PSA PEUGEOT CITROËN

2008
REGISTRATION DOCUMENT

PSA PEUGEOT CITROËN

2008 Registration Document

The original French version of this Registration Document, which contains all of the information in the report of the Managing Board, was filed with the *Autorité des Marchés Financiers* on April 24, 2009, in accordance with the provisions of Articles 212-13 of the General Regulation of the AMF.

It may be used in connection with a financial transaction in conjunction with an Information Memorandum approved by the *Autorité des Marchés Financiers*.

It contains all of the information concerning the Annual Financial Report.

CONTENTS

1 PERSONS RESPONSIBLE

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Person responsible for the 2008 Registration Document

Roland Vardanega
Chairman of the Peugeot S.A. Managing Board

Statement by the Person Responsible for the 2008 Registration Document

I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I hereby declare that, to the best of my knowledge, i) the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of Peugeot S.A. and of the companies in the consolidated group, and ii) the report of the Managing Board, whose contents are described on page 346, presents a true and fair view of the business development, results and financial position of Peugeot S.A. and the companies in the consolidated group, together with a description of the main risks and uncertainties they face.

I have obtained a statement from the Statutory Auditors at the end of their engagement affirming that they have read the whole of the Registration Document and examined the information about the financial position and the historical accounts contained therein.

The Statutory Auditors' reports on the consolidated and parent company financial statements for the year ended 31 December 2008 are presented in sections 20.3.1 and 20.3.4, respectively. In accordance with the law, section 20.3.1 mentions the change in the presentation of the income statement described in Note 2 to the consolidated financial statements. In accordance with the law, section 20.4.1 mentions the impact of the first-time application on 1 January 2008 of standard CRC 2008-15 governing stock option plans, as described in note 1J to the parent company financial statements.

Roland Vardanega
Chairman of the Peugeot S.A. Managing Board

Person Responsible for Financial Information

James Palmer
Investor Relations Officer
Phone: +33 (0)1 40 66 54 59

2 STATUTORY AUDITORS

Auditors

Statutory Auditors

PricewaterhouseCoopers Audit

(Member of the Compagnie régionale des Commissaires aux comptes de Versailles)

Pierre Riou
63, rue de Villiers
92200 Neuilly-sur-Seine

First appointed: at the Annual Stockholders' Meeting of May 28, 2003.

Appointment ends: at Annual Stockholders' Meeting called to approve the 2010 financial statements.

Mazars

(Member of the Compagnie régionale des Commissaires aux comptes de Versailles)

Loïc Wallaert
Le Vinci
61, rue Henri Regnault
92400 Courbevoie

First appointed: at the Annual Stockholders' Meeting of May 25, 2005.

Appointment ends: at Annual Stockholders' Meeting called to approve the 2010 financial statements.

Substitute Auditors

Yves Nicolas

63, rue de Villiers
92200 Neuilly-sur-Seine

First appointed: at the Annual Stockholders' Meeting of May 28, 2003.

Appointment ends: at Annual Stockholders' Meeting called to approve the 2010 financial statements.

Patrick de Cambourg

61, rue Henri-Regnault
92400 Courbevoie

First appointed: at the Annual Stockholders' Meeting of May 25, 2005.

Appointment ends: at Annual Stockholders' Meeting called to approve the 2010 financial statements.

3

SELECTED FINANCIAL INFORMATION

Consolidated Statements of Income

	2008			
(in million euros)	Manufacturing and sales companies	Finance companies	Eliminations	TOTAL
Sales and revenue (note 5)	52,705	2,088	(437)	54,356
Recurring operating income	(7)	557	-	550
Non-recurring operating income and (expenses) (note 9)	(916)	(1)	-	(917)
Operating income	(923)	556	-	(367)
Consolidated profit (loss) for the year	(858)	358	-	(500)
Attributable to equity holders of the parent	*(699)*	*356*	-	*(343)*
Attributable to minority interests	*(159)*	*2*	-	*(157)*
(in euros)				
Basic earnings per €1 par value share (note 14)				(1.51)
Diluted earnings per €1 par value share (note 14)				(1.51)

Consolidated Balance Sheets

Assets

	December 31, 2008			
(in million euros)	Manufacturing and sales companies	Finance companies	Eliminations	TOTAL
Total non-current assets	21,610	361	(25)	21,946
Total current assets	14,399	26,020	(645)	39,774
TOTAL ASSETS	**36,009**	**26,381**	**(670)**	**61,720**

Equity and Liabilities

	December 31, 2008			
(in million euros)	Manufacturing and sales companies	Finance companies	Eliminations	TOTAL
Total Equity				13,277
Total non-current Liabilities	9,481	474	-	9,955
Total current Liabilities	16,170	22,988	(670)	38,488
TOTAL EQUITY AND LIABILITIES				**61,720**

2007				2006			
Manufacturing and sales companies	Finance companies	Eliminations	TOTAL	Manufacturing and sales companies	Finance companies	Eliminations	TOTAL
57,132	1,999	(455)	58,676	53,789	1,761	(365)	55,185
1,144	608	-	1,752	515	604	-	1,119
(632)	-	-	(632)	(808)	-	-	(808)
512	608	-	1,120	(293)	604	-	311
405	421	-	826	(328)	398	-	70
467	*418*	-	*885*	*(211)*	*394*	-	*183*
(62)	*3*	-	*(59)*	*(117)*	*4*	-	*(113)*
			3.88				0.80
			3.86				0.80

december 31, 2007				december 31, 2006			
Manufacturing and sales companies	Finance companies	Eliminations	TOTAL	Manufacturing and sales companies	Finance companies	Eliminations	TOTAL
22,472	313	-	22,785	23,312	305	-	23,617
18,389	28,455	(654)	46,190	19,269	26,886	(678)	45,477
40,861	**28,768**	**(654)**	**68,975**	**42,581**	**27,191**	**(678)**	**69,094**

december 31, 2007				december 31, 2006			
Manufacturing and sales companies	Finance companies	Eliminations	TOTAL	Manufacturing and sales companies	Finance companies	Eliminations	TOTAL
			14,555				14,106
9,978	388	-	10,366	10,121	352	-	10,473
19,222	25,486	(654)	44,054	21,006	24,187	(678)	44,515
			68,975				**69,094**

Consolidated Statements of Cash Flows

	2008			
(in million euros)	**Manufacturing and sales companies**	**Finance companies**	**Eliminations**	**TOTAL**
Consolidated profits (loss) for the year	(858)	358	-	(500)
Working capital	2,380	437	-	2,817
Net cash from (used in) operating activities	**(544)**	**590**	**16**	**62**
Net cash from (used in) investing activities	**(3,221)**	**(22)**	**-**	**(3,243)**
Net cash from (used in) financing activities	**695**	**(167)**	**42**	**570**
Net increase (decrease) in cash and cash equivalent	(3,126)	337	59	(2,730)
Net cash and cash equivalent at beginning of year	5,143	943	(149)	5,937
NET CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 35.1)	**2,017**	**1,280**	**(90)**	**3,207**

2007				2006			
Manufacturing and sales companies	Finance companies	Eliminations	TOTAL	Manufacturing and sales companies	Finance companies	Eliminations	TOTAL
405	421	-	826	(328)	398	-	70
3,515	475	-	3,990	3,011	444	-	3,455
4,435	512	134	5,081	3,435	210	(37)	3,608
(2,833)	(20)	-	(2,853)	(3,472)	(34)	-	(3,506)
(745)	(157)	8	(894)	12	(193)	(23)	(204)
835	323	143	1,301	20	(15)	(62)	(57)
4,308	620	(292)	4,636	4,288	635	(230)	4,693
5,143	**943**	**(149)**	**5,937**	**4,308**	**620**	**(292)**	**4,636**

4 RISK FACTORS

4.1 Issuer Risks

➜ 4.1.1 Market and Business Risks

4.1.1.1 Market Cycle Risk and Country Risk

The automobile market may be subject to cyclical fluctuations that may have a negative impact on Group earnings.

Similarly, local, regional and international economic conditions may affect the Group's manufacturing and sales operations, with a resulting impact on earnings. Periods of low economic activity or crisis may lead to a slowdown or a decline in demand in the automobile market. In this case, the Group may experience a build up of inventories and be obliged to scale back production output, with a resulting impact on profitability and cash flow.

The Group may also be exposed to exchange rate instability, due to its international presence. Sharp fluctuations in exchange rates may affect the Group's ability to sell its products in certain markets, and therefore impact sales margins in countries outside the euro zone, due to the depreciation of these countries' currencies against the euro.

The Group also has to take into account changes in international tax rules and adapt to the specific rules applicable in each of its host countries.

Outside Western Europe, the Group is building a presence in its priority growth regions, led by China, Latin America and Russia, where automobile markets are currently under-developed. As an international group, it is exposed to economic conditions and to political and regulatory risks in its host countries. In order to limit or effectively anticipate these risks, Business Units have been created in China and for the Mercosur countries. These lean, responsive, hands-on, results and cash flow-oriented organisations provide the local management needed to address potential economic, political and regulatory risks.

Last year's collapse in the automobile markets provided a clear illustration of how these risks can affect carmakers and automotive equipment manufacturers. To limit its effect on earnings, the Group has launched an exceptional action plan providing for massive production cutbacks, ongoing price rises and expansion of the CAP 2010 competitiveness programme.

At the same time, a certain number of initiatives to reduce earnings sensitivity have been launched under the CAP 2010 and Lean Everywhere programmes. CAP 2010 is a programme to drive growth and improve competitiveness. Built around four priority objectives – to improve product and service quality, develop new products, cut costs and expand internationally – its aim is to restore the Group's performance. Lean Everywhere is a major project with a simple goal – to do things better, faster, more cheaply and more sustainably, by eliminating waste through improvement techniques that are tailored to each area of the business and are applied by employees who receive appropriate training and encouragement.

4.1.1.2 New Vehicle Development, Launch and Marketing Risks

The Group's results may be affected if vehicle sales volumes are lower than expected, because a downward adjustment of unit sales forecasts may lead to the recognition of an impairment loss on capitalized development costs amortized over the commercial life of the vehicle models concerned. In 2008, revised sales forecasts led to the recognition of an impairment loss of €138 million (2007: €216 million) on capitalized development costs in the Automobile Division. Development costs are capitalized and amortised over the vehicles' commercial life. In order to reduce new vehicle development and launch risks, initiatives have been implemented under the CAP 2010 competitiveness programme to improve productivity and, consequently, reduce new model development costs and time-to-market.

Responding more effectively to customers' after-sales service requirements during the vehicle design phase (repairability, ease of fault detection, etc.) has also contributed to the steady improvement in the quality of the Group's new models.

The time-to-market of new models has been shortened, to offer customer a broader product line-up that is better aligned with car buyers' spending habits. In addition, innovation programmes target performance improvements, particularly environmental performance.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

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4.1.1.3 Current or Future regulations Risks

The Group's manufacturing and sales activities are subject to strict environmental, safety and other regulations.

These regulations impose increasingly stringent standards, particularly in terms of vehicle CO_2 emissions. Examples include the new passenger car emission standards issued by the European Parliament on December 17, 2008. As the leading manufacturer of low emission vehicles, the Group is maintaining its commitment to producing more environmentally-friendly cars by taking appropriate measures to meet the European Union's target of limiting average emissions by new vehicles in Europe to 120 g CO_2/km by 2015.

In order to protect its ability to anticipate regulatory changes, in 2008 the Automobile Division spent a total of €2,117 million on research and development.

For the third year running, the Group demonstrated its environmental leadership by selling more than one million vehicles emitting less than 140 g CO_2/km.

For more information, please refer to section 11 “Research & Development and Capital Expenditure”.

4.1.1.4 Customer and Dealer Risk

Banque PSA Finance provides financing for 27.3% of Group sales to end customers. In Western Europe, around 60% of vehicles are purchased on credit. The Group places significant emphasis on guaranteeing the security of payments for the goods and services delivered to customers. Relations with Peugeot and Citroën dealers are managed within the framework of the sales financing system. Payments from other Group customers are secured by arrangements with leading counterparties that are validated by the Group Treasury Committee. Intercompany settlements are hedged against political risks whenever necessary.

For sales of new vehicles with a buyback commitment, the Group may be exposed to a risk that is not taken into account when the contract is signed, corresponding to the date when the vehicle's finale resale value is estimated in order to determine the depreciation schedule for the vehicles which are carried in the balance sheet under “Property, plant and equipment”. In view of the weak European automobile markets, these vehicles' resale values were reviewed in detail at the balance sheet date. Following this review, the provision booked in liabilities to cover the additional risk was increased to €112 million at December 31, 2008 from €44 million at the previous year-end.

Concerning used vehicles, the potential risk concerns the net carrying amount of inventories, which may be overstated if impairment provisions do not cover the full effects of a worse-than-expected deterioration in market conditions.

Macro-economic conditions directly influence the value of inventories, as does customers' perception of product quality, and may lead to an impairment loss.

4.1.1.5 Raw Materials Risk

The Group may be exposed to the risk of changes in certain raw materials prices affecting the production costs of the Automobile Division and Faurecia, either as a result of their direct purchases or indirectly through the impact of these changes on their suppliers' costs. These raw materials are either industrial products such as steel and plastics whose prices and related adjustments are negotiated between buyers and vendors, or commodities traded on organized markets, such as aluminium, copper, lead or precious metals, for which the transaction price is determined by direct reference to the prices quoted on the commodity market.

For more details, refer to note 37.1 D in the notes to the Consolidated Financial Statements at December 31, 2008 (see section 20.3.6 below).

4.1.1.6 Supplier Risk

Risks related to the quality of suppliers and their financial and commercial viability, as well as to the reliability of parts and components that they deliver are closely monitored. By developing and supplying the parts and components that represent some 70% of vehicle production cost, suppliers play a critical role in the Group's performance. Temporary or permanent failure by suppliers to fulfil their commitments may have an impact on the Group, the most serious risk being an interruption of parts deliveries leading to production stoppages at the plants and delays in the execution of vehicle, mechanical engineering or industrial projects.

Suppliers are selected according to seven main criteria: price competitiveness, quality, the ability to develop new products and manufacture them in large quantities, supply chain efficiency, research and development capabilities, geographic reach and long-term viability.

Each supplier's viability is assessed from a financial and strategic standpoint, based on:

- financial position;
- strategy and growth outlook;
- changes in the level of dependence;
- compliance with the social and environmental standards in the sustainable development guidelines.

To strengthen all of the supplier risk prevention systems, the above criteria are used when submitting purchasing strategies by product family and supplier selections to the purchasing Executive Committee for approval.

The Manufacturing Strategy and Supplier Risk unit set up within the Purchasing Department in July 2007 is tasked with leading initiatives to manage the risk represented by suppliers in financial difficulties or resulting from industrial restructuring plans. These risk management initiatives are designed not only to prevent risks but also to limit their effects.

The unit helps to ensure that projects and vehicle production operations are not interrupted, by using preventive and curative techniques to manage the supplier viability risk represented by the Group's 500 parts suppliers and 7,000 suppliers of services and capital goods.

4.1.1.7 Risks Specific to Faurecia

Faurecia is a 70.86%-owned subsidiary of the Group. If it were to experience financial difficulties, the Group could be called upon to provide liquidity and, possibly to recapitalise the Company.

The Group has already had to finance part of Faurecia's balance sheet, by making available a €250 million financing facility. If Faurecia's financial position were to deteriorate further, Peugeot S.A. could be obliged to write-down its investment in the Company. In 2008, the carrying amount of the shares, net of impairment, was reduced from €1,263 million to €963 million or €55.70 per share (see note 3 B.1 to the separate financial statements of Peugeot S.A.).

Faurecia was well on the way to recovery in the first half of 2008, but was subsequently hit by the collapse in the automobile market which led to a sharp drop in its orders. The Company responded by speeding up implementation of the recovery plan, but was obliged to record an impairment loss on Vehicle Interiors goodwill. The resulting non-recurring costs meant that Faurecia ended the year with a net loss of €569 million.

In order to restore the Company's equity to a satisfactory level and reduce its finance costs, on February 9, 2009 Faurecia's Board of Directors decided to launch a €450 million share issue underwritten by the PSA PEUGEOT CITROËN Group. Peugeot S.A. intends to take up its share of the issue. However, if the remaining shares are not placed with other investors, the Group may purchase additional shares, leading to a reduction in minority interests.

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4.1.1.8 Risks Associated with the Group's Cooperation Agreements

In recent years, PSA PEUGEOT CITROËN has signed a number of cooperation agreements, for the development of shared vehicle platforms with Toyota, Fiat, Tofas and Mitsubishi, and for the development and manufacture of gearboxes and engines with Ford, BMW and Renault.

To ensure that the partnerships are balanced, each partner commits to taking delivery of a minimum quantity of products manufactured by the joint venture. If they fail to honour this commitment, they are required to pay a penalty designed to cover the related production costs borne by the other partner. Any adverse consequences of these commitments are reflected in the consolidated financial statements as soon as they are considered probable, in the form of asset impairments or, if necessary, provisions for contingencies.

