

07

PSA PEUGEOT CITROËN



Sustainable Development and Annual Report



PSA PEUGEOT CITROËN

PSA Peugeot Citroën is a European automotive group with international reach and boasts two generalist brands: Peugeot and Citroën.

Commercially located in 150 countries, the Group makes a third of its sales outside Western Europe and is expanding its business in high-growth markets, notably in China, South America and Russia.

The development of the PSA Peugeot Citroën Group is based on one strong principle: two brands, each with its own identity and specific values, share the same manufacturing, technological and administrative expertise. This synergy between Peugeot and Citroën makes for greater plant efficiencies structured towards a single manufacturing system.

As Europe's leading producer of low - emission vehicles, the Group innovates to offer its customers vehicles which combine the pleasure of driving and respect for the environment. It also dedicates a large part of its research efforts to improving road safety.

Innovation also characterises the employee relations policy deployed in all countries where the Group operates. This policy is based on social dialogue and accountability.

PSA Peugeot Citroën is developing business in three other areas: automotive financing with Banque PSA Finance, automotive equipment with Faurecia, and transport and logistics with Gefco.

Europe's **2nd**
largest carmaker
with **13.8%**
market share

Over **1 million**
vehicles sold outside
Western Europe

207,800
employees worldwide

40%
of models sold in Europe
emit less than 140 g
of CO₂ per km

Contents

- 2. A Message from the Chairman of the Supervisory Board/The Supervisory Board
- 4. An Interview with the Chairman of the Managing Board
- 6. The Managing Board and Executive Committee
- 8. PSA Peugeot Citroën and its stockholders
- 10. Key figures
- 12 to 17. Highlights



Strategy and Ambitions

- 20. Strategic assets
- 22 to 24. CAP 2010 and Ambition 2015
- 25. Ten sustainable development objectives
- 26. Future issues: the greenhouse effect
- 28. Future issues: road safety and urban mobility



Responsibilities and Stakes

- 32. A responsible enterprise approach
- 34 to 41. Employee relations policy
- 42. Supplier relations/Consumer relations
- 44. European leader in low CO₂ emission vehicles
- 46. Towards an ecological car
- 48. Safe vehicles
- 50 to 53. Industrial environmental governance
- 54. Local development and solidarity



Group businesses

- 58. Return to sales growth
- 60. Peugeot
- 62. Citroën
- 64. China
- 66. South America
- 68. Central Europe and Russia
- 69. Banque PSA Finance
- 70. Faurecia/Gefco



Performance

- 74 to 79. Financial Indicators
- 80. Sales Indicators
- 82. Product Indicators
- 84. Employee Relations Indicators
- 86. Production Plant Environmental Indicators
- 88. Production Facilities/Methodology

Throughout the Report, this logo, symbol of the PSA Peugeot Citroën commitment to sustainable development, illustrates actions in this domain.



A Message from the Chairman of the Supervisory Board



Dear Stockholders,

After appointing a new Managing Board on February 6, 2007 chaired by Christian Streiff, the year was marked by the implementation of a new management structure and the drawing up and adoption of the CAP 2010 program, a real plan to boost the business. The Supervisory Board set the new Managing Board the task of leading the Group through a new period of growth by stepping up its development strategy and delivering higher returns. It was also asked to strengthen the Group's international presence and confirm its status as a major global player in the motor industry whilst safeguarding its independence. After being kept regularly informed by the Managing Board and the Strategic Committee on both the new organisation implementation, and progress with regard to CAP 2010 and Ambition 2015, the Supervisory Board has approved the overall guidelines of these two plans.

At its meeting on November 13, the Supervisory Board named Mr Jean-Philippe Collin member of the Managing Board as of January 1st, 2008 to run the Peugeot Brand. He replaces Mr Frédéric Saint-Geours who has been appointed advisor to the Chairman of the Managing Board and a member of the Executive Committee, in charge of strategic missions. The Supervisory Board especially thanked Mr Saint-Geours for his achievements over the last eighteen years at the head of the Peugeot Brand.

2007 was a new start-up year for the Group. Vehicle sales, excluding CKD units, were up 3.8%. Turnover increased 7.1% to €60.6 billion. Operating margin rose from 2 to 2.9% of turnover, i.e. €1,752 million recurring operating income compared to €1,119 million in 2006. The Automobile division, which saw its recurring operating income triple to €858 million, contributed directly to this increase.

In addition, to improve corporate governance and keep better track of the smooth running of the Group, the Supervisory Board has decided henceforth to hold a fifth annual meeting.

Finally, considering the improvement in results and the willingness to show its confidence in the capacity of both the Managing Board and the Group to reach the CAP 2010 objectives, the Board has approved the Managing Board's proposal to increase, for the first time in 5 years, the 2007 dividend to €1.50 per share.

Thierry Peugeot,
Chairman of the Supervisory Board

The Supervisory Board



From left to right:

Thierry Peugeot, Chairman
 Jean-Philippe Peugeot, Vice Chairman
 Jean-Louis Silvant, Vice Chairman
 Marc Friedel
 Jean-Louis Masurel
 Jean-Paul Parayre
 Robert Peugeot
 Geoffroy Roux de Bézieux
 Marie-Hélène Roncoroni
 Henri-Philippe Reichstul
 Ernest-Antoine Seillière
 Joseph F. Toot Jr.

Below:

Bertrand Peugeot, Advisor
 Roland Peugeot, Advisor
 François Michelin, Advisor

Since 1972, Peugeot S.A. has run its business with a Supervisory Board and a Managing Board. The Supervisory Board appoints the Managing Board and is permanently commissioned to oversee the running of the company by the Managing Board.

Role and powers

The Supervisory Board is empowered to terminate the tenure of the Managing Board, to authorize equity transactions, bond issues, the signing or withdrawal of agreements with other businesses which affect the company's future, as well as any major operation liable to modify in a substantial way the scope of activity and the financial structure of the company and the Group it controls. Finally, the Supervisory Board ensures that the strategy implemented by the Managing Board complies with the Groups long-term


vision as defined by the Supervisory Board. The Supervisory Board holds at least one meeting every quarter, following an agenda drawn up by its Chairman.

Composition

The Board comprises twelve members, to which are appointed three censors; Board members are appointed by the stockholders at the Annual stockholders' meeting for a six-year term of office.

The Board's special-purpose committees

The Supervisory Board has established three special-purpose committees: since 1998, a Strategy Committee and a Compensation and Appointments Committee and, since 2002, a Finance Committee.

Cf. also the Indicators supplement 



Christian Streiff, Chairman of the Managing Board

What sort of a year was 2007 for PSA Peugeot Citroën?

I think I would qualify 2007 as a turning point for the Group. The year has restored our competitiveness: quality is improving, costs are coming down, our line-ups have been given a new look and the Group is expanding faster worldwide. We began implementing the CAP 2010 plan and the first results are already tangible. Regarding our financial results, net income and recurring operating income have grown significantly. Interestingly, this improved performance has been driven largely by the Automobile division: 2007 marks the first year of volume increases in Europe since 2002.

Can you say a little more about the CAP 2010 objectives set in 2007?

Clearly these were about boosting the growth of the Group and restoring profitability. Four priorities were defined and translated into action in the course of the year: first, bring the quality of our products and services up to world-class standard; second, reduce costs; third, formulate an enhanced product plan and accelerate its rollout; and finally, intensify our sales offensive both in Europe - Germany in particular - and worldwide. In addition, we have instigated new management practices, leaving more room for initiative-taking, team spirit and a focus on results. That our teams have taken real ownership of the CAP 2010 plan is a fantastic asset to help us attain the goals we have set ourselves. The momentum is positive and I am confident that we shall stride over the hurdles in the CAP 2010 plan. The first concrete results are there for all to see, and it is a fine demonstration of the positive reaction of the women and men in this Group.

Would you say that some of the results in 2007 are already related to CAP 2010?

Yes. CAP 2010 has begun delivering results fast: a significant reduction in fixed costs, lower warranty expenses and an accelerated deployment of the PSA Peugeot Citroën production system. There is a revolution happening in our plants: it's called Convergence. We aim to achieve zero defects and lean manufacturing, i.e. producing just what is required, without any waste, enabling cost reductions and a faster return on assets. This now involves the engineering teams, too.

The impact of these actions will be amplified in the years to come and should help us reach our target: to become the most competitive carmaker in Europe.

And when it comes to quality?

We are on the fast track. In terms of quality and costs, I think we are at the very beginning of a virtuous circle, since, contrary to general belief, I am convinced that achieving better quality means lower costs. To illustrate this, take the results of the sharp improvement in product quality with the number of in-plant touch-ups reduced by two thirds in 2007, a figure we intend to halve by 2010. Warranty expenses fell 20% in 2007. Regarding new model launches, the Peugeot 308 has achieved the best results we have ever seen. And we have every confidence in the new Citroën C5. This is all really encouraging.

From a sales point of view, what events stand out in 2007?

This is the first year we have seen volumes rise since 2002 with sales growing 1.2% in Europe, and our international expansion thrusting onwards. In our priority regions of China, South America and Russia, our sales are up 16.1%. This is sound growth. We have considerably improved our prices and product mix. The two models contributing most to these results are the Citroën C4 Picasso and the Peugeot 207. Our strategy to maintain the 206 alongside the 207 has paid dividends: for the second year in a row, Peugeot has increased its market share to reach 11.3% of this segment in Europe. The Coupé Cabriolet and SW versions have got off to a good start, which is promising news for 2008. The Citroën C4 Picasso is such a resounding success that it propelled Citroën to the European number one slot in 2007 along with the Xsara Picasso in the compact MPV segment. In addition, the PSA Peugeot Citroën Group has held onto pole position on the European LCV market with 18.8% market share. With the launches of Citroën's new Berlingo and Nemo, as well as the Peugeot Partner and Bipper, we are in a position to offer our customers more appealing and stylish line-ups.

Sales are clearly on the rise outside Europe. Are these geographic regions profitable?

Yes, and this is something new. The Group is harvesting the fruits of past investments. In South America we showed a profit for the first time after several difficult years. We shall be striving all we can to capitalise on this booming region and to make all our operations at least as profitable as in the European markets. In China, the year fell short of our expectations with only 3% growth. We have reacted promptly, however, and taken several measures in agree-

ment with our partner, Dongfeng Motor, including the improving and simplifying of our dealership networks. We have completely restructured and energized our product plan for the next three years, with a more modern, higher value-added line-up.

At the end of 2007, you announced plans to set up in Russia. When will the first cars be on the market?

The plant will be on stream in 2010. The first foundation-stone will be laid in Kaluga, south-west of Moscow in June 2008. With a capacity to produce 150,000 vehicles, it will enable the Group to expand fast in this high-growth market where Peugeot and Citroën-branded cars have already proven to be really popular.

Regarding Peugeot and Citroën, any change to the brand strategy?

The objective is clear: we want to create as many synergies as possible whilst offering the broadest range of differentiation. This is what we mean by "max-max". Our idea is to create two totally different brand worlds and take full advantage of the reductions generated through pooling and sharing. Finally, each brand now provides great styling variety in all segments to cover 90 to 95% of the car market.

How do you think you are going to reach the target of 90 to 95% market coverage?

The Group will be investing in some new, high-growth segments. Ours is a three-pronged strategy: first, launch upgraded models in our core range, second, propose entry-level line-ups adapted to each market and, third, offer distinctive, higher value-added so-called "premium" vehicles, but premium at competitive prices. All in all, between 2007 and 2010, the Group will have launched 53 new models worldwide.

As environmental leader in Europe, what are your plans in this field to stay one step ahead of the competition?

One of the many strengths of this Group is that it has always shown the ability to find innovative solutions. As a pioneer for electric vehicles, particulate filters and, more recently, Stop & Start, the Group can be proud of its technological expertise. For the second year in a row, we sold over a million vehicles emitting less than 140 g of CO₂/km. This asset gives us an increasingly decisive competitive edge. Changes in tax laws and other regulations in Europe, France and other countries would tend to reinforce our strategy. We are investing massively in new generation, low-emission Diesel or petrol engines, and gradually we shall be proposing the whole range of hybrid solutions, the diesel-hybrid solution being in our opinion the most efficient in terms of environmental performance. In addition, major efforts are going into reducing vehicle mass, whilst integrating more and more "green" materials.

What was the impact of CAP 2010 measures on headcount in Europe in 2007?

The Group chose to adjust its staff numbers without resorting to any collective redundancy program. In fact, we opted for a social dialogue process. The Group introduced a voluntary redundancy scheme, based on the French GPEC (human resources planning and development) agreement signed in April 2007 by 5 out of 6 trade unions, and aimed at anticipating the transformation of jobs, to better manage headcount. Thanks to this innovative set of social measures, employees volunteering have been both helped and accompanied in moving inside and outside the company. Also taking into account natural wastage, Group headcount was reduced by 10,200 people in Western Europe.

What is the outlook for 2008?

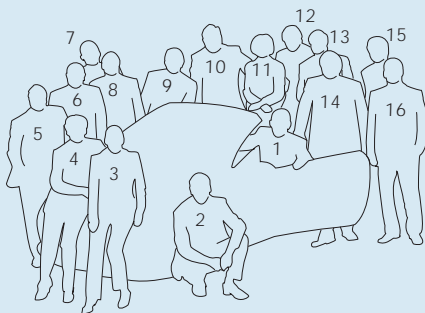
The economic environment is more difficult. We expect a flat or slightly decreasing European market, but no significant growth slowdown in our priority regions. In such a context, our worldwide sales growth forecast of 5% remains in line with our CAP 2010 target. And we are aiming at an operating margin of 3.5%.



Christian Streiff,
Chairman of the Managing Board

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 12 to 17. Highlights



1 – C. Streiff
 2 – G. Michel
 3 – I. Marey-Semper
 4 – F. Saint-Geours
 5 – C. Vajsman
 6 – A. Sartoris

7 – J.-C. Quémard
 8 – J.-C. Hanus
 9 – J.-L. Vergne
 10 – R. Vardanega
 11 – L. Lacourt
 12 – D. Marteau

13 – P. Hénault
 14 – J.-P. Collin
 15 – V. Rambaud
 16 – G. Olivier

The Managing Board and Executive Committee

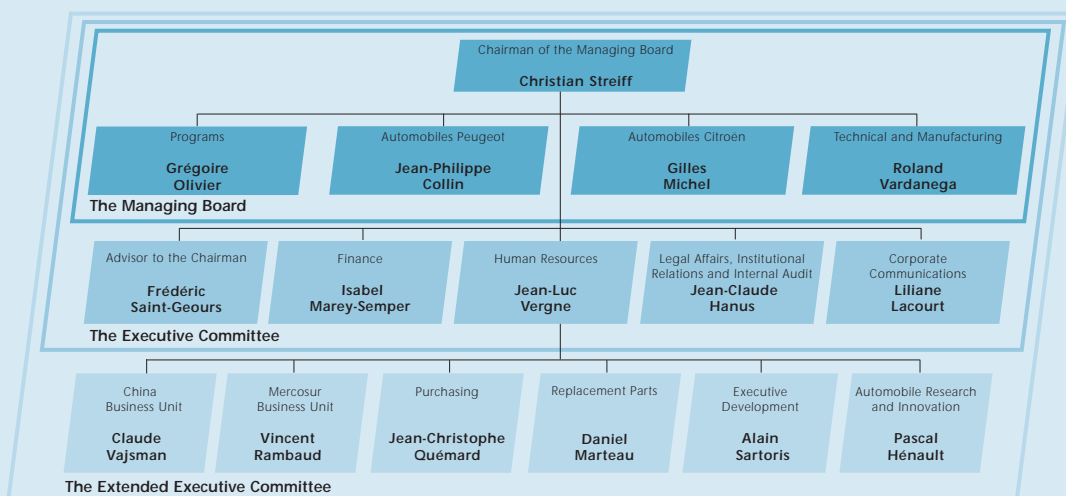
As a company with both a Supervisory Board and a Managing Board, Peugeot S.A. is structured in such a way as to distinguish the management and financial administration duties assumed by the Managing Board from the controlling role devolved upon the Supervisory Board. This segregation of duties corresponds particularly well to the challenges in balancing powers between executive and control functions which inspire the principles of corporate governance.

The Managing Board

The executive management of PSA Peugeot Citroën is maintained by the Managing Board which comprises five members: Christian Streiff, Chairman; Grégoire Olivier; Jean-Philippe Collin; Gilles Michel and Roland Vardanega. The Managing Board meets at least once every two months.

The Executive Committee

The Executive Committee comprises ten members. This Committee is complemented with six additional members, each reporting directly to the Chairman of the Managing Board, who form the Extended Executive Committee. The Managing Board together with the Executive Committee meets every fortnight to maintain the operational steering of the Group.



PSA Peugeot Citroën and its stockholders

PSA Peugeot Citroën is committed to keeping its stockholders regularly informed, be they French or non-French, private or institutional. The Group constantly updates the various sources of information available and fosters direct investor relations by means of special events and meetings organised specifically for this purpose.

Regular, transparent information

Stockholders have access to a set of reporting documents to keep abreast of what is happening in the Group: the sustainable development and annual report updated every year, the interim report released once the half-yearly financial statements have been reported at the end of July, press releases and financial notices posted directly on the corporate website; stockholders' newsletters – published to coincide with the reporting of the annual accounts; the Annual Stockholders' Meeting and the interim results – and the stockholders handbook.

All these publications are available under the heading "Stockholder" on the Group website, www.psa-peugeot-citroen.com, where the performance of the Peugeot S.A. share price may also be followed in real time. As for the site www.sustainability.psa-peugeot-citroen.com, this describes the Group commitment to meet today's social, environmental and societal challenges.

Dialogue to encourage mutual understanding

To establish and uphold dialogue in the true sense of the word, PSA Peugeot Citroën organises an impressive number of events and meetings with its stockholders and the financial community. The reporting of annual and interim results and the Annual Stockholders' Meeting constitute three major occasions to bring everyone together. In addition, the Group regularly invites institutional investors to meetings in Europe, the USA and Asia, arranges site tours, and organises theme-based meetings with financial analysts to present the operational situation of the Group.

Private stockholders are also given ample opportunity to meet the Group during roadshow presentations around France or different plant visits. Private stockholders may e-mail their questions directly to the financial communication team: communication.financiere@psa.fr or call on a dedicated line.

Share performance

In 2007, the Peugeot S.A. share price gained 3.29%, ending the year at €51.85. This compared with a CAC 40 index rising 1.31% and a 24.95% increase for the DJ Euro Stoxx Auto index over the same period. Over the last five years, the Peugeot S.A. share has gained 33.43% compared to increases of 83.23% for the CAC 40 and 135.55% for the DJ Euro Stoxx Auto index.

Dividend policy

Considering the total number of shares making up equity at December 31, 2007, the payout proposed for 2007 and submitted to the Annual Stockholders' Meeting for approval on May 28, 2008 corresponds to €351 million. Every year, the Group pays out the dividend five stock-market days after the Annual Meeting approval, i.e. on June 4, 2008 for the 2007 dividend.

Contact information

Any stockholder wishing to receive financial information on a regular basis concerning the PSA Peugeot Citroën may register at the corporate head office:

Peugeot S.A. – Investor Relations
75, avenue de la Grande-Armée
75116 Paris France

E-mail: communication.financiere@psa.fr
Phone: +33 (0)1 40 66 37 60

Peugeot S.A. share data

ISIN code

FR0000121501

Markets

Non-stop trading on Euronext – compartment A of NYSE Euronext Paris.

Other trading places:

- Europe: listed on the Brussels stock exchange and on the International SEAQ market in London;
- USA: traded as American Depositary Receipts, one ADR representing one share of common stock.

Main index listings

- **Sector-based:** CAC 40, SBF 120, SBF 250, Euronext 100, DJ Euro Stoxx Auto
- **Sustainable development:** ASPI, FTSE4Good, FTSE4Good Environmental Leaders Europe 40 Index®, Ethibel Sustainability Indices (ESI)



Eligible for:

Deferred payment (SRD) and French share savings plans (PEA)

Closing price at December 31, 2007

€51.85

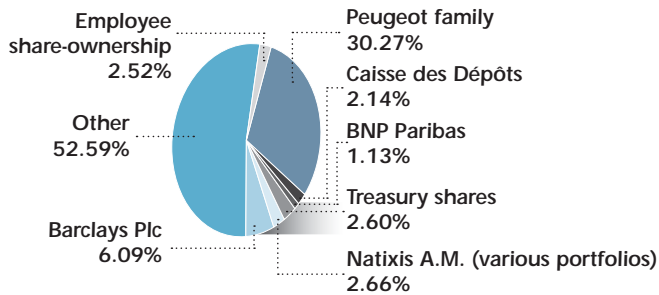
Market capitalisation at December 31, 2007

€12.15 billion

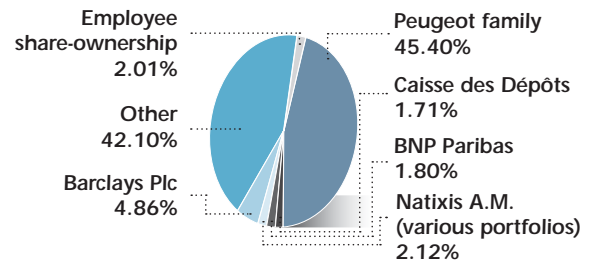
Weight in CAC 40 index at December 31, 2007

0.83%

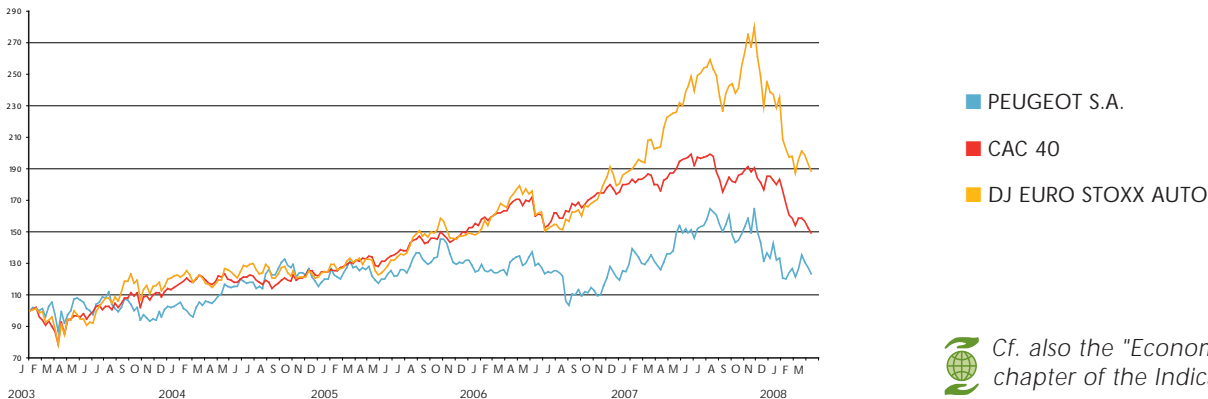
Ownership structure (at December 31, 2007)



Voting right structure (at December 31, 2007)



Peugeot S.A. share price versus CAC 40 and DJ Euro Stoxx Auto indices (from 31/12/2002 to 10/03/2008)



Cf. also the "Economics" chapter of the Indicators Supplement

Calendar

April 24, 2008:	Turnover as at March 31, 2008
May 28, 2008:	Annual Stockholders' Meeting
June 4, 2008:	2007 Dividend pay-out
July 23, 2008:	H1 08 interim results
October 24, 2008:	Turnover as at September 30, 2008

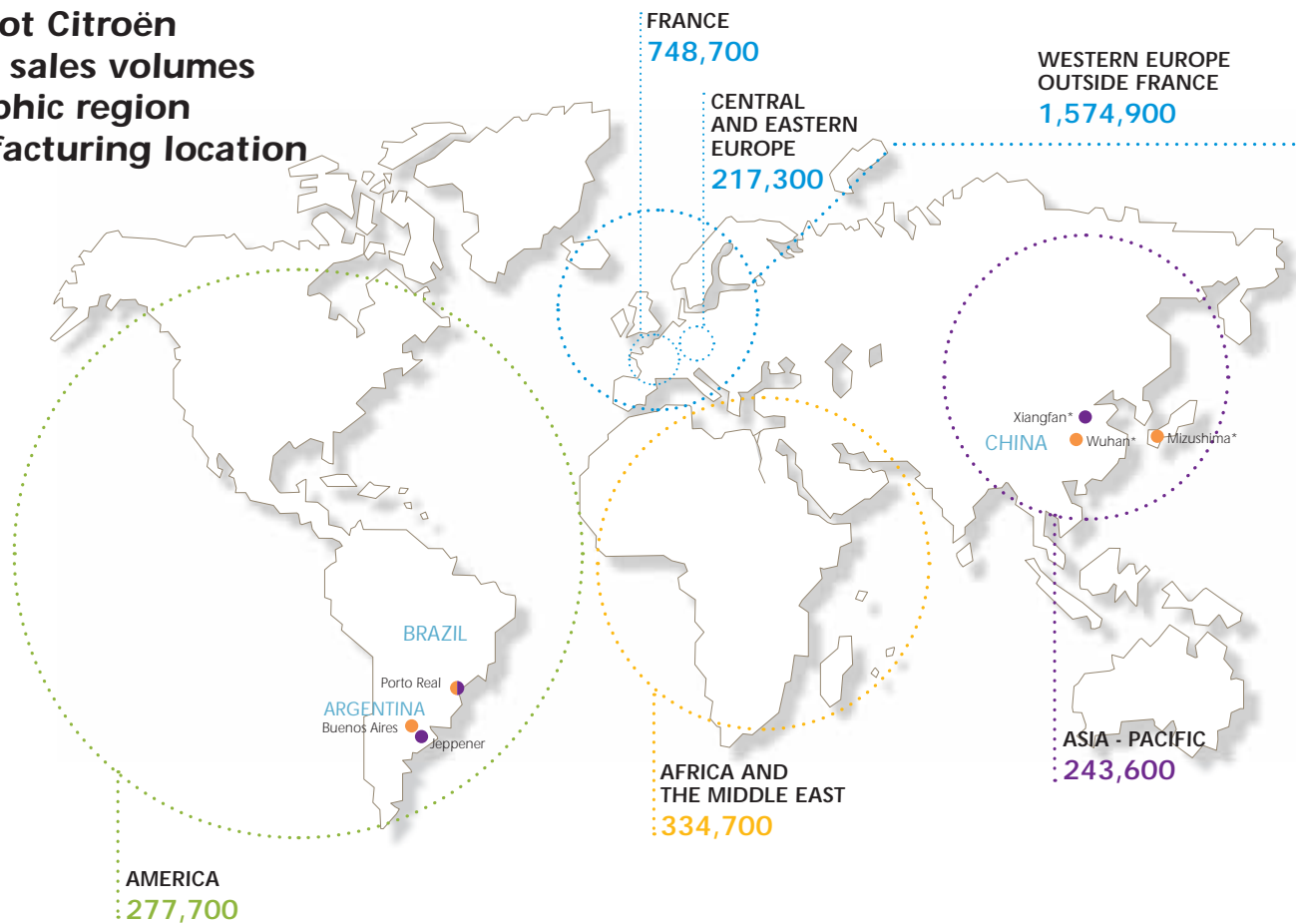
Dividend per share in euros

	2005	2006	2007
Net	1.35	1.35	1.50*

*Subject to stockholder approval at the Annual Stockholders' Meeting on May 28, 2008. Concerning dividends received as of 2005, the dividend tax credit has been abolished and replaced, under certain conditions, by tax abatement.

