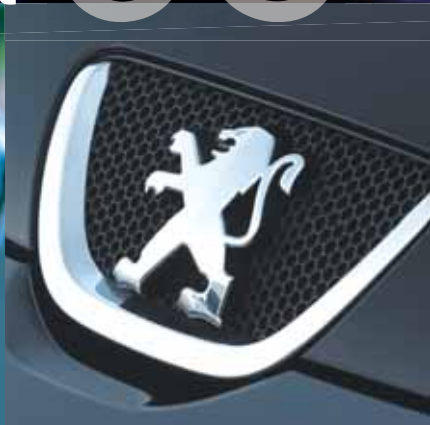




Annual Report 06



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PSA Peugeot Citroën:  
Europe's **2<sup>nd</sup>**  
largest carmaker

Operations in  
**150**  
COUNTRIES

**31.8%**  
of vehicles sold outside  
Western Europe

**211,700**  
employees worldwide

PSA Peugeot Citroën is a world-class European automobile manufacturer, supported by its two broadline marques and the expertise of its employees around the globe.

With operations in 150 countries, we are actively expanding our business in new, fast growing markets, with nearly a third of our unit sales already generated outside Western Europe.

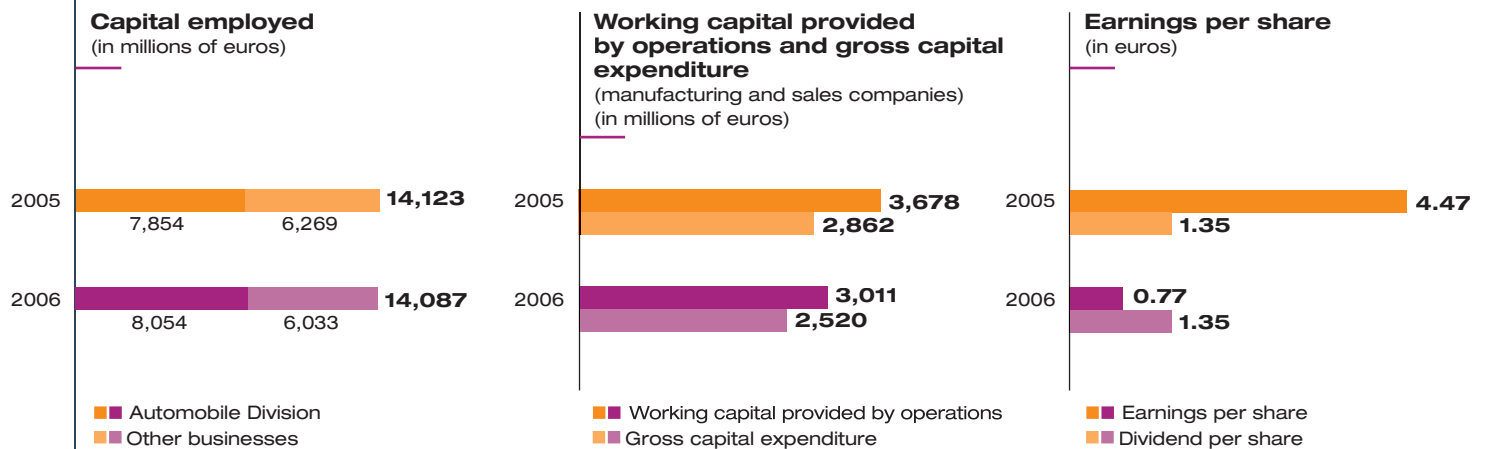
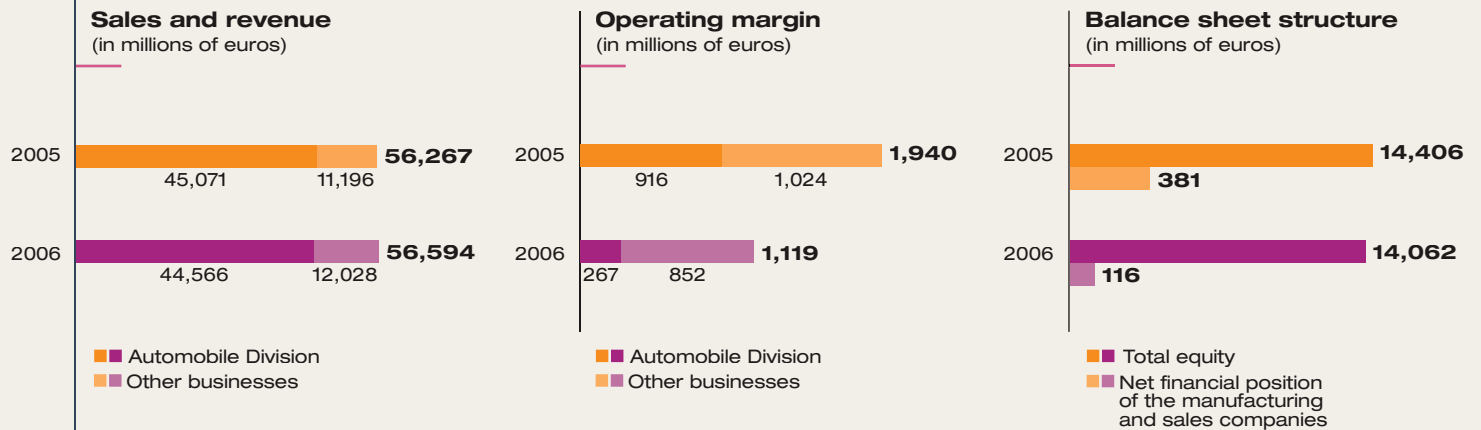
As a responsible global corporate citizen, we are constantly innovating to protect the environment and improve safety, in a commitment to engineering and producing cars that meet the expectations of Peugeot and Citroën customers in all our markets.

Thanks to an efficient manufacturing base and a unique strategy of dedicated cooperation agreements with other carmakers, we are rationalizing capital expenditure and adjusting production volumes, even as we continue to expand our model line-ups. We are also taking an active, innovative approach to employee relations in every unit around the world.

PSA Peugeot Citroën also encompasses three other core businesses:

Banque PSA Finance, our automotive finance division, Faurecia, an automotive equipment manufacturer, and Gefco, a transportation and logistics company.

# ➤ Financial and Operating Highlights



# 3,365,900

vehicles sold

versus 3,390,000 in 2005

# €56.6

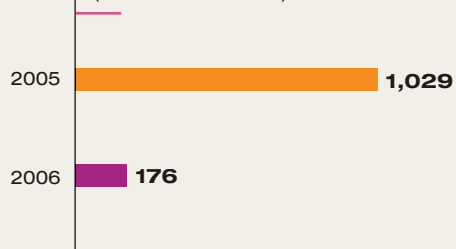
billion in sales  
and revenue

## Europe's leading manufacturer

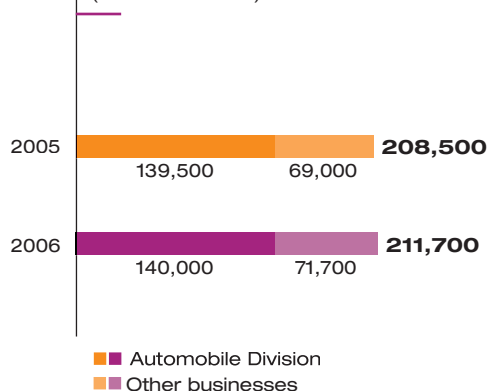
of low-emission vehicles\*

\* Vehicles emitting less than 110 and 120 grams of CO<sub>2</sub> per kilometer.

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



**Workforce**  
(at December 31)



Peugeot and Citroën, two powerful,  
clearly differentiated marques

# Corporate Governance

> 5	<b>A MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD</b>	10	THE MANAGING BOARD AND EXECUTIVE COMMITTEE
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## > Jean-Martin Folz, Chairman of the Managing Board, 1997-2007

**During his nearly ten years as Chairman of the Managing Board, Jean-Martin Folz led a profound transformation of PSA Peugeot Citroën.**

### **A period of strong growth**

Unit sales rose by more than 60% from 1997 to 2007, lifting PSA Peugeot Citroën from fourth to second place among European carmakers. Market share widened to 13.8% in 2006, from 11.9% in 1997, led by gains in 15 of the 18 Western European countries. Outside Western Europe, unit sales tripled over the period, to 1,070,000 in 2006 from 325,900 in 1997. Sales in China rose five-fold, while in Brazil, the Group became the most successful of the new entrants, with 5.2% of the market in 2006.

### **An industrial revolution**

In early 1998, the Group's technical and manufacturing facilities were consolidated into a single organization, as Peugeot and Citroën plants became PSA Peugeot Citroën production sites and an ambitious platform strategy was introduced. Capacity utilization rose sharply in Western Europe, to 102% in 2005 from 69% in 1997,

while in the rest of the world, new capacity was brought on stream in Brazil, China, the Czech Republic and Slovakia to support expanding sales in new markets.

### **A unique cooperation strategy**

Instead of expanding through mergers and acquisitions, the Group preferred to focus on organic growth. To broaden the portfolio of models and mechanical sub-assemblies, a number of cooperation agreements were signed with other carmakers like Ford, Toyota, BMW, Mitsubishi, Tofas and Fiat.

### **A focus on useful innovations**

While the 1997-2007 period saw the launch of such successful new concepts as the "ludospace" mini-MPV and the coupé-cabriolet, it was also shaped by a series

of technological innovations designed to limit the environmental impact of our products and improve the safety of users. The Group also proactively foresaw the development of the diesel market and became the world's leading manufacturer of diesel engines through the cooperative venture with Ford. In 1998, Mr. Folz promised to market the particulate filter to make diesels a clean technology. Launched in 2000, the system had been fitted to 1.8 million Peugeots and Citroëns by early 2007.

To support this transformation process, new social dialogue practices were introduced, which led to a number of pioneering agreements to benefit employees in every host country around the world.



## ➤ A Message from Thierry Peugeot, Chairman of the Supervisory Board

In 2006, Jean-Martin Folz announced that he wished to retire.

On behalf of the PSA Peugeot Citroën Supervisory Board and the Group's employees, I would like to express my appreciation to Mr Folz for his enormous contribution to the Group's expansion. As Chairman of the Managing Board from October 1, 1997 to February 6, 2007, he foresaw the ways in which the Group had to change and successfully inspired all of our business functions to embrace the transformation process. Many of his strategic choices drove strong growth for the Group and continue to provide competitive advantage in an increasingly aggressive global marketplace. The Supervisory Board therefore considers that this was an extremely positive period for the Group, despite the slowdown in growth in recent years and a difficult year in 2006.

In order to apply best governance practices in selecting the future Chairman of the Managing Board, new members were temporarily added to the Compensation and Appointments Committee. After reviewing internal and external candidates and conducting several rounds of interviews, the Committee recommended, during a special meeting on November 7, 2006, that the Supervisory Board

appoint Christian Streiff as the future Chairman. On February 6, 2007, the Board therefore appointed a new Managing Board comprising five members and led by Christian Streiff as Chairman. In this way, our corporate governance system functioned perfectly at a stage that was particularly strategic for the Group's further development.

In full agreement with Mr. Streiff, the Supervisory Board informed the new Managing Board members that their objective was to lead the Group into a new period of expansion by restoring fast growth and improving profitability as quickly as possible. The Managing Board was also given the mission of intensifying the Group's international expansion and making it a major player in the global automotive industry, while preserving its independence. On February 6, Mr Streiff presented a new organizational structure and four priority areas for urgent action in our operations: quality, cost reduction, faster deployment of the product plan and international expansion. These initial strategic initiatives received our full support.



Thierry Peugeot



## > An Interview with Christian Streiff, Chairman of the Managing Board

### > You were appointed Chairman in February 2007. How would you analyze the Group's situation today?

First, it's clear that PSA Peugeot Citroën has changed in size and scope over the past ten years, and that it has sharply increased its sales outside Western Europe. Second, it's equally clear that the Group enjoys a number of strengths to restore this growth dynamic, including strong shared values, which underpin our sense of co-destiny; the two Peugeot and Citroën line-ups, which I feel rank among the best in Europe; three solid bridgeheads outside Western Europe; an unrivalled industrial cooperation strategy; and the backing of a principal shareholder who supports a long-term vision – a point that, as chief executive, I find essential. But today, I'm calling for everyone to get wholeheartedly behind the new program, because the automotive industry has changed and all those strengths are no longer sufficient to secure our growth.

### > What are the Group's main weaknesses and what are your objectives?

Insufficiencies aren't the same as weaknesses! But we absolutely have to get moving faster in every aspect of our business. The Supervisory Board has given me the mission of quickly returning the Group to growth and profitability. For the short term, I've defined four operating priorities that should enable us to turn things around. The first is product and service quality, where I expect everyone to broaden and deepen his or her already active commitment.

The second is to reduce costs, and much more quickly than before. The third concerns product strategy, where the product plan will be stepped up and broadened to improve response to changing customer expectations and more aggressive competition in the global marketplace. The fourth priority concerns international operations, where we will leverage our strengths to get bigger in China, become a major automobile industry player in the Mercosur region and continue to expand in Eastern Europe.



“ The Supervisory Board has given me the mission of quickly returning the Group to growth and profitability. ”





Strategy and Innovation Department to make our research more customer-focused and to ensure that strategy and research are seamlessly linked. Lastly, to drive faster growth in our operations in three key areas, the China, Mercosur and replacement parts departments have been organized into self-managing business units, reporting to me and enjoying a broad range of delegated responsibilities. In addition, the Purchasing Department, which is a strategic unit, will report directly to me.

helping to widen our European leadership. But we also need to prepare our next-generation models as quickly as possible. That's why we're hard at work strengthening the product plan, especially its innovations.

➤ **Will the strategic vision be reviewed in 2007?**

Our strategic vision is going to evolve, because conditions in the automotive industry and our markets are changing very quickly, and our vision has to remain aligned with reality. In the second half, I will announce the new strategic objectives concerning the product plan after 2011, new developments outside Western Europe, our technological programs and our cooperative agreements.