For more details, refer to note 40.2 in the notes to the Consolidated Financial Statements at December 31, 2008 (see section 20.3.6 below).

➜ 4.1.2 Industrial and Environmental Risks

An incident at one of the Group's manufacturing facilities, particularly if it affects a mechanical components plant or a foundry, may compromise the production and marketing of several hundred thousand vehicles, leading to several hundred million euros of losses.

For several years, the Group has implemented assertive industrial risk prevention strategies designed to:

- prevent the occurrence of catastrophic events;
- limit high-risk situations to the extent possible and attenuate their effects;
- ensure that the various Group structures have the necessary capabilities to deal with emergency and crisis situations;
- promote a risk prevention culture and a resilient response to accidents at all levels in the organisation;
- optimise the transfer to the insurance market of high frequency risks.

The strategy is deployed by the corporate Risk Management & Insurance unit, which leads a network of risk managers working in the various facilities. At the level of each facility, the strategy takes shape through the implementation of appropriate preventive, training and protection programmes.

These preventive programmes address the various types of identified risks, such as fire, explosion, flood and hail risks and component supply risks.

The prevention strategy has significantly reduced number of incidents and no major incidents have occurred since it was deployed. Its effectiveness is recognised by the insurance companies, which have designated as "Highly Protected" the vast majority of areas identified as representing the highest risk.

Industrial risks linked to the Group's international growth strategy arise in particular from the creation of new production plants and from acquisitions outside Europe. They are limited by performing prior studies that take into account the projected needs of the Business Unit concerned, the availability of shared platforms, mechanical assemblies and sub-assemblies at Group level (encompassing both design and manufacturing capabilities), any partnerships and the local environment.

Special attention is paid to the environmental impact of manufacturing facilities. The design specifications of plant and equipment include processes and devices to control pollution and environmental risks. A dedicated unit within the Public Affairs and Environment Department centrally manages environmental risks related to manufacturing operations and regularly reports Group-level environmental data.

The structures dedicated to managing environmental risks, at the Automobile Division's production plants and elsewhere in the organisation, comply with ISO 14001 environmental management standards. Worldwide, all of the Automobile Division production plants were ISO 14001-certified as of end-2008.

The ISO certification programme is supported by annual capital expenditure budgets for environmental projects. All industrial projects are reviewed by the Design Department, the plant concerned, Technical Department experts and Group environmental specialists in order to identify the potential risks and devise appropriate responses.

➜ 4.1.3 Banque PSA Finance Risk Exposures

Banque PSA Finance provides retail financing for new Peugeots and Citroëns and all brands of used vehicles sold by the Peugeot and Citroën dealer networks. The bank also provides wholesale financing for the dealer networks' vehicle and spare parts inventories. It offers individual and corporate customers a comprehensive range of financing solutions (instalment loans, leases with a purchase option and long-term leasing) and related services.

The bank's loan approval process is totally independent from the dealer network, and dealers are unable to exert any influence on the approval decision.

4.1.3.1 Banque PSA Finance Financing Risks

Currency Risk

For information on the bank's exposure to currency risk, refer to note 37.1.A in the notes to the Consolidated Financial Statements at December 31, 2008 (see section 20.3.6 below).

Interest Rate Risk

For information on the bank's exposure to interest rate risk, refer to note 37.1.B in the notes to the Consolidated Financial Statements at December 31, 2008 (see section 20.3.6 below).

Counterparty Risk

Banque PSA Finance is consistently in a net borrower position. As a result, its exposure to counterparty risk is limited to the investment of the liquidity reserve and other cash balances, and to the use of derivatives (swaps and swaptions) to hedge interest rate and currency risks.

Funds are invested in money market securities issued by leading banks or in mutual funds with a capital guarantee and a guaranteed yield.

An internal rating is assigned to each counterparty, based on issuer financial strength and capital adequacy analyses. These ratings are used to set exposure limits. Exposure limits cover both amounts and periods, by counterparty and by type of transaction (investments and derivatives). Actual exposures are checked and compared with the corresponding limits on a daily basis.

Derivatives are governed by standard ISDA or FBF agreements and contracts with the most frequently used counterparties provide for regular margin calls. Counterparties for derivatives contracts are all rated A or higher.

4.1.3.2 Credit Risk

Banque PSA Finance is exposed to credit risks on its loan book. For wholesale financing, lending decisions are made internally by the local credit committee, based on a detailed risk assessment. Depending on the amount involved, the decision may require the approval of a central credit committee. Each credit committee is assigned specific lending limits, whose application is closely monitored. Retail financing credit risks are managed using credit-scoring procedures whose reliability is regularly assessed. In addition, significant individual credit risks are managed using procedures similar to those applied to manage wholesale financing credit risks.

In response to the worsening economic situation, Banque PSA Finance has tightened its loan acceptance criteria and bolstered its collections resources.

Provisions are booked for retail credit risks when at least one instalment is past due, based on historical credit loss and recovery data. In the case of wholesale financing, provisions are booked on a case-by-case basis for known credit risks.

4.1.3.3 Liquidity Risk

For information on the bank's exposure to liquidity risk, refer to note 37.1.F in the notes to the Consolidated Financial Statements at December 31, 2008 (see section 20.3.6 below).

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4.1.3.4 Banque PSA Finance Credit Rating

Several key factors determine the bank's credit rating and/or may affect the bank's ability to raise short and long-term financing in the case of an unfavourable change. These factors include the bank's earnings volatility, its market shares, its geographic diversification and products, its risk management strategies and financial ratios, its annual provision expense and its European capital adequacy ratio. An unfavourable change in any of these factors or a combination of these factors could lead the rating agencies to downgrade the bank's credit rating, which in turn could drive up its financing costs. Conversely, an improvement in any of these factors could lead to a rating upgrade.

On October 30, 2008, Moody's Investor Services placed Banque PSA Finance's A3 long-term rating on review and affirmed the P-2 short-term rating. On February 19, 2009, Moody's Investor Services downgraded Peugeot S.A.'s long- and short-term ratings to Baa3/P-3 and changed the outlook from stable to negative.

On March 6, 2009, Standard & Poor's downgraded Banque PSA Finance's long-term rating to BBB and affirmed the A-2 short-term rating, with a negative outlook. The decision followed the March 5, 2009 downgrading of Peugeot S.A.'s long- and short-term ratings to BBB-/A-3, with a negative outlook.

4.1.3.5 Basel II

In 2008, the bank continued to work extensively to improve the reliability of its Basel II risk databases and the performance of its risk indicator calculation models, for both corporate and retail exposures. It also fine-tuned its prudence margins and conducted model back-testing exercises. The Basel II project was audited during 2008 by the *Banque de France*, which conducted additional audit procedures in January 2009 that have now been completed. These audits were part of the process for supervisory approval of the bank's use of the IRBA and IRB approaches.

4.1.3.6 Internal Control System

In line with CRBF regulation 97-02, dealing with internal control systems of credit institutions, the bank's internal control system is organised around two lines of responsibility – for recurring controls and periodic controls – and the first-tier controls performed by the operating units.

The fundamental principles underpinning the organisation and implementation of internal control are set out in an internal control charter that describes the system's organisation, resources, scope, missions and processes.

➜ 4.1.4 Financial Market Risks

The Group's manufacturing and sales companies are exposed to market risks (including currency, interest rate and equity risks), as well as to counterparty and liquidity risks.

4.1.4.1 Exposure to Changes in Exchange Rates

For information on the manufacturing and sales companies' exposure to currency risk, refer to note 37.1.A in the notes to the Consolidated Financial Statements at December 31, 2008 (see section 20.3.6 below).

4.1.4.2 Exposure to Changes in Interest Rates

For information on the manufacturing and sales companies' exposure to interest rate risk, refer to note 37.1.B in the notes to the Consolidated Financial Statements at December 31, 2008 (see section 20.3.6 below).

4.1.4.3 Equity Risk

For information on the manufacturing and sales companies' exposure to equity risk, refer to note 37.1.C in the notes to the Consolidated Financial Statements at December 31, 2008 (see section 20.3.6 below).

4.1.4.4 Counterparty Risk

For information on the manufacturing and sales companies' exposure to counterparty risk, refer to note 37.1.E in the notes to the Consolidated Financial Statements at December 31, 2008 (see section 20.3.6 below).

4.1.4.5 Liquidity Risk

For information on the manufacturing and sales companies' exposure to liquidity risk, refer to note 37.1.F in the notes to the Consolidated Financial Statements at December 31, 2008 (see section 20.3.6 below).

4.1.4.6 Peugeot S.A.'s Credit Rating

Several key factors determine the Group's credit rating and/or may affect its ability to raise short and long-term financing in the case of an unfavourable change. These factors include the Group's earnings volatility, its market shares, its geographic diversification and products, its risk management strategies and its financial ratios, particularly the debt-to-equity and operating cash flow-to-net debt ratios. An unfavourable change in any of these factors or a combination of these factors could lead the rating agencies to downgrade the Group's credit rating, which in turn could drive up its financing costs. Conversely, an improvement in any of these factors could lead to a rating upgrade.

On February 19, 2009, Moody's Investor Services downgraded Peugeot S.A.'s long- and short-term ratings to Baa3/P-3 and changed the outlook from stable to negative. On October 30, 2008, Moody's Investor Services placed Banque PSA Finance's A3 long-term rating on review and affirmed the P-2 short-term rating.

On March 5, 2009, Standard & Poor's downgraded Peugeot S.A.'s long- and short-term ratings to BBB-/A-3, with a negative outlook. On March 6, 2009, Standard & Poor's downgraded Banque PSA Finance's long-term rating to BBB and affirmed the A-2 short-term rating, with a negative outlook.

➜ 4.1.5 Legal and Contractual Risks

The PSA PEUGEOT CITROËN Group is exposed to legal risks as an employer and in connection with the design and distribution of vehicles, the purchase of components and the supply of services.

To manage these risks, the Group implements preventive policies covering workplace health and safety, the manufacturing environment, industrial and intellectual property, vehicle safety, product and service quality and the security of the Group's transactions from a legal standpoint.

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4.1.5.1 Legal and Arbitration Proceedings

At December 31, 2008, no Group company was involved in any claims or litigation with a material impact on the consolidated financial statements, except for the European Commission decision described below.

A provision of €49.5 millions was set aside in 2005 to cover the fine levied by the European Commission following verifications performed in 1999 and 2003 by EC inspectors at Automobiles Peugeot, Peugeot Deutschland GmbH and Peugeot Nederland NV. On October 5, 2005, the Commission found that in the Netherlands, Automobiles Peugeot and its Dutch subsidiary had engaged in practices aimed at or having the effect of restricting cross-border automobile sales and fined the two companies €49.5 million. This fine was paid by the Group.

Notwithstanding this payment, Automobiles Peugeot and Peugeot Nederland NV have appealed the decision to the Court of First Instance of the European Communities, considering that there is no legal or factual basis for finding a violation of Article 81, paragraph 1, of the Treaty Establishing the European Community. The appeal was heard by the Court of First Instance on March 11, 2009.

4.1.5.2 Financial Covenants

To safeguard all drawn and undrawn sources of financing available to PSA PEUGEOT CITROËN and Banque PSA Finance, the Group imposes strict limits on clauses in loan agreements allowing lenders to require payments to be rescheduled or to modify the financial terms of the agreement. None of its loan agreements contain any rating triggers and the only agreements containing material adverse change clauses are with certain supranational lenders that are obliged to insist on this type of protection.

None of the loans taken out by Peugeot S.A. or GIE PSA Trésorerie carry any financial covenants.

Faurecia's confirmed line of credit and the loan agreement for its bond issue include acceleration clauses that would be triggered if adjusted net debt were to exceed 3.5 times EBITDA and if net interest cover were to fall below 4.5x. At December 31, 2008, Faurecia complied with both of these ratios. Should Faurecia fail to comply with these ratios, each lender would have the right individually to demand the early repayment of its share of outstanding debt and to cancel its participation in the facility, which would remain in effect with the other lenders. In addition, in the event of any material adverse change or a change of control of Faurecia, no further drawdowns would be allowed on the syndicated line of credit.

For more detailed information, refer to note 31.2 to the Consolidated Financial Statements at December 31, 2008, section 20.3.6.

Banque PSA Finance's confirmed lines of credit do not carry any financial covenants, other than compliance with the ratios demanded by banking regulations.

In the case of Banque PSA Finance and Faurecia, additional safeguards are provided by the absence of any cross-default clauses between the companies in these divisions and the other divisions of the PSA PEUGEOT CITROËN Group.

4.1.5.3 Joint Venture Risk

The Group has entered into joint venture agreements with partners that operate on an international scale and State-controlled enterprises. The Group exercises either dominant or significant influence over these entities and they do not give rise to any particular joint venture risk.

4.1.5.4 Risk of an Internal Control Failure

The Internal Audits carried out during 2008 did not reveal any internal control weaknesses that might give rise to substantial risks. Whenever control processes were found to need strengthening, action plans were implemented. Initiatives taken under these plans will also be audited.

Banque PSA Finance strengthened its entire internal control system in 2008.

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4.1.5.5 Pension and Other Post-Retirement Benefit Obligations

For information on pension and other post-retirement benefit obligations, refer to note 30 in the notes to the Consolidated Financial Statements at December 31, 2008 (see section 20.3.6 below).

4.2 Risk Management

→ 4.2.1 Internal Control and Risk Management System

As part of its commitment to preventing and limiting the effects of internal and external risks, the Group has established internal control procedures and processes designed to provide reasonable assurance concerning the achievement of objectives in the following categories:

- compliance with laws and regulations;
- application of the Managing Board's instructions and strategic guidelines;
- efficient internal processes, particularly those that help to safeguard the Company's assets;
- reliable financial reporting.

More generally, internal control contributes to the efficiency and effectiveness of operations and the efficient use of resources.

At the end of last year, an Internal Control unit was created within the Legal Affairs, Institutional Relations & Audit Department to lead and coordinate the internal control process and guarantee the consistency of initiatives undertaken by the operating units. In order to have a consolidated view of the internal control system, the Internal Control unit will be supported in particular by the Risk Management & Insurance unit for all risks that could affect the Group's assets and the business's viability. The new organisation, the management process and the changes in internal control methodology will be officially announced and deployed in early 2009.

Within Group companies, the focus is on accounting and financial controls, which constitute a core component of the internal control system. Covering the production and communication of all of the Group's accounting and financial information, these controls contribute to the reporting of reliable information in compliance with legal and regulatory requirements.

They are based on specific procedures defined and implemented by the Group Finance Department in order to meet the above objectives.

The internal control system aims to provide reasonable assurance that the above objectives will be met; however, no system can provide absolute assurance that this will be the case.

4.2.1.1 Operational Risks

PSA PEUGEOT CITROËN has created an operational risk prevention and management organisation tasked with implementing appropriate measures to limit the consequences of events affecting Group operations and prevent, to the extent possible, the risk of project management failures or organisational dysfunctions. The management of each operating unit is responsible for effectively controlling risks within that unit.

The Risk Management & Insurance unit of the Legal Affairs, Institutional Relations & Audit Department guarantees the consistency of operational risk management initiatives and their cross-functional implementation. It defines risk identification and assessment methods, and helps to define and control risk management plans. It is supported by a network of correspondents or experts working in the Group's various departments and facilities, who are responsible for deploying Group risk prevention policies in their units and monitoring the status of preventive and corrective action plans. As part of this process, risks are assessed in detail using a Group-wide method and annual programmes are implemented to manage them. This means that potential vulnerabilities are identified early and that protective or preventive measures are commensurate with the risks involved.

The main operational risks are risks likely to disrupt or halt the Group's design, production or distribution activities, or to pose a threat to the Group's employees or its tangible or intangible assets. They include the risk of damage to research facilities, data processing centres, production or distribution units, due to severe weather conditions or human action, as well as incidents affecting the integrity, confidentiality and use of Group information systems and computerised data, and damage to the Group's reputation.

4.2.1.2 Behavioural Policy

The Group is committed to growth founded on socially-responsible principles and practices, consistently applied in every host country and business around the world. These principles and practices underpin the relationship of trust that exists between the Group and its customers, suppliers and Shareholders, as well as between individual employees. They are set out in a code of ethics providing a set of fundamental reference points that each employee may refer to in all circumstances.

➜ 4.2.2 Environmental Risk Management

4.2.2.1 Management Systems

Environmental risks have been analysed in accordance with ISO 14001, leading to the identification at each facility of Significant Environmental Aspects of the facility's operations and its integration in the host community.

The analysis, which is repeated at regular intervals, serves to identify the major environmental challenges at each plant and to draw up action plans to address these challenges that are approved and monitored during management reviews.

Regular audits by the Group's internal auditors and by accredited testing laboratories (UTAC, SGS, etc.) provide assurance that the system is properly applied.

4.2.2.2 Cooperation with Government Authorities and Host Communities

Relations with government authorities and stakeholders concerning environmental issues are organised as described below.

Environmental regulations impose regular reporting of information to stakeholders in a specified format, particularly in the case of any material changes in a plant's activities. In addition, the Group has more frequent contacts with the government department responsible for the industrial environment, which performs regular audits of the plants' compliance with environmental standards.