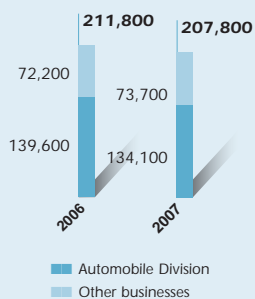
Key figures

PSA Peugeot Citroën worldwide sales volumes by geographic region and manufacturing location

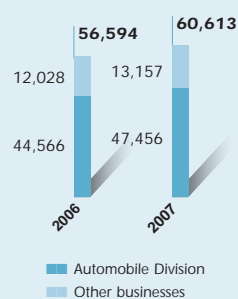


Over 13,000 Peugeot and Citroën sales outlets in 150 countries.

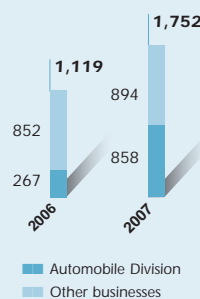
Headcount
(at December 31)



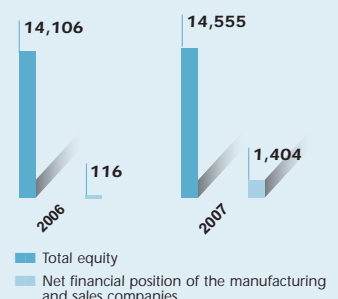
Turnover
(in millions of euros)



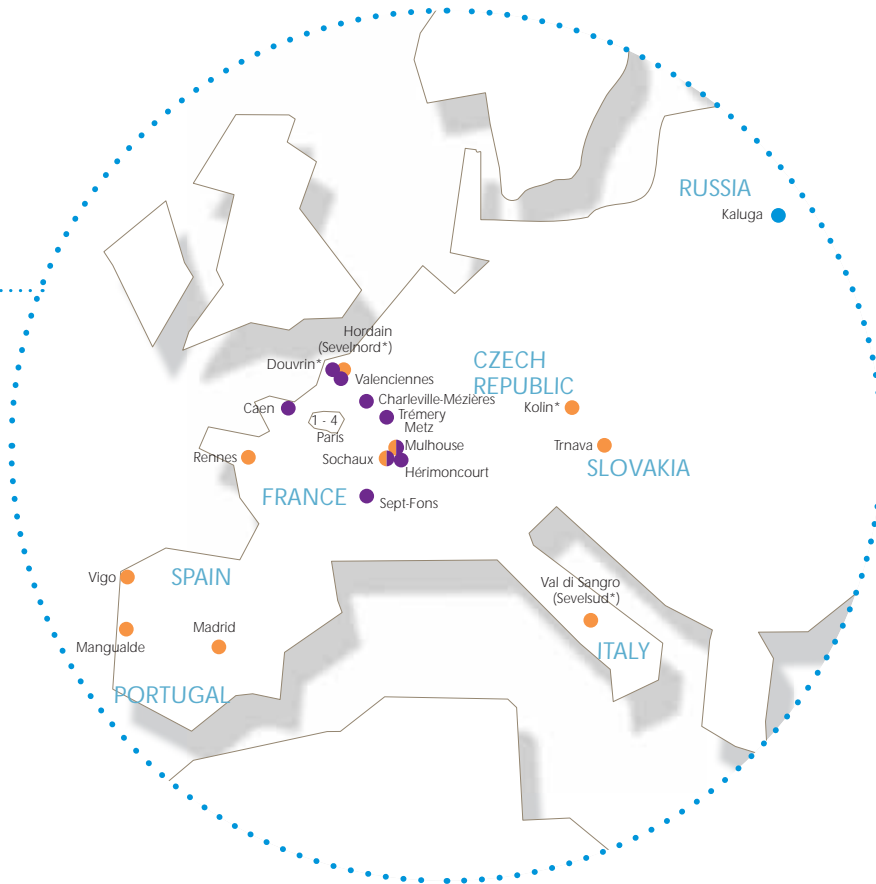
Recurring operating income
(in millions of euros)



Balance sheet structure
(in millions of euros)



3,428,400 vehicles sold worldwide in 2007 (+1.8%)

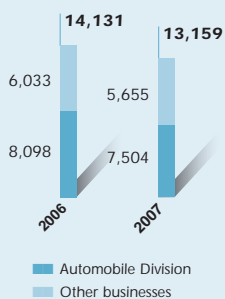


All our manufacturing facilities are ISO 14001 certified.

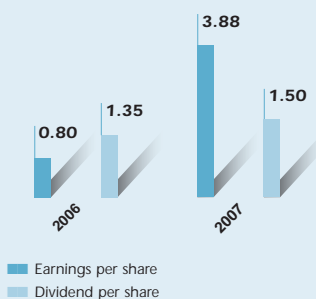
Working capital provided by operations and gross capital expenditure (excluding R&D)
 (manufacturing and sales companies)
 (in millions of euros)



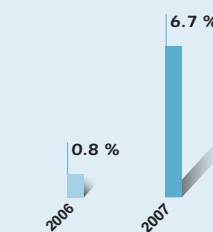
Capital employed
 (in millions of euros)



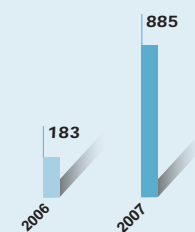
Earnings per share and Dividend per share
 (in euros)



Return on capital employed
 (after taxes)



Profit attributable to equity holders of the parent company
 (in millions of euros)



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New management team puts the turbo on with CAP 2010 plan

After being appointed Chairman of the Managing Board on February 6, 2007, Christian Streiff defined his strategic priorities: quality, cost reductions, an enhanced product program and international expansion. He also called upon everyone inside the Group to rally round a new action program named CAP 2010 (Customer, Acceleration, Product). 10 cross-disciplinary workshops, involving around one hundred people, led to the formulation of detailed projects to be implemented as of May 2007 across the whole Group.

Highlights



SPP, the PSA Production System, sets its sights on excellence

PSA Peugeot Citroën has introduced a comprehensive manufacturing system which integrates product development, production, logistics and engineering: the SPP. This set of principles, tools, processes and actions focuses on excellence in terms of quality, cost, time and services. Designed to be a “lean” process, the keywords are: less waste and continuous improvement.



Acceleration in South America

By investing \$500 million in this part of the world, the Group aims to boost its sales and, over time, reach 500,000 units per year. Production of the Citroën C4 notchback started on its Argentine site, where a 3rd production shift was introduced ; similarly a 3rd shift began operating at Porto Real in Brazil.



Russia: a new priority growth area

To meet fast-growing demands on the Russian market, the Group announced the setting-up of an assembly plant in Kaluga, south-west of Moscow.

With its 150,000 vehicle capacity, it will bring mid-range models on stream by 2010.



Skills and jobs redeployment in the Automobile division

Due to the economic climate, the PSA Peugeot Citroën Group decided to accelerate its cost reduction efforts in 2007. In France, the Group introduced a set of initiatives aimed at adjusting staff numbers and accompanying employees, without resorting to a collective redundancy program. Following the organising of interviews and meetings which presented job vacancies outside the Group, 6,300 employees have benefited from these initiatives.



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1 million vehicles emitting less than 140 g of CO₂ /km

For the second year in a row, PSA Peugeot Citroën sold one million vehicles emitting less than 140 g of CO₂/km in Europe, including 750,000 actually emitting less than 130 g of CO₂/km, and, in this way, reasserted its position as Europe's leading manufacturer of environmentally-friendly vehicles. Key success factor: motorisations. Indeed, the Group celebrated as the 10 millionth Diesel HDi engine came off the production line, a real benchmark in terms of fuel efficiency and driving pleasure. As a logical complement to these engines, the particulate filter today equips over 2,400,000 Peugeot and Citroën vehicles.

Highlights



A major launch in 2007, the 308 picked up the "2007 Golden Steering-Wheel" award in Germany.



A sleek and efficient line-up
for Peugeot



There were some additions to the 207 family during the year with the 207 SW, the 207 RC and the 207 CC. Beyond its sleek finish, the latter distinguished itself with its 5-star Euro NCAP crash-test rating, a first in the small coupé cabriolet segment.



Building on the success of the Picasso range, with the arrival of the C4 Picasso 5-seater version at the beginning of the year, Citroën moves into the number one position on the compact MPV segment in Europe.



Unveiled in October, the new C5 combines elegance and vitality and meets the high quality and reliability standards demanded by this upmarket segment.

Citroën asserts its identity with its new line-up



Commercial vehicles: the broadest line-up in the Group's history

As leader on Europe's light commercial vehicles market, PSA Peugeot Citroën proposes in 2008, 5 commercial vehicles for each brand. Thanks to a level of comfort and safety comparable to a passenger car, the Peugeot Expert and Citroën Jumpy were both voted "Van of the Year 2008". With the launch of the Peugeot Bipper and Citroën Nemo at the beginning of 2008, the Group made its entry into the compact leisure-activity segment. With over 3 million units sold to date, the Peugeot Partner/Citroën Berlingo models have confirmed their success.

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At the wheel of their C4 WRC, Sébastien Loeb and Daniel Elena pick up their 4th consecutive World Rally Championship trophy

At the end of 2007, Sébastien Loeb and Daniel Elena picked up their fourth "Driver and Co-driver" World Rally Championship trophy in a row, winning 8 races in their Citroën C4 WRC. The Citroën brand also finished second in the manufacturers' championship. The French daily sports newspaper "L'Equipe" paid tribute to the performance of S. Loeb and D. Elena by electing them "French Champions of champions for the year 2007".

Highlights

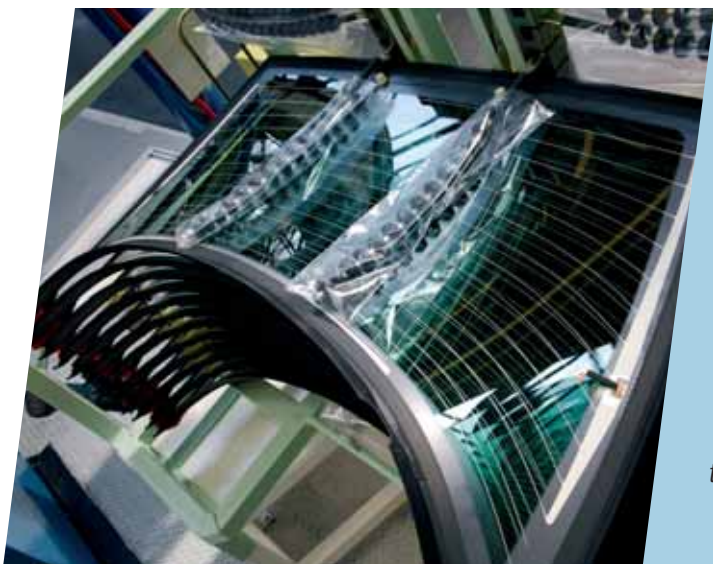
Le Mans 24 Hours: Peugeot 908 HDi FAP gets off to a promising start

In 2007, in its first year of competing, the Peugeot Total Team did particularly well at the wheel of the 908 HDi FAP taking the chequered flag on the opening day at Monza, and clinching the Le Mans Series championship. Added to that was the performance at the Le Mans 24 Hours, where the team earned pole position and finished second. The Peugeot Sport team in 2008 has all eyes riveted on the top tier of the Le Mans podium.



Jean-Pierre Ploué voted "Man of the Year 2007"

A jury of over 40 journalists representing French broadsheet dailies, business reviews and car magazines elected Jean-Pierre Ploué "Man of the Year 2007". As Director of the Citroën Style Centre, he is the first designer to receive such an award. Joining the company in 2000, Jean-Pierre Ploué has played a key role in reinventing the stylistics of Citroën, enhancing and modernizing a brand which really stands out. The new C5 is a fine illustration of this.



Social and environmental responsibility: Group suppliers sign up

Fourteen of PSA Peugeot Citroën's largest suppliers, representing over €7.5 billion in spend volume, signed a commitment in March 2007 to comply with the Group's frame of reference concerning social and environmental requirements. The aim is for such compliance to become an essential factor in the Group's global procurement strategy. Eventually, all Group suppliers will have to officially promise to respect this frame of reference and, at the same time, invite their own suppliers to join up to the process.



The 1.6-litre THP voted "International Engine of the Year 2007"

With 71 engines in contention, the 4-cylinder 1.6-litre THP petrol engine, co-developed with BMW, was awarded "International Engine of the Year 2007" in the highly disputed 1.4 – 1.8-litre category. The jury of 62 motor journalists was won over by the engine's performance in terms of driving pleasure, advanced technology and controlled consumption and CO₂ emissions: on average 10% lower than the previous petrol engine generation.





Strategy and Ambitions

Towards profitable
growth



STRATEGY AND AMBITIONS

20. Strategic assets

22 to 24. CAP 2010 and Ambition 2015

25. Ten sustainable development objectives

26. Future issues: the greenhouse effect

28. Future issues: road safety and urban mobility



Strategic assets

In ten years, Peugeot and Citroën have
doubled their share of
sales outside
Western Europe

1 million
vehicles emitting
less than
140 g of CO₂/km
sold in 2007

A stable stockholder base, two strong and well-known brands, employees of considerable merit, international scope and best-in-class innovation: these are the strengths of PSA Peugeot Citroën underpinning the new Managing Board, chaired by Christian Streiff.

A stable stockholder base

The stockholders of PSA Peugeot Citroën are the first of these assets. The company is supported by a strong reference stockholder: the Peugeot family Group, which holds 30.27% of equity and 45.40% exercisable voting rights. The other shareholders owning significant, if minority, interests include the employees and some institutional investors (Barclays, Natixis, Caisse des Dépôts, BNP Paribas). This equity structure has enabled PSA Peugeot Citroën to build a long-term growth strategy and foster true value creation. To quote a recent declaration from Thierry Peugeot, Chairman of the Group's Supervisory Board: *"The Peugeot family is intent on remaining the reference shareholder of PSA Peugeot Citroën and I personally consider that as a pledge not only of the Group's sustainability and stability, but also of its development and growth"*.

Strong brands

The two brands Peugeot and Citroën also represent a force that the Group has every intention of developing, enhancing still further their commercial fit in the future through model differentiation. In the words of Christian Streiff: *"Between now and 2015, we shall be focusing our efforts in product development, in our sales, marketing and image strategy, on strengthening the personality of Peugeot and Citroën through constant differentiation. Reinforcing and differentiating the two brands is core to our sales and distribution strategy"*. Two brands, two histories, two identities: more than ever, Citroën and Peugeot have the potential to appeal to different customer segments and the Group will continue to develop this advantage.

Exceptional human capital

A stockholder base which is both stable and closely involved in the future of the business, strong brands: these two growth drivers are powerfully supported by all the people in the company. 207,800 women and men contribute daily, through their commitment, their expertise, their rigour and their inventiveness to the implementation of the PSA Peugeot Citroën strategy: in the design, manufacture and sale of vehicles, as in the Group's other activities (with Banque PSA Finance, Gefco and Faurecia), and support functions. The company put their talent to work in 2007, launching ten cross-disciplinary workshops, each involving ten people. All in all, 100 employees contributed in 100 days to drawing up concrete proposals on subjects directly related to the priority action areas defined by the CAP 2010 plan, with instantly measurable results. This was a fine example of the human resources PSA Peugeot Citroën can count on to deliver higher performance.

Stepped-up international expansion

These resources will enable the Group to push on with its international expansion which is one of the keys to its short and mid-term growth. Over a ten-year period (1998-2007) sales for the two brands Citroën and Peugeot outside of Western Europe have already risen from 15.7 to 32.2%. Moreover, PSA Peugeot Citroën has strong manufacturing bases in Central and Eastern Europe, South America and Asia with its partner Dongfeng (China). The Group also announced in December 2007 that it would be locating a new manufacturing facility in Kaluga, 180 kilometres south-west of Moscow, confirming that Russia now represents one of its priority target growth regions. The Kaluga site will be operational in 2010.

Widely-acknowledged technological expertise

To rise to the challenges facing our environment and to continue growing its sales profitably worldwide, PSA Peugeot Citroën relies on the technological expertise which has earned it a solid leadership position in a number of essential areas of automobile technology.

The Group is thus the world's number one Diesel engine-maker and the line-ups of its two brands are among the most environmentally-friendly.

In 2007, over one million vehicles emitting less than 140 g of CO₂/km were sold, together with over 2,400,000 cars equipped with particulate filters since this major innovation was introduced in 2000. In 2007, R&D expenditure represented 3.8% of the turnover of the Automobile division, which employs 15,000 engineers and technicians in four technical centres, two test centres and a design centre in France.

In China and Brazil, dedicated teams are also working on designing vehicles especially for the local markets.



In 2007, ten teams defined continuous improvement actions for the **CAP 2010** program. A successful implementation of these actions will enable the Group to achieve one of its 2015 ambitions: **to become the most competitive carmaker in Europe.**

STRATEGY AND AMBITIONS

20. Strategic assets

22 to 24. CAP 2010 and Ambition 2015

25. Ten sustainable development objectives

26. Future issues: the greenhouse effect

28. Future issues: road safety and urban mobility



CAP 2010 and Ambition 2015: two clear and ambitious objectives



Consolidated operating margin objectives:

2010 : between **5.5%** and **6%**
of turnover.

2015 : between **6%** and **7%**
of turnover.

Sales target: over **4** million vehicles
in 2010.

CAP 2010 and Ambition 2015: two objectives for PSA Peugeot Citroën, two milestones for a business which is forging ahead. After taking stock of the situation in 2007, some key projects were defined and actions started in four priority areas: quality, competitiveness, product strategy and international expansion. The tangible results were not slow in coming.

Lever exceptional potential

The real challenge for 2008 and the years to come will be to reap the rewards of the Group's exceptional potential by continuously improving in all the key areas which determine an industrial group's performance. PSA Peugeot Citroën has consequently set itself precise and measurable growth targets, planned within a clear and realistic schedule. For this reason, the whole Group is working in parallel on two action plans: CAP 2010 and Ambition 2015. The first aims at hoisting PSA Peugeot Citroën up to the levels of growth and profitability to match the assets it possesses; the second, to lever the Group's performance to stand among the best in the sector in each of its businesses. CAP 2010 hinges around four main priorities: quality, product strategy, competitiveness, and international expansion. It forms the base for PSA Peugeot Citroën's Ambition 2015 plan: to become in the longer term the most competitive automotive group in Europe with unrivalled leadership in low-consumption cars and a strong and profitable presence worldwide.

53 new model launches by 2010.

Younger, broader line-ups

Concerning its product plan, PSA Peugeot Citroën has begun rolling out its offensive through Peugeot and Citroën in three directions: taking a foothold on growth market segments, amplifying its leadership in commercial vehicles and developing, in each segment, "competitive premium" models. This product plan aims at letting customers experience a whole range of "upmarket" services in terms of performance, perceived quality and style. PSA Peugeot Citroën will be launching 29 new models in Europe and 53 in total worldwide by 2010. This unprecedented line-up extension by both brands will enable the Group to cover the whole automobile market, the average age of its range being around three years.

Sales offensive in Europe and international expansion

Finally, PSA Peugeot Citroën will be stepping up its international expansion, from both a sales and manufacturing standpoint, by focusing on three priority growth regions: South America, China and Russia. This expansion will involve the setting-up of new manufacturing plants and the launching of models specifically aimed at these regions. The Group's ambition is to be recognized in each of its growth regions as a major local player in terms of manufacturing, R&D, and procurement. In these 3 priority growth regions, the Group is aiming at increasing annual sales volumes by 400,000 cars between 2006 and 2010. Other locations outside Europe are planned, too.

3 questions to...



**Grégoire
Olivier**

Programs Director

As part of its product offensive, one of the Group's three priorities is to develop "competitive premium" models. What exactly does "competitive premium" mean?

These are models capable of appealing to a customer-base which, today, usually turns to specialist carmakers, leaving generalists by the side. We have analyzed the behaviour and expectations of these customers to define what we should be offering in this market to be successful. In this way, the Group's premium models will offer attributes comparable to those provided by the specialists whilst remaining competitive because they will be designed and made with the know-how of a generalist carmaker.

What about the PSA Peugeot Citroën premium offer?

Our forecasts indicate that the premium market will not only rise in the years to come but also be distributed through range-levels which are traditionally our own (B, C and D segments). Taking this into consideration, and without revealing our future models, I can say that we will be adopting the premium concept through both brands on each of our core-business segments. These models will offer sharp and sleek shapes based on original concepts that really stand out; specific innovative services; significant engine performances; vehicle interiors will get the upmarket touch and more attention will be paid to automotive trim and perceived quality.

When will we see the first "competitive premium" models on the road?

Our challenge is to gradually introduce, from 2010, premium models for each of our two brands' segments: these will be specific shapes or models. The styling, coupled with strong innovations (hybrid engines for example), will be key factors to ensure success.

STRATEGY AND AMBITIONS

20. Strategic assets

22 to 24. CAP 2010 and Ambition 2015

25. Ten sustainable development objectives

26. Future issues: the greenhouse effect

28. Future issues: road safety and urban mobility

One imperative: quality

Today, quality is no longer a criterion of selection for drivers: it is considered rightly so as a given, for both products and services. Consequently, PSA Peugeot Citroën is organising itself on quality. To do this, a number of precise objectives have been fixed: divide the number of incidents by two, the time to solve them by three and aim to be positioned in the JD Power survey among the top five European carmakers in terms of product and service quality. The action plans implemented since 2007 have already enabled us to record some positive effects, both with regard to the quality perceived by our customers and the reduction in warranty expenses. Moreover, the recent Peugeot 308 illustrates just how much progress has been made, with the best level of quality ever attained.

Costs in check

As it strives to increase its competitiveness, PSA Peugeot Citroën can rely on its sound foundations. With its extensive platform experience, the Group has the unique ability to develop a wide variety of commercial offers, clearly differentiated yet sharing the same architecture and numerous systems and controls, thus enabling lower design costs with even higher quality. The Group has embarked on a program to optimize its plants and processes: by developing platforms, deploying the PSA Production System (SPP) and introducing a performance-oriented procurement strategy, it should be in a position to reduce costs and shorten design lead-times in a proportion which will make it, in 2015, a European leader in this field.

Number of touch-ups per vehicle in 2007

(Basis 100 - January 2007)



Trend in warranty expenses

(Basis 100 - 2006)



Product Quality

The initial results of our survey conducted on Peugeot 308 customers are very promising. The implementation of a plan to secure model launches partly explains these results. More generally, the Group has reached unprecedented levels of quality. In 2008, we shall be pursuing our efforts to reach the goals set for 2010.



