

SECURITIZATIONS

Current Accounting Practice

Banque PSA Finance

Banque PSA Finance (BPF) has carried out several securitizations through a multi-compartment securitization vehicle (*fonds commun de créances* or FCC), with a separate compartment for each operation. The FCC's compartments have issued preferred and subordinated shares, together with shares corresponding to the retained interest held by BPF. In addition, BPF pays a deposit to the FCC's compartments as security for the preferred and subordinated shares. The FCC's compartments pay interest on the preferred and subordinated shares at a floating rate. The return on the retained interest corresponds to the FCC's compartments' profit, after deducting the interest paid to the holders of preferred and subordinated shares.

Under French GAAP applicable as of January 1, 2004, where the seller no longer has decision-making or management powers over the receivables, the securitization vehicle is considered as not representing a controlled entity and is therefore not required to be consolidated. This means in practice that the securitized receivables are no longer carried in the balance sheet.

The profit or loss on the sale of the receivables is not material. The retained interest is carried in the balance sheet under "Short-term investments". Allowances recorded against the receivables prior to their sale are reclassified as allowances for losses on guarantee deposits, to maintain consistency with the accounting practice followed by the Group up to now, which consists of recording statistical allowances for credit losses (see Fact Sheet no.8 – Banque PSA Finance – Impairment of Finance Receivables, which describes the accounting treatment applicable as from January 1, 2004).

Guarantee deposits are recognized under "Other customer loans".

Revenue corresponds to dividends on the shares corresponding to BPF's retained interest in the FCC's compartments.

Faurecia

In 2000 and 2002, Faurecia and some of its subsidiaries signed one-year agreements for the sale of receivables. The agreements are renewable until November 2005 and December 2007 respectively. In both cases, the sales are without recourse and Faurecia's risk is limited to the amount of the guarantee deposit paid to the securitization vehicle.

IFRS

According to SIC 12 – Consolidation: Special Purpose Entities, the FCC's compartments are special purpose entities (SPEs) and must be consolidated where the seller retains the right to obtain the majority of benefits from the SPE's activities and is therefore exposed to the risks incident to those activities.

Impact On The Group Accounts

Although Banque PSA Finance has not retained decision-making and management authority over the FCC's compartments, it has retained the right to obtain the majority of benefits from the SPE's activities and is exposed to the risks incident to those activities:

- It is exposed to counterparty risk on the sold receivables in the form of a reduction in the dividends paid by the FCC's compartments on the shares representing the retained interest;
- It benefits from the margin generated by the FCC's compartments on the sold receivables, in the form of dividends paid on the shares representing the retained interest;
- It is ultimately exposed to the loss of the guarantee deposit.

The FCC's compartments are therefore consolidated in the opening IFRS balance sheet at January 1, 2004. In practice, this means that the finance receivable sold are once again recognized as assets, together with the compartments' cash reserves, while the FCC preferred and subordinated shares are recognized as liabilities. The guarantee deposits are eliminated in consolidation.

Consolidating the FCC's compartments has no impact on opening stockholders' equity at January 1, 2004 or on future earnings.

The dividends paid by the FCC's compartments on the shares representing BPF's retained interest are eliminated in consolidation. Consolidated net sales include revenues from the receivables held by the FCC's compartments, while operating expenses include the interest paid on the preferred and subordinated shares.