An annual Sustainable Development report, which can be downloaded from the PSA PEUGEOT CITROËN website, is published to inform the public about the Group's projects concerning the industrial environment, the results obtained and the progress made in improving environmental performance.

Lastly, in compliance with ISO 14001, each facility has developed systems to ensure that all stakeholder requests are duly considered and responded to as effectively as possible.

4.2.2.3 Internal Workplace Risk Management Policy

Environmental workplace risks are fairly limited, as few dangerous substances are used in the automobile industry and substances that may harm the environment are used in clearly defined sections of each plant.

They are considerably attenuated through construction techniques such as building workshops over retention basins and using overhead pipe systems to carry polluting liquids. For other risks, regular audits of compliance with environmental procedures are carried out during walk-through inspections by production line managers as part of the PSA Production System. Compliance with environmental procedures is confirmed by ISO 14001 audits.

The Group is qualified as a downstram user under the new EU regulatory framework for the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) that came into effect on June 1, 2007. As a result, and working with other European carmakers (within ACEA, the European Automobile Manufacturers' Association), the Group has launched a joint initiative with suppliers to ensure that they have taken on board the new regulations and will be able to provide the Group with the necessary information in the case where their substances are used.

Lastly, the plant risk scenarios provide for the involvement of local environmental teams to ensure that specific environmental risks are taken into account (for example, by ensuring that water used to put out a fire is contained).

4.3 Risk Coverage - Insurance

With the support of insurance brokers specialised in insuring major risks, the corporate Insurance unit has set up worldwide insurance programmes that are placed with companies that have a high insurer financial strength rating. The main programmes are as follows:

- the property & casualty programme covers damage to Group assets and consequential business interruption risks under five policies providing aggregate cover of €1,500 million (excluding Faurecia) with deductibles of up to €10 million per claim;
- the liability insurance programme is designed to transfer to the insurance market the financial cost to the Group of any third-party losses. It comprises four policies providing aggregate cover of €250 million, with deductibles of up to €0.5 million per claim;
- the vehicle transportation and storage insurance programme comprises three policies providing cover of up to €100 million for damage to vehicles stored on outside parking lots and up to €50 million for damage to vehicles or parts during transportation. The maximum deductible under the programme is €0.3 million per claim.

Some of the lead policies under these programmes are reinsured by the Group's captive reinsurance company, SARAL (SA de Réassurance Luxembourgeoise), a wholly-owned subsidiary of Peugeot SA, which insures the Group's risks alongside external insurers and reinsurers.

SARAL is involved in insuring the Group's operational risks around the world, such as property risks, consequential business interruption risks, automobile liability risks, risks associated with the transportation of vehicles and their storage on parking lots and fraud risks.

SARAL's commitment under these policies amounts to, respectively, €8 million per claim and per year, €0.75 million per claim, €15 million per claim and €25 million per year and €0.8 million per claim and €1.6 million per year.

SARAL has purchased stop loss reinsurance on the international reinsurance market, covering aggregate claims by the Group in excess of €25 million.

The Group's insurance policy can be summed up as transferring high frequency risks to the insurance market and retaining low and average frequency risks through deductibles and the captive reinsurance company. In 2008, this policy, combined with assertive risk prevention programs, led to a reduction in premiums paid to external insurers for the fifth year running.

5 INFORMATION ABOUT THE COMPANY

5.1 History and Development of the Company

➜ 5.1.1 Legal and Commercial Name of the Company

The name of the Company is Peugeot S.A.

The name “PSA PEUGEOT CITROËN” refers to the entire Group of companies owned by the Peugeot S.A. holding company.

➜ 5.1.2 Place of Registration and Registration Number

The Company is registered in the Paris Trade and Companies Register under number 552,100,554. Its APE business identifier code is 7010Z.

➜ 5.1.3 Date of Incorporation and Length of Life

The Company was incorporated in 1896. Its term will end on December 31, 2058, unless it is wound up before this date or its term is extended.

➜ 5.1.4 Registered Office – Governing Law – Legal form

The Company’s registered office and administrative headquarters is located at 75, avenue de la Grande-Armée - 75116 Paris, France. Phone: +33 (0)1 40 66 55 11.

The Company is governed by the laws of France.

It is incorporated as a *société anonyme* (joint stock corporation) governed by a Managing Board and a Supervisory Board under the terms of the French Commercial Code.

➜ 5.1.5 Important Events in the Development of the Company’s Business

Founded in 1896, Peugeot S.A. engaged in manufacturing and sales until 1965, when it was transformed into a holding company as part of a legal and financial restructuring of the Group. Its operating activities were taken over by a subsidiary, Automobiles Peugeot.

In 1949, the Company created Le Groupages Express de Franche-Comté (GEFCO) to manage logistics for outbound car transport and inbound component deliveries.

In 1974, Peugeot S.A. acquired all of the outstanding shares of Citroën S.A. and then merged the two companies in 1976.

In 1978, the Chrysler Corporation sold its European manufacturing and sales operations to Peugeot S.A. in exchange for shares. At the end of 1980, the newly-acquired companies – which continued to do business under the Talbot marque – were transferred to Automobiles Peugeot.

In 1979, Chrysler Financial Corporation's European commercial financing subsidiaries were acquired, marking a turning point in the development of the Group's finance business.

Aciers et Outillages Peugeot merged with Cycles Peugeot in 1987 and was renamed Ecia. It then became Faurecia in 1998 following its friendly merger with automotive equipment manufacturer Bertrand Faure.

PSA Finance Holding, whose subsidiaries offer financing for Peugeot and Citroën customers in Europe, was converted into a bank in June 1995 and renamed Banque PSA Finance.

The Automotive Division was reorganised on December 31, 1998 to align legal structures with the new functional organisation introduced the previous January. Automobiles Peugeot and Automobiles Citroën transferred all their motor vehicle development and manufacturing assets to Peugeot Citroën Automobiles and their capital equipment design and manufacturing operations to Process Conception Ingénierie.

In first-half 2001, Peugeot S.A. supported Faurecia's acquisition of Sommer Allibert's automotive equipment business.

In 2008, PSA PEUGEOT CITROËN continued to exercise the same business activities as in previous year; there were no important events in the development of its business.

5.2 Capital Expenditure

Please refer to section 10.2.2.2 concerning the statement of cash flows of manufacturing and sales companies and section 11 concerning Research & Development and Capital Expenditure.

5.3 Sustainable Development

5.3.1 The 10 Sustainable Development Objectives

In 2008, PSA PEUGEOT CITROËN defined ten objectives to guide employee actions in each of its areas of responsibility.

Chances of success were also defined, based on three levels:

- Confident
- Uncertain
- Risky

ENVIRONMENT

Area	Objective	Target	Chance of success
1 - CO_2 emissions	Continue to be the leading producer of low-emission vehicles	2 million vehicles emitting less than 120 g of CO_2/km sold between 2007 and 2010	Confident
2 - Eco-design	Sharply increase the proportion of green materials* in Peugeot and Citroën vehicles	Raise the share of green materials to 20% of polymers contained in a vehicle in 2011	Confident
3 - Environmental management	Reduce the average energy used per vehicle produced in our manufacturing facilities	2.1 MWh/ car in 2010	Confident

* (recycled organic materials, natural materials and non-petrochemical polymers).

Priority Action Plan

To meet the ten sustainable development objectives, a variety of priority actions have been implemented.

The ten objectives and the priority action plan have been published on our sustainable development website, at www.sustainability.psa-peugeot-citroen.com/vision/commitment/action-plan.htm.

Priority Action	2008 Achievements	Progress towards completion
1.1. Continue to launch highly fuel-efficient vehicles	• With 554,343 low-emission vehicles sold in 2007 and 570,181 in 2008, we are well on the way to exceeding the two million target.	2007-2010: Ongoing
1.2. Introduce a diesel hybrid	• Strategic partnership formed with Bosch. • Hybrid models unveiled at the 2008 Paris Motor Show: Peugeot Prologue HYbrid4, Citroën Hypnos, Citroën C4 and Peugeot 308 HDi hybrids, Peugeot 908 HYbrid2, C4 WRC Hybrid and Peugeot RC HYbrid4.	2006-2011: Ongoing
1.3. Promote the use of alternative fuels around the world	• Introduction of a multi-purpose 1.6-litre CNG engine in China and the Middle East. • Biofuels: sustained development of biofuel-capable cars. Our entire model range can run on a 30% biodiesel blend or a 10% ethanol-petrol blend. Vehicles burning ethanol-based E85 fuel are being marketed in Brazil and Sweden.	2007-2009: Ongoing
2.1. Become a leader in the use of green materials	• Implementation of the Green Materials plan: – Each vehicle project has a contractual objective for the use of green materials. – Procurement policies have been defined and for each part, suppliers are now asked to submit an equivalent part made of green materials. • Start-up of the collaborative MATORIA project designed to develop injection plastics made from renewable feedstocks and suitable for automotive applications.	2007-2011: Ongoing
3.1. Reduce energy use in vehicle production	• Total energy use declined by 6% in 2008, reflecting not only the impact of energy savings programmes but also the sharp falloff in production in the final quarter. This situation led to a slight 3% increase in energy use per vehicle produced. The target of 2.1 MWh/vehicle by 2010 is still within reach, however, assuming output returns to normal levels. • Energy savings programmes included optimising heating in production and non-production facilities, optimising paintshop airflows, temperature and humidity, applying shutdown procedures, and replacing the boilers at the Rennes plant. • Sustained application of the second energy project contract, with the extension of energy audits to all of the major production plants and continued deployment of standard management practices.	2007-2010: Ongoing
3.2. Modernise the environmental reporting system to align it with the Group's improvement needs	• The ORGE environmental reporting system has been successfully deployed and is now being used as the standard reporting tool by environmental compliance officers. Compared with the previous database, it is more interactive and makes it easier to share environmental information among the plants. • In addition, a new reporting system has been developed and installed for Gefco and the Peugeot and Citroën dealer networks.	2006-2008: Completed
3.3. Extend ISO 14001 standards to improve assessment of the Group's environmental footprint	• Following deployment of new procedures for identifying Significant Environmental Aspects at our production units in Europe, feedback has been completed in Spain and Portugal.	2006-2008: Completed

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SOCIAL RESPONSABILITY

Area	Objective	Target	Chance of success
4 - Social responsibility	Extend PSA PEUGEOT CITROËN'S social responsibility commitment worldwide		Confident

CORPORATE GOVERNANCE

Area	Objective	Target	Chance of success
5 - Supplier responsibility	Deploy the supplier guidelines concerning PSA PEUGEOT CITROËN'S social and environmental responsibility standards	Involve the top 500 suppliers in the process by 2010	Confident
6 - Socially responsible investing	Make sure PSA PEUGEOT CITROËN is included in the major SRI indices	Three major international indices	Confident
7 - Stakeholder dialogue	Lead constructive dialogue with civil society representatives during theme-based sessions		Confident

Priority Action	2008 Achievements	Progress towards completion
4.1. Deploy PSA PEUGEOT CITROËN'S global corporate social responsibility agreement	• The second annual review was presented to the European Works Council in June. • 97.5% of employees are represented by independent unions or employee representatives (versus 97% in 2006). • Nearly 86% of the three priority action plans defined in June 2007 have been completed, for a total of 243 actions of the 282 in the plans. • 302 priority actions were defined in June 2008 for the Agreement's third year of application.	**2007-2009: Ongoing**
4.2. Make workplace safety everyone's business	• The New Safety Dynamic programme is underway in production plants and office facilities. • Safety processes have been integrated into the PSA Production System. • Training in a proactive risk-assessment method is being offered. • The lost-time incident frequency rate for the entire Group, excluding Faurecia and Gefco, was 3.43 in 2008, versus a target of 3.0. It was 3.72 in 2007 and 3.41 in 2006.	2007-2008: Extended
4.3. Guarantee gender equality in career development	• The Group's joint labour-management Gender Equality Commission met twice during the year, while a number of site Gender Equality Commissions also held meetings. • The Gender Equality Agreement application handbook was distributed. • In March, French quality standards agency AFAQ AFNOR Certification renewed the Group's Equal Opportunity Employer label. • In March, PSA PEUGEOT CITROËN signed the French government's Working Parents Rights Charter.	2008: Completed
4.4. Ensure equal career development opportunities for older employees, the disabled and non-French employees	• A new "Managing Diversity" training module was introduced and a best practices guide was distributed. • The impact of the Diversity Agreement was reviewed three years after launch. • On October 6, 2008, an amendment was signed with six French unions renewing the corporate Diversity and Social Cohesion Agreement. • PSA PEUGEOT CITROËN was awarded the AFNOR seal of diversity in France.	2007-2008: Completed

Priority Action	2008 Achievements	Progress towards completion
5.1. Get suppliers involved in a sustainable development process	• The number of suppliers involved in the process has doubled, to 305, and at year-end 71% of global standard parts procurement was covered by supplier agreements. • Several awareness building and training programmes have been conducted with suppliers. • Sustainable development issues are continuing to be actively integrated into our purchasing processes. • Self-assessment questionnaires sent to suppliers and initial audits conducted.	2004-2010: Ongoing
6.1. Maintain PSA PEUGEOT CITROËN'S presence in the ASPI Eurozone and FTSE4good indices and be selected for the DJSI	• The Group is included in two indices, ASPI Eurozone (Vigéo) and FTSE4Good (EIRIS). • The Group was not included in the DJSI (SAM) in 2008. • PSA PEUGEOT CITROËN was awarded Silver Class status in the *2009 Sustainability Yearbook* published by SAM and PWC.	2008-2010: Ongoing
7.1. Identify our stakeholders and organise discussion meetings	• Contacts have been forged or maintained, and informal meetings have been organised. • A working meeting on the Group's CO_2 strategy was organised with five environmental NGOs. • The Peugeot Carbon Sink Scientific Steering Committee met during the year. • Group representatives participated in several public roundtable discussions with French NGOs, concerning such issues as ISO 26000, socially responsible communication and cars and the environment.	2008-2010: Ongoing

SOCIETY

Area	Objective	Target	Chance of success
8 - Road safety	Broadly deploy telematics services to improve user safety	One million enabled vehicles on the road in 10 European countries by 2011	Confident
9 - Urban mobility	Finance innovative mobility solutions		Confident
10 - Customer respect	Implement the PSA PEUGEOT CITROËN Responsible Advertising Charter		Confident

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Priority Action	2008 Achievements	Progress towards completion
8.1. Promote the emergency call system as a new source of traffic information	• 640,000 vehicles were equipped with the emergency call system by year-end 2008. • To share the data collected during emergency calls and requests for assistance, upgrades are being developed to manage calls at the emergency and assistance call centre run by IMA, Mondial and AXA Assistance.	2005-2009: Ongoing
8.2. Enhance the effectiveness of programmes to raise awareness of road safety in France	• 12 French production facilities and office sites led road risk awareness building programmes for employees, their children and the host community, comprising safe driving courses, free tyre and headlight inspections, brochures, exhibits, events, driving simulators and drunk driving tests. • The initiatives were carried out in partnership with academia and organisations like the MACIF insurance company, local fire brigades and the Prévention routière road safety association.	2007-2008: Completed
8.3. Help to improve road safety in China	• A semi-permanent road safety exhibit was set up at the Beijing Science and Technology Museum. • The Group helped to design a travelling road safety exhibition for kindergarten and primary school children. • The Group organised a road safety advertising contest in cooperation with the Ministry of Health's Centre for Disease Control.	2007-2009: Ongoing
9.1. Support the emergence of innovative mobility solutions to facilitate social integration	• IVM is focusing on mobility as a factor in access to jobs, particularly for less skilled individuals. • Three books were published: *Domicile - Travail, les salariés à bout de souffle* by Eric Le Breton, which provides an overview of the work carried out over the past two years by The Day-to-Day Mobility of Employees project, and *Mobilité urbaine: l'âge des possible and Une approche laïque de la mobilité*, both by Jean-Pierre Orfeuil.	2007-2008: Completed
9.2. Support associations promoting the mobility of people in social difficulty	• The Group lent or donated vehicles to a number of French associations that help people in physical difficulty, including *Les petits centaures, Escapade, Fondation Claude Pompidou, Relais enfants-parents*, the French telethon and *Sidaction*.	2007-2009: Ongoing
10.1. Formally integrate sustainable development values in consumer advertising	• The Responsible Advertising Charter was distributed to operating teams in the communication, marketing, legal and purchasing departments and the advertising approval process was formalised. • PSA PEUGEOT CITROËN's process was one of the best practices cited by France's *Union des Annonceurs*.	2007-2008: Completed

➜ 5.3.2 Environmental Stewardship

Cars and the Environment

PSA PEUGEOT CITROËN has set a priority objective of reducing the amount of CO_2 emitted by Peugeot and Citroën vehicles. To significantly reduce the carbon footprint of its model lines – the only way to make a real impact on the environment – the Group is focusing on the most cost-effective technologies capable of being deployed on mass-produced models, in line with its strategy of offering "everyone an environmentally friendly car."