10 sustainable development objectives



In addition to being an ingredient of freedom and an essential economic development tool, the motor car is also a source of risk, especially where road safety and the environment are concerned. This explains why PSA Peugeot Citroën is placing sustainable development at the heart of its strategy, by undertaking to build even safer, environmentally-friendly vehicles. The Group has defined 10 objectives guiding its teams' actions in each area of responsibility.

Environment

CO₂ emissions

- 1 Continue to be the leading producer of low-emission vehicles
→ 2 million vehicles emitting less than 120 g of CO₂ per km sold between 2007 and 2010

Eco-design

- 2 Sharply increase the proportion of green materials* in our vehicles
→ Raise the share of green materials to 20% of polymers contained in a vehicle in 2011

Environmental Management

- 3 Reduce the energy consumed per vehicle produced in all PSA Peugeot Citroën manufacturing facilities
→ 2.1 MWh/car by 2010

Social responsibility

- 4 Extend PSA Peugeot Citroën socially responsible approach worldwide

Governance

Supplier responsibility

- 5 Disseminate the PSA Peugeot Citroën "social and environmental responsibility requirements" frame of reference
→ involve the top 500 suppliers in the process by 2010

Socially responsible investing

- 6 Make sure PSA Peugeot Citroën continues to be listed in the principal extra-financial indices
→ 3 main international indices

Stakeholder dialogue

- 7 Enter into constructive dialogue with civil society representatives during theme-based sessions

Society

Road safety

- 8 Broadly deploy data communication services (such as the emergency call system) to improve passenger safety
→ 1 million vehicles to be equipped and on the road in 10 European countries by 2011

Urban mobility

- 9 Finance innovative mobility solutions

Customer respect

- 10 Implement the PSA Peugeot Citroën Responsible Communication Charter

*Green materials: recycled organic materials, natural materials, polymers not coming from the petrochemical sector.

STRATEGY AND AMBITIONS

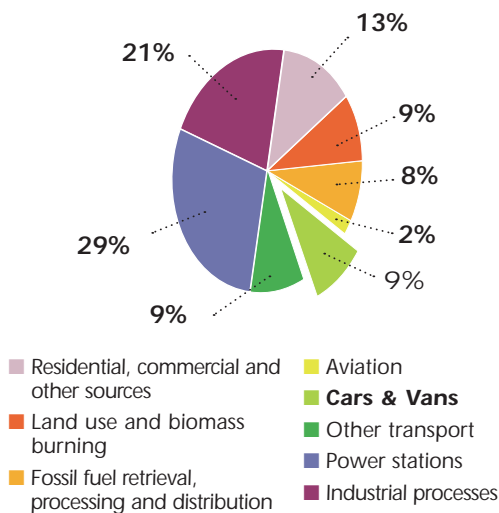
- 20. Strategic assets
- 22 to 24. CAP 2010 and Ambition 2015
- 25. Ten sustainable development objectives

- 26. Future issues: the greenhouse effect
- 28. Future issues: road safety and urban mobility



Future issues: The greenhouse effect

Breakdown of man-made greenhouse gas emissions by type of activity



Source : World Resources Institute (2002 figures)

In twenty years time, average global temperatures will have increased

by **0.4 °C**

according to the fourth IPCC experts' report.

Among the negative consequences of human activity on the environment, the greenhouse effect appears today to be most under the spotlight. However, this does not mean that it is readily understood. The greenhouse effect is not new: it is actually a necessary condition for the development of life itself. Without it, the average temperature of Planet Earth would be -18 °C and life without water in its liquid state is impossible... Today's cause for concern is a reaction to the speed with which the greenhouse effect has amplified of late and particular fear that the repercussions may be harmful.

Thus it is more appropriate to speak about the "additional man-made" greenhouse effect. Today practically all stakeholders are aware of this. Even so, if the concrete measures that are needed to change the trend have been identified, implementing them is problematic. At the same time, public opinions perception of responsibilities for the enhanced greenhouse effect remains blurred.

A recent imbalance

The greenhouse effect is in fact a natural phenomenon: the carbon dioxide (CO₂) present in the atmosphere captures part of the infra-red radiation released by the Earth when it is heated by the Sun. This explains how, over millions of years, temperatures and atmospheric conditions favourable to life have been maintained on our planet. Yet, in more recent times (since the middle of the 19th century), the development of man-made activities and the rise in population have led to a sharp increase in the production of CO₂, as well as other greenhouse gases, such as methane, ozone, CFCs or nitrogen protoxide. Enhanced in this way, the greenhouse effect causes a rise in the average temperature at the earth's surface. A subject of debate for many years, the man-made origin of global warming has been clearly demonstrated by the IPCC (Intergovernmental Panel on Climate Change), notably in its

4th report, published in November 2007. The greenhouse effect presents several kinds of risk for the environment. It may, over time, cause significant changes to the climate amplifying extreme weather patterns: floods in some areas of the world, desertification in others. In many regions, the consequences are potentially considerable, with water-levels rising and many animal and vegetal species simply disappearing incapable of adapting to the speed of climate change.

The problem is made all the more crucial by the fact that a climate shift which is barely observed over a lifetime may carry its impact over a longer period of time: indeed, CO₂ "lives" for around one hundred years in the atmosphere. In other words, the impact of greenhouse gases released so far is not completely measurable considering the inertial nature of the global warming phenomenon.

Governance which is complex to establish

In the face of such danger, the public authorities in several countries have undertaken to restrict the production of these gases, laying down the real foundations of global climate governance. The latter is particularly based on the United Nations Framework Convention on Climate Change (UNFCCC), which came into force on March 21, 1994 and the Kyoto Protocol (1998). However, a realistic global policy on reducing greenhouse gas emissions comes up against numerous obstacles.

The first obstacle is political: the USA (the world's largest manufacturer and undoubtedly the major producer of greenhouse gases alongside China) has refused to ratify the Kyoto protocol, thereby limiting its impact, despite the strong commitment of other countries and the European Union. In addition, the social consequences of the policies envisaged are problematic: the majority

of business activities using the most obsolete processes and generating the highest volumes of greenhouse gases are located in the emerging countries, and reforming them quickly would curb their development.

Consequently, the necessity for action coordinated by the international community is all the more pressing: among the countries which lack the resources to engage in a strong policy to reduce emissions are those which would be the most affected by their consequences. Avoiding these emissions would cost much less than doing nothing at all. Nicholas Stern, in a report handed over to the British government in 2006, estimated that an annual investment of approximately 1 % of the world's GDP would make it possible, over time, to limit the average rise in temperature to + 3°C.

Badly defined responsibilities

Although the scale of the debate has certainly had an impact on public opinion, it has yet to foster a precise awareness of the true nature of the problem. As hydrocarbon combustion produces not only CO₂ but other emissions, transport is commonly considered as the highest greenhouse gas producing man-made activity. This can be seen in a survey produced by two consulting firms, KPMG and Harris Interactive, for the World Economic Forum in Davos: the population of the ten largest industrialized countries (USA, China, Japan, Germany, France, India, Brazil, UK, Russia and South Korea) believes that vehicles running on fossil fuels are responsible for 45 % of greenhouse gas emissions. And yet this is simply not the case: according to the World Resources Institute, transport only accounts for 20% of man-made greenhouse gas emissions, with motor cars representing less than half of this figure (cf. diagram page 26). In the face of what remains a blurred perception, the reality of the figures shows to what extent transport manufacturers and carmakers in particular have taken this subject seriously.



Bernard Swoboda

Fuel consumption master-expert,
PSA Peugeot Citroën

"Cars and commercial vehicles emit 9% of man-made greenhouse gases. For this reason, we in PSA Peugeot Citroën are relentlessly working on optimizing both the vehicle itself and its different parts (engines, gearboxes, etc.), as well as developing hybrid engine solutions."



Peugeot's carbon sink in Amazonia

STRATEGY AND AMBITIONS

- 20. Strategic assets
- 22 to 24. CAP 2010 and Ambition 2015
- 25. Ten sustainable development objectives

- 26. Future issues: the greenhouse effect
- 28. Future issues: road safety and urban mobility



Future issues: Road safety and urban mobility

Trend in the number of cities with over 10 millions inhabitants and their population

Year	Number of cities	Population
1950	1	12,000,000
1975	5	68,000,000
2000	19	263,000,000
2015 (forecast)	23	375,000,000

According to UN projections, by 2030,

60% of the world population

will live in towns or **cities**, compared with 50% today.

Mobility goes hand in hand with social and economic development. The motor car has contributed to this for over a century now, yet its use and development need to be controlled. A balanced approach to using cars can maximize their contribution long-term and minimise the disadvantages.

Development questions

- Today, road safety is a question that has shifted geographically. Indeed, highway fatalities are continuing to rise in emerging countries (1.1 million deaths per year according to the WHO). Although the level of safety in vehicles sold in these regions is increasing, an important part of the answer to this trend rests on public action in educating drivers and developing infrastructure. Such intervention is called for to avoid a situation where the economic growth of poorer countries is directly impacted by the loss of human lives and the costs of road risk borne by the local community.
- Urban mobility has also become a development question. The number and size of cities across the world is growing constantly, with, once again, emerging countries being at the fore. This increase is directly linked to economic growth. Yet, failure to adapt the use of cars and road transport can cause congestion which is costly from both an economic and environmental point of view. Here, too, all of the stakeholders concerned need to act. Extending the use of low-polluting vehicles should go hand in hand with real policies on traffic control, the development of alternative means of transport and town and country planning.

Questions to...



François Ascher

Town planner and economist, François Ascher lectures at the French Institute of Town Planning (Paris VIII university), in Marne-la-Vallée. He also chairs the scientific committee of the City on the Move Institute (IVM), set up by PSA Peugeot Citroën in 2000. He has just written "New urban compromises: a glossary for plural towns", published by Aude.

Is the question of mobility considered in the same way today as it was ten years ago?

Certainly not. What has changed is the fact that access to transport has become more and more of a basic need in modern urban life, affecting many other rights. Across the whole world, people live less and less in local communities or at a district level. Another strong trend concerns environmental issues which are no longer seen to be marginal issues raised by a handful of militants. In addition, the problem of greenhouse gas emissions and climate change has become the number one environmental question and a very large consensus on the associated risks has emerged at a global level.

And what about the consequences?

Regarding these questions, we have moved on from very radical proposals to the beginnings of some political, and also industrial, answers. More and more regulations have been introduced. The industry especially has entered a phase where ecology has become a profitable market. After the market economy, we have entered the market ecology era.

Is this change positive?

Certainly. As the worlds of business and industry rally round the cause, we are seeing the birth of new solutions, which are much easier to implement and more instantly effective than any hypothetical radical changes in society. We could pick out two telling signs: the first, the fact that venture capitalists today are investing in "clean tech" businesses; and the second, that a good proportion of Silicon Valley firms have adapted to meet the new circumstances. However, whether technologi-

cal progress and new environmentally-friendly industrial products will be enough to curb climate change is another question.

What potentially major problem-areas have you identified?

First and foremost, a social problem: the rising price of products and raw materials necessarily has an impact on the least favoured classes. The same applies to policies limiting traffic in city-centres. The first populations to be affected are often modest revenue-earners living far away in the outskirts or areas where it is difficult if not impossible to take public transport. To be viable, the market ecology should also be sustainable and socially disseminated.

Does that mean we should give up the idea of rethinking towns?

Of course not, as long as we are aware that a new approach to town planning remains quite a light lever: in developed countries, housing stock only rises 1% per year! Moreover, it is also necessary to size up behavioural and scale changes in towns. For most people, a house is an ideal, even if it causes urban spread. In a democratic country, one cannot counter the aspirations of the majority. As regards town and country planning, sustainable development is above all a constant trade-off between economic, ecological and social considerations. Yet, what we are missing is arbitration systems at the right level.

What is the right level?

Paradoxically, many countries including France suffer not from a surplus but from a lack of centralisation. Half of the urban population lives in the suburbs: their needs are on a metropolitan scale. And yet there are no metropolitan democratic structures capable of enforcing realistic policies the way towns do today. The reason for this is that the intermunicipal links, which have mushroomed in recent times, are in fact assemblies of local councillors defending very local interests before anything else, putting their residents' problems before the general interest of the larger urban centre. The resulting urban planning is very light and delays for larger amenities become more and more serious, particularly in the area of transport. What is needed – in many countries in fact – are supra-communal institutional innovations to promote sustainable town planning, delivering results from an environmental, economic and social point of view.



Responsibilities and Stakes

Build the future together
which better respect



by producing vehicles
their environment

RESPONSIBILITIES AND STAKES

32. A responsible enterprise approach

34 to 41. Employee relations policy

42. Supplier relations/Consumer relations

44. European leader in low CO₂ emission vehicles

46. Towards an ecological car

48. Safe vehicles

50 to 53. Industrial environmental governance

54. Local development and solidarity

A responsible enterprise approach

The Group strives rigorously to control and manage the social, societal and environmental impacts of its activities. For every issue at stake, it defines policies, actions to be taken and monitoring indicators. Its continuous-improvement approach is also built on a sustainable process of dialogue with the various stakeholders in the business.

Principles of action

The growth and development of PSA Peugeot Citroën are based on a certain number of core values and principles of conduct and action, shared by its executives and employees and stemming from over one hundred years' experience in the motor world. In 2003, these values were formalized in a code of ethics, which constitutes a body of common key references for any circumstances, available to each person in the Group, for consultation or compliance purposes. In accordance with this code, the Group makes no contributions to any political party or their candidates.

By joining Global Compact, in 2003, and undertaking to comply with its 10 principles, the Group showed its intention to direct its actions towards a growth strategy which respects the best ethical, social and environmental practices defined at a worldwide level. In addition, PSA Peugeot Citroën worked with Global Compact in adding the 10th principle concerning the fight against bribery and corruption.

Since March 2006, PSA Peugeot Citroën has been a member of the China Business Council for Sustainable Development (CBCSD). Founded in October 2003 by China's civil affairs ministry, the CBCSD organisation groups together Chinese and foreign businesses and is the leading promoter of sustainable development in China.

Organisation and control systems

The sustainable development policy and management system form part of the Group's corporate governance measures. In 2007, several company functions were reorganised, including the Sustainable Development Department. Under the direct authority of an Executive Committee member, the Department has been implementing its structured approach since 2003. It brings together a network of line managers operating in the main corporate departments and experts from different spheres of responsibility in the company (industrial policy, plant environment, purchasing and procurement, consumer relations, marketing, corporate sponsorship, etc.). The Department holds a monthly committee meeting to steer the current improvement program, define new progress plans and monitor stakeholder expectations. Entitled "10 sustainable development objectives for 2010-2011", this plan of action was approved by the Executive Committee and is monitored on a quarterly basis.

Stakeholders and their expectations

PSA Peugeot Citroën considers the expectations of its customers, employees and stockholders as core concerns. Beyond its industrial and commercial partners, the Group is progressively developing a dialogue with civil society representatives. In 2007, several theme-based sessions were organized gathering NGOs, associations and various company representatives. In addition, the Group departments, which are in operational contact with different stakeholders, attend Group sustainable development steering meetings, where they report on any major changes or shifts in expectations, which should be taken into account.



Stakeholder relations

STAKEHOLDER	SUSTAINABLE DEVELOPMENT DIMENSION	
Customers	Economics/ Society	Through their distribution networks and customer care services, Peugeot and Citroën are in permanent contact with consumers.
Employees	Social	The Group's employees are split into three main business divisions: Automobile, Transport & Logistics, and Automotive Equipment. Their talents and expertise constitute one of the Group's main assets.
Social partners	Social	The social partners inside the Group belong to trade unions in all of the countries where PSA Peugeot Citroën operates. In accordance with its contractual obligations, the Group Works Council maintains employee representation in Europe. Brazilian and Argentine shop stewards sit on an extended Works Council.
Stockholders	Economics	The PSA Peugeot Citroën stockholding is based on a stable structure including a majority holding by the Peugeot family. The Group regularly organises gatherings to ensure a true dialogue with stockholders.
Distribution networks	Economics	Peugeot and Citroën select their distributors by conducting risk analyses which also cover questions related to ethics. The idea is to build long-term relationships based on mutual understanding and trust.
Suppliers	Economics	PSA Peugeot Citroën constructs and implements its strategy by combining the expertise of its suppliers through sustainable and transparent relations.
Cooperation partners	Economics	PSA Peugeot Citroën cooperates with other carmakers to jointly develop and produce vehicle platforms and systems such as engines. These partnerships result in a sharing of capital expenditure, an extended range of products and services, and both technical and cultural added value.
Other carmakers	Economics	PSA Peugeot Citroën communicates with other carmakers inside the European Automobile Manufacturers' Association (ACEA) and the relevant national associations of the countries it works in.
Consumer associations	Society	Consumers gather together in different associations depending on the country. The Peugeot and Citroën brands endeavour as much as possible to enter into dialogue with these consumer associations.
Rating agencies	Economics/ Social	To highlight its actions and to measure the progress of its Sustainable Development policy, or even to readjust it in line with changing expectations, the Group replies, wherever possible, to extra-financial rating agencies.
NGOs and associations	Social/ Environment/ Society	The Group regularly meets NGOs and associations to talk about key business issues, in particular the greenhouse effect, road safety and urban mobility. Whenever it is questioned by an NGO, the Group endeavours to answer clearly and attentively, with an emphasis on progress in these key areas.
Institutions	Economics/ Social/ Environment/ Society	PSA Peugeot Citroën is in permanent contact with European and international institutions as well as the French public authorities. During discussions the Group aims to have its profitable growth strategy considered in balance with its responsible attitude in responding to current environmental and societal challenges.

RESPONSIBILITIES AND STAKES

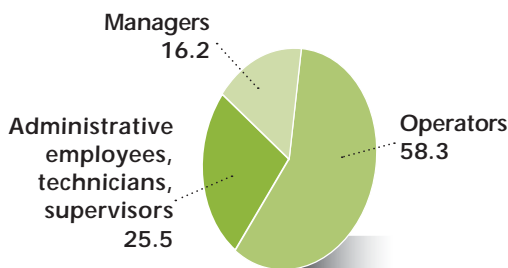
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- 46. Towards an ecological car
- 48. Safe vehicles
- 50 to 53. Industrial environmental governance
- 54. Local development and solidarity



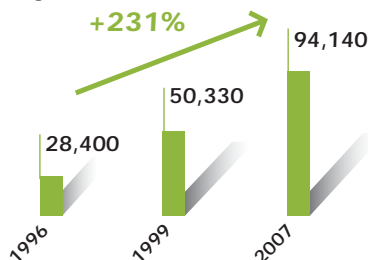
A sustainable social contract

Group headcount split by socio-professional category as a %



Internationalisation of Group headcount

(excluding France, Faurecia included)




Every day, the women and men in PSA Peugeot Citroën contribute to its performance and competitiveness.

The Group's human resources policy fosters a sense of community built on values of solidarity, tolerance and commitment. It supplements the professional development of its employees, through a broadening of skills, developing human potential and through providing career opportunities and remuneration based on performance and fairness.

Open to questions on societal issues, social dialogue spurs a contractual momentum which can lead to the signing of innovative and ground-breaking agreements. Both formal announcements and canvassed opinions have hailed the innovative nature of progress made by the Group in the realm of social responsibility. The actions undertaken since 2000 have earned PSA Peugeot Citroën numerous accolades.

In the same vein, in 2007, the Group rose to the challenges of making a recovery, notably with regard to the essential reduction of overheads. Based on social dialogue and the principle whereby "no employee should have to find a new job on his or her own", these necessary adjustments were implemented promptly and efficiently, without aggravation and in a totally responsible way. Having strengthened its social contract, PSA Peugeot Citroën can now take up new challenges, combining economic performance and progress in human relations.

 Cf. also the "Social" chapter of the Indicators supplement.

Managing human resources internationally

PSA Peugeot Citroën employs around 208,000 employees worldwide, with over 134,000 people working in the Automobile division. The Group's employment policy encourages human resources planning and development focused towards its strategic businesses and aligned with the company's needs. From 2000 to 2007, staff numbers increased by over 20% to underpin the development of the Group. This led to the creation of over 28,500 jobs, with over 17,000 of these being outside Europe.

Over 94,000 Group employees work around the world in 150 countries. PSA Peugeot Citroën seeks to develop local talent: 87% of managers work in their country of origin and, altogether, the Group's employees represent 104 nationalities.

Attracting the best potential

PSA Peugeot Citroën aims to surround itself with the best talent over a broad range of disciplines and on-board profiles which vary according to education, work experience and international exposure. The Group's current great diversity stems from both an extensive recruitment drive which began in 2000 – almost 140,000 new hires worldwide, including over 32,000 outside Europe – and the internationalization of its teams.

In 2007, the Group recruited 18,700 employees, with almost 55% of these in the Automotive Equipment division (Faurecia) and close to 8% in Transport & Logistics (Gefco). More than 87% of these new jobs are in Group businesses on the international front. Around 7,000 people were hired to accompany business growth in the Automobile division, mainly in South America (2,870) and in Slovakia (870), and also in the sales subsidiaries in all geographic regions.

Recruitment inside and outside France complies with the social responsibility principles in force in the Group: selection based on competencies, equal opportunities and diversity. The locally adapted Recruiter's Handbook sets out these requirements and was disseminated both internally and to external organisations which work with the Group.

Hiring local managers enables PSA Peugeot Citroën to develop the international dimension of the Group by setting up multicultural teams and promoting international careers, fostered by a "job track" approach. A special focus is put on induction courses concerning newly-hired local managers. These aim to show how the Group is run and, in essence, present the management foundations of a business.

The financial situation of the Group led to the launching of a plan to reduce costs and overheads. The consequence of this was a sharp recruitment cutback in Western Europe, starting back in June 2006.



Close to 7,000 people were recruited
in the Automobile division, mainly in South America and Slovakia.

RESPONSIBILITIES AND STAKES

32. A responsible enterprise approach
34 to 41. Employee relations policy
42. Supplier relations/Consumer relations
44. European leader in low CO₂ emission vehicles

46. Towards an ecological car
48. Safe vehicles
50 to 53. Industrial environmental governance
54. Local development and solidarity



Human resources **planning** and **development**

Based on social dialogue

Signed in April 2007 by five French trade unions (CFDT, CFE-CGC, CFTC, FO and GSEA), the agreement concerning the planning and development of the Group's human resources (GPEC) has a dual objective: first, to anticipate the transformation of jobs and trades and better manage skills; and second, to continue the headcount adjustment program initiated in June 2006, replacing no departures.

Union and management are key actors in the achievement of these objectives. The GPEC agreement gives Group employees more factual information about the changing employment market and changes in the world of manufacturing and technology. It defines the terms and conditions for training, career development and mobility, hiring and the redeployment of jobs and skills.

The agreement revolves around four main axes: first, the involvement of the social partners; second, an agreed method; third, skills development; and fourth, measures to provide assistance during large-scale changes.

For dialogue and diagnosis purposes, the Joint Union-Committee, and the Skills and Capabilities Observatory, are two bodies which provide information and a forum for discussion on the company's strategies, as well as quantitative and qualitative analyses of employment and trade trends.

The Skills and Capabilities Observatory is notably in charge of updating the Group's job reference list and of identifying those jobs which are under pressure or evolving, those in the balance and so-called "sensitive" jobs, directly exposed to technological, organizational and economic changes.

GPEC agreements were also signed during the year, in most of the subsidiaries of the Automobile division, in the Banque PSA Finance and Gefco.

As a recovery year for the Group, 2007 saw the implementation of jobs and skills redeployment plans and, in particular, a reduction in overheads.

Jobs and Capabilities

Redeployment Plan in 2007

To reduce committed costs, the choice was made to adjust staff numbers without resorting either to a "collective redundancy program" or early-retirement measures.

The measures decided on involved replacing no departures and providing assistance to employees volunteering to be transferred internally or externally. Financial incentives were granted to people wishing to leave for a new job or to develop their own project.

All employees were reviewed, with the exception of personnel directly contributing to sales or production, and certain specific jobs where a replacement is essential.

In accordance with the social responsibility principle whereby "no employee should have to find a new job on his or her own", considerable means and resources were made available to counsel all employees considered for industrial redeployment.

All of the measures proposed in the plan, which was structured on a voluntary-basis, stemmed from the Group agreement on human resources planning and development.

The means to succeed

Substantial means were provided to make this plan a success. Job mobility units were set up on each Group site to counsel, help and guide employees throughout the process. "Job forums were organised to provide interested employees opportunities to meet firms which recruit and to gain advice on how to set up a business or to look for a job. Under the guidance of the HR department and the Group's HR network, this process was managed as a real corporate plan: with a steering committee, logo, etc.

On-going dialogue made sure that the social partners were associated with this process from start to finish. The central Works Council of PCA France was consulted on the plan and gave a favourable opinion of the measures employed.

From June 1st to December 13 in the same year, over 6,300 employees signed up to one of the leaving measures in the plan.