➤ **Do you have a method for getting everybody to support the change process?**

The day I was appointed, I launched the CAP 2010 action program that got some one hundred people involved in ten cross-functional working groups to identify practical, real-world solutions to customer, product, quality and sales-related issues. Every idea was considered, without any taboos, and some of them were implemented right away. Others will be gradually deployed by around one thousand top managers and then by everyone across the Group around the world. The program has given me the opportunity to see just how deeply committed our employees are to moving the Group forward and how much energy they are putting into the task.

➤ **How are you going to relaunch PSA Peugeot Citroën?**

The Group is already relaunching itself. The Peugeot 207 has met its objectives, the Citroën C4 Picasso is over-target and the recently introduced light commercial vehicles are

➤ **Why was the Managing Board expanded and a new organization introduced?**

To manage these priorities and lead the strategy, a simple, highly operational organization has been put into place. The Managing Board has been expanded to five members: myself, the two Chief Executive Officers of the Peugeot and Citroën marques, the Executive Vice President, Programs (responsible for product plans and vehicle projects) and the Executive Vice President, Technical and Manufacturing (responsible for engineering, plant scheduling, production and logistics). Together, we make up a close-knit team, capable of quickly taking all the decisions concerning a given model.

In addition, I wanted to consolidate the responsibilities for R&D, strategic development, marketing and sustainable development into a single



# Corporate Governance

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> 8	THE SUPERVISORY BOARD		

## > The Supervisory Board

Thierry Peugeot, Chairman  
Jean Boillot, Vice Chairman  
Jean-Philippe Peugeot, Vice Chairman  
Pierre Banzet  
Marc Friedel  
Jean-Louis Masurel  
Jean-Paul Parayre  
Robert Peugeot\*  
Marie-Hélène Roncoroni  
Ernest-Antoine Seillière  
Jean-Louis Silvant  
Joseph F. Toot Jr.  
Roland Peugeot, Advisor  
Bertrand Peugeot, Advisor  
François Michelin, Advisor  
\* Appointed on February 6, 2007



### The Strategy Committee

#### Terms of reference:

The Strategy Committee, set up in 1998, is responsible for considering the Group's long-term growth trajectory and strategic direction. It reviews the Managing Board's long-term strategic plan and is consulted about proposed major transactions. It also prepares Supervisory Board decisions on strategic projects submitted for the Board's approval in accordance with Article 9 of the bylaws.

#### Members:

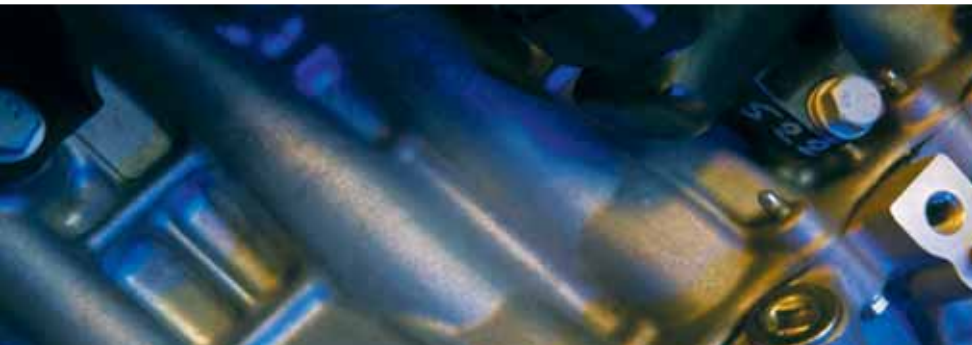
The Committee comprises six members, appointed in their own name and not as representatives of corporate Supervisory Board members.

Jean-Philippe Peugeot, Committee Chairman,  
Jean Boillot,  
Jean-Paul Parayre,  
Thierry Peugeot,  
Ernest-Antoine Seillière,  
Jean-Louis Silvant.

### The Compensation and Appointments Committee

#### Terms of reference:

Set up in 1998, the Compensation and Appointments Committee is responsible for preparing Supervisory Board decisions regarding compensation for members of the Managing Board, the Supervisory Board and the Board committees, as well as stock option grants to members of the Managing Board. In 2003, the Committee's terms of reference were broadened to include preparing Supervisory Board decisions concerning the appointment of new members of the Supervisory Board and Managing Board, by determining selection criteria, organizing the selection process and recommending candidates for appointment or re-appointment. It also stays informed of changes in compensation and stock option grants to other Group executives.



FROM LEFT TO RIGHT

Thierry Peugeot  
 Jean Boillot  
 Jean-Philippe Peugeot  
 Pierre Banzet  
 Marc Friedel  
 Jean-Louis Masurel  
 Jean-Paul Parayre  
 Robert Peugeot  
 Marie-Hélène Roncoroni  
 Ernest-Antoine Seillière  
 Jean-Louis Silvant  
 Joseph F. Toot Jr.  
 Roland Peugeot  
 Bertrand Peugeot  
 François Michelin

**Members:**

The Committee comprises two members, appointed in their own name and not as representatives of corporate Supervisory Board members.

Thierry Peugeot, Committee Chairman,  
 Ernest-Antoine Seillière.

**The Finance Committee**

**Terms of reference:**

The Finance Committee, set up in 2002, is responsible for informing the Board of its opinion on the interim and annual financial statements of the company and the Group. It may also be asked to review any corporate actions and other projects requiring prior approval by the Board. To this end, the Committee reviews in detail the interim and annual financial statements, the most significant financial transactions and the management report-

ing schedules. It also monitors off-balance sheet commitments and data to assess the Group's risk exposure. The Finance Committee, which enjoys free access to all the information it needs, can, like the Chairman of the Supervisory Board, meet with the persons responsible for internal control and with the auditors, with or without line management attending.

**Members:**

The Committee comprises three members, appointed in their own name and not as representatives of corporate Supervisory Board members.

Marc Friedel, Committee Chairman,  
 Jean-Louis Masurel,  
 Marie-Hélène Roncoroni.

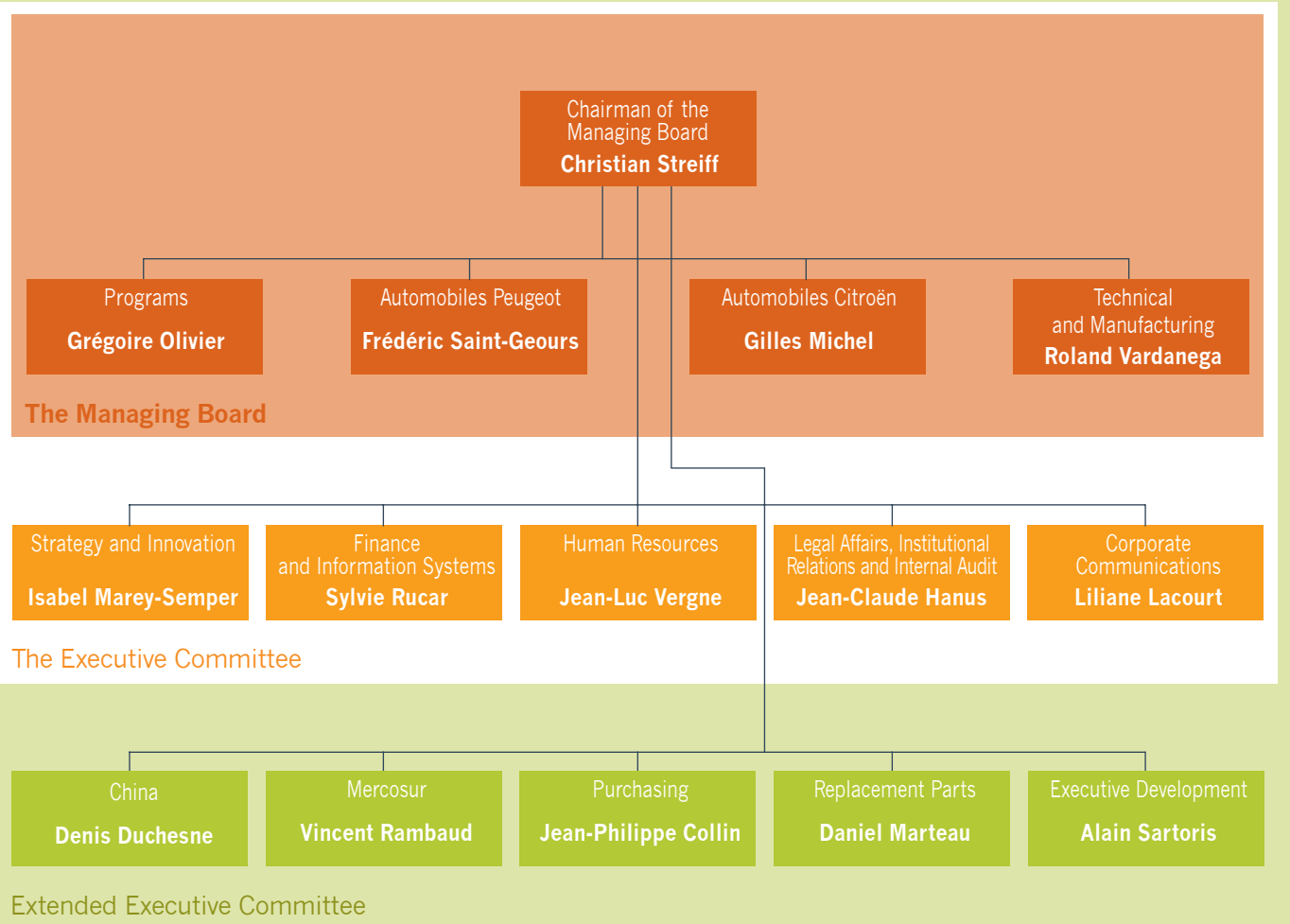
As of May 1, 2007.

# Corporate Governance

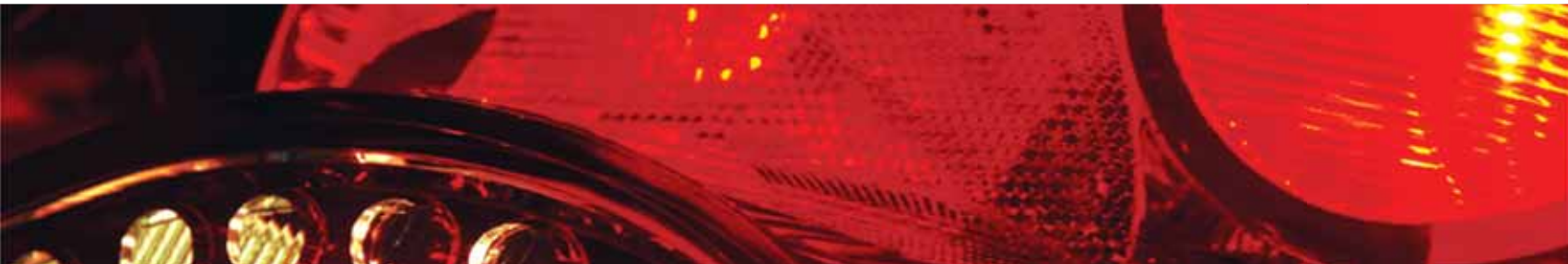
- 5 A MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD > 10
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## THE MANAGING BOARD AND EXECUTIVE COMMITTEE INVESTOR RELATIONS

## > The Managing Board and Executive Committee



As of February 6, 2007.



*FROM LEFT TO RIGHT*

Roland Vardanega  
Grégoire Olivier  
Christian Streiff  
Gilles Michel  
Frédéric Saint-Geours  
Sylvie Rucar  
Jean-Luc Vergne  
Liliane Lacourt  
Jean-Claude Hanus  
Isabel Marey-Semper

## > Investor Relations

PSA Peugeot Citroën is committed to keeping stockholders regularly informed, to constantly enhancing the various sources of stockholder information and to facilitating direct investor contacts at meetings and special events.

Stockholders are kept informed of the Group's business and financial performance through a variety of publications, including the Annual Report and the Registration Document, which are updated every year; the Interim Report, which is available as soon as interim results are released in late July; press releases and financial notices posted on the corporate website; the Stockholders' Newsletter, published to coincide with the release of annual results, the Annual Meeting and the release of interim results; and the Stockholders Guide.

All of these publications are available online in the Stockholder section of the [www.psa-peugeot-citroen.com](http://www.psa-peugeot-citroen.com) website, which also displays the Peugeot S.A. stock price in real time. The [www.sustainability.psa-peugeot-citroen.com](http://www.sustainability.psa-peugeot-citroen.com) site describes our commitment to responding to the major human resources, social and environmental issues facing today's world.

To nurture effective relations with investors, a growing number of events are organized for stockholders, in particular presentations in French cities outside Paris and a variety of plant visits. Stockholders may also request information from the Investor Relations team via e-mail ([communication.financiere@psa.fr](mailto:communication.financiere@psa.fr)) or by phone, at 0810 424 091 (France only).

### Share Performance

The Peugeot S.A. share gained 3.08% in 2006, ending the year at €50.20. This compared with increases of 17.53% in the CAC 40 index and of 26.27% in the DJ Euro Stoxx Auto index over the same period. Over the past five years, the Peugeot S.A. share has gained 5.13%, compared with a 19.83% decline in the CAC 40 index and 32.68% increase in the DJ Euro Stoxx Auto index.

### Dividend Policy

Based on the number of shares outstanding at December 31, 2006, the 2006 dividend submitted to stockholder approval at the May 23, 2007 Annual Meeting corresponds to a total payout of €317 million.

Every year, the dividend is paid seven days after stockholder approval at the Annual Meeting, which for the 2006 dividend corresponds to May 30, 2007.

### Dividend per share (in euros)

	2004	2005	2006
Dividend	1.35	1.35	1.35*

\* Subject to stockholder approval at the May 23, 2007 Annual Meeting. Beginning with dividends received in 2005, the tax credit has been replaced, under certain conditions, with tax relief.