The growing mobility needs of today's world cannot be met with a "one-size-fits all" solution, no matter how green. That's why our research dedicated to improving the environmental performance of our vehicles and developing new technologies is being pursued in several different directions:

Short and medium term programmes are focused on:

- minimising the environmental impact of petrol and diesel vehicles, by continuing to improve fuel efficiency and reduce carbon and pollutant emissions;
- encouraging the development of alternative internal combustion fuels, be they fossil (natural gas) or renewable (biofuels);
- enhancing the cost-effectiveness of hybrid and electric solutions.

Longer-term programmes are working on developing fuel cell solutions whose technologies and costs make them suitable for mass application.

Leading the Market for Fuel-Efficient, Low-Emission Vehicles

With its line-up of eco-friendly models, PSA PEUGEOT CITROËN confirmed its environmental leadership in 2008, when for the third year in a row it sold more than one million vehicles emitting less than 140 g CO_2/km (1,161,000 units worldwide). Worldwide sales of vehicles emitting less than 130 g CO_2/km rose by 7.4% to 921,000 units. In addition, PSA PEUGEOT CITROËN once again had France's lowest corporate average CO_2 emissions, with 140 g/km per vehicle sold in the country. The ranking was prepared by France's Agency for the Environment and Energy Management (ADEME).

Reducing Emissions Today with Standard-Setting Engines

The low carbon footprint of PSA PEUGEOT CITROËN's line-up reflects the Group's extensive expertise. Since 2006, several Peugeot and Citroën models have been powered by petrol engines, developed in cooperation with BMW, that improve fuel efficiency and lower carbon emissions by 10 to 15%, depending on conditions of use, compared with the engines they replaced.

In 2008, the Group announced the development of a new family of three-cylinder, 1-litre, 70 to 100 hp petrol engines that will be produced beginning 2011. The new powerplant will make it possible to reduce a car's CO_2 emissions to less than 100 g/km without additional technology.

Introduced by PSA PEUGEOT CITROËN, the common-rail, direct-injection HDi diesel engines reduce CO_2 emissions by 20% compared with the previous generation diesels and by 30% compared with petrol engines. In addition, HDi engines deliver remarkable drivability and today rank among the most popular in Europe.

The Group produced more than 1.52 million cars equipped with common-rail HDi powerplants in 2008, bringing total output to more than 12.4 million units since 1998. The particulate filter, a logical add-on to an HDi diesel engine, virtually eliminates particulate matter from tailpipe gases. Introduced in 2000, it has been fitted on some three million HDi-powered Peugeots and Citroëns. Euro 5 emissions standards make particulate filters mandatory for all new diesel vehicles sold after September 2009.

PSA PEUGEOT CITROËN is also pursuing its downsizing strategy designed to develop smaller, more fuel-efficient engines that deliver the same performance. The latest generation HDi diesels, for example, are 20% smaller yet provide comparable power and torque.

Other gains have been driven by the extensive re-working of subassemblies as part of the vehicle engineering process. Examples include:

- improving engine combustion to increase energy efficiency;
- equipping certain models with electronic manual gearboxes that improve fuel efficiency by up to 5%;
- reducing weight, while maintaining compliance with safety standards and fulfilling customer expectations for more and better features;
- improving aerodynamics for road/motorway cycle homologation;
- selecting tires that offer the best trade-off between grip (primary safety) and low rolling resistance;
- etc.

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Exploring Alternative Fuels

Another way to reduce a vehicle's carbon footprint is to develop the use of alternative fuels.

PSA PEUGEOT CITROËN has long been studying the benefits of biofuels. It is pursuing these programmes in France, as well as in China, where it is conducting biodiesel research with the China Automotive Technology & Research Centre (CATARC), and in Brazil in association with the Ladetel laboratory. The focus is on using biofuels blended in low proportions with conventional fuels, in line with local legislation. For example, the engines that power Peugeot and Citroën cars can run without modification on biodiesel blends of up to 30% vegetable oil methylesters (made from oilseeds) and petrol blends with up to 10% ethanol (derived from cereals or beets in Europe and sugar cane in Brazil).

The Group is aware, however, of the potential conflict between using these crops for fuel instead of food, and is carefully tracking research being conducted on second generation biofuels. By 2020 or 2030, these studies are expected to result in new forms of biofuel production, either by increasing fuel yield per hectare of farmland or by using all of the plant material in today's fuel crops as well as organic waste, such as biomass.

The Group is also exploring the possibilities offered by compressed natural gas (CNG) in markets where gas is already a viable alternative to petrol and diesel. The Group has signed the third CNG protocol aimed at developing this solution in France, where it already markets CNG commercial vehicles and, since October 2005, a five-seater CNG Citroën C3 intended for the consumer market. In 2008, it completed development of a global multipurpose 1.6-litre CNG engine and introduced it in Iran and China.

Developing a Wide Range of Hybrid and Electric Solutions

PSA PEUGEOT CITROËN is actively involved in developing hybrid technologies, with an approach that will enable it to extend hybrid powertrains across the Peugeot and Citroën line-ups within the next two years. It is also leading programmes to prepare for the future market launch of zero-emission vehicles (ZEVs).

The Stop & Start system, which shuts down the engine when the vehicle is standing still, is a highly cost-effective first-stage hybrid technology. The second generation, which integrates regenerative braking, will be offered on Peugeot and Citroën models by around 2011. It reduces carbon emissions by up to 15% in city driving.

Unveiled at the 2008 Paris Motor Show, the Peugeot Prologue and Citroën Hypnos concept cars illustrate the current state of the Group's full-hybrid technology. Known as Hybrid4, it combines the high fuel efficiency of the HDi diesel in highway driving with all the benefits of electric propulsion on city and suburban roads. It also adds all-wheel drive capability thanks to an electric motor mounted on the rear axle assembly. The system will initially be introduced on "distinctive" Peugeot and Citroën models in 2001, (Peugeot 3008, Citroën DS5) offering an exceptional driving experience, superior fuel economy and sharply lower CO_2 emissions.

A pioneer in electric vehicles with 10,000 EVs sold between 1995 and 2005, PSA PEUGEOT CITROËN has given new impetus to its development programmes in this area, in a commitment to serving a market that will initially expand through fleets and car sharing schemes. A feasibility study is underway for a partnership with Mitsubishi to develop electric powertrains for compact city cars.

At the same time, the Group is working on a hybrid plug-in to offer a more affordable EV for individual carbuyers. It can run in all-electric mode for around 50 kilometres, which corresponds to most drivers' daily needs. Offering all the benefits of an EV, it can also shift into hybrid mode for longer distances, for example on a weekend or vacation trip.

To support the wider use of electric vehicles and plug-in hybrids, PSA PEUGEOT CITROËN formed a partnership with French power utility EDF in 2008, covering such areas as the definition of business models capable of driving the commercial development of electric vehicles, energy storage technologies, such as lithium-ion batteries, and the standardisation of recharging systems and protocols to enable vehicles and the network to communicate during recharging.

Hydrogen Fuel Cells: a Longer-Term Solution for The Environment

PSA PEUGEOT CITROËN is continuing its research programmes aimed at making it technically and financially feasible to develop automotive applications for fuel cell technology, which would eliminate CO_2, hydrocarbon (HC), nitrogen oxide (NOx) and other local emissions. An in-house team of specialists is working on different cells and prototypes with the support of expert networks formed in partnership with France's National Scientific Research Centre (CNRS) and Atomic Energy Commission (CEA).

The challenges involved – lowering fuel cell costs, integrating fuel cells into vehicles, and storing and distributing hydrogen – are often beyond a carmaker's control. As a result, the Group plans to gradually introduce the technology beginning around 2020.

Eco-Designing for Disassembly and Reuse

Peugeot and Citroën cars are all eco-designed for recycling, based on principles that facilitate the decontamination of end-of-life vehicles (ELV) and encourage the development of recovery and recycling facilities. Other recyclability techniques include marking plastic parts and elastomers for traceability, using easily recyclable materials, reducing the variety of materials to facilitate sorting after shredding, and using recycled materials in new vehicles.

This approach will enable the Group to comply with the requirement that beginning in 2008, a new car must be 95% recyclable to be homologated in the EU. French testing laboratory UTAC has certified that PSA PEUGEOT CITROËN is able to implement the processes needed to meet this requirement.

At least 95% of the average weight of new Peugeot and Citroën vehicles is reusable and recoverable, according to prevailing ISO standards and our own calculations.

The Group is continuing to work with suppliers to eliminate four heavy metals (lead, cadmium, chromium and mercury) from its vehicles and to find technical solutions for their replacement.

To help consolidate the Group's position as leader in environmentally friendly cars, the eco-design process also includes a plan to increase the proportion of green materials to 20% of vehicle polymers in 2011. These materials include both recycled organic materials and renewable materials, such as natural materials and fibres (wood, cotton, etc.) and biomaterials (made from renewable instead of petrochemical feedstocks). The green materials plan involves a variety of programmes being undertaken in partnership with suppliers, which will help to drive greater demand for recycled materials.

Investing in Major Environmental and Scientific Initiatives

Created in partnership with France's national forest service ONF, the Peugeot carbon sink project in Brazil offers a compelling illustration of the Group's commitment to extending its research beyond the realm of cars. The innovative, 40-year project is designed to demonstrate the technical viability of CO_2 sequestration through reforestation. The project's tenth anniversary was celebrated in 2008, when the Carbon Sink Scientific Steering Committee held its ninth meeting in Paris. The project has been a major success, having planted more than two million trees of 50 different local species as part of a high-level, multi-disciplinary scientific programme, led by committed Brazilian and French researchers based in Fazenda São Nicolau, Mato Grosso.

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→ 5.3.3 Automobile Fuel Consumption and Emissions

Citroën (2008)

		Displacement	Horsepower		Consommation		CO_2	Noise
	Fuel	cc	kW	City	Highway	Combined	g/km	dB(a)
Citroën C1								
1.0	**P**	**998**	**50**	**5.5**	**3.9**	**4.5**	**106**	**70**
HDi 55	**D**	**1,398**	**40**	**5.3**	**3.4**	**4.1**	**109**	**71.2**
Citroën C2								
1.4 SensoDrive Stop&Start	P	1,360	65	6.8	4.8	5.6	130	70.5
1.1	**P**	**1,124**	**44**	**7.5**	**4.8**	**5.8**	**138**	**72.9**
HDi 70	**D**	**1,398**	**50**	**5.3**	**3.7**	**4.3**	**113**	**73.8**
HDi 70 SensoDrive	D	1,398	50	4.9	3.8	4.2	111	72.7
Citroën C3								
1.4 16v Stop&Start	P	1,360	65	6.9	4.9	5.7	135	70.8
1.4	**P**	**1,360**	**54**	**8.2**	**4.9**	**6.1**	**145**	**73.8**
HDi 70	**D**	**1,398**	**50**	**5.3**	**3.8**	**4.4**	**115**	**72.9**
Hdi 70 SensoDrive	D	1,398	50	4.9	3.9	4.3	113	71.3
Citroën Berlingo								
1.6 16v	**P**	**1,587**	**66**	**10.8**	**6.8**	**8.2**	**195**	**73.3**
HDi 110 FAP	D	1,560	80	6.8	4.9	5.6	147	73.5
HDi 92	**D**	**1,560**	**66**	**7.0**	**5.0**	**5.7**	**150**	**74.2**
Citroën Xsara Picasso								
1.6 16v	**P**	**1,587**	**80**	**9.5**	**6.0**	**7.3**	**172**	**71.9**
HDi 92	**D**	**1,560**	**66**	**6.4**	**4.2**	**5.0**	**130**	**73.4**
Citroën C4								
1.4 16v	P	1,360	65	8.7	5.2	6.4	153	71.6
VTi 120	**P**	**1,598**	**88**	**9.3**	**5.2**	**6.7**	**159**	**74**
HDi 92	**D**	**1,560**	**66**	**5.7**	**3.7**	**4.4**	**117**	**74.1**
Citroën C4 Picasso								
THP 150	P	1,598	110	9.9	5.8	7.3	173	73
VTi 120	**P**	**1,598**	**88**	**10.0**	**5.9**	**7.4**	**174**	**73.8**
HDi 110 FAP	**D**	**1,560**	**80**	**6.9**	**4.7**	**5.5**	**145**	**72.2**
HDi 110 FAP Airdream BMP6	D	1,560	80	6.4	4.7	5.3	140	70.1
Citroën C5								
1.8 16v	P	1,749	92	10.8	6.2	7.9	188	72.1
2.0 16v	**P**	**1,997**	**103**	**12.0**	**6.3**	**8.4**	**198**	**72.8**
HDi 140 FAP	**D**	**1,997**	**103**	**7.5**	**4.8**	**5.8**	**153**	**71.1**
HDi 110 FAP Airdream	D	1,560	80	6.6	4.6	5.3	140	71.7
Citroën C6								
3.0 V6	**P**	**2,946**	**155**	**16.3**	**8.2**	**11.2**	**266**	**72.2**
V6 HDi 208 FAP	**D**	**2,720**	**150**	**12.0**	**6.8**	**8.7**	**230**	**70.2**
HDi 173 FAP	D	2,179	125	8.7	5.4	6.6	175	75
Citroën C8								
2.0 16v	**P**	**1,997**	**103**	**12.0**	**7.3**	**9.0**	**213**	**72.4**
HDi 120	**D**	**1,997**	**88**	**8.8**	**5.8**	**6.9**	**182**	**74.6**
Citroën C-Crosser								
HDi 160 FAP	**D**	**2,179**	**115**	**9.5**	**5.9**	**7.2**	**191**	**74.9**

Bold: the best-selling version of each model in France (petrol or diesel).

Light: version of each model emitting the least CO2 (petrol or diesel).

Models scheduled for launch in the first half 2009

Citroën C3 Picasso (launched in February 2009)								
VTi 95	P	1,397	70	9.1	5.5	6.8	157	74.4
HDi 90	D	1,560	66	6.0	4.0	4.7	125	74.9
Citroën Nemo Combi								
1.4	P	1,360	54	8.8	5.9	7.0	165	70
HDi 70	D	1,398	50	5.7	3.8	4.5	119	71

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Peugeot (2008)

	FuPl	Displacement cc	Horsepower kW	Consommation City	Consommation Highway	Consommation Combined	CO_2 g/km	Noise dB(a)
Peugeot 107								
1.0 BVM	**P**	**998**	**50**	**5.5**	**3.9**	**4.5**	**106**	**70**
1.4 HDi	**D**	**1,398**	**40**	**5.3**	**3.4**	**4.1**	**109**	**71.2**
Peugeot 1007								
1.4 BVM	**P**	**1,360**	**54**	**8.6**	**5.2**	**6.5**	**153**	**73.2**
1.4 HDi	**D**	**1,398**	**50**	**5.6**	**3.9**	**4.5**	**120**	**73.7**
Peugeot 206 (hatchback)								
1.4	**P**	**1,360**	**55**	**8.8**	**5.0**	**6.4**	**152**	**73.3**
1.4 HDi	**D**	**1,398**	**50**	**5.4**	**3.7**	**4.3**	**112**	**70.9**
Peugeot 207 (hatchback)								
1.4	**P**	**1,360**	**55**	**8.4**	**5.0**	**6.3**	**150**	**73.6**
1.4 VTi	P	1,397	70	7.9	4.8	5.9	140	72.7
1.6 HDi	**D**	**1,560**	**66**	**5.7**	**3.7**	**4.4**	**117**	**73.6**
Peugeot 308								
1.4 VTi	P	1,397	70	9.0	5.2	6.5	155	73.7
1.6 VTi	**P**	**1,598**	**88**	**9.3**	**5.2**	**6.7**	**159**	**73.9**
1.6 HDi	D	1,560	66	5.8	3.8	4.5	120	73.2
1.6 HDi FAP	**D**	**1,560**	**80**	**5.9**	**3.8**	**4.5**	**120**	**73.8**
Peugeot 407 hatchback								
2.0	**P**	**1,997**	**109**	**11.0**	**6.4**	**8.6**	**192**	**73.4**
1.6 HDi FAP	D	1,560	80	6.8	4.4	5.3	140	73.5
2.0 HDi FAP	**D**	**1,997**	**100**	**7.5**	**4.7**	**5.7**	**150**	**74.3**
Peugeot 407 Coupé								
2.2 BVM	**P**	**2,230**	**120**	**13.1**	**6.9**	**9.2**	**219**	**74**
2.0 HDi FAP	D	1,997	100	7.8	4.8	5.9	156	73.7
2.7 HDi BVA	**D**	**2,720**	**150**	**11.9**	**6.5**	**8.5**	**225**	**71.6**
Peugeot 4007								
2.2 HDi FAP	**D**	**2,179**	**115**	**9.5**	**5.9**	**7.2**	**191**	**74.9**
Peugeot 607								
3.0	**P**	**2,946**	**155**	**14.9**	**7.5**	**10.2**	**242**	**73.2**
2.0 HDi BVM FAP	D	1,997	100	8.1	5.0	6.1	160	74.6
2.7 HDi BVA FAP	**D**	**2,720**	**150**	**11.6**	**6.6**	**8.4**	**223**	**72**
Peugeot 807								
2.0 BVM	**P**	**1,997**	**103**	**12.0**	**7.3**	**9.0**	**213**	**72.4**
2.0 HDi	D	1,997	88	8.8	5.8	6.9	182	74.6
2.0 HDi FAP	**D**	**1,997**	**100**	**9.0**	**6.0**	**7.1**	**188**	**73.3**
Partner Tepee								
1.6	**P**	**1,587**	**66**	**10.8**	**6.8**	**8.2**	**195**	**73.3**
1.6 HDi	**D**	**1,560**	**66**	**7.0**	**5.0**	**5.7**	**150**	**74.2**
Expert Tepee								
2.0	**P**	**1,997**	**103**	**13.3**	**8.2**	**10.1**	**241**	**73.3**
1.6 HDi	**D**	**1,560**	**66**	**8.4**	**6.6**	**7.2**	**191**	**74.4**

Bold: the best-selling version of each model in France (petrol or diesel).