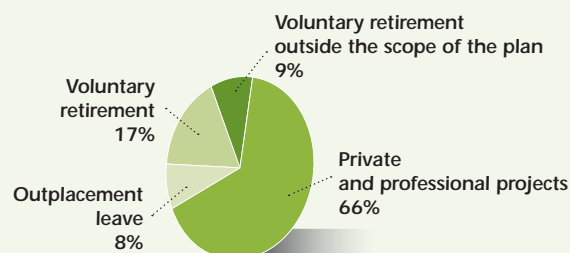
Social measures accompanying large-scale changes outside France

In the UK, the Ryton plant was closed down on January 8, 2007 after the last 885 employees had left. Established in 2006, the job and professional redeployment unit ran through to September 2007 to ensure that the last remaining employees were counselled and redeployed.

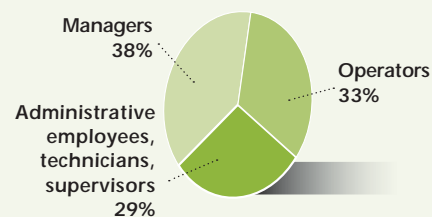
The Group also provided similar support initiatives for employees in Germany, Belgium and Spain.

Voluntary retirements in France within the plan context

Breakdown by reasons for leaving



Split by socio-professional category



RESPONSIBILITIES AND STAKES

32. A responsible enterprise approach
34 to 41. Employee relations policy
42. Supplier relations/Consumer relations
44. European leader in low CO₂ emission vehicles

46. Towards an ecological car
48. Safe vehicles
50 to 53. Industrial environmental governance
54. Local development and solidarity



Social responsibility

on a worldwide scale

A rich supply of social dialogue, source of sustainable innovations

To develop meaningful social dialogue in all countries, PSA Peugeot Citroën ensures that freedom of association and employee representation is respected all over the world.

Around 100 agreements, including 60 at an international level, were signed in 2007. These concern working conditions and the main issues of company life.

Associated with contract policy, the Group Works Council ensures the representation of PSA Peugeot Citroën employees in Europe. Argentine and Brazilian delegates currently sit on an extended Works Council.

A worldwide responsibility

The Global Social Responsibility Agreement formalises the Group's commitment to human rights, HR best practices, social requirements towards industrial partners, supplies and distribution networks and regions in which the Group


is located. This agreement was signed by the two large metalworkers' federations (IMF and EMF) and ratified by 85 trade unions.

The agreement currently covers 30 countries, 105 subsidiaries and all entities in the Automobile division, Banque PSA Finance and Gefco. As a consequence, 300 priority action plans were implemented in the Group in 2007. A most encouraging first review was presented to the European Works Council: the principal commitments have been taken into account by 98% of the Group's subsidiaries.

Facilitating professional integration

To strengthen its commitment to equal opportunities and the recruitment of a more diverse workforce, the Group has brought forward a number of integration initiatives. Conducted in association with State or private organisations, these initiatives particularly target youth employment and the professional integration of those excluded from the job market.

A ground-breaking commitment: **diversity** and **equal** opportunities

 **Variety in the workplace is an asset for Group performance: by expanding the range of skills and enabling a broader exchange of ideas, a gender-balanced workforce is beneficial to the Group's performance.**

Promoting diversity

Diversity means getting the best talents to work together, regardless of their culture, nationality, gender, religion, political or trade union convictions, differences in experience, physical characteristics, working background, age, state of health or sexual orientation.

Way beyond legal rules and regulations, the Group promotes best practices in the fight against racism, xenophobia and homophobia, - and, more generally, against intolerance to differences. In France and Argentina, all the measures provided for by the 2004 agreement on diversity have been adopted.

Other initiatives have contributed to achieving these results, including a handbook on best practices for recruiters, for example; sending curriculum vitae anonymously; training on the avoidance of discrimination; testing and the building up of awareness (all of this involved some 16,000 hours of training).

The effectiveness of this policy can be seen in the recruitment results. In France, between 2005 and 2007, out of the 2,436 engineers and executives hired in the Group, 583 are women, 125 are non-French, 204 fall into the visible minority category, 92 come from so-called "sensitive" urban areas and 87 are over 45 years old. In France, PSA Peugeot Citroën picked up the Trophy for diversity and gender equality and the first ever Grand Prix to be awarded for diversity by the Ministry for the Promotion of Equal Opportunity.

Making gender equality a corporate strength



On November 4, 2003, PSA Peugeot Citroën signed a ground-breaking agreement on developing female employment with six French trade unions (CFDT, CGT, CFE-CGC, CGT-FO, CFTC and GSEA) and, by doing so, became the first French group to commit to work in favour of professional equality between women and men.

By signing a new three-year agreement with all of the trade unions in November 2007, the Group reinforced its action in this field. In January 2007, the Group's work on promoting gender equality was saluted in France by the renewal of the "professional equality" mark of approval. In 2005, PSA Peugeot Citroën was the first company to be awarded this label. Over 44,000 women currently work in the Group which represents 21.3% of total headcount. The Group hired over 26% of women in 2007.

Another keystone principle in the employee relations policy of PSA Peugeot Citroën is the guarantee of equivalent wage levels and career opportunities between women and men.

Offering the disabled fulfilling job opportunities

PSA Peugeot Citroën is committed to hiring and retaining disabled employees, with 6,600 of them currently working in the Group. To reinforce its commitment, it has also contributed to the development and launching of hanploi.com, a French job search website for the disabled.

Signed in France in September 2005, the agreement on the social and professional integration of disabled people is part of the extension of previously signed agreements, which have enabled the Group to develop a policy of job retention and professional integration.



RESPONSIBILITIES AND STAKES

32. A responsible enterprise approach

34 to 41. Employee relations policy

42. Supplier relations/Consumer relations

44. European leader in low CO₂ emission vehicles

46. Towards an ecological car

48. Safe vehicles

50 to 53. Industrial environmental governance

54. Local development and solidarity

Supporting the professional development of every employee

Remuneration based on performance and fairness

In addition to safeguarding the purchasing power of its employees, PSA Peugeot Citroën remunerates performance, offers market-competitive pay packages and shares the amount of value created with those who helped create it. The Group also encourages the growth of share-ownership of employees and seeks to build up their social security. The Group agrees wage settlements in the countries where it is located. In 2007, 23 agreements were signed with the social partners.

Develop people's potential through training

There are three key personnel planning issues for the Group today: first, to anticipate changes in jobs and trades; second, to more accurately forecast the future skills and talent the company is going to need; and third, to give employees clear information on the shifting trends in manufacturing and technology. With this in mind, 21 job tracks were introduced to give all employees the chance to play a full role in developing their careers. The Group has formalised its "expertise" management whereby selection processes have led to the identification of "experts" and "master-experts" in each business field. In 2007, 48 experts and 17 master-experts were recognized.

PSA Peugeot Citroën offers employees a broad range of training courses which contribute to reinforcing skills and to career opportunities. In 2007, on average every employee was given 24.5 hours of training.

Positively-driven career opportunities

Career development is directly related to the skills exercised, professional conduct and work performance. The Group has made widespread use of appraisals of competency and objective judgment methods. The broad range of positions available in the Group offers employees sound career opportunities. Consequently, around 30% of executives stem from internal promotion.

€117 million dedicated to training.

An average of **24.5** hours training per employee.



Safety, health and exemplary working conditions are our basic requirements

Safety at work is priority for all concerned

The only acceptable goal is to work without accidents. To enable our employees to refer to one and the same frame of reference, the Group has developed a "Workplace Safety Management System" that has cut the number of accidents by half over the last five years. Management, executives, employees and personnel representatives all actively seek to reach this objective. Furthermore Safety Committees monitor the status of each of the Group's sites. It is the Group's ambition to develop a true occupational safety culture. In 2007, the frequency rate of lost-time accidents was 3.72.

PSA Peugeot Citroën has equipped itself with tools and methodologies, which contribute to improving risk control.

The Group employs many external employees on its sites and ensures that the employers of these workers' respect the social obligations and the safety rules in force at PSA Peugeot Citroën.

Protecting the health of our employees

The Group adopts a preventive approach to any illness that may have an occupational cause. Initiatives leading to the design of light jobs are also underway. These are essential for the prevention of occupational illnesses. The Group has also launched food hygiene campaigns and programs highlighting the benefits of physical exercise.

PSA Peugeot Citroën intends to provide employees with work conditions that are on the leading edge of international standards. This initiative results from the agreement on the improvement of work conditions, signed in France in 2001. It is directly implemented in the new vehicle development projects and when industrial processes are set up.

The Group also undertakes to optimise its control of chemical risks, using a "Hygiene, Safety, Protection" database as well as a plan to monitor air quality.

Preventing psycho-social risks

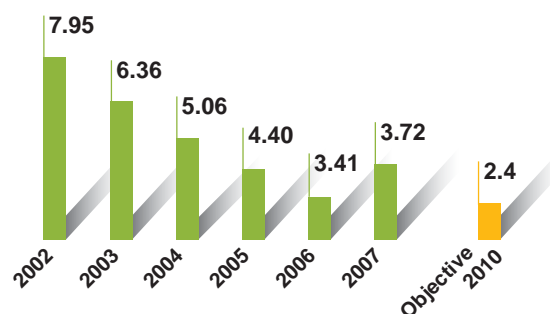
Another important factor of the Group's social policy is the prevention of stress and the risk of violence and harassment. A toll-free number has been set up for employees, who wish to discuss these subjects with a psychologist. Watchdog units have been set up to detect situations susceptible to risks of this nature. A mail box is available for anyone wishing to report events or situations that are felt to constitute harassment. The Company intends to explore further methods for the assessment of factors contributing to professional stress, to evaluate the level of employees' stress and to identify what can be done to reduce stress at work. Since the end of 2007, a survey has been carried out at three sites, the findings of which will be known by Spring 2008 when action plans will be formulated.

Reconciling competitiveness and the organisation of work

PSA Peugeot Citroën has developed a working-hours adjustment plan over several years. The agreements relative to the organising of work time are continuously improved and adapted through collective bargaining. Fixed-term employment is used when demand varies and when there are sudden peaks in activity. These occur especially when new products are launched and industrial processes are reorganised. A charter concerning temporary work was signed in 2003 to ensure that agency workers benefit from work conditions similar to those enjoyed by employees of the Group.

Percentage frequency rate of lost-time accidents

For the Group's sites worldwide (excluding Gefco and Faurecia)



RESPONSIBILITIES AND STAKES

32. A responsible enterprise approach
34 to 41. Employee relations policy
42. Supplier relations/Consumer relations
44. European leader in low CO₂ emission vehicles

46. Towards an ecological car
48. Safe vehicles
50 to 53. Industrial environmental governance
54. Local development and solidarity

Supplier relations

For PSA Peugeot Citroën to realise its ambitions in terms of quality, cost and innovation, there needs to be close, effective collaboration between the Group and its supplier partners. Since the materials and parts purchased to build a vehicle cover 70% of its cost, they can provide formidable leverage in the improvement of competitiveness. The management of supplier relations is evolving to take advantage of this significant element.

Strategic suppliers

In its quest for innovation and competitiveness, PSA Peugeot Citroën has decided to rely on a panel of strategic suppliers (with whom the goal is to stay on "preferred supplier" terms) which is involved earlier in Group strategic decisions.

Mutual value creation

When the panel of strategic suppliers has been set up, the Group's performance is expected to improve at the same pace as that of its suppliers thanks to a resolutely "win-win" rationale. Each strategic supplier will benefit from clarity in the longer term of the forward directions of the Group and will therefore enjoy greater stability. Strategic suppliers all have a specific profile: PSA Peugeot Citroën is one of their top 5 customers,

their size is significant, they are sustainable, they are world players and they are contracted to fulfil all Group requirements with regard to industry standards together with social and environmental issues. In 2008, about fifteen suppliers have been identified to take part in this "strategic supplier" initiative. With its Supplier Trophies scheme, an annual event for the last three years, the Group also rewards around ten partners in four priority categories: quality, innovation, parts and services, and business performance.

Objectives to improve competitiveness

The most important quantitative objective that Purchasing must reach by 2010 is a 6% annual reduction in costs. To achieve this, several new initiatives have been set in motion, such as: reducing warranty costs; decreasing the number of quality defaults in the Group's plants and boosting engineering savings programs. Engineering savings on a product contribute directly to profitability. In this context, the Group is forming closer relationships with its suppliers: around sixty cross-functional teams (purchasing, project and engineering) are responsible for projected engineering improvements that will generate maximal savings by 2010.



Jean-Christophe Quémard

Purchasing Manager

"The Group aims to make Peugeot and Citroën two of the best automobile brands in the world by 2010. To achieve this objective we need to forge closer links between us, the carmaker, and our suppliers. We are deploying professional Purchasing teams, who have a deep understanding of our strategic objectives, to provide increased and effective support to a panel of strategic suppliers."



Consumer relations

In 2007, over and above that required by regulations, the Group increased its beneficial efforts to customers by launching several progressive programs. Safety, quality and customer satisfaction were of central concern.

Health and safety

The most important responsibility of the Group to its customers is to deliver vehicles that protect the health and safety of drivers, passengers and other road users. The Group focuses both on the materials and components that make up its vehicles and also the vehicles' road handling.

Ethics and respect for customers

Customer relations are based on trust. The keystone of sales policy for both brands is a customer promise which recognises the importance of warranty, the customers' clear expectations in relation to this, and the attention that dealers must give to it. Sales teams have a frame of reference and are given specific training. To ensure that credit rules are rigorously respected, a dedicated organisation has been set up within Banque PSA Finance. The bank also strives in compliance with legal requirements to both prevent and handle the risks of excessive individual debts of Peugeot and Citroën customers.

Customer satisfaction and quality

To ensure that their customers receive the best service, the brands have implemented continuous improvement plans for the quality of customer service at three points in the relationship: vehicle purchase, vehicle delivery and vehicle repair, including quality control of the work done. Feedback from the customers and dealerships is actively monitored. ISO 9001 certification of the quality management systems of the Peugeot and Citroën brands was renewed in 2006. In France, the entire dealer network is also certified ISO 9001. Inter-

nationally, the brands call in the most locally representative certification body to ensure reliable recognition of their Quality Management System and that the culture of each country is respected.

Responsible advertising

The Group controls the quality of its advertising in ethical terms through an internal review and acceptance process. In 2007, the Group formalised these principles in a Responsible Communications Charter. Inspired by local and international codes, this Charter was developed by a work group comprising the people concerned from both brands, the Legal Affairs Department and the Sustainable Development Department. It is being launched in 2008, when it will be used by the communications and marketing teams of the Group in all countries. Its application will be followed up with the stakeholders once per year.

Helping the consumer with better information

In addition to the energy labels (indicating vehicle fuel consumption and CO2 emissions) that have been displayed on all models since January 2006, each brand designed its own environmental label in 2007. Using Blue Lion for Peugeot and AIRDREAM for Citroën models, the consumer can base his choice of vehicle on more comprehensive environmental criteria.

Anticipating expectations

PSA Peugeot Citroën performs customer perception tests concerning its future vehicles and service products. In addition to its consumer links, the Group meets regularly with consumer associations to gain a better understanding of the common questions that car users raise. These meetings also explore how the relationship between society at large, the automobile and individual mobility is evolving in more general terms. The Group shares its automotive experience with local players in many markets, especially in South America and China.



Cf. also the "Economics" and "Products" chapters of the Indicators supplement.

RESPONSIBILITIES AND STAKES

32. A responsible enterprise approach
34 to 41. Employee relations policy
42. Supplier relations/Consumer relations
44. European leader in low CO₂ emission vehicles

46. Towards an ecological car
48. Safe vehicles
50 to 53. Industrial environmental governance
54. Local development and solidarity



European leader

in low CO₂ emission vehicles

As a pioneer in the field of pollutant reduction, and having already achieved convincing results, PSA Peugeot Citroën has set the reduction of CO₂ emissions as a priority objective. Today, Peugeot and Citroën sell affordable vehicle line-ups whose environmental impacts are amongst the lowest.

Eco-design

The Group prefers solutions that are effective, reliable, affordable and adapted to its markets. To maximise recycling in the automobile industry, ecodesign seeks solutions to make the decontamination of end-of-life vehicles easier and promotes the reprocessing and re-use of materials.

Ways to ensure higher recyclability include the traceability of plastic parts; the use of materials known to be recyclable; the reduction of material types to simplify sorting after shredding; and increasing the utilisation of recycled materials in new vehicles. In average weight terms, the Group's new models are at least 95% reusable and recyclable according to the ISO standard in force and our own calculations.

The highest number of patent applications filed in France

PSA Peugeot Citroën spent €1.8 billion on R&D in 2007. The largest proportion of this research seeks to improve the environmental performance of Group vehicles and to develop new technologies, addressing several challenges:

Short and mid-term:

- To lessen the environmental impact of petrol and diesel vehicles by continuing to reduce CO₂ and fuel consumption as well as toxic emissions.
- To support the development of alternative fuels for internal combustion engines, including both fossil fuels (natural gas) and renewable energy sources (biofuels).
- To offer the most cost-effective hybrid solutions.

Long term:

- To develop fuel cells to meet engineering and economic specifications that will guarantee massive deployment.

A record of reduced emissions

For several decades PSA Peugeot Citroën has offered vehicles with especially low fuel consumption to customers of both of its brands. Well before greenhouse emissions became a major cause for concern, the Group's product ranges displayed good CO₂ performance and very low average fuel consumption compared to the European competition. Awareness of the global warming issue boosted public recognition of the Group's efforts in this field, enabling PSA Peugeot Citroën to position itself as best in class in Europe. In 2007, for the second year running in Europe, the Group sold a million vehicles emitting less than 140 g of CO₂ per km, of which 750,000 emit less than 130 g of CO₂ per km and 500,000 less than 120 g of CO₂ per km.

Engines that are a market benchmark

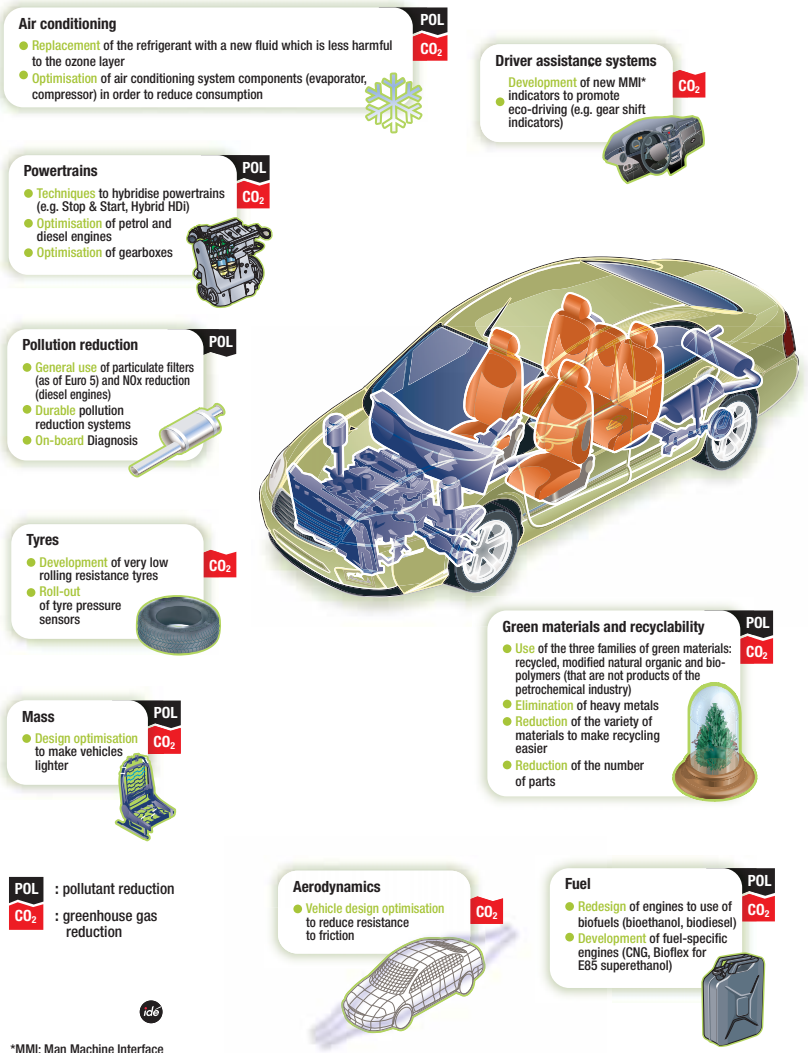
These results stem from the Group's expertise. Since 2006, in the field of petrol engines, PSA Peugeot Citroën has equipped several of its models with engines made in collaboration with BMW: fuel savings are in the region of 10 to 30%, depending on driving conditions, compared to the engines that were previously fitted.

With regard to diesel engines, the Group is recognised worldwide as the leading specialist in common rail direct injection. This technology is deployed in the Group's HDi engines, reducing CO₂ emissions by 20% compared to previous generation diesel engines and by 30% compared to a petrol-powered vehicle.

This expertise also contributes significantly to the improvement of air quality: the particulate filter, which is a logical addition to HDi diesel engines, removes solid particles from the exhaust gases. Launched in 2000, it has been installed in more than 2.4 million Peugeot and Citroën HDi models. Already without particulate filters, the latest generations of HDi engines reduce pollutants by half. The industrial collaboration with Ford Motor Company, relating to the manufacture of the latest generation of these engines, has enabled PSA Peugeot Citroën and Ford to become the world's leading manufacturers of diesel engines. In conjunction with the Group's down-sizing policy, engineering development continues with the target to reduce engine size and consumption while delivering the same performance. Indeed, the latest generation of HDi engines delivers equivalent power and torque with 20% less cylinder capacity.

Furthermore, PSA Peugeot Citroën continuously introduces innovations on all the major components of its vehicles, especially gearboxes, while optimising body aerodynamics, weight and rolling resistance.

Our engineering projects which address the environmental challenges:



Several programs have been launched to reduce pollutant emissions (CO, NOx, HC, particles) and the release of greenhouse gases (CO₂ in cars). These programs must respect the "vehicle architecture synthesis": safety, comfort, appeal, etc.

Ranked first by ADEME in 2007

The French Environmental and Energy Control Agency (ADEME) publishes a list of carmakers ranked according to the level of CO₂ emissions of their vehicle ranges. In 2007, it recognised the performance of the Group inasmuch as the average emissions of Peugeot and Citroën vehicles do not exceed 140 g of CO₂ per km, whereas the average for vehicles sold on the French market is 149 g of CO₂ per km (refers to data in May 2007).

RESPONSIBILITIES AND STAKES

- 32. A responsible enterprise approach
- 34 to 41. Employee relations policy
- 42. Supplier relations/Consumer relations
- 44. European leader in low CO₂ emission vehicles

- 46. Towards an ecological car
- 48. Safe vehicles
- 50 to 53. Industrial environmental governance
- 54. Local development and solidarity



Citroën C-Cactus

Towards an ecological car

The mid to long-term future developments that PSA Peugeot Citroën is preparing are permanently focused on innovations that can be introduced at the best possible prices. The Group's ambition is to become, by 2015, the acknowledged leader delivering cars that safeguard the environment as far as is possible.

Optimal cost effectiveness

Satisfying the growing needs to be mobile, while at the same time demonstrating respect to the environment, cannot be achieved with just a single solution. The effectiveness of an innovation is directly related to the number of vehicles it can be applied to. The Group is therefore adopting a tiered approach in which each market segment will be addressed with a solution that is the most cost-effective for that segment. In the mid-term, PSA Peugeot Citroën is focusing on combustion / electric hybrids with a policy based on their extensive deployment.

The Group will deploy micro-hybrids extensively, in particular the Stop & Start system, which will be applied to all engine types and all model ranges. Stop & Start automatically stops the engine as soon as the vehicle halts and neutral is selected (at a red light for example), then it restarts it again when the driver moves off. The Group already offers the Stop & Start system on the Citroën C2 and C3 where a powerful alternator-starter motor saves between 8% and 15% in fuel consumption and reduces CO₂ emissions by an equivalent amount for city drivers.

By 2011, the Group will also offer diesel HDi/electric full hybrid models. This technology offers fuel savings in the region of 30% compared to a diesel-powered vehicle and also enables drivers to select a fully electric power source. In view of its cost, this technology will only be offered on premium models.

Introduced in 2007, the Citroën C-Cactus concept car illustrates a new vision of the automobile, focusing on fundamental values. With its Hybrid HDi powertrain, the C-Cactus achieves fuel consumption of 2.9 litres per hundred km and an emission level of 78 g of CO₂ per km (combined cycle).

Engines which are compatible with alternative energy sources

PSA Peugeot Citroën also carries out research into energy sources that could be alternatives to petroleum products. The Group has studied the advantages of biofuels for many years. This work is carried out in France, China - where biodiesel studies are conducted with the China Automotive Technology & Research Center (CATARC), and in Brazil with the laboratory Ladetel. PSA Peugeot Citroën promotes the use of small proportions of biofuels in blended mixtures, in line with local legislation. The engines of Peugeot and Citroën vehicles are therefore compatible without modification for blends containing up to 30% biodiesel (extracted from oil-bearing plants) and with up to 10% of ethanol in petrol blends made from cereals or beet in Europe or from sugar cane in Brazil. In this country, the leading world producer of ethanol, 80% of the Group's model ranges are flex-fuel. In France and Sweden, flex-fuel versions of the Peugeot 307 and the Citroën C4 (1.6-litre BioFlex) were also launched in 2007.