### > CONTACT INFORMATION

Stockholders wishing to receive financial information on a regular basis may register at Company headquarters:

Peugeot S.A. – Investor Relations

75, avenue de la Grande-Armée – 75116 Paris, France

E-mail: [communication.financiere@psa.fr](mailto:communication.financiere@psa.fr)

Phone: +33 (0)1 40 66 37 60

### > Investor Calendar

April 26, 2007:	First-quarter 2007 sales and revenue
May 23, 2007:	Annual Stockholders' Meeting
May 30, 2007:	2006 dividend paid
July 25, 2007:	First-half 2007 results
October 25, 2007:	Nine-month 2007 sales and revenue
February 13, 2008:	2007 annual results

2006 dividend: €1.35\*

**Five-Year Performance of the Peugeot S.A. Share Versus the CAC 40 Index and the DJ Euro Stoxx Auto Index (base 100)**



**SHARE DATA**

**ISIN**  
FR0000121501

**Markets**  
Eurolist continuous trading – Euronext Paris SA, Compartment A

Other markets:  
 ■ Europe: Euronext Brussels and SEAQ International – London.  
 ■ United States: Traded as American Depositary Receipts (ADRs), with one ADR representing one share of common stock.

**Listed in the major indexes**  
 ■ Euronext and Sector: CAC 40, SBF 120, SBF 250, Euronext 100, Dow Jones Euro Stoxx Auto.  
 ■ Socially Responsible Investing: Advanced Sustainable Performance Indices (ASPI), FTSE4Good.

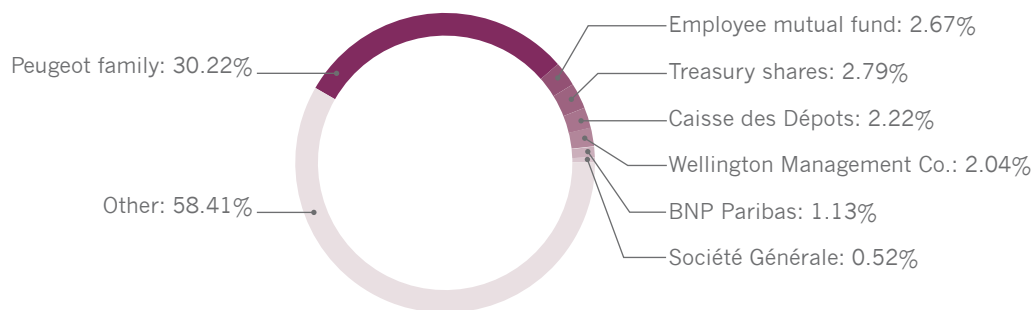
**Eligible for:**  
Deferred settlement under the SDR system and inclusion in French PEA stock savings plans.

**Closing price on December 31, 2006**  
€50.20

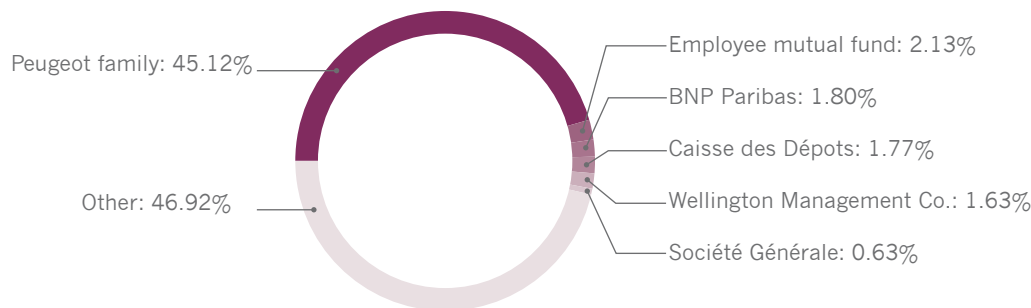
**Market value at December 31, 2006**  
€11.78 billion

**Weighting in the CAC 40 index at December 31, 2006**  
0.81%

**Ownership structure at December 31, 2006 (in %)**

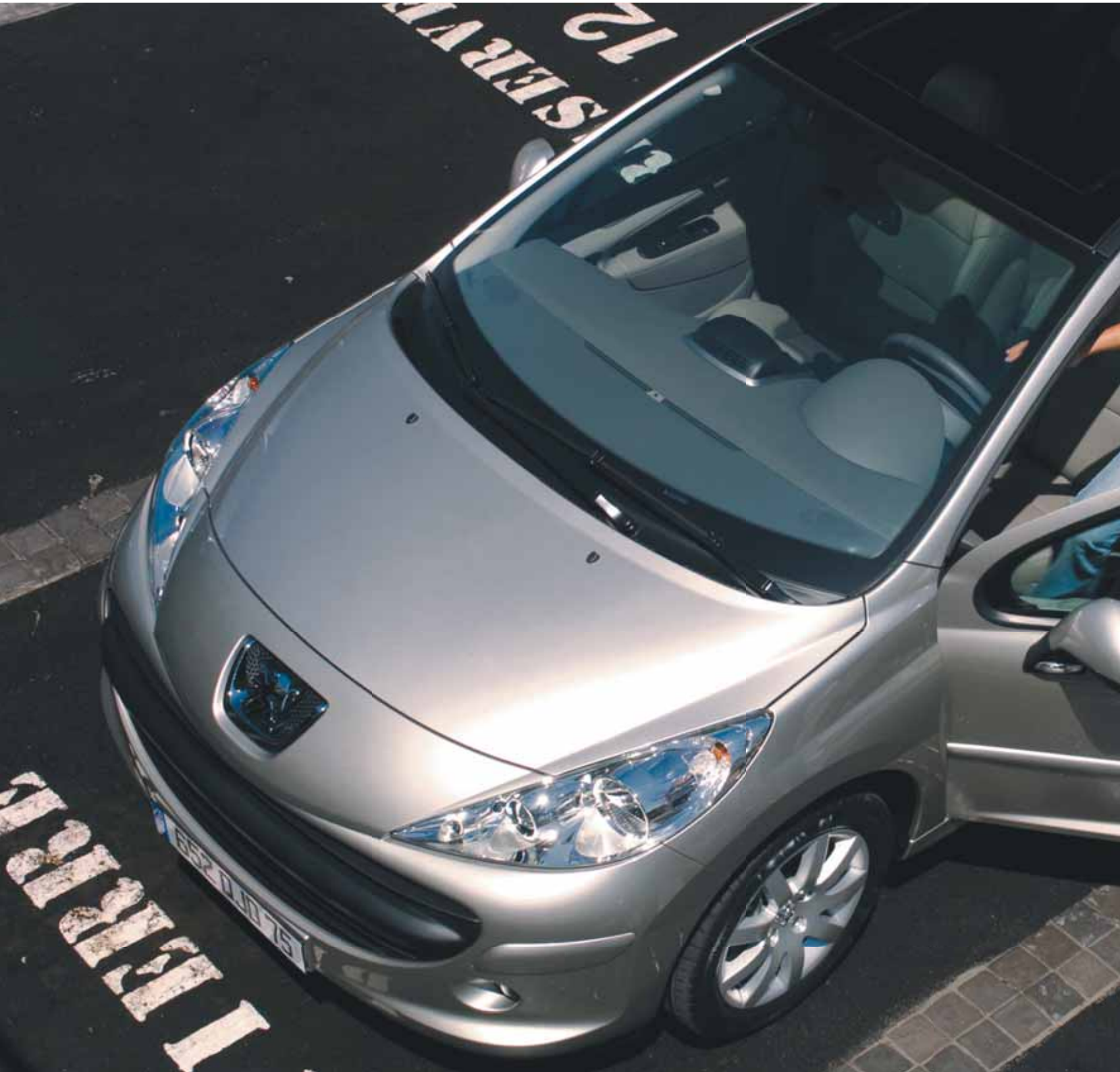


**Voting rights structure at December 31, 2006 (in %)**



\* Subject to stockholder approval at the May 23, 2007 Annual Meeting.

# Renewing the Peugeot and in Europe and the





# Citroën Line-ups

## Strategic Growth Regions



### SUCCESSFUL MODEL LAUNCHES

In 2006, PSA Peugeot Citroën demonstrated its forward-looking vision and innovation capabilities by successfully launching the Peugeot 207 and Citroën C4 Picasso.

# Events



# The Year in Pictures

- > 16 **MODELS**
- 18 INNOVATIONS
- 20 INTERNATIONAL OPERATIONS

## > Models

### The Peugeot 207 >

Combining dramatic styling, fiery temperament and technological innovation, the Peugeot 207 has been marketed since April 2006. The three and five-door versions offer aggressive, thoroughbred styling and proud, generous proportions. The model met its sales target for the year, selling 300,500 units.



### < Light commercial vehicles

The cooperation with Fiat entered two new phases during the year, with the May launch of the new Peugeot Boxer and Citroën Jumper (Relay) vans and the November unveiling of the new Peugeot Expert and Citroën Jumpy (Dispatch) compact vans.



## International launches >

In 2006, the marques introduced four cars developed specifically for local markets in China, with the Citroën C2 and C-Triomphe, and in Latin America, with the Peugeot 307 Sedan and 206 Escapade.



## ✓ The Citroën Grand C4 Picasso

Introduced in October 2006, the Grand C4 Picasso is a compact MPV offering a new world of visual freedom. With its extensive glass area and vast modular cabin, which can carry up to seven people in comfort, the highly innovative vehicle is the world's first "visiospace". Initial sales have been excellent.



## < Scooter

In March 2006, Peugeot Motocycles (PMTM) introduced the Satelis 125, whose unique 125cc Compressor Evolution 2 engine delivers particularly high performance.

# The Year in Pictures

16

MODELS

>18

**INNOVATIONS**

20

INTERNATIONAL OPERATIONS

## > Innovations

### Diesel hybrid demonstrators >

The presentation of the Peugeot 307 and Citroën C4 Hybrid HDi demonstrators showcased the Group's expertise in diesel hybrid technology, which effectively improves fuel efficiency and lowers CO<sub>2</sub> emissions. It will be brought to market around 2010.



### < Gasoline engines

The 1.6-liter Turbo High Pressure (THP) engine, the first to be produced by the cooperative venture with BMW Group, is a concentration of advanced technologies, delivering up to 110kw (150hp) of power. Fitted on the Peugeot 207 1.6-liter THP since October 2006, the new powerplant has inaugurated our new family of small, high-performance gasoline engines.

### The C-Métisse concept car >

The Citroën C-Métisse concept car is an exceptionally stylish and powerful four-seater sports coupé that was unveiled to wide acclaim at the Paris Auto Show in September. With its show-stopping gull-wing doors, high-spec passenger compartment and HDi hybrid drivetrain with two electric motors in the rear wheels, the C-Métisse delivers astonishing power and environmental performance.



## < The HDi diesel engine

From June to September 2006, the Peugeot 407, Peugeot 607, Citroën C5 and Citroën C6 were fitted with the new DW12 B engine, a 2.2-liter HDi twin-turbo with a particulate filter. Lightweight, clean and highly energy-efficient, the new powerplant represents the fourth phase in the cooperation agreement with Ford Motor Company.



# The Year in Pictures

16

MODELS

18

INNOVATIONS

>20

INTERNATIONAL OPERATIONS

## > International Operations

### China >

In October 2006, PSA Peugeot Citroën further demonstrated its commitment to China by laying the cornerstone for its second plant in Wuhan, which will produce executive models beginning in 2009. The objective is to achieve 85 to 90% local content in vehicles and sub-assemblies by mid-2007.



### < Latin America

Production of the Peugeot 307 Sedan started-up in Argentina during the year, while at the Porto Real plant in Brazil, output of Peugeots and Citroëns since 2001 topped 300,000 units in May.



## ^ Slovakia

Today, PSA Peugeot Citroën is the second ranked carmaker in Central Europe, with 11.3% of the market. In October 2006, the new plant in Trnava, Slovakia was inaugurated, expanding our European manufacturing base and initiating production of the Peugeot 207.



## ^ < Social responsibility

Signed in March 2006, the Global Social Responsibility Agreement is now being deployed in every unit around the world. The Group has committed to applying the best human resources management practices, to extending implementation of equal opportunity policies across the global organization and requiring suppliers to demonstrate compliance with our principles.

# A Broad Model Range and Widely





# Recognized Innovation Capabilities

## USEFUL TECHNOLOGIES

The R&D budget represents 5.2% of Automobile Division revenue, providing the funding to drive the continuous development of innovations to support sustainable mobility.

# Strengths

## > Strengths

**PSA Peugeot Citroën enjoys a large number of strategic strengths. Based on the strategic choices that have driven our robust growth, these strengths are now being leveraged to ratchet up the pace of expansion and put us back on the road to profitability.**

### **Two strong marques**

PSA Peugeot Citroën's growth is being driven by two automobile marques, Peugeot and Citroën, each with their own personality and highly diversified line-up of recently introduced models. As a volume carmaker, the Group designs a product plan focused on quickly bringing new models to market, broadening the model range and delivering superior product and service quality.

### **Recognized innovation capabilities to support sustainable mobility**

Aware of the environmental and social impact of its products, PSA Peugeot Citroën markets cars equipped with technologies that address these challenges. We are developing innovative products that express a strong brand image and appeal to carbuyers, while sustaining our leadership positions in critical automotive technologies in the areas of environmental protection, safety and the driving experience.

Our success in reducing CO<sub>2</sub> emissions has made PSA Peugeot Citroën Europe's leading manufacturer of low-emission vehicles. We are consolidating our leadership in diesel engines. Now widely recognized for its environmental performance, our direct-injection, common rail HDi technology reduces CO<sub>2</sub> emissions by 20% compared with the previous

generation diesels and by 30% compared with gasoline engines. In addition, HDi engines deliver remarkable drivability and today rank among the most popular in Europe. We have also developed new gasoline engine technologies, as illustrated by the mid-size engines being produced in cooperation with BMW Group since 2006. Farther out, a wide variety of research programs are being conducted to align the automobile with a long-term commitment to sustainable mobility.

The second focus of PSA Peugeot Citroën's innovation commitment is road safety, where we have deployed a variety of ongoing programs to make the road safe for everyone. In this way, we are often the first to bring to market effective, affordable solutions to avoid accidents, to reduce their impact when they do occur and to guide rescue crews quickly to accident victims.