Light: version of each model emitting the least CO2 (petrol or diesel).

Models scheduled for launch in the first half 2009

Peugeot 3008								
1.6 VTi	P	1,598	88	9.8	5.6	7.1	165	73.3
1.6 HDi FAP BMP6	D	1,560	80	5.9	4.3	4.9	130	72.9
Bipper Tepee								
1.4	P	1,360	54	8.8	5.9	6.9	165	70
1.4 HDi	D	1,398	50	5.7	3.8	4.5	119	71
Peugeot 407 Hatchback								
1.6 HDi FAP	D	1,560	80	6.4	4.1	4.9	129	73.5

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➜ 5.3.4 Production Plants and the Environment

An Effective Organisation and Strong Principles

For many years, PSA PEUGEOT CITROËN has been engaged in assertive environmental stewardship at its production facilities, in a commitment to ensuring that their operations comply not only with local regulations but also safeguard the neighbouring environment and the quality of life in host communities. To support this commitment, manufacturing strategy integrates environmental protection as part of a continuous improvement process, based on a disciplined organisation, a method structured around ISO 14001 certification, the allocation of substantial funding and an effective reporting system known as the Industrial Environment Observatory, created in 1989 and completely rebuilt in 2007. Deployed worldwide, this process efficiently manages the most significant environmental aspects of the Group's operations.

The Public Affairs and Environment Department includes an Industrial Environment Section, which leads and coordinates general activities in this area and manages the Industrial Environment Observatory application, with its own capital budget. In addition, at each plant, an environmental manager is backed by a dedicated service and correspondents appointed in each workshop and facility. The Technical Department also has environmental specialists who provide technical support for the plants, particularly during capital projects. In 2008, around 500 people were directly involved in managing the Group's industrial environment.

An active certification policy

Environmental management systems have been introduced at all production facilities worldwide, based on ISO 14001 certification, the internationally recognised standard for environmental management and organisation. The standard enables a company to express an environmental strategy, describe the procedures used to implement it, guarantee compliance and drive continuous improvement, the foundation of good environmental management.

As part of the ISO 14001 process, every employee, whether fixed-term or permanent, as well as temporary workers and interns, receives training in environmental skills or awareness tailored to his or her job and business. Contract workers employed at the plants undergo similar training.

Launched more than 10 years ago and now fully implemented across the production base, the certification policy is also being deployed in the technical centres, replacement parts facilities and new production sites. All of the Group's production facilities have been ISO 2007-certified since the end of 2007.

ISO 14001-CERTIFICATION TIMETABLE FOR THE MANUFACTURING PLANTS' ENVIRONMENTAL MANAGEMENT SYSTEMS

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

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

NB: While not included in PCA data, the five automobile manufacturing joint ventures have also been certified. They are TPCA in Kolín, Czech Republic;the DPCA plants in Wuhan and Xiangfan, Hubei province, China; Sevelnord in Hordain, France; Sevelsud in Val Di Sangro, Italy and *Française de Mécanique* in Douvrin, France.

Limiting Emissions

Reducing VOC Emissions

PSA PEUGEOT CITROËN's automobile assembly plants in France account for less than 1% of total volatile organic compound (VOC) emissions produced by human activity (which totalled 1,336,000 tonnes in 2006, according to CITEPA).

Nevertheless, the Group is leading a proactive strategy to reduce these emissions by:

- optimising paint shops by introducing equipment with higher application efficiency to reduce the use of conventional paints and related solvents, by selecting low-solvent paints and by recycling used solvents;

- deploying clean technologies like water-based paints and powder primers in new facilities;
- installing air treatment equipment that incinerates VOCs;
- encouraging the sharing of experience and best practices among Group plants.

Deployment of this ambitious action plan has halved per-vehicle VOC emissions from the Group's paint shops in less than 15 years and enabled each facility to meet the limits set in the European Union directive on reducing VOC emissions, which came into force in October 2007.

Continued systematic implementation of the best, most cost-effective technologies is enabling the Group to continuously improve its performance, with the ultimate goal of achieving around 4.0 kilograms per vehicle.

A Decline in Other Regulated Emissions

By gradually replacing conventional high-sulphur fuel oil with low-sulphur fuels and natural gas, worldwide sulphur dioxide (SO_2) emissions from the Group's power plants have been reduced to minimum levels since 1995.

During the same period, the Group's worldwide nitrogen oxide (NOx) emissions have also declined sharply.

Managing Energy Consumption

While casting, machine tool cooling, paint drying, heat treatment and other carmaking processes are all energy intensive, the Group is committed to developing an energy management plan for all its plants using the best available techniques (BAT).

Among the most remarkable initiatives undertaken in recent years has been the installation of waste-to-energy units at three facilities.

Participation in the Carbon Emission Allowance Scheme

Seven plants in France and two in Spain were covered by the initial carbon emission allowance scheme set up in application of the European Union directive on greenhouse gas emissions trading for the 2005 to 2007 period.

The plants' emissions were actually lower than the allocated targets – which were set on the basis of an inventory of the plants' emissions from 1996-2002 – thereby resulting in surplus allowances. This good performance is the result of a reduction in CO_2 emissions per vehicle produced, reflecting both the substantial investment in recent years to improve efficiency at installations rated over 20 MW and the implementation of an energy management strategy at all of the manufacturing facilities.

For the 2008 to 2012 period, only eight plants qualify for the scheme, after modernisation of the La Garenne central heating plant reduced its rated capacity to less than 20 MW.

Allocation rules for this second period have led to a significant decrease in emissions at most of the production sites.

Reducing Water Consumption and Effluent

Conserving water is a key objective at every plant, in particular through the use of metering systems, the display of the least water-intensive operating parameters for each workstation and the deployment of recycling systems.

Since 1995, these measures have led to a sharp reduction in water consumption per vehicle produced, thereby helping to conserve resources.

Production facilities are either connected to the public wastewater treatment network or equipped with their own integrated treatment plant. They also systematically track releases using indicators, defined in the operating permits. This organisation ensures that aqueous releases are not harmful to the surroundings. In particular, given the nature of effluent from the car plants, the risk of eutrophication and acidification is negligible.

Reducing and Efficiently Recovering Waste

For more than ten years, programmes have been in place to reduce the amount of automotive process waste per vehicle produced, and to promote the recovery, recycle or reuse of any waste that remains.

Since 1995, these programmes, which excluding metal waste, have produced the following results:

- the amount of waste per vehicle produced has been reduced by around 25%;
- around 82% of all process waste is reclaimed and recovered;
- other treatment methods include incineration without energy recovery, treatment with physical-chemical processes in the case of certain types of liquid or sludge waste and disposal in landfills, which is steadily declining.

Nearly all scrap sheet metal, turnings and other metal waste is recovered and reused in steelmaking or in the Group's foundries. When this category of waste is taken into account, Group plants reclaim and recycle a steady 94% of their process waste.

Other Environmental Issues

Identifying Contamination to Protect The Soil

PSA PEUGEOT CITROËN is committed to identifying any soil contamination pre-existing at its sites. Either at the instigation of public authorities or at the Group's initiative, soil contamination has been assessed at a large number of sites. After in-depth surveys, the experts concluded that some of the sites required only self-monitoring. Depending on the site, these surveys were supported by a small number of one-time remediation or prevention programs. Assessments are also carried out when production plants are acquired or sold, or when certain installed equipment is divested.

In every case, strict procedures are applied to prevent soil pollution, in particular through the use of retention basins for liquid storage and limiting, to the extent possible, the use of underground pipelines for fluids transport.

Respecting the Biological Balance and Managing Odours and Noise

PSA PEUGEOT CITROËN's carmaking operations do not intrinsically pose a high risk to the environment. The manufacturing facilities are quite large, however, due to the demands of mass-market production.

Although most Group facilities are based in suburban industrial parks, none of them are located in an area on the Ramsar List of Wetlands of International Importance or in areas that are specially regulated for the protection of flora and fauna (natural parks, Natura 2000 areas, nature reserves, etc.). A few sites are located near such areas, however, but no harmful effects on the surroundings have yet been identified.

Measures required to preserve natural habitats, flora and fauna, as well as to ensure the tranquillity of neighbouring communities, are assessed and defined during initial or supplemental environmental impact studies conducted before the installation of any new plant facilities or equipment. In accordance with legislation, these studies are submitted to public hearings and to the approval of administrative authorities.

Amount of Provisions for Environmental Risks

In 2008, a provision of €1 million was set aside for a dispute with the successive acquirers of a former production plant in Levallois.

Amount of Penalties Paid Following a Legal Ruling Concerning the Environment

The Group did not have to pay any penalties in this regard in 2008.

The Other Divisions and the Environment

Sustained Building Optimisation Programmes at Gefco

From 2005 to 2008, Gefco led the commission set up to prepare a Sustainable Development Charter for logistics buildings, under the aegis of the Afilog association.

It was therefore pleased to learn that logistical platforms will now be covered by France's NF Commercial Buildings – High Environmental Quality (HQE) Procedure, which is designed to improve a building's integration into the surrounding environment, attenuate noise, structure the use of multi-modal systems and limit energy and water use. Working with the right partners, Gefco plans to certify future logistics hubs built to meet its needs in France.

It is also preparing a programme to earn certification for operations at existing buildings.

➜ 5.3.5 Production Plant Consumption and Emissions

The following environmental indicators are presented in compliance with Articles L. 225-102-1 and R. 225-105 of the French Commercial Code. The reported data concern the production plants, the main engineering and design sites and the logistics platforms of fully consolidated companies, including the Peugeot and Citroën proprietary dealership networks. A listed company 70.86%-owned by Peugeot S.A., Faurecia manages its business independently and therefore prepares and publishes its own indicators in its Annual Report. The Company's performance in its main indicators is presented below, however.

PSA PEUGEOT CITROËN consumes two main resources for the needs of its manufacturing operations and its employees:

- water, for such uses as machining, washing, cooling and sanitary facilities. Depending on local availability, production plants get their water from public water companies, private wells or nearby rivers;
- energy (fossil fuels, electricity and steam) to power a certain number of processes, such as heat treatment, casting and paint curing, as well as to provide heat, light and air conditioning in buildings and offices.

When used, these resources and process products, such as scrap iron in casting, steel and aluminum sheets in stamping, or surface treatment products, paints, cutting liquids, glues and sealants, generate by-products that Group plants are committed to limiting and effectively managing.

The same is true for their releases into the air, into water and into the soil.

Note that certain 2007 results have been restated to reflect more detailed data reported after the Registration Document was published. The restatements have been explained each time the difference with last year's published figure exceeded 1%.

Changes in the scope of reporting:

- three PCI sites were transferred to PCA in 2007: Meudon was consolidated with Vélizy, while operations at Rheu and Étupes were transferred, respectively, to the Rennes and Sochaux plants. As a result, PCI data concerned just a single site in 2007, in Saint-Étienne;
- 2007 indicators also reflect the first-time reporting of data from Automobiles Peugeot and Automobiles Citroën.

Water Withdrawn

(unit: cu.m)		City water	Surface water	Underground water	TOTAL
PCA	**2008**	**2,611,790**	**4,036,944**	**4,943,993**	**11,592,727**
	2007	2,703,266	4,534,027	5,069,449	12,306,742
	2006	3,270,583	5,128,452	5,997,563	14,396,598
AP/AC	**2008**	**732,905**	**9,140**	**6,554**	**748,599**
	2007	744,993	11,298	6,551	762,842
	2006	-	-	-	0
PCI	**2008**	**2,684**	**-**	**-**	**2,684**
	2007	4,104	-	-	4,104
	2006	20,307	-	-	20,307
PMTC	**2008**	**12,914**	**11,604**	**-**	**24,518**
	2007	10,817	12,280	-	23,097
	2006	12,553	24,610	-	37,163
Gefco	**2008**	**201,060**	**286**	**28,079**	**229,425**
	2007	231,183	291	25,702	257,176
	2006	185,777	-	22,840	208,617
TOTAL	**2008**	**3,561,353**	**4,057,974**	**4,978,626**	**12,597,953**
	2007	3,694,363	4,557,896	5,101,702	13,353,961
	2006	3,489,220	5,153,062	6,020,403	14,662,685
Faurecia	**2008**	**1,368,065**	**944,179**	**415,166**	**2,727,410**
	2007	1,409,523	906,093	518,739	2,834,355
	2006	1,333,316	1,106,803	554,165	2,994,284

In the above table, data from Automobiles Peugeot and Automobiles Citroën concern 84% of their sites, versus 93% in 2007.

Gefco data were reported from 70% of the company's sites, compared with 84% in 2007 and 78% in 2006. Most of the sites that did not report data are leased facilities, whose consumption figures are included in rental expense and were therefore unavailable for reporting.

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Gross Effluent Discharges, Ex-Works

NB: Effluent discharges have been expressed in annual rather than daily terms since 2007, with 2006 data adjusted accordingly.

(unit: kg/year)		COD	BOD_5	SM
PCA	**2008**	**2,351,932**	**705,537**	**661,771**
	2007	2,459,755	747,668	663,813
	2006	2,926,580	1,085,337	587,958
AP/AC	**2008**	**N.A.**	**N.A.**	**N.A.**
	2007	N.A.	N.A.	N.A.
	2006	N.A.	N.A.	N.A.
PCI	**2008**	**N.A.**	**N.A.**	**N.A.**
	2007	N.A.	N.A.	N.A.
	2006	N.A.	N.A.	N.A.
PMTC	**2008**	**536**	**122**	**83**
	2007	1,119	322	72
	2006	1,456	544	109
Gefco	**2008**	**N.A.**	**N.A.**	**N.A.**
	2007	N.A.	N.A.	N.A.
	2006	N.A.	N.A.	N.A.
TOTAL	**2008**	**2,352,468**	**705,659**	**661,854**
	2007	2,460,874	747,990	663,885
	2006	2,928,036	1,085,881	588,067
Faurecia			**N.A.**	

COD: Chemical oxygen demand.

BOD_5: Biochemical oxygen demand after 5 days.

SM: Suspended matter.

N.A.: not available.

Before release into the environment, 9% of effluent discharge is fully treated in an on-site wastewater plant and 91% is further treated in the local community's wastewater plant.

Energy Consumption

Direct Energy Consumption by primary energy source

NB: Energy indicators are expressed in the same unit of measurement (MWh ncv) by applying officially recognized conversion coefficients.

(unit: MWh ncv)		HSFO	LSFO	VLSFO	HHO	NG + LPG	Coal	Coke
PCA	**2008**	**-**	**-**	**8,313**	**20,428**	**2,305,628**	**-**	**122,936**
	2007	-	-	50,990	14,717	2,408,351	-	117,188
	2006	-	-	109,989	18,091	2,521,538	24,909	119,801
AP/AC	**2008**	**-**	**-**	**1,678**	**35,066**	**191,727**	**-**	**-**
	2007	-	-	562	36,100	168,617	-	-
	2006	-	-	-	-	-	-	-
PCI	**2008**	**-**	**-**	**-**	**-**	**4,458**	**-**	**-**
	2007	-	-	-	-	4,880	-	-
	2006	-	-	-	-	15,665	-	-
PMTC	**2008**	**-**	**-**	**-**	**29**	**23,113**	**-**	**-**
	2007	-	-	-	2	24,214	-	-
	2006	-	-	-	2	30,605	-	-
Gefco	**2008**	**-**	**-**	**-**	**3,924**	**50,832**	**-**	**-**
	2007	-	-	-	18,386	41,954	-	-
	2006	-	-	-	24,252	50,315	-	-
TOTAL	**2008**	**0**	**0**	**9,991**	**59,447**	**2,575,758**	**0**	**122,936**
	2007	0	0	51,552	69,205	2,648,016	0	117,188
	2006	0	0	109,989	42,345	2,618,123	24,909	119,801
Faurecia	**2008**	**4**	**103**	**980**	**10,174**	**650,863**	**-**	**-**
	2007	12	85	983	9,363	650,865	-	-
	2006	4	118	1,113	12,083	641,829	-	-

HSFO = High-sulphur fuel oil.

LSFO = Low-sulphur fuel oil.

VLSFO = Very low-sulphur fuel oil.

HHO = Home heating oil.

NG = Natural gas.

LPG = Liquefied petroleum gas.