PSA Peugeot Citroën is aware of the contentious issues that could eventually arise between the demands for food and energy. It is following closely the development work that will lead to the second generation of these biofuels. By 2020-2030, there could be new operational paradigms: firstly, by improving crop yields and, secondly, by enabling the whole of the crop to be used as well

as organic waste (biomass). The Group also favours the use of Compressed Natural Gas (CNG) in the countries where this resource is easily accessible and will bring to the market vehicles capable of running on this fuel.

Long-term research

PSA Peugeot Citroën continues its research into fuel cells with the objective of finding acceptable engineering and economic conditions that would allow this technology to be used in automotive applications. This would significantly reduce CO₂ and eliminate emissions of pollutants. The Group is working on different cells and prototypes with an internal team of specialists and expert networks set up as a result of research partnerships - like those concluded with the French National Scientific Research Centre (CNRS) and the Atomic Energy Commission (CEA).

The Genepac cell, unveiled in January 2006, is the fruit of Group research in partnership with CEA in this field. This cell, which has a modular design and generates 80 kW, is perfectly suited to automotive use and is patently world class.



Cf. also the "Products" chapter of the Indicators supplement.



Innovation through participation

In 2007, to stimulate creative solutions in its Research and Innovation teams, the Group launched an internal contest around the theme "Cars and the Environment". This initiative to seek innovation through participation involved 800 employees at all levels to address 3 creative challenges:

- to design the "ecological car" of the future;
- to put forward simple ideas that could be rapidly implemented to make the Group's present vehicle ranges more environmentally friendly;
- to determine ways to make the Research and Innovation Division more ecological on a daily basis.

More than 2,000 contributions were collected and, after a selection phase, more than 50 groups of ideas were chosen to be developed and then applied by the teams in 2008.



General deployment of **Stop & Start**: 1 million vehicles equipped with the micro-hybrid system will be sold as of 2011.

RESPONSIBILITIES AND STAKES

- 32. A responsible enterprise approach
- 34 to 41. Employee relations policy
- 42. Supplier relations/Consumer relations
- 44. European leader in low CO₂ emission vehicles

- 46. Towards an ecological car
- 48. Safe vehicles
- 50 to 53. Industrial environmental governance
- 54. Local development and solidarity



Safe vehicles


2,500 lives

could be saved every year if all vehicles were equipped with an emergency call service, according to the European Commission.

PSA Peugeot Citroën is

the **first carmaker** to deploy an emergency call system on a European scale.

There are more than **550,000** Peugeot and Citroën cars equipped with emergency call systems on the road in Europe.

 Cf. also the "Products" chapter of the Indicators supplement.

Every year, the Automobile division of PSA Peugeot Citroën devotes almost 10% of its R&D budget to improving the safety of its products, in keeping with the Group's commitment to developing sustainable mobility. In 2007, PSA Peugeot Citroën continued its efforts in all areas of safety: avoiding accidents (primary safety), providing protection in case of accident (secondary safety) and warning, protecting and providing assistance after the accident (tertiary safety).

Avoiding accidents

The first goal of a safe car is to avoid accidents. For PSA Peugeot Citroën, this goal is one of the fundamental elements in good vehicle design. The architecture of Peugeot and Citroën models gives them road handling, accurate steering and powerful braking which rank them among the best on the market. Rigorous design ensures they have a very high level of primary safety, further strengthened by driving aids such as ABS (Antilock Braking system), EBA (Emergency Brake Assist) or ESC (Electronic Stability Control), a system which can correct the direction of a skidding vehicle which might otherwise swerve off the road. The Group also offers optional innovations on some models such as xenon dual-function directional headlights or a lane departure warning system which alerts the driver by means of a vibration in the seat if he or she changes lane involuntarily, falls asleep or is distracted.

The Group also attaches special importance to onboard comfort in its vehicles. Comfort is conducive to improved alertness and more focused driving. It should be stressed that the drive for safety concerns all Peugeot and Citroën models to an equal extent, irrespective of their level in the range or their type, private or commercial.

5-star Euro NCAP rating for 12 of the Group's models.

Top-level protection

As regards protection against impact, PSA Peugeot Citroën is also a leader, with the Peugeot and Citroën ranges in the top of their class worldwide. The scores given by the independent body Euro NCAP reflect this: 12 of the Group's models won the maximum 5 stars for protection of adults. The latest two models to win this distinction in 2007 were the Peugeot 207 Coupe-Cabriolet and the 308. This high level of protection is built in right from the design stage. The body construction of each vehicle provides a veritable survival cell around the driver and passengers and is also equipped with appropriate restraint systems: ISOFIX attachment points for child seats, load-limiting retractors for seatbelts and adaptive airbags. This equipment is complemented by visual and audible warnings to fasten seat belts, in order to encourage their use. Accident statistics collected by the LAB (PSA Peugeot Citroën and Renault's joint Accident, Biomechanics and Human Behaviour Laboratory) show that, even today, almost 15% of accident fatalities relate to drivers and passengers who were not wearing seatbelts.

Finally, designs of new models also take account of protection for people outside the vehicles. In 2006, the Peugeot 207 was the Group's first vehicle to be approved according to the principles of the European directive on pedestrian impacts. Similarly, the Citroën C6 was (and still is) the only vehicle to get the record four-star rating in the Euro NCAP pedestrian tests, thanks to its active bonnet which is automatically triggered when a pedestrian impact is detected.

Emergency rescue services: the Group is leading the way

PSA Peugeot Citroën is playing a pioneering role in a new field of safety: reduction of the consequences of accidents through facilitating the speedy arrival of the emergency services. Several of the Group's models can be equipped with an emergency call system. In case of an accident or if a passenger feels discomfort, the car sets up a voice link to an operator, either automatically if an impact is detected, or manually if a passenger presses the SOS button. The operator then attempts to speak to the car's occupants and, if necessary, alerts the relevant emergency services. Thanks to the onboard GPS and mobile phone, the call system service can accurately locate the vehicle, even if the driver is unconscious. By the end of 2007, more than 430,000 Peugeot and Citroën vehicles were equipped with a "Premium" emergency call system*, in the nine European countries where this service is available (France, Germany, Italy, Spain, Belgium, Luxemburg, Holland, Portugal and Austria). Finally, PSA Peugeot Citroën has developed emergency information notices in cooperation with the Defence and Civil Safety division of the French Ministry of the Interior. These notices enable the emergency services to operate faster and more effectively on the body structure of a crashed car.

* Outside the nine "Premium" countries, the car calls 112, the European emergency number, which is not GPS-located.

Raising awareness of road safety in young people

As road safety is an important part of young people's education, PSA Peugeot Citroën is implementing awareness initiatives in Europe, Latin America and China. In China, in 2007, the Group reprinted 150,000 copies of a brochure on child safety in cars and also supports the Science Bus project created by CAST (China Association of Sciences and Technology). Science buses are small mobile science museums which take scientific knowledge to the schools and rural areas of China. The PSA Peugeot Citroën-sponsored bus travels through the province of Guangxi presenting a road safety display created by the Group.



RESPONSIBILITIES AND STAKES

32. A responsible enterprise approach
34 to 41. Employee relations policy
42. Supplier relations/Consumer relations
44. European leader in low CO₂ emission vehicles

46. Towards an ecological car
48. Safe vehicles
50 to 53. Industrial environmental governance
54. Local development and solidarity



Industrial environmental governance

100% of the Group's automobile production plants are ISO 14001 certified.

500 people involved in managing the Group's industrial environment.

For a long time now, PSA Peugeot Citroën has determined that its industrial sites must be a leading example of respect for the environment. Apart from complying with local rules and regulations, this commitment also means that, for each of the Group's sites in all the countries in which it operates, a pro-active policy must be adopted to protect natural environments and the quality of life of the neighbouring population. To achieve this goal, the Group has set up an environmental control system and a policy of raising awareness throughout the Company based on three major fronts: internationally recognized references, efficient organisation, and substantial human and material resources.

The ISO 14001 standard: a universally recognized framework for action

For more than 10 years now, the Group has pursued a systematic ISO 14001 certification policy to monitor effectively the environmental performance of its production plants. ISO 14001 defines an international standard of management and organisation; it provides a common language to express the Group's environmental policy, sets out the regulatory framework, and describes the procedures required to be followed to implement that policy.

The basic principle of good environmental management, laid down by the ISO 14001 standard, is the need for continuous improvement and it is this aspiration that drives the Group's policy. All of the Group's production plants are now certified. The Trnava plant in Slovakia, opened in 2006, obtained its certification in 2007. Production plants operated as joint ventures, or in cooperation with PSA Peugeot Citroën's partners, are also certified: Douvrin (Française de Mécanique) and Hordain (Sevelnord) in France and Wuhan and Xiangfan (Dongfeng Peugeot Citroën Automobiles) in China. Moreover, the process has also been extended to other Group facilities: in 2007, the technical centre at La Garenne and the spare parts centre in Vesoul in France were certified.

Organisation and resources

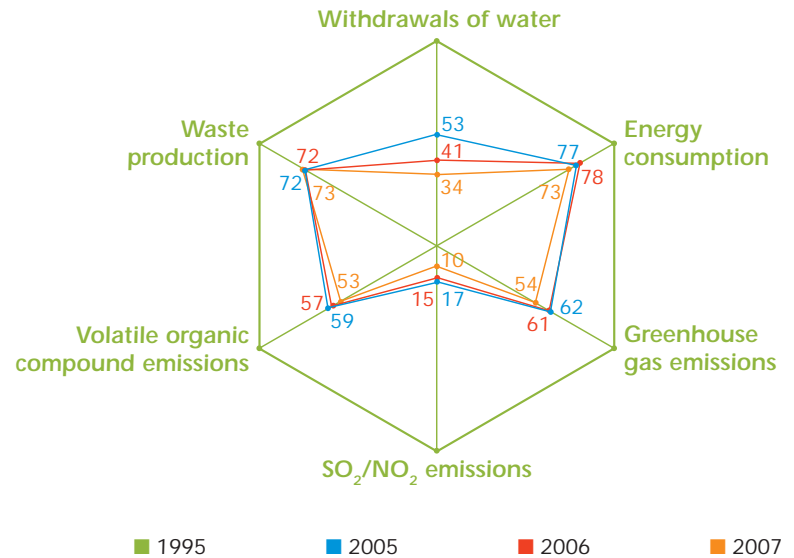
The international reference of the ISO 14001 standard provides a framework within which PSA Peugeot Citroën has been developing a robust organisation: since 1989, its reporting has been carried out by its Industrial Environment Observatory which was entirely restructured in 2007. The industrial environment department determines and coordinates general actions and is provided with a designated investment budget. It defines and implements local policies on the basis of the Group guidelines; in each plant an environmental officer works with a specific environmental unit and with a network of correspondents in each of the plant's workshops. The Technical division also has environmental specialists who provide assistance to individual plants, especially when industrial projects are being designed or implemented. In 2007, approximately 500 people were involved in managing the Group's industrial environment. In addition, all PSA Peugeot Citroën staff attend training or awareness-raising sessions concerning aspects of the environment relevant to their function and activity.

A dedicated procedure to enhance soil protection

PSA Peugeot Citroën has set up a procedure to analyse the soils at its plants so as to be more informed in the management of existing pollution. This follows the guidelines issued by France's Geological and Mining Research Bureau (BRGM). Between 1999 and 2005, this procedure was implemented in France at Sochaux, Mulhouse, Poissy, Sept-Fons, Valenciennes, Caen, Asnières, Saint-Ouen, Metz and Trémery. In Europe, studies have also been carried out at Mangualde (Portugal). Similar studies are performed when industrial plant is sold or acquired. A self-monitoring mechanism has been set up on several sites and pollution has been removed where necessary. The Group also applies a thorough risk prevention strategy, in particular by creating rigorous containment systems for liquid storage facilities.

Trends for the main environmental indicators by vehicle produced

Perimeter Automobile division (base index 100 in 1995)



RESPONSIBILITIES AND STAKES

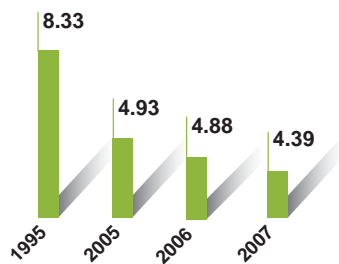
32. A responsible enterprise approach
34 to 41. Employee relations policy
42. Supplier relations/Consumer relations
44. European leader in low CO₂ emission vehicles

46. Towards an ecological car
48. Safe vehicles
50 to 53. Industrial environmental governance
54. Local development and solidarity



Optimized resource management

Volatile organic compound (VOC) emissions per vehicle (kg/vehicle ration)



PSA Peugeot Citroën is aiming ultimately at a target of **4 kg COV/vehicle**.

PSA Peugeot Citroën's objective for 2010 is to achieve energy consumption of **2.1 MWh/vehicle**.

The results obtained by PSA Peugeot Citroën in the fields of emission of pollutants and the reduction of energy, water consumption and reprocessing of waste, all reflect the Group's commitment to optimized resource management.

Volatile organic compound (VOC) emissions under control

The top environmental priority of an industrial company is to reduce emissions of all regulated pollutants. For an automobile manufacturer the primary pollutants are volatile organic compounds (VOCs). These hydrocarbons are found in automobile paint solvents and, for a long time, this was one of the larger sources of such emissions connected with human activity. Today this is no longer the case: in France, VOC emissions from automobile manufacturing plants are now less than 1% of the total emissions for all human activities combined.

For PSA Peugeot Citroën, VOC emissions per vehicle in the Group's coachwork plants have been reduced by a third in less than 20 years. Each plant respects the maximum limits fixed by the European directive on the reduction of VOC emissions which came into force in October 2007. This achievement was made possible by a pro-active approach based on four priorities:

- optimizing workshops: reducing consumption of paint (and thus solvents) by installing equipment providing a more efficient application, selecting paints with lower solvent content and recycling used solvents;

- implementing clean technologies (water-based paints, powder-primers);
- air-processing involving incineration of VOCs;
- sharing experience and systematically exchanging details of good practices throughout the Group's various plants.

Effort made with regard to the other regulated pollutants

Since 1995, PSA Peugeot Citroën has reduced by 90% sulphur dioxide emissions from its combustion installations by using fuel with lower sulphur content. Over the same period, emissions of nitrogen oxides have been reduced by 30%.

Energy and water: keeping consumption under control

PSA Peugeot Citroën has also long sought to reduce its consumption of the energy on which most of its industrial processes depend - especially foundry work, cooling of machine tools, paint drying and heat treatment processes. The Group has made substantial investment in two particular areas: achieving moderate energy consumption and improving its combustion installations rated over 20 megawatts. Significant examples are the installation of cogeneration systems in three of its plants (Mulhouse, Rennes and Sochaux) and also the progressive replacement of fuel oil and coal with gas. This pro-active policy has led to a spectacular reduction in energy consumption - and consequently CO₂ emissions - connected with automobile manufacture. As a result, 9 sites (7 in France, 2 in Spain) were included in the first wave of exchange of CO₂ quotas set up in the European Union - their results yielding a surplus.

Water consumption is also rigorously monitored by a combination of generalised water metering, promoting the most economic modes of operation, and implementing recycling systems. Over the last ten years, this policy has reduced water consumption for each vehicle produced by 2.5 times, thereby contributing to the preservation of water resources. It has also made it possible to maintain the appropriate water quality: each plant is connected to the public waste water treatment network or equipped internally with integrated water purification system. PSA Peugeot Citroën also monitors the quality of waste water within the indicators defined in the operating permits. This organisation ensures that aqueous releases are not harmful to the surroundings.

Recycling and reprocessing waste

Alongside its eco-design approach (which seeks to produce vehicles which are substantially recyclable at the end of their lives), the Group has also implemented, for more than ten years, a policy of reducing, recycling and reprocessing its industrial waste, with very significant results: excluding metal waste, the weight of waste per vehicle produced has been reduced by about a third. The proportion of waste recycled is now 85%; the other recovery methods used are incineration without energy recovery and physical and chemical treatment of some liquid or sludge waste. Recourse to waste dumps is declining and metal waste (sheet metal, metal chips etc.) is almost completely recovered and is used naturally in steelmaking or in the Group's foundries. If this metal waste is included, the overall recycling rate of the Group's industrial waste is of the order of 94%.



Cf. also the "Environment/Sites" chapter of the Indicators supplement.



Trémery plant (France), ultra-filtration unit.

RESPONSIBILITIES AND STAKES

- 32. A responsible enterprise approach
- 34 to 41. Employee relations policy
- 42. Supplier relations/Consumer relations
- 44. European leader in low CO₂ emission vehicles

- 46. Towards an ecological car
- 48. Safe vehicles
- 50 to 53. Industrial environmental governance
- 54. Local development and solidarity

Local development and solidarity

Conscious of its role as a stakeholder in society, as a responsible industrial corporation and as a full member of the local communities, PSA Peugeot Citroën has deployed a number of outreach initiatives in its plants throughout the world for several years. Its commitment takes several forms, all of which promote important values: access to education and the fight against exclusion.

Long-term partnership with the national education system

PSA Peugeot Citroën has developed a close and long-term partnership with the French national education system. Its goal is to help young people and teachers reach a better understanding of the professions within the automobile industry, so as to maintain a technical and industrial culture which is vital to the training of future specialists in this field. This partnership takes a wide variety of forms with many donations of equipment, regular factory visits for schoolchildren and even internships for teachers in

the Group's facilities to keep up-to-date with recent technology. Over the last few years, this commitment has been extended internationally, particularly in China, Brazil, Mexico and Slovakia. In France it is deployed locally by a national steering committee which sets up academic cooperation agreements between the regional educational authorities and the Group's various units.

A global effort against exclusion

As a responsible corporation, PSA Peugeot Citroën considers that it has a role to play in the fight against exclusion. It supports initiatives in the field with the Parisian social emergency service, providing all their patrol vehicles. In 2007, an extra vehicle was given to the accommodation and hotel reservation unit for its travel within the Paris area. Similarly, the City on the Move Institute (IVM) has, over the last six years, developed innovative initiatives to facilitate mobility for all.



Encourage women to become engineers with the association «Elles bougent» (Women on the move)

PSA Peugeot Citroën is a founding member of the association «Elles bougent», which has been striving since 2005 to make it easier for women to work in the aerospace, automobile and rail industries. In October 2007, the Group's head office in Paris hosted the start of the first eco-mobility rally organized by the association. The target for the women who took part in the rally was to travel from Paris to Marseilles in three days using a variety of eco-friendly forms of transport.

Start of the eco-mobility rally.

Involvement with research into sustainable mobility with the City on the Move Institute (IVM)

As part of its sponsorship policy, in 2000, PSA Peugeot Citroën created the City on the Move Institute (IVM), a sort of "urban mobility laboratory", which analyses different kinds of travel situations and suggests innovative solutions. The IVM mobilizes experts and skills in a wide variety of specialties in Asia, Latin America and Europe. In Brazil, Argentina and China, the IVM regularly organizes events highlighting the importance of mobility and the need to manage it.

This unique institute combines the skills of corporations, universities, research institutions, stakeholders in cultural life and associations, as well

as the administrators of town and cities, to join forces and share their ideas. The goal is to devise practical paths to progress and encourage the dissemination of knowledge.

The three areas of work in the IVM are: mobility for people or social groups with difficulties or specific needs; quality of travel time and space through inter-modal and multi-modal transport systems; and developing knowledge and cultures of mobility.

Web site:
www.ville-en-mouvement.com




IVM exhibition
"The streets belong to us ... all!"

Initiatives providing benefits to the communities themselves

To anchor its sites firmly within their territorial areas, PSA Peugeot Citroën pursues a number of local initiatives reflecting its responsibility to society. Local Sponsorship and Social Responsibility Action Plans allow sites to structure the initiatives they support to benefit the communities, institutions and associations within their area, especially in the environmental, road safety, urban mobility and local development fields. For several years now, the Group's sites have organized Solidarity Trophies to provide financial assistance for employees seeking funding for a personal project or a project backed by an association.

In 2007, four of the Group's sites – Rennes, Poissy and Mulhouse in France and Madrid in Spain – gave trophies to their employees. PSA Peugeot Citroën also makes its entrepreneurial expertise available to SMEs around some of its sites (Rennes, Trémery, Sochaux, Mulhouse), providing advice on industrial organisation.

 Cf. also the "Society" chapter of the Indicators supplement.

A wide variety of initiatives

Local initiatives can take different forms: for example, in 2007, seven sites (Vesoul, Valenciennes, Rennes, Trémery, La Garenne-Colombes, Metz in France and Madrid in Spain) organized an awareness-raising event for their employees on the theme of handicap, whereas others organized campaigns to donate mechanical parts (Vesoul, Metz, Valenciennes, Rennes, Sochaux in France, Trnava in Slovakia, Madrid in Spain) and computer equipment (in France at Vesoul and Lieu-Saint-Amand, in Argentina and in China). In the same way, since 1999, the production unit in Porto Real, Brazil, has supported the initiatives of the Porto Real Foundation, which focuses especially on giving training to young people in difficulty.

Several sites also provide support to help people in difficulty get back into work, as in Valenciennes and Buenos Aires (Argentina), and help associations such as the "Second Chance Foundation" in Rennes (France). Finally, the Peugeot and Citroën brands and their networks also develop local initiatives in the countries in which they operate. For example, in 2007 the Peugeot affiliate in South Africa continued to support prevention and advice activities for under-privileged populations affected by AIDS in Orange Farm, near Johannesburg.

A woman with blonde hair and sunglasses is driving a blue car. The car is a convertible, and the word "Picasso" is visible on the side. The background shows a blurred landscape with trees and a clear sky.

Group businesses

Offer more **mobility** through



diversified line-ups

GROUP BUSINESSES

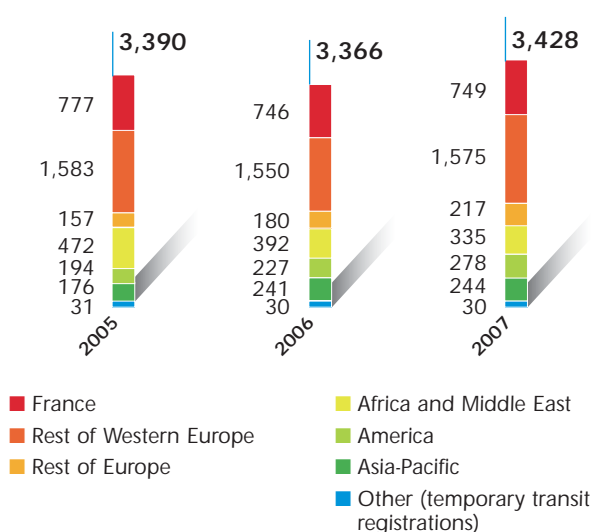
58. Return to sales growth
60. Peugeot
62. Citroën
64. China

66. South America
68. Central Europe and Russia
69. Banque PSA Finance
70. Faurecia/Gefco



Return to sales growth

PSA Peugeot Citroën worldwide sales by geographic region (in thousands)



PSA Peugeot Citroën saw a return to sales growth in 2007, with 3,428,400 vehicles and CKD units sold, up 1.8% compared with 2006. In Western Europe, Group sales increased for the first time since 2002. The expansion into international markets pressed on, especially in the Group's priority growth regions: China, South America and Russia.

This growth accelerated in Q2, with the ramp-up of the new Peugeot and Citroën models and steady sales of the new generation light commercial vehicles line-up.

Rising sales in Western Europe

With the market (PC + LCV) rising 0.8% in 2007, the Group's two brands, likewise, improved their performance by 0.8%, reaching a total of 2,330,200 units, made up with 1,225,800 Peugeot and 1,104,400 Citroën vehicles. PSA Peugeot Citroën retains its second place in Western Europe, with a 13.8% market share.

From a sales standpoint, it holds number one position in France, Spain, Belgium and Portugal, and ranks second in Switzerland, Denmark and Italy. In Italy, where the market rose sharply (+6.7%), Peugeot and Citroën were remarkably dynamic with registrations up 10.9%.

The Group also held on to the number one slot in the light commercial vehicles market which grew steadily in 2007.

32.2%

of sales made outside Western Europe.

International expansion momentum picks up

Group sales outside Western Europe rose once again in 2007. Taking advantage of this sharp rise in demand, Peugeot and Citroën strengthened their positions in a number of countries. In Central and Eastern Europe, as in South America, PSA Peugeot Citroën outperformed the market. With 37,200 cars sold in Russia (+26.3%) and 208,000 registrations in the Mercosur region (+32.9%), including 128,200 in Brazil (+33.5%), the Group is progressing on track with its CAP 2010 and Ambition 2015 objectives, which aim over time at an annual volume of 500,000 sales in South America and 300,000 sales in Russia. In addition, 2007 was a year of consolidation in China: Dongfeng Peugeot Citroën Automobile (DPCA) sold 208,900 vehicles (+3.1%) in 2007, with a market share of 3.9%, whereas the passenger vehicle market was up 24.4%. In 2008, the Group forecasts higher sales growth in China.