### **Building success on highly skilled, dedicated teams**

Every day, in every host country and at every level of the organization, our performance depends on skilled, motivated teams capable of generating and supporting our expansion in the global marketplace. To support its ongoing transformation, the Group engages in continuous social dialogue and is actively committed to respecting human rights and equal opportunity. Employee relations policies emphasize workplace health and safety, employee skills development and compensation based on competitiveness and individual and group performance. Deployed across the organization, this social responsibility process has led to a number of innovative commitments.

### Technological and industrial expertise

To improve the performance of our production facilities, a plan has been implemented to drive greater manufacturing efficiency, primarily by upgrading production and supply chain processes and by optimizing procurement policies. Purchasing policies, which play a critical role in the vehicle production system, are designed to optimize costs and quality. We are also committed to sharing our environmental and social responsibility standards with suppliers, as part of the extended enterprise.

To speed growth and reduce costs beyond what is being done internally with the platforms, cooperation agreements involving dedicated, ongoing programs have been implemented in order to share, with other independent carmakers, the development and production of components or vehicle bases for which scale economies make sense. PSA Peugeot Citroën is the only carmaker to implement strategic cooperation agreements to that extent. Agreements have been signed with Renault, Fiat, Ford, Toyota, BMW and, more recently, Mitsubishi Motors Corporation. They deliver the scale economies a carmaker needs to be competitive, provide a powerful means of benchmarking and learning industry best practices and enable both partners to quickly broaden their product ranges.

### Expansion in new markets

PSA Peugeot Citroën has established solid bridgeheads in its three strategic growth regions: China, Latin America and Central and Eastern Europe. Sales of Peugeot and Citroën vehicles are enjoying robust growth in these fast expanding markets, where we are responding to local customer expectations by developing specific models for such countries as China, Brazil and Argentina. As part of this strategy of expanding outside Western Europe, PSA Peugeot Citroën operates production plants alone or in partnership, in a commitment to rapidly increasing local content.

### A healthy balance sheet

Our growth strategy is backed by a healthy balance sheet, with significant equity and a net cash position for the manufacturing and sales companies. The strategy is designed to develop future products and enhance our performance in Europe and the rest of the world, while maintaining disciplined control over capital expenditure.

### Three other successful businesses

In addition to its core competency of making automobiles, PSA Peugeot Citroën is involved in three other major businesses: Banque PSA Finance, our automotive finance division; Gefco, a transportation and logistics company; and Faurecia, an automotive equipment manufacturer that is majority-owned by the Group.



## > Strategic Priorities

**In an aggressively competitive automobile market that has dampened PSA Peugeot Citroën's ambitions, four operating priorities have been defined for the short term.**

- The first priority is **quality**, on which the entire organization remains as sharply focused as ever. Major progress has been made in the past three years, but now the objective is to rapidly position Peugeot and Citroën among the market leaders in both product and service quality by ratcheting up the programs already underway in automotive design, in the production plants, with suppliers and with dealers.
- The second priority is **to reduce costs**. The Group prepared for sustainable growth, but when growth slowed, costs spun out of control. Costs will have to be reduced much more quickly in the short term, through measures implemented in the coming months to manage headcount, cut overheads, quickly improve plant and office productivity across the Group and streamline the organization.
- The third priority concerns **product strategy**. The product plan will be stepped up and broadened to improve response to changing customer expectations and more aggressive competition in the global marketplace. In particular, with the market increasingly driven by new models and features, we will have to refocus on shortening time-to-market for future projects.
- The fourth priority concerns **international operations**, where in the short term we are committed to expanding more quickly in our current host regions – to get bigger in China, become a major automobile industry player in the Mercosur region and continue to expand in Central and Eastern Europe.

Today, the entire Group is dedicated to pursuing these priorities, which together form our strategic road map for the next three years. To manage and support implementation of these actions, we have introduced a new, more operationally-oriented organization that has streamlined decision-making processes and accelerated deployment of solutions.



A largely renewed model range more closely aligned with emerging customer expectations.



◀ The Citroën C-Crosser and Peugeot 4007 SUVs powered by an HDi diesel engine with a particulate filter.  
▼



# Social responsibility programs are helping to improve



deployed in all our host countries  
performance across the Group



## WORKPLACE SAFETY

The lost-time incident frequency rate declined for the fifth straight year in 2006, when PSA Peugeot Citroën reported its best workplace safety performance ever.



# Talents



## > Our Employee Relations Commitment

In every host country around the world, PSA Peugeot Citroën deploys innovative human resources management programs based on continuous social dialogue. This enables employees and the organization to effectively respond to changes in our manufacturing facilities and processes, in our business, in our employee relations practices and in our host societies. Throughout, the objective is to align business performance and personal growth by fostering a sense of community built on the strong values of solidarity, tolerance and commitment.

### **A commitment to social dialogue, capable of driving lasting innovation**

In every host country, social dialogue policies are based on relations with independent labor organizations.

Their effectiveness and continuous improvement reflect a fundamental emphasis on enabling the Company to change and grow with the support of its employees and their representatives.

### **A priority focus on safety and working conditions**

Workplace safety is a priority issue across the Group, because the only acceptable goal is an accident-free work environment. This is why the integrated Workplace Safety Management System has been extended to every site worldwide, with the same uncompromising focus on safety in every host country.

### **Hiring policies to internationalize teams and diversify employee skill sets**

PSA Peugeot Citroën currently has 211,700 employees, of whom 90,000 work outside France. Hiring policies are supporting the growing internationalization of the workforce, as well as encouraging the redeployment of capabilities toward strategic skills clusters, in line with the organization's needs.

### **Compensation policies based on performance and fairness**

Compensation policies are designed to offer compensation that is competitive with market practices and to reward individual performance, while guaranteeing equal opportunity. They also give employees a stake in the gains from growth and value creation, in particular through discretionary and non-discretionary profit-sharing programs.



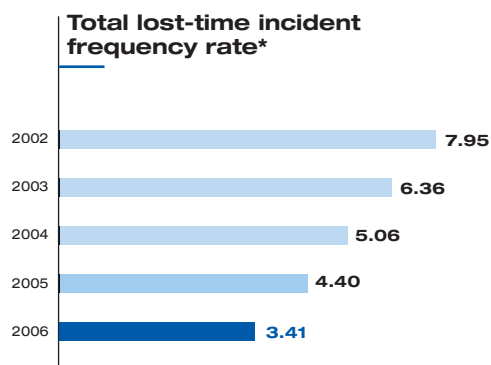


# More than 50 agreements signed in 2006



51,000 employees  
are Peugeot S.A. stockholders.

## SUSTAINED IMPROVEMENT IN WORKPLACE SAFETY



\* Worldwide, excluding Gefco and Faurecia.

In 2006, the proprietary dealership networks reported a sharp improvement in their safety performance for the year.



## > Corporate Social Responsibility in 2006

### **The Global Social Responsibility Agreement: a commitment without borders**

The Global Corporate Social Responsibility Agreement was signed on March 1, 2006 with the International Metalworkers' Federation (IMF) and the European Metalworkers' Federation (EMF). It has been ratified by 33 local unions in our ten leading host countries: France, Spain, Slovakia, the United Kingdom, Germany, Italy, Argentina, Brazil, Portugal and Belgium.

The Agreement extends best human resources management practices to every subsidiary around the world and reaffirms our commitment to upholding fundamental human rights. This commitment also covers supplier compliance with our human rights standards.

The principles concerning human rights have also been integrated into the new social responsibility and environmental specifications for suppliers, sub-contractors, manufacturing partners, dealerships and other stakeholders. Violations of these principles will lead to sanctions, including exclusion from the Group's list of approved suppliers.

A manual has been distributed to help subsidiaries apply the agreement, while compliance is regularly tracked by the Works Council and by audits. In Brazil, our social responsibility commitment was recognized by the Corporate Citizenship Prize, awarded by the Rio de Janeiro State Secretariat of Labor Affairs, while in France, we received an award for the Best Global Social Responsibility Policy in February 2007.

### **Supporting equal opportunity**

Equal opportunity is a critical component of our human resources strategy and a guiding principle at every stage in an employee's career. Diversity means bringing together and nurturing the brightest talent, regardless of culture, nationality, gender, religion, political opinion, labor union activities, background, physical characteristics, age or sexual orientation. Of the 629 engineers and managers hired under permanent contracts in the largest French Automobile Division subsidiary in 2006, 178 were women, 43 were non-French nationals, 53 were visible minorities, 24 came from underprivileged urban areas and 22 were over 45 years old.

### **Efficiently managing skills**

In France, the agreement on the career development of production line operators, signed in 2005, led to the promotion of 5,800 people based on objective, skills-related criteria. Applied to skilled professionals in early 2007, the agreement will be further extended to other countries and to clerical employees, technicians and supervisors in the future.

Other innovative processes used to select candidates on the basis of objective, ability-related criteria include Assessment Centers and simulation based hiring procedures.



# The Global Social Responsibility Agreement has been ratified in 10 countries where we employ more than 500 people

## “Working tomorrow with today’s employees”

Enabling employees to maintain their health throughout their careers is also part of a company’s social responsibility. The Health Care Plan is designed to prevent job-related disorders, such as back problems, and to encourage good health practices. In France, the Santal+ program is raising awareness of the importance of nutrition and exercise.

## Respecting social responsibility principles during the closure of the Ryton plant

As soon as the project to close the Ryton, UK plant was announced, PSA Peugeot Citroën made the commitment that no employee would have to find a new job on his or her own.

A Resource Centre was set up and more than 6,000 jobs were offered to the 2,050 Automobile Division employees concerned, in particular during the six job forums organized on-site. Thanks to these and other resources, **our commitment was honored in just nine months**. The closure took place without any industrial action and in full compliance with the plant’s quality, safety and production objectives.

## ENCOURAGEMENT FROM THE FRENCH GOVERNMENT TO PURSUE EQUAL OPPORTUNITY INITIATIVES:

■ On December 14, 2006, PSA Peugeot Citroën was awarded the **First Grand Prize for Diversity** by France’s Minister Delegate for the Promotion of Equal Opportunity, Azouz Begag, during the closing ceremonies at the Diversity Tour de France.

■ In January 2007, France’s Ministry of Gender and Professional Equality renewed our “Equal Opportunity Employer” label. PSA Peugeot Citroën was the first French company to receive this distinction, in 2005.



IN FRANCE,  
THE SANTAL+  
PROGRAM IS RAISING  
AWARENESS OF  
THE IMPORTANCE  
OF NUTRITION  
AND EXERCISE.



Nearly 45,000 women work  
for PSA Peugeot Citroën.

# 3,365,900 Peugeot and Citroën Sales outside Western Europe



vehicles sold worldwide in 2006  
have tripled in five years

## GREAT CARS, ENGINEERED FOR TOTAL PERFORMANCE

Peugeot and Citroën sell cars and light commercial vehicles that offer a reduced environmental footprint, exceptional safety performance and an unrivalled driving experience. In 2006, the Citroën C4 Picasso and the Peugeot 207 earned five stars for passenger protection in Euro NCAP impact tests.

# Demanding Standards



> 36	2006 SALES	42	CARS AND THE ENVIRONMENT	47	OTHER BUSINESSES
38	PEUGEOT	44	CARS AND SAFETY		
40	CITROËN	46	URBAN MOBILITY		

## > 2006 Sales

**In 2006, PSA Peugeot Citroën served 5.2% of the global automobile market, with 3,365,900 units sold, down 0.7% from 3,390,000 in 2005. Sales declined by 2.7% in Europe, where the market was highly competitive and demand rose only 1.1% during the year, but increased 3.9% in the rest of the world, where demand remained firmer.**

In Western Europe, PSA Peugeot Citroën registrations declined by 1.7% to 2,311,200 units in 2006, of which 1,233,100 Peugeots and 1,078,100 Citroëns. The Group maintained its position as the second largest carmaker in the 18-country region, with 13.8% of the car and light commercial vehicle market, versus 14.3% in 2005. Despite a difficult year and a decline in market share in our main country markets, we remained market leader in France, Spain, Belgium and Portugal, and number two in Austria, the Netherlands and Denmark. The Group was also Europe's largest manufacturer of light commercial vehicles.

### **Sustained international expansion**

Sales outside Western Europe exceeded one million for the second year in a row. In all, 734,900 Peugeots and 334,800 Citroëns were sold in international markets, for a total of 1,069,700, up 3.9%. Gains were reported in every strategic growth region, lifting the proportion of international sales to 31.8% of the worldwide total, versus 30.4% in 2005 and 28.2% in 2004. Sales in Latin America increased 17.6% to 215,100 units, with a 19.9% increase in the Mercosur countries outpacing the 13.6% growth in local markets. We outperformed the market in China as well, driving a 43.4% increase in sales to 201,300 units in a market up 32.2%, while in Central and Eastern Europe, sales rose 14.5% to 179,600 units.

### **Successful new model launches and sustained leadership in light commercial vehicles**

Peugeot and Citroën successfully introduced new models during the year, while maintaining the positions of their existing line-ups.

■ The Peugeot 207 was launched in France in April and met its initial sales targets, with 300,500 units sold, while the Peugeot 206 was introduced in China, Iran and Malaysia. Together the 206 and 207 represented Europe's best selling compact, with an aggregate 782,000 units sold. In all, unit sales of Peugeot compacts (the 107, 206, 207 and 1007) rose by nearly 20% in 2006.

■ Launched in October, the Citroën Grand C4 Picasso sold more than 24,000 units in the final quarter of the year. When combined with resilience of Xsara Picasso sales, at 183,000 units, the Grand C4 Picasso's success drove an 11% increase in unit sales of Citroën mid-range MPVs.

■ The Group remained Europe's leading manufacturer of light commercial vehicles, with 368,000 registrations and 17.7% of the market. The Citroën Berlingo, whose unit sales rose 15% and the Peugeot Partner, up 3%, delivered their best performance since launch. The new Peugeot Boxer and Citroën Jumper were introduced in the second half.

### **Outlook for 2007**

In a still highly competitive marketplace, demand is expected to remain flat in Europe in 2007, but experience more dramatic swings in growth in other regions of the world. Refreshed by the launch of new models, the two marques' line-ups should enable the Group to return to unit sales growth in Europe and drive faster expansion in the rest of the world.