PCI's 2007 natural gas consumption in 2007 was revised upwards by 27% after data from the Saint-Étienne site was corrected. In the above table, data from Automobiles Peugeot and Automobiles Citroën concern 92% of their sites in 2008, versus 96% in 2007. Coverage is calculated on the basis of total direct consumption of primary and secondary energy. Data from Gefco concerned an average 96% of its sites in 2008, versus 91% in 2007, and covered direct consumption of secondary energy. Most of the Gefco sites that did not report data are leased facilities, where consumption figures are included in rental expense and were therefore unavailable for reporting.

Direct Energy Consumption by secondary energy source

(unit: MWh)		Electricity	Steam
PCA	**2008**	**2,601,683**	**299,828**
	2007	2,794,310	321,162
	2006	2,825,163	332,686
AP/AC	**2008**	**157,673**	**16,809**
	2007	163,752	9,007
	2006	-	-
PCI	**2008**	**1,473**	**-**
	2007	2,138	-
	2006	13,574	-
PMTC	**2008**	**13,849**	**-**
	2007	16,155	-
	2006	17,392	-
Gefco	**2008**	**65,927**	**-**
	2007	49,289	-
	2006	52,872	-
TOTAL	**2008**	**2,840,605**	**316,637**
	2007	3,025,644	330,169
	2006	2,909,001	332,686
Faurecia	**2008**	**1,063,532**	**19,876**
	2007	1,080,257	22,151
	2006	1,012,545	34,108

In the above table, data from Automobiles Peugeot and Automobiles Citroën concern 92% of their sites in 2008, versus 96% in 2007. Coverage is calculated on the basis of total direct consumption of primary and secondary energy. Data from Gefco concerned an average 88% of its sites in 2008, versus 90% in 2007 and 87% in 2006, and covered direct consumption of secondary energy.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Direct air emissions from combustion plants

NB: Direct emissions are calculated on the basis of energy consumption in compliance with the ruling of March 31, 2008 in the case of carbon dioxide and the circular of April 15, 2002 for all other gases.

Direct Greenhouse Gas Emissions

(unit: tonnes)		CO_2	N_2O	CH_4	Total CO_2 equivalent
PCA	**2008**	**522,242**	**20.9**	**33.3**	**529,425**
	2007	552,020	22.1	35.2	559,601
	2006	602,106	23.8	38.8	610,285
AP/AC	**2008**	**49,343**	**1.9**	**3.0**	**50,002**
	2007	44,483	1.7	2.6	45,068.8
	2006	-	-	-	-
PCI	**2008**	**916**	**0.0**	**0.1**	**930**
	2007	1,003	0.0	0.1	1,018
	2006	3,220	0.1	0.2	3,268
PMTC	**2008**	**4,759**	**0.2**	**0.3**	**4,830**
	2007	4,978	0.2	0.4	5,053
	2006	6,291	0.3	0.4	6,386
Gefco	**2008**	**11,648**	**0.5**	**0.7**	**11,811**
	2007	13,591	0.5	0.7	13,755
	2006	16,740	0.6	0.9	16,938
TOTAL	**2008**	**588,908**	**23.6**	**37.4**	**596,999**
	2007	616,075	24.5	38.9	624,495
	2006	628,357	24.8	40.4	636,878
Faurecia	**2008**	**138,374**	**5.9**	**8.8**	**140,393**
	2007	136,922	5.9	9.4	138,955
	2006	135,538	5.9	9.3	137,548

CO_2 = Carbon dioxide.

N_2O = Nitrous oxide.

CH_4 = Methane.

Total greenhouse gas emissions expressed in tonnes of CO_2 equivalent were calculated by applying the following global warming coefficients: 310 for N_2O and 21 for CH_4 (Source: IPCC Second Assessment Report: Climate Change 1995).

In the above table, data from Automobiles Peugeot, Automobiles Citroën and Gefco concern the same percentage of sites as for direct energy consumption data. PCI's 2007 greenhouse gas emissions were recalculated to reflect adjusted natural gas consumption data.

Other Direct Emissions

(unit: tonnes)		SO_2	NO_2
PCA	**2008**	**26.6**	**510.5**
	2007	101.7	556.7
	2006	304.8	636.4
AP/AC	**2008**	**15.4**	**55.1**
	2007	13.7	49.8
	2006	-	-
PCI	**2008**	**0.0**	**1.0**
	2007	0.0	1.1
	2006	0.0	3.4
PMTC	**2008**	**0.1**	**5.0**
	2007	0.1	5.2
	2006	0.1	6.6
Gefco	**2008**	**1.5**	**12.4**
	2007	6.4	15.7
	2006	8.4	19.6
TOTAL	**2008**	**43.6**	**583.9**
	2007	121.9	628.4
	2006	313.3	666.0
Faurecia	**2008**	**7.3**	**144.9**
	2007	8.3	144.6
	2006	7.9	143.7

SO_2: Sulphur dioxide.
NO_2: Nitrogen dioxide.

PCI's SO_2 and NO_2 greenhouse gas emissions were recalculated to reflect adjusted natural gas consumption data. In the above table, data from Automobiles Peugeot, Automobiles Citroën and Gefco concern the same percentage of sites as for direct energy consumption data.

Indirect CO_2 Emissions

NB: Indirect emissions are calculated based on applying emissions factors obtained from suppliers to the purchased electricity and steam.

(unit: tonnes)		Indirect CO_2
PCA	2008	366,434
AP/AC	2008	N.A.
PCI	2008	63
PMTC	2008	589
Gefco	2008	N.A.
TOTAL	**2008**	**367,085**
Faurecia	2008	N.A.

Paintshop VOC Releases

		VOC (tonnes)	Ratio (kg/vehicle produced)
PCA	**2008**	**9,505**	**4.13**
	2007	11,136	4.39
	2006	12,128	4.88
PMTC	**2008**	**12**	
	2007	101	
	2006	89	
TOTAL	**2008**	**9,517**	
	2007	11,237	
	2006	12,217	

VOC: Volatile organic compounds.

Total Weight of Waste by Type and Disposal Method

PCA (excluding metal waste, nearly 100% of which is recycled)

(unit: tonnes)		Landfill	Recovery and recycling	On-site recycling	Other disposal methods	TOTAL
Foundry waste	**2008**	**15,734**	**64,605**	**117,927**	**49**	**198,315**
	2007	14,707	64,831	138,838	30	218,405
	2006	9,651	73,549	111,755	82	195,037
Non-hazardous process waste	**2008**	**18,200**	**83,046**	**1,985**	**402**	**103,634**
	2007	19,397	87,069	3,705	1,547	111,719
	2006	**21,217**	**89,921**	**5,001**	**438**	**116,578**
Sludge + effluent + hazardous process waste	**2008**	**6,523**	**26,716**	**-**	**23,473**	**56,711**
	2007	6,392	31,470	0	22,968	60,830
	2006	13,406	33,404	75	17,985	64,869
TOTAL	**2008**	**40,457**	**174,367**	**119,912**	**23,924**	**358,660**
	2007	40,496	183,370	142,543	24,545	390,954
	2006	44,273	196,874	116,831	18,505	376,483

AP/AC (excluding metal waste)

(unit: tonnes)		Landfill	Recovery and recycling	Other disposal methods		TOTAL
Non-hazardous process waste	**2008**	**11,309**	**8,430**	**739**		**20,479**
	2007	11,954	5,611	1,672	-	19,236
	2006	-	-	-	-	-
Sludge + effluent + hazardous process waste	**2008**	**1,331**	**2,781**	**922**		**5,034**
	2007	2,132	2,207	883	-	5,223
	2006	-	-	-	-	-
TOTAL	**2008**	**12,640**	**11,211**	**1,661**		**25,512**
	2007	14,085	7,819	2,555		24,459
	2006	-	-	-	-	-

Data in the above table do not include the some 3,900 tonnes of metal waste produced in 2008, 72% of which was recycled during the year. The data from Automobiles Peugeot and Automobiles Citroën concern 82% of their sites in 2008, versus 94% in 2007.

PCI and PMTC (excluding metal waste, nearly 100% of which is recycled)

(unit: tonnes)		Landfill	Recovery and recycling	Other disposal methods	TOTAL
Foundry waste	**2008**	**-**	**-**	**227**	**227**
	2007	-	-	407	407
	2006	-	-	217	217
Non-hazardous process waste	**2008**	**220**	**885**	**-**	**1,105**
	2007	339	1,140	-	1,479
	2006	523	1,895	83	2,500
Sludge + effluent + hazardous process waste	**2008**	**11**	**186**	**589**	**785**
	2007	5	220	889	1,114
	2006	8	234	870	1,112
TOTAL	**2008**	**231**	**1,070**	**816**	**2,117**
	2007	344	1,361	1,296	3,001
	2006	531	2,128	1,170	3,828

The table above does not include the 400 tonnes of metal waste produced in 2008, almost all of which was recycled.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Gefco (excluding metal waste)

(unit: tonnes)		Landfill	Recovery and recycling	Other disposal methods	TOTAL
Non-hazardous process waste	**2008**	**5,645**	**3,891**	**324**	**9,860**
	2007	6,596	4,542	1,725	12,863
	2006	6,988	6,456	320	13,765
Sludge + effluent + hazardous process waste	**2008**	**438**	**1,001**	**124**	**1,563**
	2007	61	8	135	204
	2006	218	1,330	255	1,803
TOTAL	**2008**	**6,083**	**4,892**	**448**	**11,423**
	2007	6,657	4,550	1,860	13,067
	2006	7,206	7,786	576	15,568

Data in the above table do not include the 375 tonnes of metal waste produced in 2008, nearly 95% of which was recycled.
Data from Gefco concerned an average 70% of its sites in 2008, versus 83% in 2007 and 74% in 2006. Most of the sites that did not report data are smaller facilities located outside France, where waste is managed by municipal sanitation departments. As a result, the related tonnages are not available. When the disposal method is not known, the waste is considered to have been landfilled.

Faurecia (excluding metal waste, nearly 100% of which is recycled)

(unit: tonnes)		Landfill	Recovery and recycling	On-site recycling	Other disposal methods	TOTAL
TOTAL	**2008**	**71,093**	**44,220**	**9,387**	**16,990**	**141,690**
	2007	64,362	33,222	7,085	10,959	115,628
	2006	56,690	56,217	6,532	6,009	125,448

The table does not include the 71,800 tonnes of metal waste produced in 2008, almost all of which was recycled.

➜ 5.3.6 Corporate Citizenship

Promoting Road Safety

In addition to improving safety technology, PSA PEUGEOT CITROËN is leading a variety of employee and community outreach programmes to teach people more responsible driving habits.

Supporting Responsible Driving Initiatives

Raising driver awareness of road safety issues is a major focus of PSA,PEUGEOT CITROËN's corporate citizenship commitment. In 2008, for example, 12 French production facilities and office sites led awareness-building programmes throughout the year. Facilities in China, Brazil and Argentina have also been highly active in deploying this type of programme.

Examples include:

- remedial and safe driving courses in Vesoul and Metz;
- oad safety days organised for primary school children in China, Brazil and Argentina;
- donating vehicles for drills in Vélizy and Trémery to learn how to free people trapped in vehicles after an accident;
- free tyre and headlight inspections at the Caen, Valenciennes and Tremery facilities so that employees can check their cars before leaving on holiday;
- preparing and distributing information booklets at the Vélizy, Poissy, La Garenne, Aulnay and Paris facilities in France and at the plants in Brazil and China;
- exhibits, events, video games, driving simulators, rollover simulators and drunk driving tests in Paris and Poissy; and

- helping to create a go-kart driving school in Aulnay to teach children of employees and local parents about road safety hazards;
- in China, the Group helped to design a travelling road safety exhibition that visited six schools in six cities, reaching out to more than 5,000 children. PSA PEUGEOT CITROËN also set up a semi-permanent exhibit at the Beijing Science and Technology Museum.

These initiatives are being led in partnership with academia and organisation like the Global Road Safety Partnership and the DENATRAN, Brazil's national traffic department, and the MACIF insurance company, local fire brigades and the *Prévention routière* road safety association in France.

Helping to Enhance the Quality of Mobile Life

PSA PEUGEOT CITROËN is actively committed to exploring ways of improving mobility. As a key component in our sense of self-fulfilment, mobility has become as critically important as knowing how to read, write and count. It is one of the basic building blocks of modern society, which determines access to jobs, healthcare and culture.

Supporting Sustainable Mobility

PSA PEUGEOT CITROËN encourages sustainable mobility by designing sustainable development principles into environmentally sensitive cars, fitted with superior safety equipment. Over the years, the Group has gained a worldwide reputation for its environmental leadership. In 2008, for the third year in a row, it sold more than one million vehicles emitting less than 140 g CO_2/km. Encouraging sustainable mobility also means supporting the inalienable right to mobility, ensuring the right balance between the different modes of transport and promoting technologies that contribute to the free flow of automobile traffic.

Logistical support for employee car-pooling: Group facilities in Sochaux, Paris, Tremery, Rennes, Aulnay and Poissy Tertiaire offer employees special car-pooling intranet sites to facilitate their commute. Other types of employee car-pooling systems are available at certain sites in the Paris region and other parts of France.

The City On the Move Institute (IVM)

Created by PSA PEUGEOT CITROËN in 2001, the City on the Move Institute (IVM) has initiated and promoted research and trials aimed at understanding how urban mobility is changing. Its projects bring together business people, researchers, academics, architects, urban planners, urban developers, transport providers, local authorities, people involved in society and the arts and members of associations. Each partner is a stakeholder in a given project, supporting the research or programme with financing, resources or expertise.

IVM is focused on three priority issues:

- facilitating mobility for people in social difficulty;
- understanding mobility issues in urban planning and architectural design; and
- mobility as a value to instil in communities.

In 2008, the international travelling exhibition called "The Street Belongs to All of Us" was translated into three languages and presented in China, Latin America and North America. Each event featured conferences on various types of urban mobility and ways in which street space is shared. The "Day-to-Day Mobility of Employees" project led to the publication of *Domicile-travail, les salariés à bout de souffle!* by Eric Breton, the project's scientific director. The IVM also organised a mobility workshop as part of France's Social Insertion Summit and published *Une approche laïque de la mobilité* and *Mobilités urbaines, l'âge des possibles*, two books by Jean Pierre Orfeuil, holder of the Institute's endowed university chair.

In China and Latin America, IVM continued to support innovative thinking on the quality of urban life, in line with local priorities. In a commitment to serving as effective resource centres, IVM/China and IVM/Latin America organised several scientific conferences, round tables and presentations of design projects.

Developing Roots in Host countries

Implementing Local Sponsorship and Social Responsibility Plans

Local Sponsorship and Social Responsibility Plans enable sites to structure their outreach programs with local institutions, associations and other stakeholders, while fostering more effective dialogue with both employees and the public. Plan components focus on the following areas:

- the environment, with programmes to preserve or restore natural sites, raise people's awareness or train them in environmental techniques;
- safe driving, with programs to inform people, raise their awareness and teach correct practices;
- urban mobility, with programs to support safer, cleaner, more accessible mobility;
- local development, with host community outreach programs such as the Solidarity Trophies, a competition that provides funding for employees who want to lead a project to support local or international solidarity. In 2008, Solidarity Trophies competitions were organised at the Rennes, Poissy and Madrid plants.

In 2008, the Group undertook a number of local outreach initiatives in communities near its production facilities and office sites. Examples include:

- providing environmental or industrial organisation consulting services for small and medium-sized enterprises located near the plants in Rennes, Aulnay, Tremery, Sochaux and Mulhouse;
- supporting local social, cultural and sports associations in Vesoul, Vigo, Douvrin, Valenciennes, Trnava, Sochaux, Poissy, Metz, Madrid and Aulnay);
- supporting the Fondation de la 2e Chance in Rennes;
- holding one-day campaigns at the Valenciennes, Trnava, La Garenne-Colombes and Aulnay facilities to raise employee awareness about the special needs of people with disabilities;
- recycling plastic bottle caps at the Paris, La Garenne, Saint-Ouen, Valenciennes and Vélizy facilities, with proceeds donated to handicap associations;
- supporting associations in Madrid, Vélizy, Rennes, Poissy, Porto Real and Paris that help bring persons in difficulty back into employment.

In addition, dedicated programmes have been implemented by local facilities:

- in Slovakia, for a number of years, the Group has supported a science awareness programme in Slovak primary schools based on the La Main à la Pâte (hands-on) method;
- the Vélizy facility participated in a "Run For the Heart," a humanitarian run to raise public awareness of the importance of organ donations;
- in China, the Group provided assistance for victims of the Sichuan earthquake.

Combating Exclusion with the Paris Emergency Services Agency

PSA PEUGEOT CITROËN supports the Paris emergency social services agency by donating and maintaining the organisation's vehicle fleet. The vehicles are used day and night by the mobile teams that criss-cross the capital to provide emergency care and assistance to the homeless and other disadvantaged people, and then, if requested, take them to hospitals or shelters. The Group is a member of the agency's Board of Directors.

In addition, it has continued to donate vehicles to associations that use mobility to alleviate social and economic exclusion.

