downs during the financial year, increasing from €6.7 to €10.6 million in 2018.

**4) Profit or loss from the financing policy excl. Group (+€1.4 million)**

- This profit is primarily due to the termination expenses associated with the bond redemption incurred in 2017 and not in 2018.

**5) Profit or loss associated with financing within Groupe PSA (-€9.1 million)**

- This loss reflects the borrowing costs from members of the Grouping and other Groupe PSA counterparties going from -€8.4 to -€17.5 million in 2018.
- This decrease is due to
  - the exchange rate effect on the remeasurement of the PCMA draw-downs (-€6.5 million) from -€8.3 million to -€14.8 million
  - the reversal of the initial profit or loss from the 2017 capitalisation contracts from members in 2018 totalling -€2.6 million.

**6) Profit or loss associated with investments within Groupe PSA (+€9.4 million)**

- This profit reflects the increase in income on financing granted to members of the Grouping and other Groupe PSA counterparties (excluding Faurecia and Banque PSA Finance).
- This change is due to
  - a 158 Bps increase in the average refinancing rate (from 0.510% to 0.668%) associated with the net changes in the expenses and income of the preceding items.
- In accordance with the charge-back policy for financing rates paid, this increase was passed on to the members.

The balance sheet footing at 31 December 2018 was €16.5 billion versus €13.7 billion at 31 December 2017.

You are asked to approve the financial statements for the financial year 2018 as now presented to you.

**Proposal for allocation of earnings:**

If you approve the financial statements as they have been presented to you, I propose, in compliance with Article 21 of your Grouping's contract, that you allocate the earnings, i.e. a charge which stands at €4,097,428.33 to each of the members of your Grouping in proportion to the shares held in its capital, namely:

- PEUGEOT S.A.:	-€756,166.47
- AUTOMOBILES PEUGEOT:	€(2,546.02)
- AUTOMOBILES PEUGEOT:	€(2,546.02)
- PSA AUTOMOBILES	-€2,546.02

The Permanent Representative  
of the Sole Director

**JC. GAURY**

**NOTES**