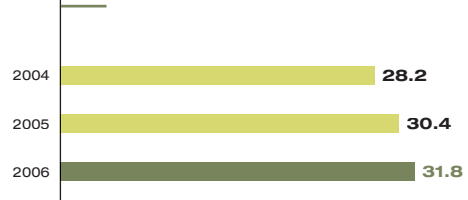
More than **1 million** vehicles sold outside Western Europe for the second year in a row



PSA Peugeot Citroën is Europe's **second largest** car manufacturer and the market leader in light commercial vehicles.



**Percentage of unit sales generated outside Western Europe (in %)**



# Business Review

36	2006 SALES	42	CARS AND THE ENVIRONMENT	47	OTHER BUSINESSES
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## > Peugeot

**In 2006, the Peugeot line-up was enhanced with a number of major new models, led by the Peugeot 207, which immediately moved to the top of its category. In every market, Peugeot is solidly positioned to meet the expectations of customers who are increasingly sensitive to its values of reliability, style, dynamism and innovation.**

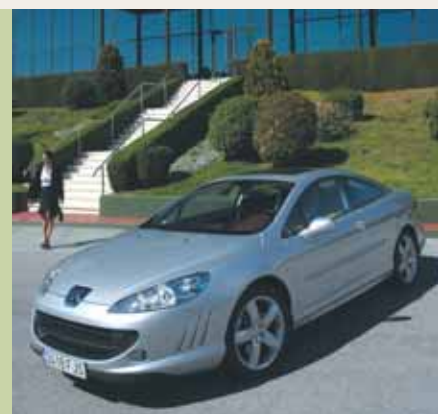
Peugeot's global network spans 10,000 dealerships in 150 countries, where it markets a comprehensive range of models to meet the expectations of every carbuyer, with world-class environmental performance and safety features. In 2006, the Peugeot 207 was launched in response to growing demand for compact cars.

### Successful launch of the Peugeot 207

Introduced in three and five-door versions, the Peugeot 207's thoroughbred styling, responsive handling and modern, high-performance engine options were an immediate hit with the carbuying public. The new model succeeds but does not replace the Peugeot 206, which is pursuing its career and expanding its offering outside Western Europe. In 2006, for example, new versions introduced in Malaysia, where it is locally assembled by Naza, and in China, where it already accounts for nearly half of the marque's invoicings. In addition, the 206 Sedan went on sale in Iran, Russia, Turkey and Algeria, while an Escapade version was launched in Brazil. Peugeot has never fielded such



The Peugeot Expert Tepee, the combi-van version of the new line of light commercial vehicles.





# A 20% increase in compact sales, led by the successful launch of the Peugeot 207

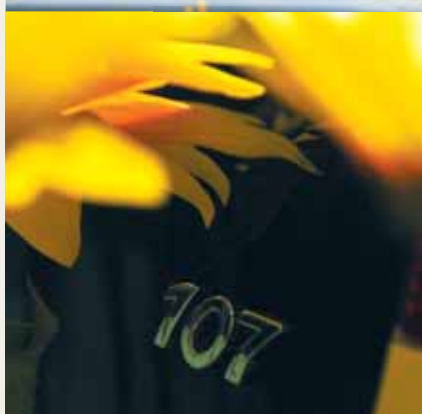
a broad range of compacts, which now include the 107, the 1007, the 206 and the 207, whose aggregate unit sales in Europe rose 20% during the year. Peugeot 107 sales were on target, while the 1007 line was enhanced with a version powered by the 1.6-liter gasoline engine mated to a five-speed manual gearbox.

## A comprehensive model line-up

In other market segments, the Peugeot line-up continues to attract a large number of carbuyers. The Peugeot 307 family holds more than 30% of its market in Europe, while in China, its sedan version is going from strength to strength. In the upper range, demand for the Peugeot 407 and 607 was revitalized by the introduction of models powered by the new 170hp 2.2-liter HDi that combines performance, fuel efficiency and environmental sensitivity. The launch of the new Boxer has paved the way for a new generation of light commercial vehicles that offer multi-purpose capabilities and low cost of ownership, with sedan-like drivability and safety performance.

## Outlook for 2007

Peugeot's growth in 2007 will be led by a series of new model roll-outs, including the 4007, the marque's first SUV, which was developed in cooperation with Mitsubishi. The 207 line-up will be expanded, with a coupé-cabriolet launched in February, that will replace the highly successful Peugeot 206 CC and new gasoline-powered versions with next-generation engines developed in cooperation with BMW Group. New powerplant options will also be offered for the Peugeot 1007. Renewal of the light commercial vehicle line will continue apace, with the roll-out of the new Expert.



1,959,800 Peugeots  
sold in 2006.



## > Citroën

**Citroën continued to expand in Europe and the global marketplace in 2006. Growth is being supported by the qualities of the most comprehensive line-up in the marque's history, with cars designed for discerning drivers, in any segment, who appreciate bold styling statements, an exciting driving experience and a profound sense of well-being.**

For Citroën, the highlight of 2006 was the launch of the Grand C4 Picasso, whose spacious, modular interior (which can comfortably accommodate up to seven people), compact proportions and exceptionally vast glass area has revolutionized its category. The model was an immediate hit when it went on sale in the fourth quarter. With the Xsara Picasso, which is pursuing its career, and the five-place C4 Picasso, the Grand C4 Picasso is one of the centerpieces of a range of compact MPVs, each with their own personality and features, capable of responding to the expectations of all types of carbuyers.

### **New versions in every segment**

This ability to meet a diversity of needs is also reflected in the rest of the line-up. The compact range, which includes the Citroën C1, C2, C3 and C3 Pluriel, has been expanded with a Stop & Start version of the C2. It uses the system offered on the Citroën C3 since 2005, which improves fuel

economy by around 10% in city driving, while reducing vibrations and noise. In the mid-range, the Citroën C4 has enjoyed strong sales since launch. 2006 saw the introduction of a new version with a six-speed compact automated gearbox mated to a 110 hp HDi diesel with a particulate filter. The executive line-up was also enriched with a new powertrain, the 173 hp 2.2-liter, four-cylinder HDi with a particulate filter, which has been unanimously acclaimed for its comfortable ride and fuel efficiency. It is now offered on the Citroën C5 and has expanded the range of engine options on the Citroën C6, which is setting the new standard for French executive cars. The C6 is also available with a 3-liter V6 gasoline engine and the 2.7-liter HDi diesel.



# Sales of Citroën compact MPVs rose 11% during the year

## Major new models in light utility vehicles and markets outside Western Europe

The model line-up was also extended in light commercial vehicles and in markets outside Western Europe. The new Jumper van got off to an excellent start, restoring the marque's leadership in a category where it enjoys a seasoned track record.

Citroën is also well established in China, where it innovated during the year by unveiling two new models especially designed for local carbuyers: the C2 China compact sedan and the spacious, status-affirming C-Triomphe notchback.

By extending a line-up that now covers most segments in an enormous, fast-growing market, the two new models will enable Citroën to further deepen its local presence.

## Outlook for 2007

In 2007, Citroën will continue to enhance and broaden its model line-up. The five-seat Citroën C4 Picasso will extend the mini-MPV line, while the Citroën C-Crosser, a new SUV developed in cooperation with Mitsubishi, will attract a whole new customer segment. The new Jumpy, which went on sale in January 2007, represents the second stage in the renewal of the light commercial vehicle range.



1,406,100 Citroëns sold in 2006.



## > Cars and the Environment

**Europe's leading manufacturer of low-emission vehicles, PSA Peugeot Citroën is committed to producing more environmentally-friendly cars and to supporting the use of renewable energies and new drivetrain technologies. We are meeting this challenge by delivering workable, real-world solutions and exploring new avenues to future progress.**

**Biofuels**, such as biodiesel and ethanol, help to reduce greenhouse gas emissions by offering a partial, yet immediately available, alternative to fossil fuels. Their use has been promoted across the Group since March 1998. Our diesels can run on up to a 30% biodiesel blend when used in captive fleets, while our gasoline engines can run on up to 10% ethanol blends without any technical modifications. We are also an expert in flex-fuel technology, which enables an engine to adjust to any mixture of ethanol and gasoline. In Brazil, 80% of our model line-up is sold with flex-fuel engines.

### **A strategy tailored to each market**

In summer 2007, flex-fuel options will be introduced for Peugeots and Citroëns sold in Europe, with engines capable of running on blends of up to 85% ethanol and compliant with Euro 4 emissions standards. In Brazil, we are working with Ladetel, a local clean technologies laboratory specialized in biofuels, to conduct trials of a biodiesel made from fully renewable fuel sources, such as soybean, palm and castor oil. In 2006, the partnership was awarded the International Cooperation Prize in the sustainable development category by France's Ministry of Ecology and Sustainable Development.

PSA Peugeot Citroën is the leader in particulate filter technology, with **1.8** million diesels already equipped.



# 460,000 vehicles emitting less than 120 grams of CO<sub>2</sub> per kilometer sold in Europe in 2006

## HDi diesel hybrids: a truly disruptive technology

PSA Peugeot Citroën is also exploring diesel hybrid technology, which combines an internal combustion engine with an electric powertrain. In terms of fuel efficiency and environmental performance, gasoline hybrids offer only around a 10% improvement over modern diesel engines, a field in which we are a widely recognized specialist. These capabilities were leveraged to develop two hybrid HDi demonstrators, which were presented in early 2006. Thanks to the exceptional efficiency of their HDi powerplants, the demonstrators consume an average of just 3.4 liters of fuel per 100 kilometers and emit just 90 grams of CO<sub>2</sub> per kilometer, without

sacrificing any of the original performance of the Peugeot 307 and Citroën C4 cars on which they are based. Current programs are focusing on reducing the production costs of hybrid HDi technology, with the goal of bringing our first hybrid HDi models to market in 2010.

## Making real progress in fuel cells

Over the longer term, hydrogen fuel cell technology represents one of the most promising solutions, offering high energy efficiency and zero emissions during use. In 2006, PSA Peugeot Citroën and the French Atomic Energy Commission (CEA) unveiled GENEPAC, the most compact and efficient fuel cell stack ever developed in France.



← The EU-standard energy efficiency labeling introduced in dealerships in early 2006.



← The flex-fuel Citroën C3.

## > Cars and Safety

Improving every aspect of safety has long been a strategic focus of the PSA Peugeot Citroën innovation process. Each year, more than 10% of the research and development budget is allocated to safety-related programs, which address the three key phases in safety performance: avoiding accidents (primary safety), protecting occupants and pedestrians should an accident occur (secondary safety) and improving post-accident emergency response (tertiary safety). In 2006, significant contributions were made in all three of these closely inter-related phases.

### Ten 5-star models

Long one of our primary concerns, impact protection is designed into every new vehicle project. Today, Peugeot and Citroën cars offer the highest protection on the market for:

- Drivers and passengers, with ten models obtaining five stars in the extremely demanding Euro NCAP tests.
- Children, with a four-star child protection rating for the Peugeot 407.

- Pedestrians, with the Citroën C6's active hood earning it the market's only four-star rating in pedestrian protection.

At PSA Peugeot Citroën, we believe that this same high protection should be available wherever our vehicles are sold. In China, for example, the Peugeot 307 earned the highest safety rating in the first round of tests conducted by the country's new car assessment program, C-NCAP, in summer 2006.

### Significant progress in light commercial vehicles

In 2006 and early 2007, the process of renewing the Peugeot Boxer/Citroën Jumper (Relay) and Peugeot Expert/Citroën Jumpy (Dispatch) ranges offered an opportunity to take their primary safety performance to a new level. The new models come with the latest generation anti-blocking systems (ABS) and emergency braking assistance (EBA) as standard equipment. This represented a significant improvement for vehicles that are generally pushed to the limits in all kinds of weather, especially since their secondary safety features were already on a par with passenger cars.



# 300,000 Peugeot and Citroën vehicles equipped with the emergency call system are on the road in Europe

## Improving emergency response

PSA Peugeot Citroën has long focused on improving post-accident response, in particular through the development of an automatically activated emergency call system. To date, more than 300,000 Peugeot and Citroën cars have been equipped with the system and emergency call center networks are up and running in seven European countries – France, Germany, Italy, Spain, Belgium, Luxembourg and the Netherlands – with Portugal and Austria to be added to the list in 2007. According to the European Commission, if every vehicle in Europe were equipped with such a system, around 2,500 lives could be saved each year thanks to the faster emergency response.

In addition, we have worked with France's Defense and Civil Security Directorate (DDSC) – which has certified the emergency call system – to develop safe, effective victim removal instructions for all Peugeot and Citroën vehicles. Now being translated into more than 20 languages, the instructions will be distributed in most of our host countries worldwide.



Ten Peugeot and Citroën models have earned the maximum five-star rating in Euro NCAP tests.



## > Urban Mobility

**The mobility of people and goods is a key driver of economic and social development, but it can also generate certain disamenities. Managing them – while facilitating access to jobs, healthcare, culture and leisure activities – has become a major challenge, particularly in urban areas. PSA Peugeot Citroën has actively embraced sustainable mobility issues, both by marketing safe, environmentally sensitive cars and by using its expertise to support local communities.**

### Practical solutions

As part of this commitment, a number of highly effective measures have been taken to limit the use of personal transport on our production sites around the world. Fully implemented in 2006, the Company Travel Plan at the Sochaux, France plant includes a comprehensive range of solutions to reduce, simplify and facilitate traffic flows on and around the site, with the aim of attenuating their environmental impact and disamenities. We also support a number of associations, including France's Voiture & Co, which conducts educational campaigns to warn young people about the dangers of drinking and driving and offers alternative transit solutions in urban environments.

### The City on the Move Institute (IVM)

Created by PSA Peugeot Citroën in 2000, the City on the Move Institute (IVM) continued its research work in 2006. The unique organization brings together business people, researchers and academics, people involved in society and the arts, members of associations and representatives of local authorities, in a common commitment to identifying real-world solutions and facilitating knowledge sharing. One particular focus of its work has been the challenges faced by China, where a number of megacities are rapidly expanding. The IVM University Chair, created in partnership with Tongji University in 2005, has already organized several international seminars. IVM is also conducting research into other mobility-related topics, including the relationship between mobility and exclusion, access to jobs in today's cities and the role of taxis in urban environments.