6

BUSINESS OVERVIEW

For a detailed analysis of revenue by business and region, please refer to notes 4.1 and 4.2 to the 2008 consolidated financial statements.

6.1 Automobile Division

PSA PEUGEOT CITROËN is a world-class European automobile manufacturer whose two brands, Peugeot and Citroën, offer innovative, stylistically differentiated model line-ups. With marketing operations in 150 countries, the Group generates more than one third of its sales outside Western Europe. It is actively expanding its production base near its priority markets, with manufacturing facilities in Latin America, China and soon in Russia.

➜ 6.1.1 Significant Events of the Year

- Sharp drop in global automobile markets in the fourth quarter.
- Sales of new vehicles and CKD units down 4.9% to 3,260,388 units in a global market down 5.4%.
- Global market share maintained at 5%.
- Market share in Western Europe maintained at 13.8%.
- Solid performance by the new Peugeot 308 and Citroën C5.
- Confirmation of the Group's environmental leadership, with more than one million vehicles emitting less than 140 g CO_2/km sold for the third year in a row.
- Strengthened leadership in light commercial vehicles, with 19.9% of the market.

In 2008, the global automobile market declined by 5.4% to 64,993,000 passenger cars and light commercial vehicles. The first half of the year saw demand slow in Western Europe but continue to expand strongly in the high-potential regions. In the wake of the financial crisis, however, markets contracted sharply in the second half, with steep fourth-quarter declines of 21% in Western Europe and 9% in the high-potential regions.

➜ 6.1.2 Markets

Market share data are taken from statistics published by the Association Auxiliaire de l'Automobile for Western European countries and by various local organisations for other countries.

Western Europe: positions maintained with market share stable at 13.8%.

In a European car and light commercial vehicle market that fell 8.8% in 2008, PSA PEUGEOT CITROËN registrations contracted 8.6% to 2,130,900 units, of which 1,125,700 Peugeots and 1,005,200 Citroëns. Market share for the year stood at 13.8%, unchanged from 2007.

In France, the Group's car and light commercial vehicle registrations rose by 1.9% to 794,200 units in a market down 0.6%, feeding through to a 0.8-point increase in market share to 31.6% for the year.

Market share improved by 0.2 points to 5.7% in **Germany,** as Group registrations rose 2.1% to 189,500 units in a market down 1.7%.

In Spain, where the market plummeted 29.8%, combined registrations of Peugeot and Citroën vehicles totalled 254,300 units, a 30% decline that left the Group's market share virtually unchanged at 19.1% versus 19.2% in 2007.

In the United Kingdom, the Group pursued its strategy of limiting the adverse sales impact of the unfavourable pound/euro exchange rate throughout the second half. As a result, registrations retreated by 17.1% to 237,000 units in a market down 11.7%, causing market share to decline to 9.8% from 10.4% in 2007.

In Italy, registrations stood at 235,700 units, a 12.5% decline in a market down 12.7%.

Central and Eastern Europe: market share maintained at 7.2%.

In a market that declined 1% over the year (reflecting 16% growth in the first half, followed by a 14.9% drop in the second), PSA PEUGEOT CITROËN registrations retreated 3.3% to 191,000 units. Market share was 7.2% for the year.

Latin America: continued growth.

Automobile demand rose by a modest 2.0% in Latin America in 2008, as a 14.4% increase in the first half was offset by an 8.4% decline in the second. Combined registrations of Peugeot and Citroën vehicles gained 5.4%, however, to 259,000 units, pushing market share up slightly to 5.4%.

In the Mercosur countries, where markets expanded by 13% overall (reflecting gains of 26.5% in the first half and 1.7% in the second), Group registrations rose 11.9% to 232,700 units, with market share holding steady at 7.2%.

In Brazil, where the market grew 14.1%, registrations rose 17.7% to 151,000 units, driving a 0.2-point year-on-year increase in market share to 5.6%.

In Argentina, where the market increased by 7.8%, registrations rose 2.5% to 81,700 units, resulting in a market share of 14.2%.

China: a difficult year.

In a market that grew 5.1% (rising by 13.4% in the first half, before contracting by 2.6% in the second), Dongfeng Peugeot Citroën Automobile (DPCA) reported 178,100 registrations for the year, a decline of 14.1% from 2007. Local demand turned downwards in the second half, especially in the mid-range segment that is central to DPCA's line-up. However, the year also saw the successful launch of the new Citroën C-Élysée, which enabled the brand to double its sales in the mid-range segment.

Russia: strong growth in sales.

In a buoyant market that rose 13.6% for the year (up 32.9% in the first half, followed by a 1.5% decline in the second), registrations of PSA PEUGEOT CITROËN vehicles surged 67% to 60,300 units.

➜ 6.1.3 Vehicle Models

The Peugeot 107, 206, 207 and 1007

Sales of the Peugeot 207, launched in April 2006, totalled 468,300 units in 2008, making it Europe's third best-selling model and the undisputed leader in the small car segment. Symbolising the model's performance, the 207 cc consolidated its ranking at the top of the European coupe cabriolet segment.

Combined worldwide sales of the 206 and 207 remained high at 760,600 units for the year, establishing Peugeot as the European leader in the compact car segment.

Led by the model's attractive positioning in terms of affordable cost of ownership and low CO_2 emissions, worldwide sales of the 107 totalled 106,500 units, up 2.1% in a steeply declining market.

Sales of the Peugeot 1007 fell sharply to 11,000 units.

The Peugeot 308 and 307

Launched in September 2007 to replace the Peugeot 307, the Peugeot 308 sold 290,100 units in 2008. In May, the line-up was expanded with the introduction of a new body style, the 308 SW, which helped to increase the brand's share of the Western European lower mid-range sedan segment by 0.3 points. A total of 142,300 Peugeot 307s were sold worldwide in 2008, helped by the model's launch in China during the first quarter.

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The Peugeot 407, 607, 807 and 4007

The Peugeot line-up also includes four other models: the 407, 607, 807 and 4007.

Launched during the summer, the restyled 407 saw sales fall sharply to 81,400 units for the year, as its market share bore the full brunt of the collapse in demand. Sales of the Peugeot 607 totalled 3,900 units. Launched in July 2007, the Peugeot 4007 sold 13,700 units in 2008, while sales of the Peugeot 807 came to 13,500 units for the year.

The Citroën C1, C2 and C3

Sales of Citroën's compact models shrank by 11.7% to 416,000 units in 2008. Sales of the Citroën C1 increased 7.3% to 106,700 units, while the Citroën C3 held its own in its eighth year on the market, with 242,100 units sold. Sales of the Citroën C2 totalled 67,100 units.

The Citroën C4 Picasso

In the first full year on the market for the five-seat C4 Picasso "visiospace", the C4 Picasso range of five and seven-seat models was the leader in the Western European compact MPV segment, with nearly 188,000 units sold.

Rolled out in 2000, the Citroën Xsara Picasso demonstrated firm resilience, selling 76,000 units for the year. These strong showings enabled Citroën to maintain its European leadership in the mid-range MPV segment.

The Citroën C4

Sales of the Citroën C4 (excluding the Picasso) declined 17.3% to 194,500 units. The line-up was strengthened with the C Quatre, launched in China during the third quarter, and the C4 notchback, rolled out in mid-2007 in the Mercosur countries, where it is marketed as the C4 Pallas in Brazil and the C4 Sedan in Argentina. Restyled in the second half, the Citroën C4 has also been fitted with two new powertrains that improve its environmental performance.

The Citroën C5, C6, C8 and C-Crosser

Marketed in a sedan version since April and a Tourer version since June, the Citroën C5 exceeded its sales objectives in a contracting market segment, with 87,500 units sold in 2008. Sales of the Citroën C6 totalled 2,800 units, while the Citroën C-Crosser, launched in July 2007, sold 12,300 units. Sales of the Citroën C8 came to 8,800 units.

Light Commercial Vehicles

In the light commercial vehicle market, the launch of the Citroën Nemo and Peugeot Bipper in February, along with new versions of the Citroën Berlingo and Peugeot Partner in May, enabled the Group to extend its market leadership in Western Europe, lifting its share by 1.3 points to 19.9%. In all, light commercial vehicle sales increased by 4.9% to 456,500 units, including 232,600 Peugeots (up 6.2%) and 223,900 Citroëns (up 3.6%).

6.1.4 Operating statistics

PSA Peugeot Citröen Group - Worldwide Sales

	2008	2007	2006
Western Europe	2,079,100	2,323,600	2,296,200
Peugeot	1,084,200	1,223,700	1,224,900
Citroën	994,900	1,099,900	1,071,300
Central Eastern Europe	204,100	217,500	193,000
Peugeot	115,500	126,200	112,900
Citroën	88,600	91,300	80,100
Russia	59,200	37,200	29,400
Peugeot	48,300	26,300	16,100
Citroën	10,900	10,900	13,300
Latin America	263,300	266,000	215,100
Peugeot	166,400	181,200	155,400
Citroën	96,900	84,800	59,700
China	179,100	208,900	202,500
Peugeot	77,100	93,200	81,900
Citroën	102,000	115,700	120,600
Rest of the world	166,800	180,600	179,300
Peugeot	121,400	135,200	132,400
Citroën	45,400	45,400	46,900
Total assembled vehicles	**2,951,600**	3,233,800	3,115,500
Peugeot	1,612,800	1,785,800	1,723,600
Citroën	1,338,800	1,448,000	1,391,900
Total CKD units	**308,800**	**194,600**	**250,400**
Peugeot	291,400	181,200	236,200
Citroën	17,400	13,400	14,200
TOTAL ASSEMBLED VEHICLES AND CKD UNITS	**3,260,400**	**3,428,400**	**3,365,900**
Peugeot	1,904,100	1,967,100	1,959,800
Citroën	1,356,300	1,461,300	1,406,100

PSA PEUGEOT CITROËN Group - Worldwide sales by Model

(passenger cars and light commercial vehicles)	2008	2007	2006
Peugeot Marque			
107	106,500	104,400	98,600
1007	11,000	18,600	34,100
206	292,300	308,200	475,100
207	468,300	520,200	300,500
307	142,300	369,100	447,000
308	290,100	82,500	-
405	211,100	131,300	158,200
406	1,700	3,000	3,300
407	81,400	136,000	181,500
607	3,900	7,500	10,500
807	13,500	21,100	24,200
4007	13,700	6,300	-
Expert	39,900	43,600	33,100
Partner	147,600	160,700	148,500
Boxer	55,300	54,200	44,600
Bipper	25,100	400	-
Others	400	-	600
Total	**1,904,100**	**1,967,100**	**1,959,800**
- of which diesel-powered versions	*877,900*	*951,600*	*914,400*
- of which passengers cars	*1,671,500*	*1,748,000*	*1,759,400*
- of which light commercial vehicles	*232,600*	*219,100*	*200,400*
Citroën Marque			
C1	106,700	99,500	90,300
C2	67,100	94,900	103,900
C3	242,100	276,700	286,700
ZX	68,500	59,500	92,900
Xsara family	76,000	119,200	183,500
C4 family	383,400	437,900	262,400
Xantia	14,100	10,400	11,300
C5	87,900	50,900	73,200
C6	2,800	7,600	7,100
C8	8,800	12,700	20,300
C-Crosser	12,300	6,600	-
Jumpy	39,500	38,700	33,800
C15	-	-	1,300
Berlingo	162,400	187,700	194,600
Jumper	54,000	58,600	44,800
Nemo	30,600	400	-
Total	**1,356,300**	**1,461,300**	**1,406,100**
- of which diesel-powered versions	*788,900*	*835,600*	*759,200*
- of which passengers cars	*1 132,400*	*1,245,200*	*1,210,900*
- of which light commercial vehicles	*223,900*	*216,100*	*195,200*
TOTAL PSA PEUGEOT CITROËN	**3,260,400**	**3,428,400**	**3,365,900**
- of which diesel-powered versions	*1,666,800*	*1,787,200*	*1,673,600*
- of which passengers cars	*2,803,900*	*2,993,200*	*2,970,300*
- of which light commercial vehicles	*456,500*	*435,200*	*395,600*

Passenger Car Registrations in Europe by Country

	2008	2007	2006
France	2,050,300	2,064,500	2,000,600
Austria	293,700	298,200	308,600
Belgium - Luxemburg	588,300	576,100	577,000
Denmark	149,000	159,400	154,400
Finland	139,600	125,300	145,700
Germany	3,090,000	3,148,200	3,468,000
Greece	267,300	279,800	267,700
Iceland	9,000	15,900	17,100
Ireland	151,600	186,300	178,500
Italy	2,160,100	2,493,100	2,326,000
Netherlands	500,000	505,500	483,900
Norway	110,600	129,200	109,100
Portugal	213,400	201,800	194,700
Spain	1,161,200	1,614,800	1,634,600
Sweden	254,000	306,800	282,800
Switzerland	287,800	284,700	269,400
United Kingdom	2,131,800	2,404,000	2,344,900
TOTAL WESTERN EUROPE (18 COUNTRIES)	**13,557,700**	**14,793,600**	**14,763,000**

Source: C.C.F.A.

Light Commercial Vehicle Registrations in Europe by Country

	2008	2007	2006
France	460,300	461,500	440,000
Austria	32,900	32,500	30,500
Belgium - Luxemburg	72,500	72,300	64,100
Denmark	34,100	59,700	65,600
Finland	17,300	18,600	17,400
Germany	230,000	227,900	202,400
Greece	22,800	24,500	24,100
Iceland	1,300	3,000	2,600
Ireland	30,000	44,600	41,300
Italy	223,500	243,700	233,900
Netherlands	84,700	81,000	65,100
Norway	36,100	46,600	43,900
Portugal	55,600	68,600	64,600
Spain	167,000	276,700	274,600
Sweden	39,800	44,600	40,000
Switzerland	27,200	26,000	23,700
United Kingdom	299,500	348,200	334,100
TOTAL WESTERN EUROPE (18 COUNTRIES)	**1,834,600**	**2,080,000**	**1,967,900**

Source: C.C.F.A.

Passenger Car and Light Commercial Vehicle Registrations in Europe by Manufacturer

	2008		2007		2006	
	units	market share (%)	units	market share (%)	units	market share (%)
Peugeot Marque	1,125,300	7.3	1,226,100	7.3	1,233,400	7.4
Citroën Marque		6.5	1,104,500	6.5	1,078,800	6.4
PSA PEUGEOT CITROËN GROUP	**1,125,300**	**13.8**	**2,330,600**	**13.8**	**2,312,200**	**13.8**
Volkswagen Group	2,960,600	19.2	3,107,500	18.4	3,127,100	18.7
Ford Group	1,579,700	10.3	1,736,100	10.3	1,688,800	10.1
General Motors Group	1,418,500	9.2	1,657,200	9.8	1,647,300	9.8
Fiat Group	1,396,800	9.1	1,494,300	8.9	1,391,000	8.3
Renault	1,390,900	9.0	1,499,500	8.9	1,569,700	9.4
Daimler	934,600	6.1	978,700	5.8	964,200	5.8
Toyota Group	814,700	5.3	984,000	5.8	948,500	5.7
BMW	804,400	5.2	834,900	4.9	784,500	4.7
Hyundai	432,200	2.8	505,100	3.0	540,800	3.2
Chrysler LLC	91,700	0.6	118,500	0.7	110,100	0.7
Other Japanese marques	1,231,800	7.9	1,359,600	8.1	1,374,600	8.2
Other	205,800	1.4	267,700	1.6	272,200	1.8

Source: C.C.F.A./A.A.A.