Radically new line-ups

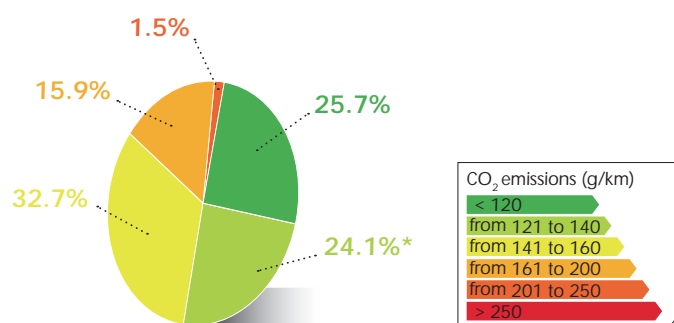
In 2007, the Group momentum picked up, thanks to the following strong performances:

- With 520,200 units sold during its first full year on the market, the Peugeot 207 overtook its target set at 500,000 sales. All in all, 951,300 Peugeot segment B models were sold in 2007. Launched at the end of the year, the Peugeot 308 got off to a strong start, with 82,500 sold by the year end.
- Citroën was Europe's leading compact MPV constructor in 2007 (321,600 examples sold), riding on the success of the C4 Picasso, reinforced at the beginning of 2007 by its 5-seater version. Orders for the C-Crosser SUV beat all forecasts. Finally, the C4 Pallas and Sedan, launched in South America in the middle of the year, met with instant success.
- The impact of renewing the commercial vehicle line-ups, with the Peugeot Boxer and Citroën Jumper in 2006, followed by the Peugeot Expert and Citroën Jumpy in 2007 was fully felt: PSA Peugeot Citroën is number one in Europe on the light commercial vehicles (LCV) segment, with 18.8% market share and 387,000 registrations.
- In 2007, Peugeot and Citroën continued to demonstrate their commitment to protecting the environment. For the second consecutive year, the Group sold a million vehicles in Europe emitting less than 140 g of CO₂/km, with three quarters of these actually under 130 g of CO₂/km.

Outlook

In what is still a tough, competitive environment, the European market in 2008 should maintain a similar level to 2007. PSA Peugeot Citroën will witness a new stage in its line-up rejuvenation program with the launch of the new Citroën C5, the extension of the Peugeot 308 range, the introduction of two entry level LCVs, the Citroën Nemo and Peugeot Bipper, and the new Citroën Berlingo and Peugeot Partner. Combined with the ramp up of the models launched during 2007, these developments should enable the Group to increase its volume growth in Europe. In 2008, PSA Peugeot Citroën forecasts sales of vehicles and CKD units in the range of 3,550,000 - 3,650,000; in other words, around 5% growth. Taking account of the launch program, this growth should be stronger in the second half of the year than in the first.

Breakdown of PSA Peugeot Citroën registrations according to CO₂ emissions in 2007 (Europe)



* including 10.9% with a consumption < 110 g of CO₂/km.



GROUP BUSINESSES

58. Return to sales growth
60. Peugeot
62. Citroën
64. China

66. South America
68. Central Europe and Russia
69. Banque PSA Finance
70. Faurecia/Gefco



Peugeot

Top 10 Peugeot models sold worldwide in 2007

Models	Units
207	520,200
307	369,100
206	308,200
Partner	160,700
407	136,000
107	104,300
308	82,500
Boxer	54,200
Expert	43,600
807	21,100

1,967,100 vehicles sold in 2007.

With its sleek and efficient line-up, the Peugeot brand has a host of sound arguments to win over even more customers in its different markets. This line-up reflects the strong values which make Peugeot the most popular brand in France*.

2007, the year of the 207

2007 saw the Peugeot 207 assert its identity. In its first full year on the market, the brand's flagship model enjoyed both flourishing sales, 520,200 units in total, and a multitude of events: the launch of new shapes – CC, SW and RC – and the extension of the engine range.

The 207 CC emulates the hard-top cabriolet formula that proved to be hugely successful with the 206 and the 307, while the SW Outdoor and SW RC versions represent "all-road" and sporty alternatives.

The new 1.6 litre THP engines, 1.6 litre and 1.4 litre VTi, co-developed by PSA Peugeot Citroën and BMW, bring acknowledged driving pleasure while sharply cutting down on fuel consumption and CO₂ emissions. The 207 was voted "Best imported car of the year" in Japan in 2007.

* Posternak Margerit and IPSOS survey on large businesses – February 2008.

The 308 gets off to a flying start

Launched at the end of the year, the 308 met with instant success, picking up the famous "Golden steering-wheel" trophy awarded by the German magazine *Bild am Sonntag*.

The independent organization Euro NCAP also gave the 308 its maximum 5-star rating for the car's high level of safety. Finally, with over 150,000 units produced by the end of the year, the launch of the new saloon has fulfilled its promise.

In 2007, Peugeot also introduced its first SUV, the 4007, co-developed with Mitsubishi. This new model comes to complete a line-up which, today, covers most of the passenger car market. Finally, thanks to its Boxer and Expert, as well as the Partner, which continues to be a success, Peugeot has confirmed its place as a major player in the light commercial vehicles segment.

Peugeot Sport: promising debut for the 908 HDi FAP

In 2007, in its first year of competing, the Peugeot 908 HDi FAP won the Le Mans Series Championship and finished second in the Le Mans 24 Hours.

Outlook

Peugeot will continue renewing its line-up in 2008, taking the average age down to just three years. Regarding passenger cars, the 308 offer will be extended with the introduction of new variants, while the "Tepee" MPV line-up will see two new additions, the Bipper Tepee and the Partner Tepee. On the side of commercial vehicles, the Bipper and the new Partner will be added to the Peugeot line-up, offering the market the most comprehensive range at the moment. Finally, 2008 will be marked by the impact of the Blue Lion initiative, with the launch of even more environmentally-friendly new models and the tenth anniversary of the scientific corporate sponsorship: Peugeot's carbon sink in Amazonia.

Blue Lion

Inaugurated in September 2007, Peugeot's Blue Lion initiative gathers together all the efforts made over the years by Peugeot in favour of protecting the environment. Indeed, thanks to the expertise it has gained in the field of diesel engines and particulate filters, and through its on-going research to reduce motor car fuel consumption and CO₂ emissions, Peugeot today has one of the most environmentally-friendly ranges in Europe.



A few examples:

- 107 petrol 1.0 litre – 50 kW (≈68 hp) emitting 109 g/km of CO₂;
- 207 saloon 1.6 litre HDi – 66 kW (≈90 hp) emitting 120 g/km of CO₂;
- 308 saloon 1.6 litre HDi FAP – 80 kW (≈110 hp) equipped with the new BMP6 gearbox which limits its CO₂ emissions to 120 g/km.

The Blue Lion initiative starts with the design of the brands dealership network premises. In accordance with the Blue Box concept, a limited glass-surfaced sales area keeps heating and air-conditioning bills under better control and preference is given to using natural materials such as wood. Workshops are laid-out to make it easier to sort and recycle automotive waste.



GROUP BUSINESSES

58. Return to sales growth
60. Peugeot
62. Citroën
64. China

66. South America
68. Central Europe and Russia
69. Banque PSA Finance
70. Faurecia/Gefco



Citroën

Top 10 Citroën models sold worldwide in 2007

Models	Units
C4*	437,900
C3	276,700
Berlingo	187,700
Xsara*	119,200
C1	99,500
C2	94,900
Jumper	58,600
C5	50,900
Jumpy	38,700
C8	12,700

* including the Picasso version

+3.93%

of vehicles sold by Citroën in 2007.

Commercial performance, successful new products, environmental leadership and sporting victories illustrate the fine results of Citroën in 2007 and confirm the brand's international acceleration.

2007, the year of the Picasso

One of the brand's main success drivers in 2007 was the C4 Picasso family (5 and 7-seater versions). Associated with the Xsara Picasso, it enabled Citroën to become European leader in the compact MPV segment, with almost 20% penetration. Another new model for Citroën in 2007, the C-Crosser SUV, co-developed with Mitsubishi, got off to a great start in this market segment. Launched in France and Europe in July, the model recorded 10,000 orders, beating all forecasts.

Line-up performance and international expansion

Armed with an attractive and comprehensive line-up – the broadest to date – Citroën continued to grow, notably in Europe and South America. In these areas, the launch of the C4 notchback, called Sedan in Argentina and Pallas in Brazil, enabled Citroën to increase its market share considerably. Spacious and modern, this model was voted 2007 'car of the year', taking just a few months to become leader in its segment.

For the 5th consecutive year, Citroën was the best performing brand in terms of average CO₂/km emissions in Europe.



The AIRDREAM[®] eco-label identifies the most environmentally-friendly vehicles in the Citroën line-up in 3 areas.

1. CO₂ performance

AIRDREAM[®] cars comply with CO₂ emission thresholds locally in Europe, within the maximum 130 g/km* limit. Either they use Stop & Start technology (no CO₂ emissions or noise when stopping), or they run on CNG (approx. -20% CO₂ emissions compared with petrol).

*158 g for diesel vehicles equipped with particulate filters (FAP) and compatible with Biodiesel B30, 200 g for vehicles running on Superethanol E85.

2. Manufacturing performance

AIRDREAM[®] cars are made in an ISO 14001 certified plant.

3. Applied materials performance

AIRDREAM[®] cars are designed so that 95% of their mass can be reprocessed when they reach the end of their life, 85% of this through recycling.

Under this label, Citroën naturally integrates new technologies and progress in other areas liable to enhance still further environmental protection.

In China, the fine performance of the C2 (special version) and the C-Triomphe allowed Citroën to maintain the level of its sales during a year of transition, especially marked by the revamping of its dealership network. Finally, Citroën was particularly aggressive in the LCV market, the ongoing success of the Berlingo being joined by the recent launch of the Jumper and the Jumpy.

Inaugurated in September, Citroën's latest high-class showroom, C42, on the avenue des Champs-Élysées in Paris has welcomed over a million visitors in six months. In the sporting arena, the rally drivers S. Loeb and D. Elena picked up their fourth consecutive WRC drivers' championship trophy at the wheel of their C4 WRC (8 victories in 2007).

Outlook

In 2008, Citroën will enjoy the full benefits of the successful vehicle launches in 2007: the C4 Picasso, the C-Crosser as well as C4 Sedan in Argentina and the C4 Pallas in Brazil. Coming onto the market in spring 2008, the new C5 has already been acclaimed by the professional media for its high level of services and perceived quality, as well as its sleek and stately style. Citroën will push on with its offensive on the LCV segment with the new Berlingo and the Nemo, introduced at the end of 2007. With the current Berlingo pursuing its career under the name 'Berlingo First',

and with the Jumpy and the Jumper, Citroën's extremely modern commercial line-up is the most comprehensive range ever produced. An MPV version of Nemo and the new Berlingo will strengthen Citroën's leadership in this segment.



C42 Avenue des Champs-Élysées in Paris

GROUP BUSINESSES

58. Return to sales growth
60. Peugeot
62. Citroën
64. China

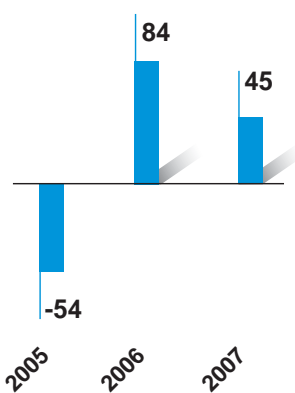
66. South America
68. Central Europe and Russia
69. Banque PSA Finance
70. Faurecia/Gefco



Production of the Dongfeng Peugeot 206 in Wuhan

China

DPCA recurring operational income (in millions of euros)



3.9%

market share in China in 2007.

With a sales and operations presence dating back to the 1990s, the Group was among the first Western carmakers to take an interest in the Chinese motor market, a market which is today characterised by a surge in demand and rapidly-changing consumer expectations.

A booming market

In similar fashion to the country's booming economy, the Chinese automotive market has been expanding steadily. From 2003 to 2006, GDP in China rose from \$1,641 billion to \$2,645 billion (+61.2%); automobile production and the sale of new cars have almost doubled. In 2007, 5,274,000 locally produced passenger cars were sold in China, a 24.4% increase compared to 2006.

Considering the size and pace at which the market is developing, as well as its future potential, China is a priority growth region for PSA Peugeot Citroën, which has had a commercial and industrial presence since 1992.

A strong manufacturing presence

In compliance with Chinese legislation, the Group is present in China through a joint-venture, Dongfeng Peugeot Citroën Automobile (DPCA). Held in parity by PSA Peugeot Citroën and its Chinese partner, Dongfeng Motor, this company operates two manufacturing facilities in the province of Hubei.

6,000 employees produce 900 vehicles a day in the terminal plant in Wuhan. Its initial production capacity of 150,000 vehicles per year will be doubled to reach 300,000 vehicles in 2008. Wuhan currently manufactures 8 Peugeot and Citroën models: the Dongfeng Citroën Fukang hatchbacks and notchbacks, the Dongfeng Citroën Élysée, the Dongfeng Citroën Xsara Picasso, the Dongfeng Citroën C-Triomphe, the Dongfeng Citroën C2, the Dongfeng Peugeot 307 and the Dongfeng Peugeot 206. The Xiangfan plant, which employs 1,700 people, makes the engines, gearboxes and suspension systems for the Wuhan facility.

In response to increasing local market needs, in 2007, PSA Peugeot Citroën began building its second plant in Wuhan, dedicated to its top-of-the-range vehicles.

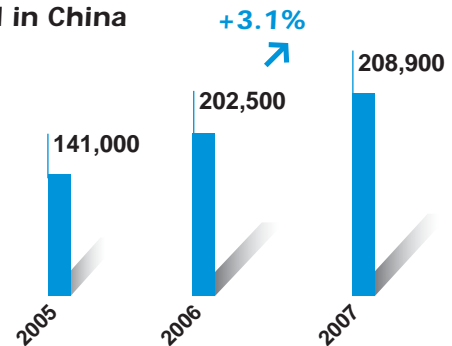
A transitional year for sales

Reflecting PSA Peugeot Citroën's long-term industrial strategy in China, these local manufacturing assets enabled the Group to hold 3.9% of the market in 2007. Group sales reached 208,900 vehicles, which corresponds to just a 3.1% increase compared with 43.7% in 2006. Essentially, the age of certain models in the line-up, together with the current restructuring of the Citroën network, has resulted in a temporary drop in the brand's sales.

Outlook

For 2008, PSA Peugeot Citroën aims to return to steady sales growth on the back of revamped (Citroën) and extended (Peugeot) dealership networks, not forgetting the contribution of Dongfeng Peugeot Citroën Auto Finance Company (DPCAFC). This company takes care of the financing of car-stocks for the Peugeot and Citroën networks and also provides car purchase solutions to customers. In an extremely fast-changing market in terms of both clientele and expectations, the renewal of line-ups with even better targeted products is a necessity which the Group has incorporated into its strategy. With its Chinese activities now organized into a "business unit" and its manufacturing base reinforced, the Group is also strengthening its local R&D, design and sourcing capabilities. The goal is to launch 12 new models by 2010, especially in the entry-level range, and cover 80% of the market. In the long run, PSA Peugeot Citroën aims to sell over a million vehicles a year in China.

Units sold in China



The Group promotes sustainable development in China

Founded in 2003, thanks to the joint efforts of the World Business Council for Sustainable Development and the China Enterprise Confederation (CEC), the China Business Council for Sustainable Development (CBCSD) is China's leading association in the promotion of sustainable development. PSA Peugeot Citroën joined the CBCSD in 2006 and encouraged its joint venture DPCA to follow suit in the same year. DPCA was the first Chinese carmaker to produce its own sustainable development report in 2007 and it published the second edition in March 2008.

GROUP BUSINESSES

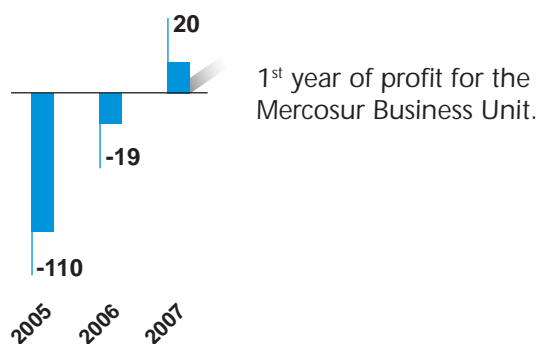
58. Return to sales growth
60. Peugeot
62. Citroën
64. China

66. South America
68. Central Europe and Russia
69. Banque PSA Finance
70. Faurecia/Gefco



South America

Automobile division's recurring operating income (in millions of euros)



14.9%

market share in Argentina.

5.5%

market share in Brazil.

With a solid sales network and manufacturing base in Brazil and Argentina, PSA Peugeot Citroën actively supports the growth of these markets with adjusted product-offers in terms of options and engines.

A high-potential region

PSA Peugeot Citroën's growth strategy is based on expanding into three priority regions. South America saw the Group take its first foothold some time ago: in fact, the first manufacturing location in Buenos Aires (Argentina) dates back to 1963. With over 280 million inhabitants*, a GDP per inhabitant estimated at €5,300 dollars and high growth rates, it represents both an important market and a sound industrial base. In 2007, the Group sold 216,000 vehicles in the region, an increase of 29.8% compared with 2006: i.e. a higher growth than the markets themselves.

A successful industrial presence

PSA Peugeot Citroën has three manufacturing facilities in two South American countries. In Argentina, Peugeot Citroën Argentina currently employs close to 4,800 people in its Buenos Aires terminal plant and in its mechanical factory in Jeppener. Six Group models are produced there: in 2007, the Peugeot 206, the 5-door 307, the 307 Sedan, the Partner and the Citroën

* Mercosur: (Argentina, Brazil, Paraguay, Uruguay, Venezuela) and associated countries (Bolivia, Chile, Peru, Colombia, Ecuador).

Berlingo were joined by the Citroën C4 notchback saloon. For the latter model, the objective is to produce 50,000 vehicles per year, primarily for the countries in South America, though it could be exported to other parts of the world if the demand is high. 118,000 vehicles were made in Buenos Aires in 2007.

In Brazil, the Porto Real production centre, opened in 2001, employs 2,800 people and comprises four units: body in white, paintwork (water-based), assembly and mechanics. The latter is dedicated to petrol and flex-fuel engines, which are in great demand in Brazil. Its current production capacity is 150,000 vehicles per year. Four vehicles are made there today: the Peugeot 206 and 206 SW and the Citroën Xsara Picasso and C3. In 2007, production reached 105,800 vehicles. At the end of 2007, a third production shift was introduced at the Buenos Aires and Porto Real sites.

Sharp growth

By manufacturing in South America's two biggest countries, PSA Peugeot Citroën is in a position to produce models which meet local expectations. It is also able to be competitive in a region which is, after the European Union and NAFTA**, the third largest integrated market in the world. The mid and low-range line-ups produced by Peugeot and Citroën are particularly adapted to local consumer demand. With both brands supported by sound dealership networks, sales performances in 2007 were excellent. In Brazil, the Group's registrations were up 33.5% (versus 27.6% for the market), increasing to 128,200 units. Market penetration reached 5.5%. In Argentina, Group sales were up 28.9% (compared with 26.6% for the market) and market share gained 0.5 point to reach 14.9%.

** North-American Free Trade Agreement (Canada, USA, Mexico).



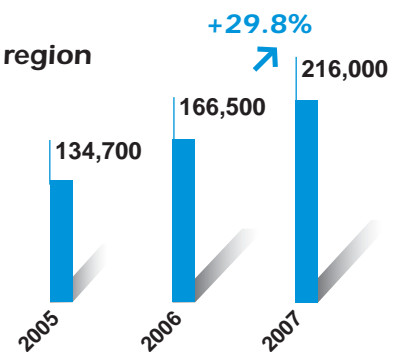
Promoting sensible driving

In Brazil, the Group organises road safety awareness programs especially at Carnival time or when the new school year begins. In the State of Rio, it distributed 20,000 brochures on child protection in the car. In Argentina, the 10 road-safety seminars organized by the Group attracted 1,600 people. Peugeot also introduced a "Peugeot road safety" program with 10 recommendations accessible on www.seguridadpeugeot.com.ar

Great ambitions for 2010

In 2007, the Group reaped the benefits of the new "business unit" organisation which it had implemented in this region. For the first time, South America was profitable, with a positive balance of €20 million. In 2008 and beyond, the Group will be stepping up its efforts. By 2010, PSA Peugeot Citroën will have launched 12 new models, to become a major player in the entry-level range. The two brands' networks will be bolstered and extended, and more production capacities will be added. The local R&D teams and the share of local procurement will be strengthened. By 2015, PSA Peugeot Citroën aims to become one of Brazil's top carmakers and establish an unrivalled leadership in Argentina where it is already considered as a national producer.

Units sold in the Mercosur region



GROUP BUSINESSES

58. Return to sales growth
60. Peugeot
62. Citroën
64. China

66. South America
68. Central Europe and Russia
69. Banque PSA Finance
70. Faurecia/Gefco



Central Europe and Russia

Central and Eastern European countries and Russia are characterized by strong economic growth and a large population, over 200 million people. The density of the number of vehicles on the road is still relatively low, with an average below 300 vehicles/1,000 people, compared with 586 vehicles/1,000 people in Western Europe. The high demand for vehicles in Central and Eastern Europe has enabled PSA Peugeot Citroën to assert itself as the second carmaker in this region.

A solid manufacturing base

Capitalising on the region's manufacturing potential, the Group has set up two plants, which supply both the whole region and Western Europe. Since March 2005, the TPCA (Toyota Peugeot Citroën Automobile) plant in Kolín, Czech Republic, has been producing the Peugeot 107, the Citroën C1 and the Toyota Aygo. In neighbouring Slovakia, the Group began making the Peugeot 207 in 2006, in its new Trnava plant, which has an annual production capacity of 300,000 vehicles.

A strong commercial position

In 2007, PSA Peugeot Citroën sales in Eastern Europe rose 15.6% – faster than the market – with a total of 132,500 units. In a very dynamic Russian market, Group sales also increased with, respectively, 26,300 Peugeot and 10,900 Citroën vehicles sold, up 26.3% on 2006.

Outlook

These encouraging results have led PSA Peugeot Citroën to include Russia in its priority growth regions. The Group aims to sell 100,000 vehicles by 2010 and 300,000 in the long run.

To keep on track with this objective, it signed in January 2008 a cooperation and investment agreement concerning the construction of an assembly plant on the site of Kaluga, south-west of Moscow.

The Group will invest €300 million in a factory with a production capacity of 150,000 vehicles per year, dedicated to mid-range models, in answer to the high growth of this segment (60% of sales in Russia). The Kaluga plant will be operational in 2010.

Banque PSA Finance

Operating in 19 countries, Banque PSA Finance provides financing for the sale of Peugeot and Citroën vehicles. It covers new vehicle and spare parts inventories for the two brands' dealer networks and offers their customers a comprehensive range of financing and related services.

In 2007, Banque PSA Finance operated in a business climate where interest rates continued to climb and competition became more intense. In addition, the banking world was shaken by the US credit-crunch crisis.

Business trend

The number of new and second-hand car financing contracts was up 3.9% on 2006, rising to 850,982 units. Volumes outside Western Europe increased by 41.5%, with 88,368 contracts. Regarding sales of new Peugeot and Citroën vehicles, the penetration rate remained steady at 26.1%.

All in all, retail financing in 2007 amounted to €9,253 million, compared with €8,771 million in 2006. In addition, the year once again saw further expansion in the services business with 1,212,103 contracts produced (+3.5%).

Credits outstanding increased to €23,456 million (+2.4% versus 2006). This increase was particularly buoyant in countries outside Western Europe (+44.5%), as business continued to grow in Brazil, Poland and the Czech Republic.

The bank intensified in 2007 the integration of components resulting from the Basel II Accord into its operational mechanisms.

Safeguarding its European positions

Banque PSA Finance managed to hold onto its positions in Western Europe, expanding in particular into the area of corporate financing. The bank's results were significantly higher in Germany (penetration rate at 41.7%, versus 33.0% in 2006) and remained at a high level in France (29.7%) and the UK (26.5%).


Stepping up its international expansion

The bank pressed on with its international development strategy in Central Europe and South America on the back of its current subsidiaries. In Argentina and Brazil, the sharp rise in Peugeot and Citroën registrations (+32.9%) and improved penetration rates enabled the bank to increase its new car financing contracts by 44.3%. In central Europe, the Czech, Hungarian and Slovak subsidiaries of Banque PSA Finance improved their positions considerably.