50% of the world's population lives in cities.





## ➤ Banque PSA Finance

**Operating in 19 countries around the world, Banque PSA Finance supports the sale of Peugeot and Citroën vehicles by financing new vehicle and replacement parts inventory for dealers and offering a comprehensive array of financing and related services to carbuyers.**

In 2006, Banque PSA Finance's business environment was shaped by higher interest rates and intense competitive pressure. New retail financing for new and used vehicles contracted by 4.6% in Western Europe, where Peugeot and Citroën sales declined during the year.

Outside Western Europe, on the other hand, origination volumes were up 14%, to 62,464 contracts. In new car financing, the Bank's average penetration rate among Peugeot and Citroën customers stood at 26.1% versus 27.1% in 2005. Outstanding loans rose by 2.5% to €22,976 million. The year saw also further expansion in the services business, with a 3.3% rise in service contract volume, to 1,171,400.

General operating expenses rose only slightly, despite the substantial costs incurred for the Basel II project and for the necessary strengthening of control structures to keep pace with the Bank's rapid international expansion.

### **Sustained growth in the global marketplace**

During the year, the Bank continued to develop its operations in Central Europe and Latin America through its subsidiary network. In Brazil and Argentina, it leveraged the rapid growth in registrations to drive a sharp increase in the number of new contracts. Penetration rates were also significantly improved in Poland and the Czech Republic, the Bank's two largest Central European markets. June saw the start-up of operations in China of Dongfeng Peugeot Citroën Auto Finance Company, the finance company set up in partnership with the Bank of China and Dongfeng Peugeot Citroën Automobile. A new subsidiary created in Turkey during the year will strengthen the Bank's local business presence.

### **An increasingly diversified product offering**

To enhance the effectiveness of its marketing strategy, Banque PSA Finance is maintaining a constant focus on developing new products, by actively supporting the marques in implementing their sales strategies and demonstrating a firm commitment to quality of service.



€8,771 million in retail financing for Peugeot and Citroën customers.

Outstanding loans rose to €22,976 million.

## > Faurecia

**With 57,800 employees working at 180 sites in 28 countries and €11,649 million in 2006 revenue, Faurecia is Europe's second largest original automotive equipment manufacturer.**

The company specializes in the design, development, manufacture and delivery of six major vehicle modules – seats, cockpits, acoustic modules, doors, front ends and exhaust systems.

### A decline in operating margin

For Faurecia, 2006 was shaped by a significant decline in sales to French carmakers and an increase in raw material prices, which had an adverse impact on operating margin. During the year, the company recognized non-recurring provisions for restructuring and an impairment loss on the assets of its vehicle interiors business. The opening of several plants in the United States for the car seat, vehicle interiors and exhaust systems business resulted in considerable start-up costs.

Nevertheless, debt was maintained at close to 2005 levels and revenue rose by 6.1% during the year, led by sales in North America and Asia. In 2006, Faurecia supported its growth by opening new plants in all its businesses, as well as by investing heavily in innovation, with gross research and development spending amounting to 5.2% of revenue for the year.

In May, the company was named a General Motors Supplier of the Year for seats for its overall business performance in providing GM with world-class parts and services.

### Outlook for 2007

In 2007, Faurecia expects sales to grow at the same pace as in 2006, and operating income to improve as from the second half of the year. It also intends to significantly reduce its restructuring costs and to contain its debt.



## > Gefco

Gefco, a wholly-owned subsidiary, is pursuing a growth strategy based on industrial supply chain integration and international development in more than 80 countries around the world. By leveraging its end-to-end supply chain capabilities, from inbound supply to outbound distribution, the company serves customers with a comprehensive range of solutions in three core competencies: vehicle logistics and transport, overland freight transport and logistics and overseas.

These businesses continued to expand in 2006, led by international operations, with revenue rising 17% outside France and 62% outside Europe during the year. Revenue surged 83% in Central and Eastern Europe, primarily on the ramp-up of operations at the PSA Peugeot Citroën plant in Trnava, Slovakia and the TPCA plant in Kolín, Czech Republic.

Business in the Mercosur region increased by 34% during the year. In China, the company began transporting Peugeot and Citroën cars and expanded the Shanghai to Wuhan line that supplies the Dongfeng Peugeot Citroën Automobile (DPCA) plant. Sales to manufacturing companies outside the Group rose for the third straight year, increasing nearly 10% to €1,272 million.

Through its programs pursued in recent years to reduce greenhouse gas emissions, Gefco has increased to 25% the proportion of freight carried by alternative modes to road transport.

An 8% increase in revenue, to €3,254 million in 2006; strong growth in sales outside the Group.

## > Peugeot Motorcycles

Present in more than 60 countries, Peugeot Motorcycles designs, manufactures and markets scooters and motorbikes through 6,500 dealers worldwide. It is Europe's fourth-largest scooter manufacturer and number one in the 50cc market in France. In 2006, it reported €231.8 million in revenue on sales of 127,000 units, down 3%.

New models brought to market during the year included the Satelis line of large "grand touring" scooters and the Geopolis line of large "big wheel" scooters, both of which proved highly popular from launch. In September, a joint venture was formed with Jinan Qingqi Motorcycle Co., which will produce the company's entry-level Vivacity and Speedfight lines beginning in 2008.



Increasing output, reducing costs  
and managing the environmental



impact of our plants



## RATIONALIZING THE PRODUCTION BASE

Deployment of the platform strategy entered a new phase in 2006, with the start-up of production of the Peugeot 207 on the small car platform. Three vehicle platforms have been introduced since 2001, enabling different models to share a high percentage of parts and subassemblies.

# Efficiency



# An Efficient Manufacturing Organization

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## MANUFACTURING PERFORMANCE

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SUPPORTING LOCAL DEVELOPMENT

## > Manufacturing Performance

**Manufacturing performance continued to improve in 2006, while new production capacity was brought on stream closer to our markets, in Slovakia, France and soon China.**

### The rationalization process

PSA Peugeot Citroën operates 17 automobile production centers and 15 mechanical components plants and foundries worldwide, with a total workforce of nearly 90,000 people. Together, these employees are helping to successfully deploy the Convergence Plan, which since 2001 has been driving continuous improvement in manufacturing efficiency by extending company and industry best practices across the organization. Applied to every-

thing we produce in every plant around the world, the rationalization process is being supported by the dedication of all our employees, particularly those in the Basic Production Units (BPU). Under this organization, employees working in the same area are involved in the management of production resources, particularly self-maintenance, as part of a total productive maintenance (TPM) process.

### New production units

All of the Convergence Plan principles were applied at the new plant in Trnava, Slovakia. Following on from the 2005 startup of the Kolín plant in the Czech Republic, the Trnava facility began producing Peugeot 207s in June 2006 and was officially



Production of the new MPC compact automated gearbox.

Extending best practices to enhance manufacturing efficiency.



# €600 million saved every year thanks to the Convergence rationalization plan

inaugurated in October. Thanks to its highly trained teams and first-rate production methods, logistics and quality management, Trnava is already one of the most efficient plants in the Group and in the European car industry as a whole. Its current production capacity is 300,000 units per year. Also inaugurated in 2006 was a new production unit dedicated to the manufacture of the MPC compact automated gearbox at the Valenciennes plant in France. With capacity to build more than 800,000 gearboxes a year, the new production unit has secured the plant's 2,200 jobs.

On the other hand, the decision was reluctantly made to close the Ryton, UK facility, which even after significant capital investment would still have had the highest production costs of any plant in the Group.

## Outlook for 2007

PSA Peugeot Citroën plans to continue expanding in growth markets in 2007. Production of the Citroën C4 will start up in Argentina in April, while in China, Dongfeng Peugeot Citroën Automobiles (DPCA), our joint venture with Dongfeng Motor Group Company Ltd, already employs 9,000 people and produces eight models for the rapidly expanding domestic market. DPCA's annual production capacity will be increased to 300,000 units in 2008 and in 2009, its manufacturing base will be strengthened by the addition of a new facility, whose construction began in Wuhan in October 2006. To support this growth, new engine, gearbox and chassis system capacity is being added at the mechanical components plant in Xiang Fan.



## > The Environmental Impact of Manufacturing Operations

**Automobiles have a double impact on the environment – when they are manufactured and again when they are used. PSA Peugeot Citroën has long been involved in a holistic environmental stewardship process designed to effectively address both of these aspects. In the production plants, programs were pursued throughout 2006 to safeguard the neighboring environment and the quality of life in host communities.**

Our commitment is based on two critical and closely related processes. The first is the international ISO 14001 standard, which offers a management system to support application of an environmental strategy capable of driving continuous improvement in performance. So far, 25 Group sites have earned certification, including four operated under cooperative agreements. The second process concerns the direct input and commitment of our plants and technical departments, led and coordinated by experts in the corporate Risk Prevention and Management Department. In 2006, around 500 people were involved in managing our industrial environment. Environmental issues are also regularly discussed with local authorities and neighbors in our host communities.

### Measurable improvements

This strategy is paying off in measurable improvements. Emissions of volatile organic compounds (VOC) from the paint shops have been more than halved in less than 20 years, from roughly 13 kilograms per vehicle in 1988 to 4.88 kilograms in 2006. Programs are being pursued to eventually reduce these emissions to 4.0 kilograms per vehicle, with compliance with 2007 EU standards representing a transition phase. Significant reductions have also been achieved in other regulated emissions, with sulfur dioxide (SO<sub>2</sub>) emissions dropping by more than 90% since 1995, thanks to the wider use of low-sulfur fuels, and worldwide nitrogen oxide (NO<sub>x</sub>) emissions declining by 30% since 2005. Despite a sharp increase in the number of vehicles produced at the plants concerned, CO<sub>2</sub> emissions have been maintained at the same level for the past ten years, and even reduced for installations rated over 20 MW.

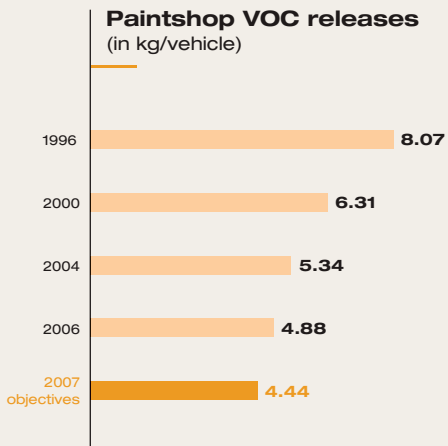
Over the same decade, water consumption per vehicle produced has been cut by 50%. Production facilities pre-treat their waste process water, which is then discharged either to the public wastewater treatment network or to their own integrated treatment plant. This system considerably improves wastewater quality, which is tracked using widely recognized indicators. In every case, strict procedures are in place to prevent soil pollution, in particular through the use of retention basins for liquid storage.

PSA Peugeot Citroën is committed to reducing the amount of process waste per vehicle produced, and to recovering, recycling or reusing any waste that remains. Between 1995 and 2006, the amount of non-metal waste per vehicle produced decreased by 28%. Including metal waste – nearly all of which is recovered and reused in steelmaking or in our foundries – around 94% of our process waste is reclaimed and recycled.





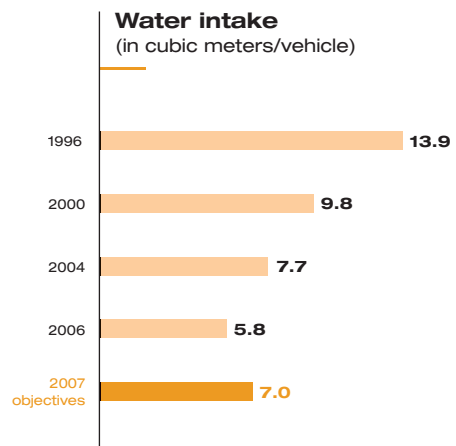
# 25 sites certified ISO 14001-compliant by mid-2007, including four operated under cooperation agreements



Automobile Division.

Paintshop volatile organic compound (VOC) releases have declined sharply in the past ten years.

Reducing the amount of energy used per vehicle produced is a priority sustainable development objective for 2010.



Automobile Division.

Water consumption per vehicle produced has been cut by 50% in ten years and exceeded the 2006 target.

## > Supporting Local Development

**Believing that its social responsibility extends beyond environmental stewardship, PSA Peugeot Citroën helps to develop a variety of outreach initiatives to support its host communities and to deepen its local roots.**

To meet the different needs of stakeholders in their host communities, 17 plants and offices in France prepared Local Sponsorship and Social Responsibility Plans in 2006, with a focus on mobility, road safety, environmental protection, local development and other issues being addressed by our corporate sponsorship programs. The impact of these Plans is being enhanced by the Solidarity Trophies, which provide funding for employees who want to lead a project to support solidarity in the areas of the environment, education, integration, mobility and emergency/topical. In 2006, 9 sites awarded a total of 35 trophies.

### **Training and solidarity programs**

Safe driving courses were offered on several sites in 2006. Following on from the local road safety symposia organized in 2005, a number of new initiatives were undertaken in Brazil, Argentina and China during the year, with an emphasis on child safety.

We continued to develop partnerships with local education authorities outside France in 2006, particularly in China, Brazil, Mexico and Slovakia. Similar to the one that has long been in place in France, these partnerships enable students to discover the world of work and broaden their knowledge of the automobile industry. In many countries, we also support charity organizations, like the Paris Emergency Social Services Agency or the GACC and GATMO associations in Brazil, by donating and maintaining Peugeot or Citroën vehicles. In South Africa, the local Peugeot subsidiary built the first AIDS screening center in Orange Farm Township, in an area where there are no nearby medical centers. The initiative received a Best Contribution to Fighting HIV/AIDS award.



Supporting local initiatives for our host communities.

Consolidated Financial Statements,  
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# Performance



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## > Balance Sheets

	December 31, 2006			
	Manufacturing and sales companies	Finance companies	Eliminations	Total
<i>(in millions of euros)</i>				
<b>ASSETS</b>				
Goodwill	1,547	75	-	1,622
Intangible assets	3,947	87	-	4,034
Property, plant and equipment	15,221	47	-	15,268
Investments in companies at equity	584	12	-	596
Investments in non-consolidated companies	53	-	-	53
Other non-current financial assets	1,321	47	-	1,368
Other non-current assets	96	1	-	97
Deferred tax assets	499	36	-	535
<b>Total non-current assets</b>	<b>23,268</b>	<b>305</b>	<b>-</b>	<b>23,573</b>
<b>Operating assets</b>				
Loans and receivables – finance companies	-	22,879	(176)	22,703
Short-term investments – finance companies	-	2,818	-	2,818
Inventories	6,826	-	-	6,826
Trade receivables – manufacturing and sales companies	3,043	-	(193)	2,850
Current taxes	210	29	(26)	213
Other receivables	1,719	617	(68)	2,268
	<b>11,798</b>	<b>26,343</b>	<b>(463)</b>	<b>37,678</b>
<b>Current financial assets</b>	<b>1,132</b>	<b>-</b>	<b>-</b>	<b>1,132</b>
<b>Cash and cash equivalents</b>	<b>6,339</b>	<b>620</b>	<b>(292)</b>	<b>6,667</b>
<b>Total current assets</b>	<b>19,269</b>	<b>26,963</b>	<b>(755)</b>	<b>45,477</b>
<b>Total assets</b>	<b>42,537</b>	<b>27,268</b>	<b>(755)</b>	<b>69,050</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital				235
Treasury stock				(261)
Retained earnings and other accumulated equity, excluding minority interests				13,700
Minority interests				388
<b>Total equity</b>				<b>14,062</b>
Non-current financial liabilities	4,125	-	-	4,125
Other non-current liabilities	2,759	-	-	2,759
Non-current provisions	1,383	23	-	1,406
Deferred tax liabilities	1,854	329	-	2,183
<b>Total non-current liabilities</b>	<b>10,121</b>	<b>352</b>	<b>-</b>	<b>10,473</b>
<b>Operating liabilities</b>				
Financing liabilities	-	23,336	(292)	23,044
Current provisions	1,747	38	-	1,785
Current trade payables	10,481	-	(25)	10,456
Current taxes	152	43	(26)	169
Other payables	4,075	847	(261)	4,661
	<b>16,455</b>	<b>24,264</b>	<b>(604)</b>	<b>40,115</b>
<b>Current financial liabilities</b>	<b>4,551</b>	<b>-</b>	<b>(151)</b>	<b>4,400</b>
<b>Total current liabilities</b>	<b>21,006</b>	<b>24,264</b>	<b>(755)</b>	<b>44,515</b>
<b>Total equity and liabilities</b>				<b>69,050</b>

December 31, 2005				December 31, 2004			
Manufacturing and sales companies	Finance companies	Eliminations	Total	Manufacturing and sales companies	Finance companies	Eliminations	Total
1,677	75	-	1,752	1,798	75	-	1,873
3,886	78	-	3,964	3,602	62	-	3,664
14,909	48	-	14,957	14,168	50	-	14,218
596	-	-	596	614	-	-	614
45	1	-	46	65	1	-	66
1,940	46	-	1,986	2,329	49	-	2,378
95	-	-	95	96	2	-	98
579	31	-	610	502	30	-	532
<b>23,727</b>	<b>279</b>	<b>-</b>	<b>24,006</b>	<b>23,174</b>	<b>269</b>	<b>-</b>	<b>23,443</b>
-	22,400	(162)	22,238	-	21,243	(199)	21,044
-	2,709	-	2,709	-	2,717	-	2,717
6,889	-	-	6,889	6,546	-	-	6,546
3,097	-	(166)	2,931	3,296	-	(242)	3,054
180	18	(42)	156	110	35	(17)	128
1,694	642	(60)	2,276	1,756	655	(49)	2,362
<b>11,860</b>	<b>25,769</b>	<b>(430)</b>	<b>37,199</b>	<b>11,708</b>	<b>24,650</b>	<b>(507)</b>	<b>35,851</b>
<b>1,214</b>	<b>-</b>	<b>-</b>	<b>1,214</b>	<b>712</b>	<b>-</b>	<b>-</b>	<b>712</b>
<b>6,351</b>	<b>635</b>	<b>(230)</b>	<b>6,756</b>	<b>5,158</b>	<b>610</b>	<b>(205)</b>	<b>5,563</b>
<b>19,425</b>	<b>26,404</b>	<b>(660)</b>	<b>45,169</b>	<b>17,578</b>	<b>25,260</b>	<b>(712)</b>	<b>42,126</b>
<b>43,152</b>	<b>26,683</b>	<b>(660)</b>	<b>69,175</b>	<b>40,752</b>	<b>25,529</b>	<b>(712)</b>	<b>65,569</b>
			235				243
			(220)				(431)
			13,849				13,306
			542				585
			<b>14,406</b>				<b>13,703</b>
3,826	-	-	3,826	3,791	-	-	3,791
2,352	2	-	2,354	2,279	7	-	2,286
1,527	17	-	1,544	1,750	19	-	1,769
2,086	281	-	2,367	1,968	250	-	2,218
<b>9,791</b>	<b>300</b>	<b>-</b>	<b>10,091</b>	<b>9,788</b>	<b>276</b>	<b>-</b>	<b>10,064</b>
-	22,987	(230)	22,757	-	22,070	(205)	21,865
1,582	53	-	1,635	1,343	54	-	1,397
10,240	-	(30)	10,210	10,773	-	(41)	10,732
100	79	(42)	137	114	39	(17)	136
4,155	844	(226)	4,773	4,068	992	(291)	4,769
<b>16,077</b>	<b>23,963</b>	<b>(528)</b>	<b>39,512</b>	<b>16,298</b>	<b>23,155</b>	<b>(554)</b>	<b>38,899</b>
<b>5,298</b>	<b>-</b>	<b>(132)</b>	<b>5,166</b>	<b>3,061</b>	<b>-</b>	<b>(158)</b>	<b>2,903</b>
<b>21,375</b>	<b>23,963</b>	<b>(660)</b>	<b>44,678</b>	<b>19,359</b>	<b>23,155</b>	<b>(712)</b>	<b>41,802</b>
			<b>69,175</b>				<b>65,569</b>

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## > Statements of Income

<i>(in millions of euros)</i>	2006			
	Manufacturing and sales companies	Finance companies	Eliminations	Total
<b>Sales and revenue</b>	<b>55,198</b>	<b>1,761</b>	<b>(365)</b>	<b>56,594</b>
Cost of goods and services sold	(44,774)	(836)	365	(45,245)
Selling, general and administrative expenses	(7,912)	(321)	-	(8,233)
Research and development costs	(1,997)	-	-	(1,997)
<b>Operating margin</b>	<b>515</b>	<b>604</b>	<b>-</b>	<b>1,119</b>
Other income and (expenses), net	(854)	(1)	-	(855)
Interest income, net	370	-	-	370
Finance costs	(428)	-	-	(428)
<b>Income before tax of fully consolidated companies</b>	<b>(397)</b>	<b>603</b>	<b>-</b>	<b>206</b>
Current taxes	(101)	(178)	-	(279)
Deferred taxes	150	(27)	-	123
<b>Income taxes</b>	<b>49</b>	<b>(205)</b>	<b>-</b>	<b>(156)</b>
Share in net earnings (losses) of companies at equity	13	-	-	13
<b>Consolidated profit (loss) for the year</b>	<b>(335)</b>	<b>398</b>	<b>-</b>	<b>63</b>
Attributable to equity holders of the parent	(218)	394	-	176
Attributable to minority interests	(117)	4	-	(113)
<i>(in euros)</i>				
Basic earnings per €1 par value share				0.77
Diluted earnings per €1 par value share				0.77

2005				2004			
Manufacturing and sales companies	Finance companies	Eliminations	Total	Manufacturing and sales companies	Finance companies	Eliminations	Total
<b>54,887</b>	<b>1,656</b>	<b>(276)</b>	<b>56,267</b>	<b>54,745</b>	<b>1,601</b>	<b>(241)</b>	<b>56,105</b>
(43,803)	(739)	276	(44,266)	(43,374)	(784)	241	(43,917)
(7,862)	(310)	-	(8,172)	(7,606)	(299)	-	(7,905)
(1,889)	-	-	(1,889)	(1,802)	-	-	(1,802)
<b>1,333</b>	<b>607</b>	<b>-</b>	<b>1,940</b>	<b>1,963</b>	<b>518</b>	<b>-</b>	<b>2,481</b>
(352)	1	-	(351)	32	(4)	-	28
355	-	-	355	319	-	-	319
(414)	-	-	(414)	(389)	-	-	(389)
<b>922</b>	<b>608</b>	<b>-</b>	<b>1,530</b>	<b>1,925</b>	<b>514</b>	<b>-</b>	<b>2,439</b>
(189)	(178)	-	(367)	(347)	(120)	-	(467)
(89)	(29)	-	(118)	(241)	(64)	-	(305)
<b>(278)</b>	<b>(207)</b>	<b>-</b>	<b>(485)</b>	<b>(588)</b>	<b>(184)</b>	<b>-</b>	<b>(772)</b>
(55)	-	-	(55)	13	-	-	13
<b>589</b>	<b>401</b>	<b>-</b>	<b>990</b>	<b>1,350</b>	<b>330</b>	<b>-</b>	<b>1,680</b>
631	398	-	1,029	1,320	326	-	1,646
(42)	3	-	(39)	30	4	-	34
			4.47				6.97
			4.46				6.96

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## > Statements of Cash Flows

<i>(in millions of euros)</i>	2006			
	Manufacturing and sales companies	Finance companies	Eliminations	Total
<b>Consolidated profit (loss) for the year</b>	<b>(335)</b>	<b>398</b>	<b>-</b>	<b>63</b>
Adjustments for:				
- depreciation, amortization and impairment	3,686	12	-	3,698
- non-current provisions	(148)	(1)	-	(149)
- changes in deferred tax	(139)	29	-	(110)
- (gains)/losses on disposals and other	(54)	2	-	(52)
Share in net earnings (losses) of companies at equity, net of dividends received	(10)	-	-	(10)
Revaluation adjustments taken to equity and hedges of debt	11	4	-	15
<b>Working capital provided by operations</b>	<b>3,011</b>	<b>444</b>	<b>-</b>	<b>3,455</b>
Changes in operating assets and liabilities	424	(234)	(37)	153
<b>Net cash from (used in) operating activities</b>	<b>3,435</b>	<b>210</b>	<b>(37)</b>	<b>3,608</b>
Proceeds from disposals of shares in consolidated companies	2	-	-	2
Proceeds from disposals of investments in non-consolidated companies	-	-	-	-
Acquisitions of shares in consolidated companies	(1)	-	-	(1)
Investments in non-consolidated companies	(19)	(13)	-	(32)
Proceeds from disposals of property, plant and equipment	155	6	-	161
Proceeds from disposals of intangible assets	3	-	-	3
Investments in property, plant and equipment	(2,520)	(11)	-	(2,531)
Investments in intangible assets	(937)	(16)	-	(953)
Change in amounts payable on fixed assets	(101)	-	-	(101)
Other	(54)	-	-	(54)
<b>Net cash from (used in) investing activities</b>	<b>(3,472)</b>	<b>(34)</b>	<b>-</b>	<b>(3,506)</b>
Dividends paid:				
- to Peugeot S.A. shareholders	(309)	-	-	(309)
- intragroup	161	(161)	-	-
- to minority shareholders of subsidiaries	(6)	(32)	-	(38)
Purchases of treasury stock	(39)	-	-	(39)
Changes in other financial assets and liabilities	205	-	(23)	182
Other	-	-	-	-
<b>Net cash from (used in) financing activities</b>	<b>12</b>	<b>(193)</b>	<b>(23)</b>	<b>(204)</b>
Effect of changes in exchange rates	45	2	(2)	45
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>20</b>	<b>(15)</b>	<b>(62)</b>	<b>(57)</b>
Net cash and cash equivalents at beginning of year	4,288	635	(230)	4,693
<b>Net cash and cash equivalents at end of year</b>	<b>4,308</b>	<b>620</b>	<b>(292)</b>	<b>4,636</b>



2005				2004			
Manufacturing and sales companies	Finance companies	Eliminations	Total	Manufacturing and sales companies	Finance companies	Eliminations	Total
<b>589</b>	<b>401</b>	-	<b>990</b>	<b>1,350</b>	<b>330</b>	-	<b>1,680</b>
3,187	12	-	3,199	3,056	12	-	3,068
(257)	2	-	(255)	(244)	-	-	(244)
96	30	-	126	251	50	-	301
6	(1)	-	5	(182)	(2)	-	(184)
59	-	-	59	(7)	-	-	(7)
(2)	-	-	(2)	(34)	-	-	(34)
<b>3,678</b>	<b>444</b>	-	<b>4,122</b>	<b>4,190</b>	<b>390</b>	-	<b>4,580</b>
(289)	(148)	(48)	(485)	1,052	(465)	36	623
<b>3,389</b>	<b>296</b>	<b>(48)</b>	<b>3,637</b>	<b>5,242</b>	<b>(75)</b>	<b>36</b>	<b>5,203</b>
23	-	-	23	28	-	-	28
2	-	-	2	2	-	-	2
(8)	-	-	(8)	(166)	-	-	(166)
(2)	(1)	-	(3)	(11)	(1)	-	(12)
54	9	-	63	37	6	-	43
5	-	-	5	3	-	-	3
(2,862)	(11)	-	(2,873)	(2,793)	(11)	-	(2,804)
(939)	(20)	-	(959)	(977)	(25)	-	(1,002)
(111)	-	-	(111)	68	-	-	68
(35)	-	-	(35)	(41)	6	-	(35)
<b>(3,873)</b>	<b>(23)</b>	-	<b>(3,896)</b>	<b>(3,850)</b>	<b>(25)</b>	-	<b>(3,875)</b>
(310)	-	-	(310)	(321)	-	-	(321)
96	(96)	-	-	8	(8)	-	-
(19)	(5)	-	(24)	(10)	(29)	-	(39)
(198)	-	-	(198)	(282)	-	-	(282)
11	(150)	25	(114)	(714)	(53)	(36)	(803)
-	-	-	-	-	(5)	-	(5)
<b>(420)</b>	<b>(251)</b>	<b>25</b>	<b>(646)</b>	<b>(1,319)</b>	<b>(95)</b>	<b>(36)</b>	<b>(1,450)</b>
34	3	(2)	35	3	1	-	4
<b>(870)</b>	<b>25</b>	<b>(25)</b>	<b>(870)</b>	<b>76</b>	<b>(194)</b>	-	<b>(118)</b>
5,158	610	(205)	5,563	5,082	804	(205)	5,681
<b>4,288</b>	<b>635</b>	<b>(230)</b>	<b>4,693</b>	<b>5,158</b>	<b>610</b>	<b>(205)</b>	<b>5,563</b>