Successful commercial policy

To counter an increasingly tougher competitive environment, Banque PSA Finance has continued to focus on end-customer loyalty by extending the range of products and services offered to new and second-hand car buyers. The bank launched 27 retail financing and service products, strengthened its long-term hire offer and improved servicing and maintenance offers in liaison with the brands.

	2006	2007
Number of vehicles financed	819,100	851,000
Outstanding loans at December 31, 2007 (in millions of euros)	22,976	23,456
Recurring operating income (in millions of euros)	604	608

 Cf. also the Indicators supplement.



GROUP BUSINESSES

58. Return to sales growth
60. Peugeot
62. Citroën
64. China

66. South America
68. Central Europe and Russia
69. Banque PSA Finance
70. Faurecia/Gefco

Faurecia

growth and performance

As a subsidiary owned 71.25% by PSA Peugeot Citroën, Faurecia is today one of the top ten automotive equipment suppliers in the world. In 2007, its turnover rose by 8.7%, to over €12,600 million. With recurring operating income at €121 million, this is a significant increase compared with the €69 million it recorded in 2006.

Growth and stabilization

All Faurecia production – exhaust systems, front-end modules, seats and car interiors – grew in 2007, capitalizing notably on non-European markets, with turnover up 42% in North America and 32.3% in China. Faurecia has pressed on with its customer diversification strategy. PSA Peugeot Citroën corresponds to just 23.1% of its turnover in 2007. At the same time, the business has continued its efforts to put the accounts back on an even keel and search for profitability, the aim being to increase its operating margin in a significant and sustainable way. Most of the progress recorded in 2007 is due to the hard work put into increasing productivity and controlling development costs. Faurecia is back on a sound footing, with debt down and cash-flow up.

One performance goal


The buzzword for Faurecia, in 2008 and beyond, is excellence: in terms of quality, program management, cost/efficiency ratio and product innovation. Faurecia is also aiming at profitable growth which it intends to target by region, meaning being selective in Europe, a sharp increase in North America, and acceleration in the emerging countries. The business is aiming for an operating margin of 3% of its turnover in 2010. Already the technology benchmark for its seat mechanisms, the hot-end parts of its diesel exhaust systems and particulate filters, Faurecia's ambition is to be among the world leaders in each of its businesses, in both performance and returns.

Respect for the Environment and Safety in the Workplace

Faurecia designs and makes products which increasingly respect the environment, especially by using natural and recyclable materials, or by producing even lighter equipment to reduce fuel consumption. The environmental management system based on the ISO 14001 standard continues to be deployed in all Faurecia factories: 99 sites are currently certified, compared with 50 in 2003 and 17 in 2000. Close to 13,000 people were trained, in 2007, on environment-related subjects. The efforts made to improve safety in the workplace are reflected in the sharp drop in lost-time accidents (down 75% between 2003 and 2007), and the lower rate of accident severity.



"Premium Attitude" concept car

 Cf. also the Indicators supplement.

Gefco

diversification and profitable growth

As a wholly-owned subsidiary of PSA Peugeot Citroën, Gefco specializes in automotive logistics and employs over 10,000 people worldwide. In 2007, it recorded a turnover of €3,554 million, an increase of 9.5% compared with 2006. Its recurring operating income was also up 2.65% on the previous year to become €155 million.

Growth focus

In 2007, Gefco launched "Force 10", a program aimed at increasing its overall performance. The objective is to reach a 5% operating margin in the short term by expanding quickly and profitably in high-growth geographic regions and by increasing its customer portfolio.

A more diverse customer-base

Gefco continued expanding this year, opening a logistics platform in Wroclaw (Poland) and an automotive centre in Casablanca (Morocco) for new vehicle preparation and warehousing; an overseas site was also set up near the Roissy-Charles de Gaulle airport in the north of Paris. In accordance with its "Force 10" commitments, Gefco has continued to diversify its customer portfolio, signing a three-year agreement with the Yellow Pages group. In 2007, 39.5% of Gefco's turnover was with customers outside PSA Peugeot Citroën.

Fighting the greenhouse effect

Conscious of the environmental impact of its activities and those of its subcontractors, Gefco intends to measure and control its overall eco-performance. The company will be pressing on with its target to reduce greenhouse gases by regularly increasing the proportion of alternative modes to road transport which today stands at 25%, compared with a European average of 17% in this sector. In its supply chain models, Gefco encourages the use of river, rail and sea transport.



Optimized warehouses

Since 2005, Gefco has contributed to the drafting of a specific sustainable development charter for warehouses, under the auspices of the Afilog association. The goal is to obtain the French HQE standard (high environmental quality) for all new buildings as of 2008.

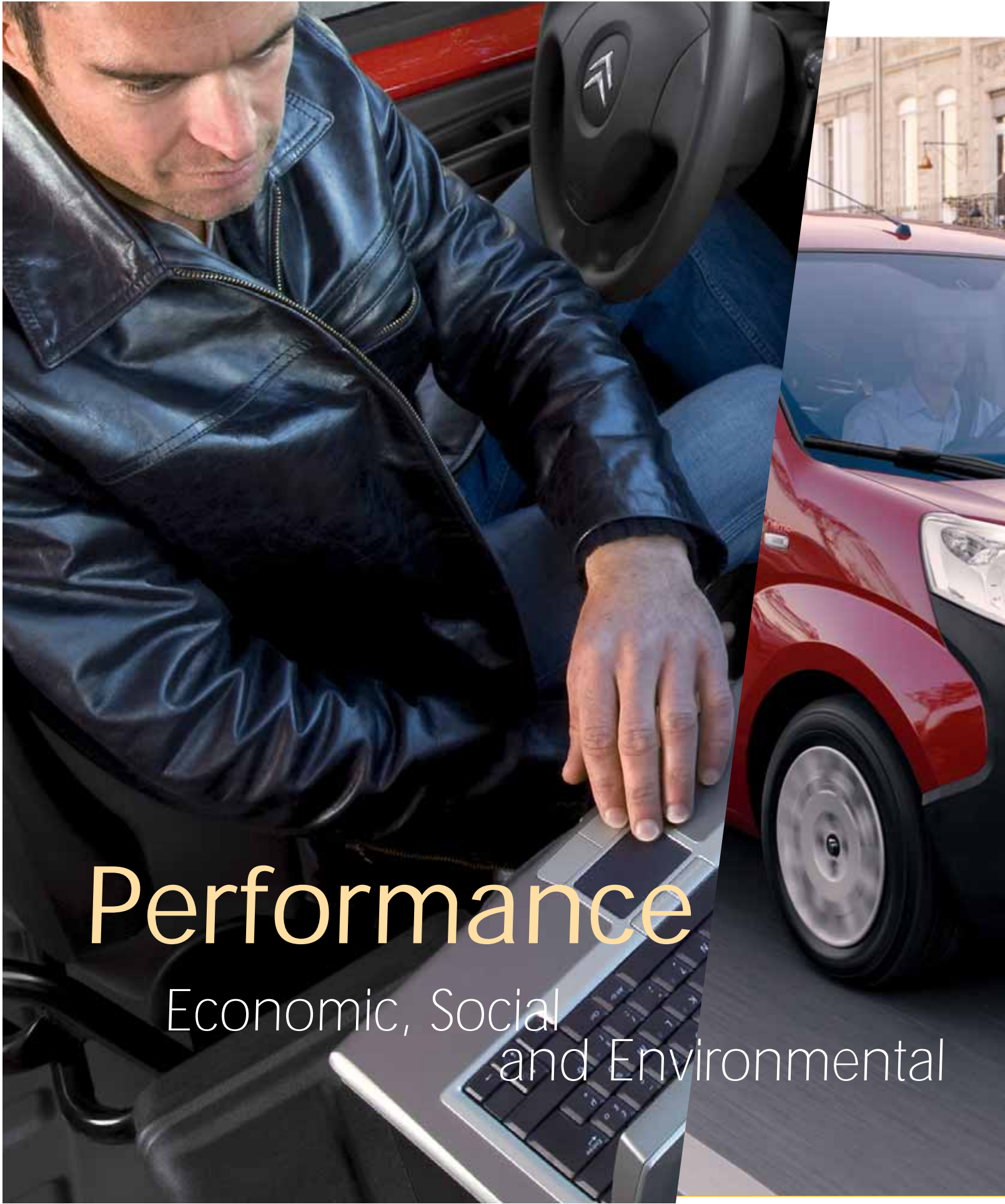
The main elements in this Charter concern the reduction of the environmental and visual impact of warehouses, lower energy consumption and CO₂ emissions, and the use of recycled and recyclable materials.

The proportion of alternative modes to road transport used by Gefco is

25%.



Cf. also the Indicators supplement.



Performance

Economic, Social
and Environmental



Indicators

PERFORMANCE

74 to 79. Financial Indicators

80. Sales Indicators

82. Product Indicators

84. Employee Relations Indicators

86. Production Plant Environmental Indicators

88. Production Facilities/Methodology

Consolidated Balance Sheets

<i>(in millions of euros)</i>	31 December 2007			
	Manufacturing and sales companies	Finance companies	Eliminations	Total
ASSETS				
Goodwill	1,488	75	-	1,563
Intangible assets	3,885	94	-	3,979
Property, plant and equipment	14,652	44	-	14,696
Investments in companies at equity	725	12	-	737
Investments in non-consolidated companies	47	3	-	50
Other non-current financial assets	1,121	47	-	1,168
Other non-current assets	126	1	-	127
Deferred tax assets	428	37	-	465
Total non-current assets	22,472	313	-	22,785
Operating assets				
Loans and receivables – finance companies	-	23,393	(170)	23,223
Short-term investments – finance companies	-	3,310	-	3,310
Inventories	6,913	-	-	6,913
Trade receivables – manufacturing and sales companies	2,857	-	(157)	2,700
Current taxes	169	37	(44)	162
Other receivables	1,782	772	(134)	2,420
	11,721	27,512	(505)	38,728
Current financial assets	1,483	-	-	1,483
Cash and cash equivalents	5,185	943	(149)	5,979
Total current assets	18,389	28,455	(654)	46,190
Total assets	40,861	28,768	(654)	68,975
EQUITY AND LIABILITIES				
Equity				
Share capital				234
Treasury stock				(271)
Retained earnings and other accumulated equity, excluding minority interests				14,282
Minority interests				310
Total equity				14,555
Non-current financial liabilities	4,294	-	-	4,294
Other non-current liabilities	2,886	1	-	2,887
Non-current provisions	1,109	23	-	1,132
Deferred tax liabilities	1,689	364	-	2,053
Total non-current liabilities	9,978	388	-	10,366
Operating liabilities				
Financing liabilities	-	24,670	(148)	24,522
Current provisions	2,132	29	-	2,161
Current trade payables	10,600	-	(29)	10,571
Current taxes	158	55	(44)	169
Other payables	4,241	732	(292)	4,681
	17,131	25,486	(513)	42,104
Current financial liabilities	2,091	-	(141)	1,950
Total current liabilities	19,222	25,486	(654)	44,054
Total equity and liabilities				68,975

31 December 2006				31 December 2005			
Manufacturing and sales companies	Finance companies	Eliminations	Total	Manufacturing and sales companies	Finance companies	Eliminations	Total
1,488	75	-	1,563	1,614	75	-	1,689
3,947	87	-	4,034	3,886	78	-	3,964
15,221	47	-	15,268	14,909	48	-	14,957
687	12	-	699	699	-	-	699
53	-	-	53	45	1	-	46
1,321	47	-	1,368	1,940	46	-	1,986
96	1	-	97	95	-	-	95
499	36	-	535	579	31	-	610
23,312	305	-	23,617	23,767	279	-	24,046
-	22,802	(99)	22,703	-	22,341	(103)	22,238
-	2,818	-	2,818	-	2,709	-	2,709
6,826	-	-	6,826	6,889	-	-	6,889
3,043	-	(193)	2,850	3,097	-	(166)	2,931
210	29	(26)	213	180	18	(42)	156
1,719	617	(68)	2,268	1,694	642	(60)	2,276
11,798	26,266	(386)	37,678	11,860	25,710	(371)	37,199
1,132	-	-	1,132	1,214	-	-	1,214
6,339	620	(292)	6,667	6,351	635	(230)	6,756
19,269	26,886	(678)	45,477	19,425	26,345	(601)	45,169
42,581	27,191	(678)	69,094	43,192	26,624	(601)	69,215
			235				235
			(261)				(220)
			13,744				13,889
			388				542
			14,106				14,446
4,125	-	-	4,125	3,826	-	-	3,826
2,759	-	-	2,759	2,352	2	-	2,354
1,383	23	-	1,406	1,527	17	-	1,544
1,854	329	-	2,183	2,086	281	-	2,367
10,121	352	-	10,473	9,791	300	-	10,091
-	23,259	(215)	23,044	-	22,928	(171)	22,757
1,747	38	-	1,785	1,582	53	-	1,635
10,481	-	(25)	10,456	10,240	-	(30)	10,210
152	43	(26)	169	100	79	(42)	137
4,075	847	(261)	4,661	4,155	844	(226)	4,773
16,455	24,187	(527)	40,115	16,077	23,904	(469)	39,512
4,551	-	(151)	4,400	5,298	-	(132)	5,166
21,006	24,187	(678)	44,515	21,375	23,904	(601)	44,678
			69,094				69,215

PERFORMANCE

74 to 79. Financial Indicators

80. Sales Indicators

82. Product Indicators

84. Employee Relations Indicators

86. Production Plant Environmental Indicators

88. Production Facilities/Methodology

Consolidated Statements of Income

<i>(in millions of euros)</i>	2007			
	Manufacturing and sales companies	Finance companies	Eliminations	Total
Turnover	59,069	1,999	(455)	60,613
Cost of goods and services sold	(47,826)	(1,064)	455	(48,435)
Selling, general and administrative expenses	(8,027)	(327)	-	(8,354)
Research and development expenses	(2,072)	-	-	(2,072)
Recurring operating income	1,144	608	-	1,752
Non-recurring operating income and (expenses)	(632)	-	-	(632)
Operating income	512	608	-	1,120
Interest income*	283	-	-	283
Finance costs*	(306)	-	-	(306)
Other financial income and (expenses), net	(16)	(1)	-	(17)
Income before tax of fully consolidated companies	473	607	-	1,080
Current taxes	(218)	(149)	-	(367)
Deferred taxes	102	(37)	-	65
Income taxes	(116)	(186)	-	(302)
Share in net earnings (losses) of companies at equity	48	-	-	48
Consolidated profit (loss) for the year	405	421	-	826
<i>Attributable to equity holders of the parent</i>	467	418	-	885
<i>Attributable to minority interests</i>	(62)	3	-	(59)
<i>(in euros)</i>				
Basic earnings per €1 par value share				3.88
Diluted earnings per €1 par value share				3.86

* Financial income and expenses on interest rate swaps are shown on a net basis for the three periods presented.

2006				2005			
Manufacturing and sales companies	Finance companies	Eliminations	Total	Manufacturing and sales companies	Finance companies	Eliminations	Total
55,198	1,761	(365)	56,594	54,887	1,656	(276)	56,267
(44,758)	(833)	365	(45,226)	(43,790)	(739)	276	(44,253)
(7,908)	(324)	-	(8,232)	(7,858)	(310)	-	(8,168)
(2,017)	-	-	(2,017)	(1,906)	-	-	(1,906)
515	604	-	1,119	1,333	607	-	1,940
(808)	-	-	(808)	(334)	2	-	(332)
(293)	604	-	311	999	609	-	1,608
178	-	-	178	157	-	-	157
(234)	-	-	(234)	(219)	-	-	(219)
(48)	(1)	-	(49)	(15)	(1)	-	(16)
(397)	603	-	206	922	608	-	1,530
(101)	(178)	-	(279)	(189)	(178)	-	(367)
150	(27)	-	123	(89)	(29)	-	(118)
49	(205)	-	(156)	(278)	(207)	-	(485)
20	-	-	20	(47)	-	-	(47)
(328)	398	-	70	597	401	-	998
(211)	394	-	183	639	398	-	1,037
(117)	4	-	(113)	(42)	3	-	(39)
			0.80				4.50
			0.80				4.49

PERFORMANCE

74 to 79. Financial Indicators

80. Sales Indicators

82. Product Indicators

84. Employee Relations Indicators

86. Production Plant Environmental Indicators

88. Production Facilities/Methodology

Consolidated Statements of Cash Flows

<i>(in millions of euros)</i>	2007			
	Manufacturing and sales companies	Finance companies	Eliminations	Total
Consolidated profit (loss) for the year	405	421	-	826
Adjustments for:				
- Depreciation, amortization and impairment	3,559	14	-	3,573
- Non-current provisions	(227)	1	-	(226)
- Changes in deferred tax	(114)	38	-	(76)
- (Gains) losses on disposals and other	(94)	-	-	(94)
Share in net (earnings) losses of companies at equity, net of dividends received	(46)	-	-	(46)
Revaluation adjustments taken to equity and hedges of debt	32	1	-	33
Working capital provided by operations	3,515	475	-	3,990
Changes in operating assets and liabilities	920	37	134	1,091
Net cash from (used in) operating activities	4,435	512	134	5,081
Proceeds from disposals of shares in consolidated companies	-	-	-	-
Proceeds from disposals of investments in non-consolidated companies	11	-	-	11
Acquisitions of shares in consolidated companies	-	-	-	-
Investments in non-consolidated companies	(7)	(3)	-	(10)
Proceeds from disposals of property, plant and equipment	148	9	-	157
Proceeds from disposals of intangible assets	8	-	-	8
Investments in property, plant and equipment	(1,924)	(13)	-	(1,937)
Investments in intangible assets	(789)	(14)	-	(803)
Change in amounts payable on fixed assets	(132)	-	-	(132)
Other	(148)	1	-	(147)
Net cash from (used in) investing activities	(2,833)	(20)	-	(2,853)
Dividends paid:				
- To Peugeot S.A. stockholders	(309)	-	-	(309)
- Intragroup	157	(157)	-	-
- To minority stockholders of subsidiaries	(11)	-	-	(11)
(Purchases) sales of treasury stock	(23)	-	-	(23)
Changes in other financial assets and liabilities	(559)	-	8	(551)
Other	-	-	-	-
Net cash from (used in) financing activities	(745)	(157)	8	(894)
Effect of changes in exchange rates	(22)	(12)	1	(33)
Net increase (decrease) in cash and cash equivalents	835	323	143	1,301
Net cash and cash equivalents at beginning of year	4,308	620	(292)	4,636
Net cash and cash equivalents at end of year	5,143	943	(149)	5,937

2006				2005			
Manufacturing and sales companies	Finance companies	Eliminations	Total	Manufacturing and sales companies	Finance companies	Eliminations	Total
(328)	398	-	70	597	401	-	998
3,686	12	-	3,698	3,187	12	-	3,199
(148)	(1)	-	(149)	(257)	2	-	(255)
(139)	29	-	(110)	96	30	-	126
(54)	2	-	(52)	6	(1)	-	5
(17)	-	-	(17)	51	-	-	51
11	4	-	15	(2)	-	-	(2)
3,011	444	-	3,455	3,678	444	-	4,122
424	(234)	(37)	153	(289)	(148)	(48)	(485)
3,435	210	(37)	3,608	3,389	296	(48)	3,637
2	-	-	2	23	-	-	23
-	-	-	-	2	-	-	2
(1)	-	-	(1)	(8)	-	-	(8)
(19)	(13)	-	(32)	(2)	(1)	-	(3)
155	6	-	161	54	9	-	63
3	-	-	3	5	-	-	5
(2,520)	(11)	-	(2,531)	(2,862)	(11)	-	(2,873)
(937)	(16)	-	(953)	(939)	(20)	-	(959)
(101)	-	-	(101)	(111)	-	-	(111)
(54)	-	-	(54)	(35)	-	-	(35)
(3,472)	(34)	-	(3,506)	(3,873)	(23)	-	(3,896)
(309)	-	-	(309)	(310)	-	-	(310)
161	(161)	-	-	96	(96)	-	-
(6)	(32)	-	(38)	(19)	(5)	-	(24)
(39)	-	-	(39)	(198)	-	-	(198)
205	-	(23)	182	11	(150)	25	(114)
-	-	-	-	-	-	-	-
12	(193)	(23)	(204)	(420)	(251)	25	(646)
45	2	(2)	45	34	3	(2)	35
20	(15)	(62)	(57)	(870)	25	(25)	(870)
4,288	635	(230)	4,693	5,158	610	(205)	5,563
4,308	620	(292)	4,636	4,288	635	(230)	4,693

PERFORMANCE

74 to 79. Financial Indicators

80. Sales Indicators

82. Product Indicators

84. Employee Relations Indicators

86. Production Plant Environmental Indicators

88. Production Facilities/Methodology

Sales indicators

Worldwide sales by model


<i>(passenger cars and light commercial vehicles)</i>	2007	2006	2005
Peugeot brand			
107	104,300	98,700	31,700
1007	18,600	34,100	53,800
206	308,200	475,100	676,500
207	520,200	300,500	800
307	369,100	447,000	520,400
308	82,500	-	-
405	131,300	158,200	196,400
406	3,000	3,300	4,300
407	136,000	181,500	241,400
607	7,500	10,500	19,100
807	21,100	24,200	27,500
4007	6,300	-	-
Expert	43,600	33,100	32,700
Partner	160,700	148,500	144,500
Boxer	54,200	44,600	43,300
Others	500	500	3,100
Total	1,967,100	1 959,800	1,995,500
of which diesel-powered versions	951,600	914,400	953,300
of which passenger cars	1,748,000	1 757,500	1 793,900
of which light commercial vehicles	219,100	202,300	201,600
Citroën brand			
C1	99,500	90,300	30,100
C2	94,900	103,900	126,100
C3	276,700	286,700	306,300
ZX	59,500	92,900	93,000
Xsara	119,200	183,500	198,900
C4	437,900	262,400	237,100
Xantia	10,400	11,300	14,200
C5	50,900	73,200	88,800
C6	7,600	7,100	400
C8	12,700	20,300	23,500
C-Crosser	6,600	-	-
Jumpy	38,700	33,800	32,500
C15	-	1,300	26,100
Berlingo	187,700	194,600	169,400
Jumper	58,600	44,800	48,100
Others	400	1,300	-
TOTAL	1,461,300	1,407,400	1,394,500
of which diesel-powered versions	835,600	759,200	757,300
of which passenger cars	1,245,200	1,210,900	1,189,000
of which light commercial vehicles	216,100	195,200	205,500
Total PSA Peugeot Citroën	3,428,400	3,367,200	3,390,000
of which diesel-powered versions	1,787,200	1,673,600	1,710,600
of which passenger cars	2,993,200	2,968,400	2,982,900
of which light commercial vehicles	435,200	397,500	407,100

Consolidated worldwide sales by region

<i>(Assembled vehicles and CKD units)</i>	2007	2006	2005
Western Europe	2,323,600	2,296,200	2,360,500
Peugeot	1,223,700	1,224,900	1,257,500
Citroën	1,099,900	1,071,300	1,103,000
Eastern Europe *	132,500	114,600	111,000
Peugeot	70,000	60,400	60,300
Citroën	62,500	54,200	50,700
Russia	37,200	29,400	16,500
Peugeot	26,300	16,100	9,600
Citroën	10,900	13,300	6,900
Mercosur **	216,000	166,500	134,700
Peugeot	140,600	115,000	94,600
Citroën	75,400	51,500	40,100
China	208,900	202,500	141,000
Peugeot	93,200	81,900	40,600
Citroën	115,700	120,600	100,400
Rest of the world	315,200	306,700	311,300
Peugeot	232,300	225,500	234,900
Citroën	82,900	81,200	76,400
Total assembled vehicles	3,233,400	3,115,900	3,075,000
Peugeot	1,786,100	1,723,800	1,697,500
Citroën	1,447,300	1,392,100	1,377,500
Total CKD units	195,000	250,000	315,000
Peugeot	181,000	236,000	298,000
Citroën	14,000	14,000	17,000
Total assembled vehicles and CKD units	3,428,400	3,365,900	3,390,000
Peugeot	1,967,100	1,959,800	1,995,500
Citroën	1,461,300	1,406,100	1,394,500

* Croatia, Hungary, Poland, Czech Republic, Slovakia, Slovenia, Lithuania, Latvia, Estonia, Cyprus and Malta

**Brazil and Argentina

 Cf. also the Indicators supplement.

PERFORMANCE

74 to 79. Financial Indicators

80. Sales Indicators

82. Product Indicators

84. Employee Relations Indicators

86. Production Plant Environmental Indicators

88. Production Facilities/Methodology

Product Indicators: fuel consumption, Peugeot (2007)

	Fuel	Displacement CC	Horsepower kW	Consumption (l/100km)			CO ₂ g/km	Noise dB(a)
				City	Highway	Combined		
Peugeot 107								
1.0 BVM/BVMP	P	998	50	5.5	4.1	4.6	109	70/72
1.4 HDi	D	1,398	40	5.3	3.4	4.1	109	71.2
Peugeot 1007								
1.4 BVM	P	1,360	54	8.6	5.2	6.5	153	73.2
1.4 HDi	D	1,398	50	5.8	4.1	4.7	124	73.7
Peugeot 206 saloon								
1.4	P	1,360	55	8.8	5.0	6.4	152	73.3
1.4 HDi	D	1,398	50	5.4	3.7	4.3	112	70.9
Peugeot 207 saloon								
1.4	P	1,360	55	8.4	5.0	6.3	150	73.6
1.4 VTi	P	1,397	70	8.1	5.0	6.1	145	73.7
1.4 HDi	D	1,398	50	5.8	3.8	4.5	120	72.4
Peugeot 308								
1.4 VTi	P	1,397	70	9.0	5.2	6.5	155	73.7
1.6 VTi	P	1,560	88	9.3	5.2	6.7	159	73.9
1.6 HDi	D	1,560	66	5.8	3.8	4.5	120	73.2
1.6 HDi FAP	D	1,560	80	6.0	3.9	4.7	125	73.8
Peugeot 407 saloon								
1.8	P	1,749	92	10.5	6.0	7.7	181	72.7
1.6 HDi FAP	D	1,560	80	6.8	4.4	5.3	140	73.5
2.0 HDi BVM FAP	D	1,997	100	7.7	4.9	5.9	155	74.3
Peugeot 407 Coupe								
2.2 BVM	P	2,230	120	13.1	6.9	9.2	219	74.0
2.0 HDi FAP	D	1,997	100	7.8	4.8	5.9	156	73.7
2.7 HDi BVA	D	2,720	150	11.9	6.5	8.5	226	71.6
Peugeot 4007								
2.2 HDi FAP	D	2,179	115	9.5	5.9	7.2	191	74.9
Peugeot 607								
2.2	P	2,230	120	13.0	7.0	9.2	219	73.9
2.0 HDi BVM FAP	D	1,997	100	8.1	5.0	6.1	160	74.6
2.7 HDi BVA FAP	D	2,720	150	11.6	6.6	8.4	223	72.0
Peugeot 807								
2.0 BVM	P	1,997	103	12.0	7.3	9.0	213	72.4
2.0 HDi	D	1,997	88	8.8	5.8	6.9	182	74.6
2.0 HDi FAP	D	1,997	100	9.0	6.0	7.1	188	73.3
Partner Combispace								
1.4	P	1,360	55	9.6	6.2	7.4	175	72.4
1.6 HDi	D	1,560	55	6.7	4.7	5.4	143	73.7
Expert Tepee								
2.0	P	1,997	103	13.3	8.2	10.1	241	73.3
1.6 HDi	D	1,560	66	8.4	6.6	7.2	191	74.4
2.0 HDi	D	1,997	88	9.1	6.3	7.2	194	74.9

Bold: the best-selling vehicle in its category (petrol and diesel version).

Light: vehicle emitting the least CO₂ in its category (petrol and diesel version)


CO₂ emissions and noise emissions

Citroën (2007)

	Fuel	Displacement CC	Horsepower kW	Consumption (l/100km)			CO ₂ g/km	Noise dB(a)
				City	Highway	Combined		
Citroën C1								
1.0i	P	998	50	5.5	4.1	4.6	109	70/72
HDi 55	D	1,398	40	5.3	3.4	4.1	109	71.2
Citroën C2								
1.1i	P	1,124	44	7.5	4.8	5.8	138	72.9
HDi 70	D	1,398	50	5.3	3.7	4.3	113	73.8
HDi 70 SensoDrive	D	1,398	50	4.9	3.8	4.2	111	72.7
Citroën C3								
1.4i 16V Stop&Start	P	1,360	65	6.9	4.9	5.7	135	70.8
1.4i	P	1,360	54	8.2	4.9	6.1	145	73.8
HDi 70	D	1,398	50	5.3	3.8	4.4	115	72.9
HDi 70 SensoDrive	D	1,398	50	4.9	3.9	4.3	113	71.3
Citroën Berlingo								
1.4i	P	1,360	55	9.6	6.2	7.4	175	72.4
HDi 75	D	1,560	55	6.7	4.7	5.3	140	72.1
Citroën Xsara Picasso								
1.6i 16v	P	1,587	80	9.5	6.0	7.3	172	71.9
HDi 92	D	1,560	66	6.5	4.3	5.1	135	73.7
Citroën C4								
1.4i 16v	P	1,360	65	8.7	5.2	6.4	153	71.6
1.6i 16v	P	1,587	80	9.5	5.7	7.1	169	73.1
HDi 110 FAP	D	1,560	80	6.0	4.0	4.7	125	72.6
HDi 110 FAP BMP6	D	1,560	80	5.8	3.8	4.5	120	73.2
Citroën C4 Picasso								
1.8i 16v	P	1,749	92	11.3	6.1	8.0	190	73.4
HDi 110 FAP	D	1,560	80	7.3	5.1	5.9	155	74.2
HDi 110 FAP BMP6	D	1,560	80	6.8	5.1	5.7	150	72.5
Citroën C5								
1.8i 16v	P	1,749	92	10.4	5.9	7.6	177	71.3
2.0i 16v	P	1,997	103	11.1	6.3	8.0	190	71.2
HDi 110 FAP	D	1,560	80	6.8	4.5	5.4	139	73.2
Citroën C6								
3.0i V6	P	2,946	155	16.3	8.2	11.2	266	72.2
V6 HDi 208 FAP	D	2,720	150	12.0	6.8	8.7	230	70.2
HDi 173 FAP	D	2,179	125	8.7	5.4	6.6	175	75.0
Citroën C8								
2.0i 16v	P	1,997	103	12.0	7.3	9.0	213	72.4
HDi 120 AM6/ML6	D	1,997	88	8.8	5.8	6.9	182	72.4/75
Citroën C-Crosser								
HDi 160 FAP	D	2,179	115	9.5	5.9	7.2	191	74.9

Bold: the best-selling vehicle in its category (petrol and diesel version).

Light: vehicle emitting the least CO₂ in its category (petrol and diesel version).

 Cf. also the Indicators supplement.

PERFORMANCE

74 to 79. Financial Indicators

80. Sales Indicators

82. Product Indicators

84. Employee Relations Indicators

86. Production Plant Environmental Indicators

88. Production Facilities/Methodology

Employee Relations Indicators

■ Number of employees under permanent or fixed-term contracts by division, 2001-2007

(Worldwide, at 31 December)

	2001	2002	2003	2004	2005	2006	2007
Automobile Division ⁽¹⁾	130,640	133,880	135,180	139,480	140,050	140,000	134,345
Banque PSA Finance	2,140	2,160	2,150	2,360	2,370	2,365	2,330
Gefco	7,680	8,050	8,360	8,840	9,370	9,900	9,980
Faurecia	49,690	52,230	51,860	54,430	54,960	57,810	59,765
Other businesses ⁽²⁾	2,300	2,280	2,360	2,140	1,750	1,675	1,430
Total	192,450	198,600	199,910	207,250	208,500	211,750	207,850

(1) Automobile Division and Peugeot S.A.

(2) SCEMM, PMTC France, PMTC Germany and PMTC Italy.

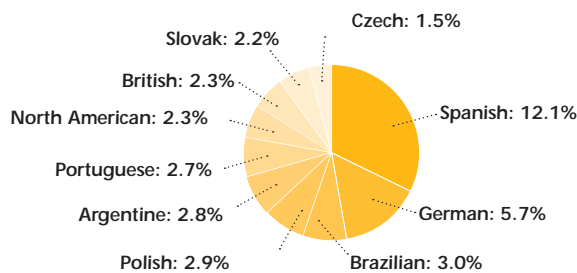
■ Number of employees under permanent or fixed-term contracts by continent

(Worldwide, at 31 December)

	2001	2007	% Change, 2001-2007
Europe			
France	123,680	113,710	-8.1%
Rest of Western Europe	54,340	52,050	-4.2%
Central and Eastern Europe	4,140	16,490	+298.3%
Africa	800	1,715	+114.4%
South America	5,040	12,355	+145.1%
North and Central America	4,240	8,325	+96.3%
Asia	210	3,205	+1,426.2%
Total	192,450	207,850	8.0%

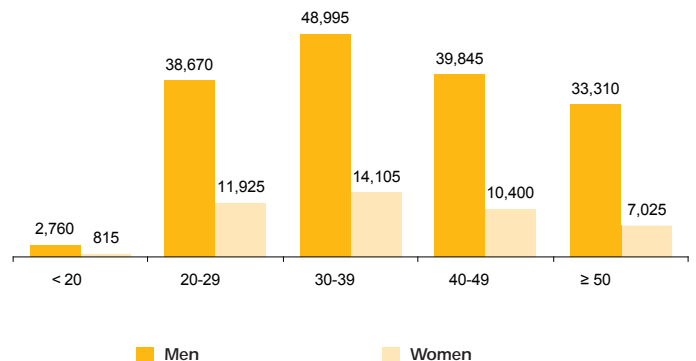
■ Top ten nationalities other than French represented in the Group

(Worldwide, at 31 December 2007 – percentage of total workforce)



■ Employees under permanent or fixed-term contracts by age group and gender

(Worldwide, at 31 December 2007)



■ Women employees under permanent or fixed-term contracts and percentage of women employees in the workforce over the past five years

(Worldwide, at 31 December)

	2002	2003	2004	2005	2006	2007
% of total workforce	17.6%	18.2%	19.8%	19.8%	20.6%	21.3%

■ Profit-sharing and incentive bonuses

(Worldwide, excluding Faurecia, at 31 December 2007)

(rounded to the nearest million euros)	2005	2006	2007
Total France - profit-sharing and incentive bonuses (Group agreement)	113	65	109
Incentive and/or profit-sharing programs in other French subsidiaries	9	7	9
Incentive programs in foreign subsidiaries	19	15	20
Total	141	87	138

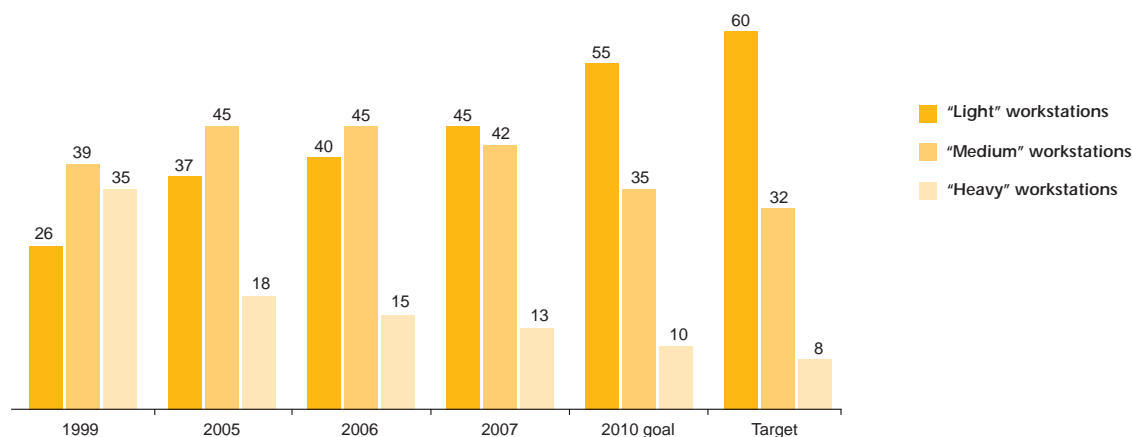
■ Safety performance in 2007


(Manufacturing and sales units, worldwide)

	Sales units		Manufacturing units	
	Frequency rate	Severity rate	Frequency rate	Severity rate
European Union	6.15	0.19	3.22	0.28
Rest of Europe	1.08	0.02	-	-
Africa	8.74	0.24	-	-
South America	1.27	0.02	1.14	0.09
North and Central America	-	-	-	-
Asia	2.33	0.00	-	-
Total	5.79	0.18	3.07	0.27

■ Improvements in working conditions

(Automobile manufacturing units, worldwide)



 Cf. also the Indicators supplement.

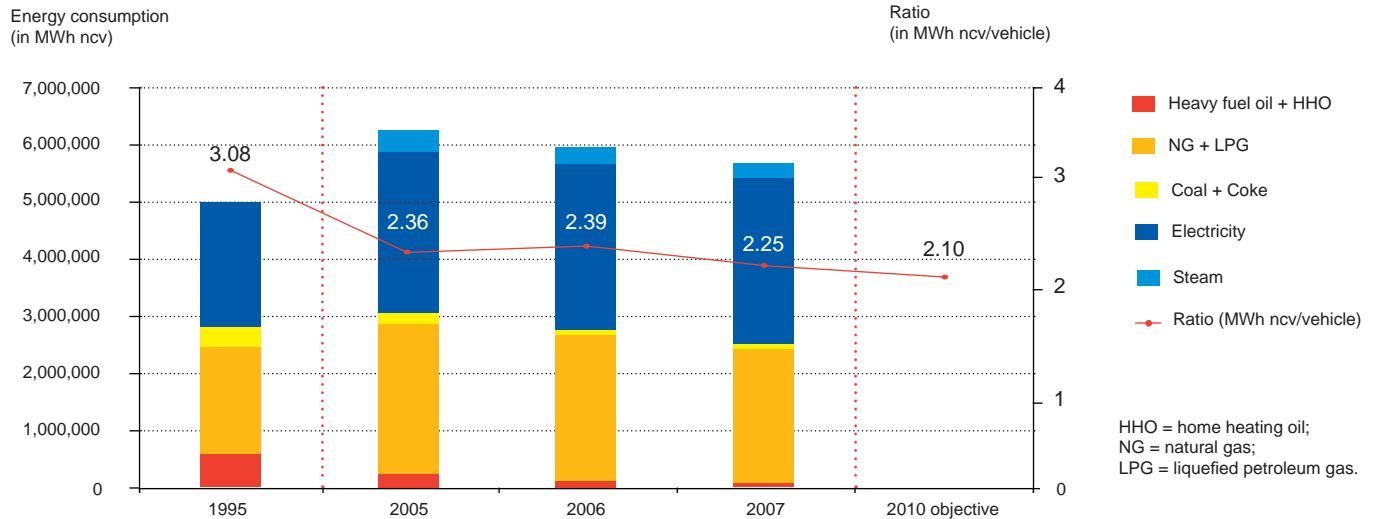
PERFORMANCE

74 to 79. Financial Indicators
80. Sales Indicators
82. Product Indicators

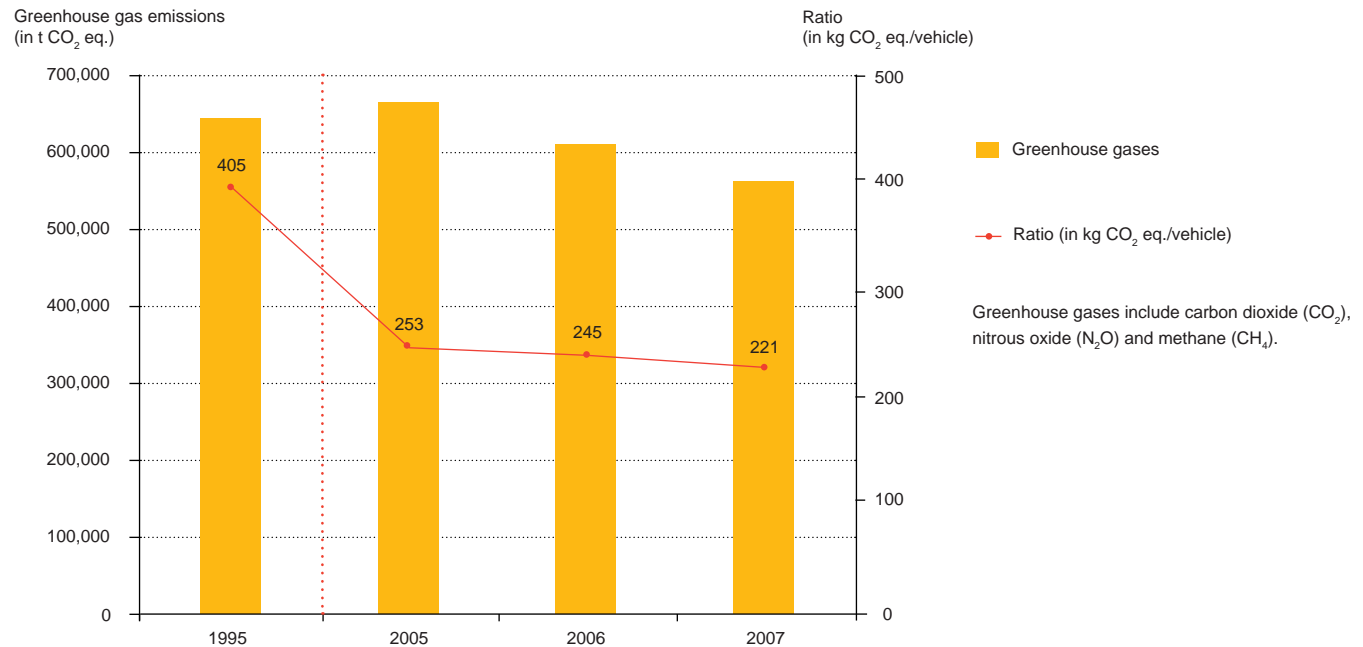
84. Employee Relations Indicators
86. Production Plant Environmental Indicators
88. Production Facilities/Methodology

Production Plant Environmental


Energy consumption (Automobile Division*)



Direct greenhouse gas emissions (Automobile Division*)



* PCA

 Cf. also the Indicators supplement

Indicators

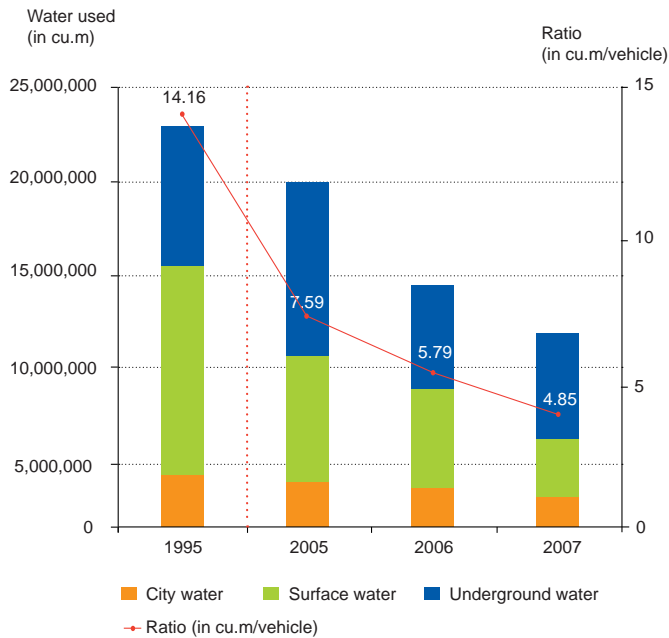
■ ISO 14001-certification timetable for the production plants' environmental management systems

1999	2000	2001	2002	2003	2004	2005	2007
Mulhouse Sochaux	Poissy Vigo Trémery Madrid Buenos Aires	Aulnay Rennes Porto Real	Asnières Caen Charleville Sept-Fons Valenciennes	Metz Mangualde	Saint-Ouen	Hérimoncourt*	La Garenne Vesoul Trnava

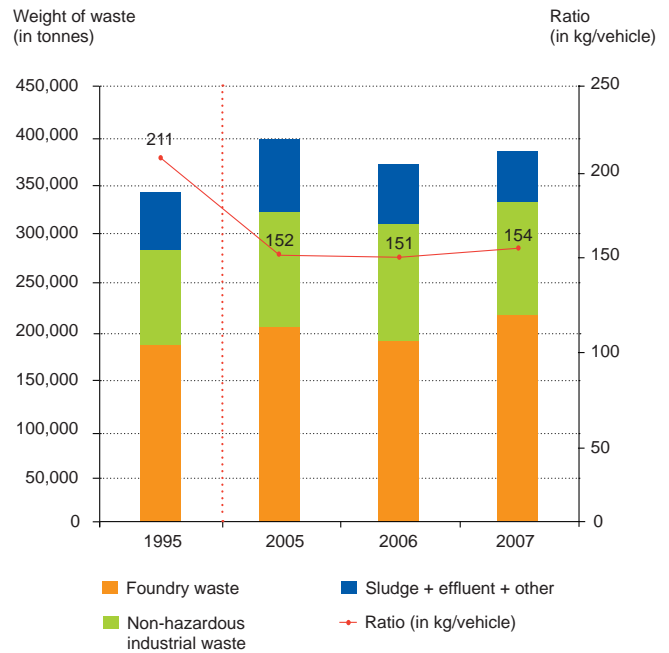
* Included in PCA data since 2005 (certified since 2001).


NB: Four other major production facilities operated through joint ventures and not included in PCA data have been certified since 2000: Française de Mécanique and Sevelnord in France, and Wuhan and Xiangfan in China.

■ Total water withdrawal by source (Automobile Division*)



■ Total weight of waste by type (Automobile Division*, excluding metal waste, nearly 100% of which is recycled)



 Cf. also the Indicators supplement.

* PCA

PERFORMANCE

74 to 79. Financial Indicators

80. Sales Indicators

82. Product Indicators

84. Employee Relations Indicators

86. Production Plant Environmental Indicators

88. Production Facilities/Methodology

Production Facilities

Assembly plants	Models produced as of 31 December 2007	2007 production
Manufacturing centres		
Aulnay (France)	C2, C3	300,800
Madrid (Spain)	207, 207 CC, C3 Pluriel	136,500
Mangualde (Portugal)	Berlingo, Partner	64,100
Mulhouse (France)	206, 206 CC, 307, 308, C4	294,500
Buenos Aires (Argentina)	206, 307, 307 Sedan, C4, Berlingo, Partner	118,000
Poissy (France)	206, 1007, 207, 207 SW	272,900
Porto Real (Brazil)	206, 206 SW, C3, Xsara Picasso	105,800
Rennes (France)	C5, C5 estate, C6, 407, 407 SW, 407 Coupé, Xsara Picasso	197,900
Sochaux (France)	307, 307 estate, 307 SW, 307 CC, 308, 607	325,600
Trnava (Slovakia)	207	177,600
Vigo (Spain)	Xsara Picasso, Grand C4 Picasso, C4 Picasso, Berlingo, Partner	547,200
Mechanical components plants and foundries		
Asnières (France)	Hydraulic systems, free-cutting	
Caen (France)	Chassis systems, transmissions	
Charleville (France)	Aluminium and iron castings	
Hérimoncourt (France)	Engines, gearboxes	
Jeppener (Argentina)	HDI diesel engines, chassis systems	
Metz (France)	Gearboxes	
Mulhouse Mechanical Components Plant (France)	Chassis systems	
Mulhouse Metallurgy Division (France)	Pressurised aluminium castings, steel forge, tooling	
Porto Real (Brazil)	Flex-fuel and petrol engines	
Saint-Ouen (France)	Stamping, body-in-white, tooling	
Sept-Fons (France)	Iron castings	
Sochaux Mechanical Components Plant (France)	Shock absorbers, rear suspensions, crossbeams	
Trémery (France)	Petrol and HDi diesel engines	
Valenciennes (France)	Gearboxes	

Methodology

For the second straight year, this Report follows the third generation (G3) Sustainability Reporting Guidelines issued by the Global Reporting Initiative in October 2006. It comprises two parts, the Sustainable Development and Annual Report and a supplement, the Sustainable Development Indicators. Additional information about PSA Peugeot Citroën's corporate responsibilities, the impact of its operations and the programs undertaken to address these issues may be found on the Group's sustainable development website.

According to the criteria recommended in the "Guidelines, Application Levels", the Group's own assessment of this Report based on the GRI G3 guidelines results in a self-declared B+ application level.

Note 1: Methodology

Indicator scope and consolidation methods are described in the Sustainable Development Indicators supplement.

Note 2: Data Verification

The methods for compiling the social and environmental data from Group production plants, Peugeot and Citroën sales subsidiaries and Gefco, as well as the Faurecia environmental indicators published in this Report, have all been checked by PricewaterhouseCoopers, an independent audit firm. Their review of the processes used to collect and compile the Reports social and environmental data has been published in its entirety in the 2007 Sustainable Development Indicators supplement.

Note 3: Contact

For more information, particularly concerning internal reporting processes, please write to the Sustainable Development Department, PSA Peugeot Citroën, 75, avenue de la Grande-Armée, 75116 Paris, or by e-mail at contact.sustainability@mpsa.com.

For more information

- **The 2007 Sustainable Development Indicators supplement** is available on the CD-ROM included with this Report.
- **The 2007 Registration Document**, filed with the Autorité des Marchés Financiers on April 23, 2008, can be downloaded on www.psa-peugeot-citroen.com or is available upon request from the Group's head office: Investor Relations - 75, avenue de la Grande-Armée - 75116 Paris. Phone: 0810 424 091 (all calls charged at local rate, France only) – email: communication.financiere@psa.fr
- Up-to-the-minute information may be found on **the PSA Peugeot Citroën sustainable development website**, www.sustainability.psa-peugeot-citroen.com.

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20

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