## > Production by Model

(passenger cars and light commercial vehicles)

	2006	2005	2004
<b>Peugeot Marque</b>			
107	101,700	34,600	-
1007	22,600	73,800	1,100
206	465,500	669,900	795,100
207	335,300	900	-
307	434,400	515,400	583,700
405	162,000	169,700	209,200
406	3,000	2,600	25,900
407	162,700	259,000	165,000
607	9,600	18,800	18,100
807	24,000	28,100	31,200
Expert	34,700	33,200	32,600
Partner	148,900	144,800	143,000
J9	400	1,500	4,200
Boxer	45,600	44,100	45,200
Others	100	-	1,900
<b>Total</b>	<b>1,950,500</b>	<b>1,996,400</b>	<b>2,056,200</b>
of which diesel-powered versions	<b>898,500</b>	<b>985,200</b>	<b>965,700</b>
of which passenger cars	<b>1,755,200</b>	<b>1,809,000</b>	<b>1,859,100</b>
of which light commercial vehicles	<b>195,300</b>	<b>187,400</b>	<b>197,100</b>
<b>Citroën Marque</b>			
C1	91,500	34,600	-
C2	105,200	124,800	149,300
C3	280,800	289,300	375,600
ZX	90,100	97,600	64,800
C4	266,200	244,300	51,700
Xsara	178,900	191,900	293,900
C5	69,000	80,900	100,600
Xantia	12,000	14,000	11,900
C6	9,100	800	-
C8	20,000	23,000	24,000
Jumpy (Dispatch)	36,900	32,100	29,700
C15	-	26,600	24,700
Berlingo	201,700	170,100	176,200
Jumper (Relay)	45,100	49,100	46,500
Others	-	-	-
<b>Total</b>	<b>1,406,500</b>	<b>1,379,100</b>	<b>1,348,900</b>
of which diesel-powered versions	<b>766,100</b>	<b>743,200</b>	<b>778,400</b>
of which passenger cars	<b>1,206,400</b>	<b>1,173,700</b>	<b>1,145,400</b>
of which light commercial vehicles	<b>200,100</b>	<b>205,400</b>	<b>203,500</b>
<b>Total PSA Peugeot Citroën</b>	<b>3,357,000</b>	<b>3,375,500</b>	<b>3,405,100</b>
of which diesel-powered versions	<b>1,664,600</b>	<b>1,728,400</b>	<b>1,744,100</b>
of which passenger cars	<b>2,961,600</b>	<b>2,982,700</b>	<b>3,004,500</b>
of which light commercial vehicles	<b>395,400</b>	<b>392,800</b>	<b>400,600</b>

## > Worldwide Sales

(passenger cars and light commercial vehicles)

	2006	2005	2004
<b>Western Europe</b>			
<b>France</b>			
Peugeot	424,000	435,000	440,000
Citroën	322,000	342,100	332,500
PSA Peugeot Citroën	746,000	777,100	772,500
<b>Other Western European countries</b>			
Peugeot	800,900	822,500	888,700
Citroën	749,300	760,900	763,500
PSA Peugeot Citroën	1,550,200	1,583,400	1,652,200
<b>Total Western Europe</b>			
<b>Peugeot</b>	<b>1,224,900</b>	<b>1,257,500</b>	<b>1,328,700</b>
<b>Citroën</b>	<b>1,071,300</b>	<b>1,103,000</b>	<b>1,096,000</b>
<b>PSA Peugeot Citroën</b>	<b>2,296,200</b>	<b>2,360,500</b>	<b>2,424,700</b>
<b>Rest of the world</b>			
<b>Central &amp; Eastern Europe</b>			
Peugeot	100,900	90,600	102,100
Citroën	78,700	66,300	58,700
PSA Peugeot Citroën	179,600	156,900	160,800
<b>Africa &amp; Middle East</b>			
Peugeot	332,500	411,000	412,700
Citroën	59,200	61,200	62,900
PSA Peugeot Citroën	391,700	472,200	475,600
<b>The Americas</b>			
Peugeot	162,800	143,100	114,000
Citroën	63,800	51,400	40,000
PSA Peugeot Citroën	226,600	194,500	154,000
<b>Asia-Pacific</b>			
Peugeot	112,200	67,300	42,700
Citroën	128,800	108,800	86,500
PSA Peugeot Citroën	241,000	176,100	129,200
<b>Others</b>			
Peugeot	26,500	26,000	27,000
Citroën	4,300	3,800	4,000
PSA Peugeot Citroën	30,800	29,800	31,000
<b>Total sales, rest of the world</b>			
<b>Peugeot</b>	<b>734,900</b>	<b>738,000</b>	<b>698,500</b>
<b>Citroën</b>	<b>334,800</b>	<b>291,500</b>	<b>252,100</b>
<b>PSA Peugeot Citroën</b>	<b>1,069,700</b>	<b>1,029,500</b>	<b>950,600</b>
<b>Total worldwide sales</b>			
<b>Peugeot</b>	<b>1,959,800</b>	<b>1,995,500</b>	<b>2,027,200</b>
<b>Citroën</b>	<b>1,406,100</b>	<b>1,394,500</b>	<b>1,348,100</b>
<b>PSA Peugeot Citroën</b>	<b>3,365,900</b>	<b>3,390,000</b>	<b>3,375,300</b>

## Sustainable Development Action Plan

Since 2004, PSA Peugeot Citroën's sustainable development policies have been guided by the sustainable development priority action plan, which is designed to meet two objectives:

- Develop practical, real-world solutions to the three challenges of sustainable mobility: the greenhouse effect, road safety and urban mobility.

- Apply the continuous improvement process deployed in our operations to sustainable development actions.

Progress in each of the priority action areas is regularly tracked during meetings of the Sustainable Development Committee.

Our 2006 performance may be found in the online Sustainable Development Report, at [www.sustainability.psa-peugeot-citroen.com](http://www.sustainability.psa-peugeot-citroen.com)

### TOPIC

- ① Greenhouse Effect
- ② Recycling
- ③ Industrial Environment
- ④ Road Safety
- ⑤ Urban Mobility
- ⑥ Solidarity
- ⑦ Labour Relations
- ⑧ Purchasing and Sub-contracting
- ⑨ Marketing

### TOP PRIORITY ACTIONS

- ①
  - Develop a hybrid HDi drivetrain for a family car
  - Develop a dual-fuel engine optimised for CNG
  - Continue to launch low-consumption vehicles
  - Foster the use of alternative energies worldwide
- ②
  - Increase the percentage of recycled materials in Group vehicles
- ③
  - Modernize the environmental reporting system to adapt it to the Group's progress requirements
  - Define a procedure that extends the ISO 14001 standards to include an assessment of the environmental impact of industrial activity
  - Reduce energy consumption in vehicle production
- ④
  - Enhance the emergency call as a new source of traffic information
  - Contribute to improving road safety in China
- ⑤
  - Help find innovative solutions for mobility, a factor in professional insertion
  - Support associations promoting the mobility of people in social difficulty
- ⑥
  - Increase the efficiency of initiatives to educate the public on road safety
- ⑦
  - Guarantee gender equality in career development
  - Ensure equality in career development for older employees, the disabled and foreign nationals
  - Implement the international agreement on PSA Peugeot Citroën's social responsibility
  - Improve road safety for employees
  - Involve all members of the workforce in safety issues
- ⑧
  - Continue to raise the awareness of suppliers concerning their responsibilities
  - Check that suppliers respect the principles of sustainable development
- ⑨
  - Strengthen sustainable development content in advertising for customers

OBJECTIVES	START	END
Develop a hybrid HDi drivetrain for a mid-range car emitting an average 90 g of CO <sub>2</sub> /km. Bring this vehicle to market at an affordable price by 2010	2006	2010
Develop a range of small and medium-sized passenger cars and small light commercial vehicles	2005	2007
Sell 1.7 million vehicles emitting less than 120 g of CO <sub>2</sub> /km worldwide between 2007 and 2010	2007	2010
Have at least one alternative energy offer in our main markets, in line with the country's geostrategic situation	2007	2009
Enhance the technical policy on materials and apply it to new vehicles in a way that is economically realistic	2007	2007
Increase the efficiency of the environmental indicators used by industrial and commercial sites by providing an interactive and transparent reporting tool whose scope encompasses Group presence worldwide	2006	2008
Step up efforts to identify and rank the environmental consequences of activities on the environment and apply the benefits of improvements across all industrial sites	2004	2007
Cut energy consumption per vehicle produced on a consolidated scope as much as 2.1 MWh/vehicle by 2010	2007	2010
Use emergency call events to enrich PSA Peugeot Citroën's traffic information system developed by Via Michelin	2005	2007
Support trials at pilot centers for road safety training in Hubei	2007	2008
Support IVM in its actions for professional access in today's cities, notably for people with low qualifications	2007	2009
Develop the assistance provided by PSA Peugeot Citroën to associations located near its sites	2007	2008
As part of the Local Sponsorship and Social Responsibility Plans, step up initiatives to educate the public around our industrial sites	2007	2008
Ensure that the share of the budget for individual rises and promotions for women is equal to or more than the share of women in the workforce	2007	2007
Ensure that the budget for individual rises for «sensitive» categories is equal to or more than the share of each of these categories in the total workforce	2007	2008
Make a consolidated report of the application of the international agreement so as to set objectives for 2009 and roll out the action plans ad hoc	2007	2009
Draft a proactive global action plan with stakeholders	2007	2007
Cut the frequency rate of lost-time accidents to under 3 points over a broader scope of study	2007	2008
Involve suppliers in the Group's sustainable development program	2002	2007
Make sure that suppliers are effectively committed to sustainable development, in compliance with the group's action principles.	2004	2007
Draw up Group guidelines on social responsibility in advertising	2007	2008

# Sustainable Development Data

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INDICATORS

## > Sustainable Development Indicators

	2006	2005	2004
<b>Employee relations indicators</b>			
Number of employees	211,700	208,500	207,600
Percentage of women employees	20.60%	19.80%	19.80%
Number of people hired under permanent contracts	21,955	15,675	18,500
Percentage of women among new hires (worldwide)	28.10%	27.50%	25.00%
Average annual number of temporary employees (excluding Faurecia)	7,005	8,975	10,880
Average hours of training per employee (excluding Faurecia)	24.9	28.7	25.4
Lost-time incident frequency rate*	3.41	4.4	5.06
<small>*Worldwide, excluding Gefco and Faurecia in 2006; 2005 and 2004 figures restated</small>			
<b>Industrial indicators**</b>			
ISO 14001 certification			
Number of ISO 14001 certified PSA Peugeot Citroën sites	20	20	19
Number of ISO-14001 certified cooperative sites	4	4	4
Water consumption (city water, surface water, underground water)			
Water consumption (in cu.m)	14,396,398	20,024,371	21,319,682
Water used per vehicle manufactured (in cu.m)	5.8	7.6	7.7
Consumption of energy (fuel oil, natural gas, coal, coke, electricity, steam)			
Consumption of energy (in MWh)	5,928,283	6,222,157	6,490,056
Energy used per vehicle manufactured (in MWh ncv)	2.4	2.4	2.3
Air emissions from combustion plants			
Greenhouse gas emissions (in tonnes)	605,123	663,886	684,083
SO <sub>2</sub> emissions (in tonnes)	304.7	423.6	545.6
NO <sub>2</sub> emissions (in tonnes)	631.3	714.2	757.8
Paintshop VOC releases			
VOC releases (in tonnes)	12,128	12,998	14,782
VOC releases per vehicle manufactured (in kg)	4.88	4.93	5.34
Volumes of waste (excluding metallic waste, nearly 100% of which is recycled)			
Volumes of waste (in tonnes)	376,483	401,261	426,705
Waste produced per vehicle manufactured (in kg)	151.4	152.2	154.3
<small>**Automobile Division only SO<sub>2</sub> = sulfur dioxide; NO<sub>2</sub> = nitrogen dioxide; VOC = volatile organic compounds.</small>			
<b>Product indicators</b>			
Cars emitting less than 120g CO <sub>2</sub> /km (in % of European market)	38	30	31
Cars emitting less than 110g CO <sub>2</sub> /km (in % of European market)	62	61	57
Cars equipped with a particulate filter (total at year-end)	1,749,000	1,309,000	962,000
Number of models earning 4 or 5 stars in Euro NCAP safety tests	22	20	13
Vehicles equipped with the emergency call system (total at year-end)	322,000	142,000	61,000
<b>Technological innovations</b>			
Total R&D spending by the Automobile Division including developments on existing vehicles (in millions euros)	2,304	2,271	2,263
Number of patents filed in France	821	550	435

All of the Group's performance indicators, methodology and targets may be found in the Sustainable Development Report, at [www.sustainability.psa-peugeot-citroen.com](http://www.sustainability.psa-peugeot-citroen.com)

## For more information

- **The 2006 Registration Document**, filed with the *Autorité des Marchés Financiers* on April 23, 2007, is available upon request from Company headquarters:

By phone, at 0810 424 091 (France only), or by e-mail: [communication.financiere@psa.fr](mailto:communication.financiere@psa.fr)

On the Internet at [www.psa-peugeot-citroen.com](http://www.psa-peugeot-citroen.com)

- **The 2006 Sustainable Development Report** is available online at

[www.sustainability.psa-peugeot-citroen.com](http://www.sustainability.psa-peugeot-citroen.com)

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