PSA PEUGEOT CITROËN Group - Passenger Car Registrations in Europe by Country

	2008		2007		2006	
	units	market share (%)	units	market share (%)	units	market share (%)
France	633,300	30.9	626,700	30.4	614,800	30.7
Austria	25,200	8.6	25,100	8.4	26,600	8.6
Belgium - Luxemburg	109,000	18.5	108,700	18.9	114,600	19.9
Denmark	27,800	18.7	32,700	20.5	29,200	18.9
Finland	11,300	8.1	11,700	9.4	13,500	9.3
Germany	168,000	5.4	166,600	5.3	194,600	5.6
Greece	20,200	7.6	26,700	9.5	25,500	9.5
Iceland	200	2.1	400	2.7	600	3.8
Ireland	7,900	5.2	9,800	5.2	10,900	6.1
Italy	210,400	9.7	246,100	9.9	227,000	9.8
Netherlands	64,600	12.9	62,700	12.4	60,200	12.4
Norway	7,500	6.7	10,200	7.9	8,300	7.6
Portugal	31,600	14.8	32,600	16.1	32,900	16.9
Spain	205,100	17.7	285,800	17.7	296,400	18.1
Sweden	19,800	7.8	28,000	9.1	24,900	8.8
Switzerland	23,300	8.1	25,200	8.8	23,700	8.8
United Kingdom	200,100	9.4	243,800	10.1	239,700	10.2
TOTAL WESTERN EUROPE (18 COUNTRIES)	**1,765,300**	**13.0**	**1,942,800**	**13.1**	**1,943,400**	**13.2**

PSA PEUGEOT CITROËN Group - Light Commercial Vehicle Registrations in Europe by Country

	2008		2007		2006	
	units	market share (%)	units	market share (%)	units	market share (%)
France	160,900	34.9	153,000	33.1	150,100	34.1
Austria	4,200	12.8	3,400	10.6	3,200	10.6
Belgium - Luxemburg	20,600	28.5	18,500	25.6	16,400	25.6
Denmark	4,800	14.2	6,600	11.1	7,300	11.2
Finland	1,100	6.3	1,200	6.6	1,900	10.9
Germany	21,500	9.3	19,000	8.3	13,200	6.5
Greece	1,000	4.5	1,100	4.5	900	3.6
Iceland	100	4.3	100	3.3	100	4.6
Ireland	2,300	7.7	3,600	8.0	3,800	9.2
Italy	25,000	11.2	23,400	9.6	15,500	6.6
Netherlands	10,000	11.8	8,500	10.4	6,300	9.7
Norway	5,100	14.2	6,100	13.1	5,400	12.3
Portugal	12,100	21.8	13,900	20.2	14,400	22.3
Spain	49,200	29.4	77,400	28.0	79,400	28.9
Sweden	5,800	14.4	6,200	13.9	6,600	16.6
Switzerland	4,400	16.3	3,600	14.0	3,000	12.7
United Kingdom	37,100	12.4	42,200	12.1	41,200	12.3
TOTAL WESTERN EUROPE (18 COUNTRIES)	**365,200**	**19.9**	**387,800**	**18.6**	**368,700**	**18.7**

PSA PEUGEOT CITROËN Group - Passenger Car and Light Commercial Vehicle Registrations in Europe by Country

	2008		2007		2006	
	units	market share (%)	units	market share (%)	units	market share (%)
France	794,200	31.6	779,700	30.9	764,800	31.3
Austria	29,500	9.0	28,600	8.6	29,900	8.8
Belgium - Luxemburg	129,600	19.6	127,200	19.6	131,100	20.4
Denmark	32,600	17.8	39,300	18.0	36,500	16.6
Finland	12,400	7.9	13,000	9.0	15,400	9.4
Germany	189,500	5.7	185,600	5.5	207,800	5.7
Greece	21,200	7.3	27,800	9.1	26,400	9.0
Iceland	200	2.4	500	2.8	700	3.9
Ireland	10,200	5.6	13,300	5.8	14,700	6.7
Italy	235,400	9.9	269,500	9.8	242,500	9.5
Netherlands	74,600	12.8	71,200	12.1	66,600	12.1
Norway	12,600	8.6	16,300	9.3	13,700	9.0
Portugal	43,700	16.3	46,400	17.2	47,200	18.2
Spain	254,300	19.1	363,200	19.2	375,800	19.7
Sweden	25,500	8.7	34,200	9.7	31,500	9.8
Switzerland	27,800	8.8	28,800	9.3	26,700	9.1
United Kingdom	237,200	9.8	286,000	10.4	280,900	10.5
TOTAL WESTERN EUROPE (18 COUNTRIES)	**2,130,500**	**13.8**	**2,330,600**	**13.8**	**2,312,200**	**13.8**

Peugeot Marque - Passenger Car and Light Commercial Vehicle Registrations in Europe by Country

	2008		2007		2006	
	units	market share (%)	units	market share (%)	units	market share (%)
France	426,200	17.0	430,400	17.0	432,100	17.7
Austria	16,200	4.9	15,900	4.8	16,600	4.9
Belgium - Luxemburg	65,800	10.0	64,100	9.9	62,500	9.7
Denmark	18,100	9.9	22,300	10.2	21,000	9.6
Finland	6,300	4.0	6,600	4.6	8,800	5.4
Germany	103,500	3.1	100,600	3.0	116,000	3.2
Greece	10,700	3.7	12,800	4.2	13,600	4.7
Iceland	100	0.9	300	1.4	300	1.8
Ireland	6,400	3.5	9,000	3.9	9,200	4.2
Italy	105,900	4.4	125,700	4.6	111,900	4.4
Netherlands	45,600	7.8	43,900	7.5	41,800	7.6
Norway	8,300	5.7	11,200	6.4	9,200	6.0
Portugal	22,700	8.4	24,000	8.9	26,500	10.2
Spain	123,900	9.3	161,300	8.5	168,600	8.8
Sweden	15,700	5.4	19,600	5.6	19,900	6.2
Switzerland	15,200	4.8	15,700	5.1	14,200	4.9
United Kingdom	134,700	5.5	162,700	5.9	161,100	6.0
TOTAL WESTERN EUROPE (18 COUNTRIES)	**1,125,300**	**7.3**	**1,226,100**	**7.3**	**1,233,300**	**7.4**

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Citroën Marque - Passenger Car en Light Commercial Vehicle Registrations in Europe by Country

	2008		2007		2006	
	units	market share *(%)*	units	market share *(%)*	units	market share *(%)*
France	368,000	14.7	349,300	13.8	332,700	13.6
Austria	13,300	4.1	12,700	3.8	13,300	3.9
Belgium - Luxemburg	63,800	9.7	63,200	9.7	68,600	10.7
Denmark	14,600	8.0	17,000	7.8	15,500	7.0
Finland	6,100	3.9	6,400	4.4	6,600	4.0
Germany	86,000	2.6	85,000	2.5	91,800	2.5
Greece	10,600	3.6	14,900	4.9	12,800	4.4
Iceland	200	1.5	300	1.4	400	2.1
Ireland	3,700	2.1	4,400	1.9	5,400	2.5
Italy	129,500	5.4	143,700	5.3	130,600	5.1
Netherlands	29,000	5.0	27,300	4.7	24,700	4.5
Norway	4,200	2.9	5,100	2.9	4,500	3.0
Portugal	21,000	7.8	22,400	8.3	20,800	8.0
Spain	130,400	9.8	201,900	10.7	207,200	10.9
Sweden	9,800	3.3	14,600	4.2	11,600	3.6
Switzerland	12,500	4.0	13,100	4.2	12,500	4.3
United Kingdom	102,500	4.2	123,300	4.5	119,800	4.5
TOTAL WESTERNE EUROPE (18 COUNTRY)	**1,005,200**	**6.5**	**1,104,600**	**6.5**	**1,078,800**	**6.4**

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PSA PEUGEOT CITROËN Group - Production by Model

(passenger cars and light commercial vehicles)	2008	2007	2006
Peugeot Marque			
107	108,200	104,600	101,700
1007	10,400	11,400	22,600
206	303,400	307,300	465,500
207	480,400	527,700	335,300
307	137,500	350,900	434,400
308	304,100	106,100	100
405	194,800	156,800	162,000
406	1,600	3,000	3,000
407	82,000	128,700	162,700
607	4,600	6,000	9,600
807	13,400	20,200	24,000
4007	17,800	8,400	-
Bipper	29,500	3,300	-
Expert	44,100	43,000	34,700
Partner	156,700	161,200	148,900
J9	-	-	400
Boxer	59,000	53,900	45,600
Others	400	-	-
Total	**1,947,900**	**1,992,500**	**1,950,500**
- of which diesel-powered versions	*916,000*	*947,800*	*898,500*
- of which passengers cars	*1,700,200*	*1,773,600*	*1,755,200*
- of which light commercial vehicles	*247,700*	*218,900*	*195,300*
Citroën vehicle			
C1	108,100	98,600	91,500
C2	65,200	92,800	105,200
C3	240,100	272,600	280,800
ZX	59,200	62,900	90,100
C4	389,700	451,700	266,200
Xsara	73,400	117,300	178,900
C5	98,600	50,200	69,000
Xantia	13,700	10,800	12,000
C6	1,700	7,300	9,100
C8	8,500	12,000	20,000
C-Crosser	16,200	8,400	-
Nemo	33,500	2,900	-
Jumpy	41,000	37,200	36,900
Berlingo	171,400	182,400	201,700
Jumper	57,200	57,800	45,100
Total	**1,377,500**	**1,464,900**	**1,406,500**
- of which diesel-powered versions	*812,900*	*838,900*	*766,100*
- of which passengers cars	*1,140,700*	*1,251,300*	*1,206,400*
- of which light commercial vehicles	*236,800*	*213,600*	*200,100*
TOTAL PSA PEUGEOT CITROËN	**3,325,400**	**3,457,400**	**3,357,000**
- of which diesel-powered versions	*1,728,900*	*1,786,700*	*1,664,600*
- of which passengers cars	*2,840,900*	*3,024,900*	*2,961,600*
- of which light commercial vehicles	*484,500*	*432,500*	*395,400*

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6.2 Faurecia

Faurecia [1], a 70.86%-owned subsidiary is an automotive equipment manufacturer strategically focused on four carefully targeted automotive component families—Seats, Vehicle Interior, Front End and Exhaust Systems—in which it ranks among the top three worldwide.

With 190 production facilities in 28 countries, Faurecia is active on five continents, deploying an industrial strategy designed to meet two objectives: i) to be able to support leading automakers in their global strategy, notably in fast growing emerging markets; and ii) to continuously optimise the global location of its facilities to offer customers superior cost and quality performance.

Faurecia reported sales of €12,011 million in 2008, versus €12,661 million in 2007 (for more detailed information about Faurecia's sales, please see Chapter 9.2.3.2 below).

➜ 6.2.1 Four Core Businesses

1. Seats

Faurecia designs and assembles seats and makes their principal components, including frames, adjustment mechanisms, foams and upholstery, and comfort and safety accessories. As a complete seat architect, Faurecia has created the concept of flexible metal structures, which can be adapted to various vehicle bodies on one or several platforms.

2. Vehicle Interiors

Faurecia designs and produces instrument panels, central consoles and door panels that meet both the expectations of carbuyers and the requirements of automakers. It offers advanced solutions in the areas of passenger safety, interior fittings or weight reduction. In acoustic packages, the Company delivers products that optimise soundproofing through insulation and sonic absorption.

3. Front Ends

Faurecia is one of the world's leading suppliers of front end modules and carriers in composite materials, and ranks among the top suppliers for bumpers and engine cooling fan systems in Europe.

(1) For more information about Faurecia, please visit www.faurecia.fr.

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4. Exhaust Systems

Faurecia engineers, manufactures and markets a range of complete Exhaust Systems corresponding to every market requirement. To meet increasingly exacting international emissions control standards, Faurecia addresses pollution reduction at the design stage, and helps automakers in their search for new engine configurations by pioneering innovative technological solutions like the diesel particulate filter.

Faurecia 2008 sales by business

➜ 6.2.2 The Industrial Footprint

Working with almost all of the world's automakers, Faurecia's production facilities span the globe with 190 plants in 28 countries on five continents. For every customer, it can manufacture a given product on several continents according to a pre-defined process and unrivalled quality standards.

In 2008, it generated 74% of its revenue in Europe, 15% in North America, 6% in Asia, 3% in Latin America and 2% in other countries.

Faurecia can adapt its worldwide production facilities to fit the needs and expectations of automakers. While two thirds of its facilities manufacture components and are located to optimize production and logistics costs, the other third operate on a just-in-time basis.

➜ 6.2.3 Customer Base

Faurecia continued to diversify its customer portfolio in 2008, increasing the percentage of business from BMW and Volkswagen. The latter is now the Company's largest customer, accounting for 23.9% of revenue. Other major customers include PSA PEUGEOT CITROËN (22.9%), Renault Nissan (11.5%), BMW (10.3%) and Ford (10%).

6.3 Gefco

Wholly-owned subsidiary Gefco [(2)] is one of the world's leading logistics specialists whose services cover the entire supply chain, including overland, sea and air transport, industrial logistics, container management, vehicle preparation and distribution, and customs and VAT representation. The globalisation of modern manufacturing has led Gefco to offer end-to-end supply chain management capabilities combining a variety of services to deliver global sourcing, upstream logistics, container management and downstream automotive logistics solutions.

Gefco has 10,000 employees worldwide.

(2) For more information about Gefco, please visit www.gefco.net.

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6.3.1 Core Competencies

Overland Transport

Gefco's transport services are based on three areas of expertise: groupage, full/part-load road transport and customised express delivery. The Company operates the world's largest private-sector overland transport network, with 150 depots linked by 600 international lines.

Sea and Air Transport

Gefco designs and implements air and sea freight door-to-door forwarding solutions to deliver production components sourced from around the world (inbound expertise) and distribute the finished products to customers anywhere on the planet (outbound expertise).

Industrial Logistics

Leveraging its international network of logistics platforms, Gefco enables manufacturers to improve the reliability of their supply and distribution processes, continually optimise inventory, facilitate handling operations and free up space at their sites.

Handling Solutions

Managing industrial packaging, such as boxes, containers, pallets and covers, is a complex process. Gefco helps customers simplify this task with a variety of service solutions, including flow optimisation and engineering, transport, washing, maintenance and packaging rental. Every year, the Company processes more than 40 million goods flows across Europe with a fleet of five million handling units.

Customs and VAT Representation

Gefco offers customers bespoke expertise and helps them to implement secure processes and capture all of the benefits provided by international regulations.

6.3.2 Customer Industries

Gefco delivers its expertise to customers in most of the leading manufacturing industries, such as automobiles, automotive equipment, scooters and motorbikes, personal care products and consumer electronics, as well as in the specialised retailing industry. In addition to PSA PEUGEOT CITROËN, Gefco counts among its automotive customers such prestigious carmakers as BMW, General Motors, Ford, Nissan, Renault and Mercedes Benz.

In 2008, more than 60% of consolidated revenue was generated with PSA PEUGEOT CITROËN, while business with non-Group customers increased by 10.3% during the year.

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➜ 6.3.3 A Global Presence

Gefco operates in more than 100 countries around the world, thanks to a dense global partner network, 25 subsidiaries and 400 profit centres. More than 6% of Gefco's 2008 growth came from operations outside France.

While Western Europe is still the Company's largest market, recent years have seen a surge in growth in the rest of the world, primarily in Asia, Central and Eastern Europe and Latin America. In 2008, even as it pursued expansion in Western Europe, Gefco focused on these priority growth markets, driving organic growth of 32% in Central and Eastern Europe and of 28% in the Mercosur countries during the year. In Asia, most of the Company's expansion comes from handling inbound and outbound China freight, particularly with Europe and India.

6.4 Banque PSA Finance

As a wholly-owned PSA PEUGEOT CITROËN subsidiary, Banque PSA Finance [1] is closely associated with the marketing policies of the Peugeot and Citroën brands.

Operating in 24 countries around the world, the Bank 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. The Bank's loan approval process is totally independent from the dealership network, which is unable to exert any influence on the approval decision.

In 2008, net banking revenue ended the year down 0.5% at €976 million, after rising 2.4% year-on-year in the first half. The loan book contracted slightly to €22.3 billion from €23.5 billion at year-end 2007.

For more detailed information concerning Banque PSA Finance's revenue and recurring operating income, please refer to paragraph 9.2.3.4 below.

➜ 6.4.1 Retail Financing

Retail financing represented 80% of total loans outstanding, or €17,913 million at December 31, 2008 versus €17,850 million a year earlier. Banque PSA Finance serves both individuals and corporate fleets with:

- loans to purchase new and used cars;
- long-term leasing solutions;
- short-term leasing and sales with a buyback commitment;
- an array of related services, such as insurance, maintenance and extended warranties.

Led by a sustained focus on building customer loyalty, Banque PSA Finance offers diversified financing products and services, as well as bundled offers, that together with the two brands provide a comprehensive range of mobility enabling solutions. Related service offerings include financial services, automobile services and automobile insurance.

The Bank's penetration rate among buyers of new Peugeots and Citroëns rose to 27.3% in 2008, from 26.1% in 2007.

(1) For more information about Banque PSA Finance, please visit www.banquepsafinance.com.

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➜ 6.4.2 Wholesale Financing

Wholesale financing represented 20% of total loans outstanding, or €4,370 million, at December 31, 2008. Banque PSA Finance provides financing for new and demonstration vehicles and replacement parts for the two brands' dealer networks. Its support services also include helping the dealers manage, track and control their financial risks.

➜ 6.4.3 Geographic Presence

Banque PSA PEUGEOT CITROËN's leading markets are in:

- France;
- Western Europe: Germany, Austria, Belgium, Luxembourg, Spain, Italy, the Netherlands, Poland, Portugal, the United Kingdom and Switzerland;
- Latin America: Argentina, Brazil and Mexico;
- Central Europe: Hungary, Poland, the Czech Republic and Slovakia;
- China.

In its commitment to supporting the development of Peugeot and Citroën sales, Banque PSA PEUGEOT CITROËN is steadily expanding in the global marketplace by forming partnerships with other banks. In 2008, retail and wholesale financing operations were started up in Slovenia and Croatia, while a new subsidiary is now working closely with the Algerian network.

In all, France accounted for 38% of total loans outstanding at year-end 2008, Germany 15%, Spain 12%, Italy 8%, the United Kingdom 8%, the Benelux countries 5%, the rest of Europe 9%, Latin America 4% and other countries excluding rest of Europe 1%.

6.5 Peugeot Motocycles (PMTC)

Peugeot Motocycles, a 100%-owned subsidiary, offers a full range of single and multi-speed scooters and mopeds, with 14 models available in 50 to 500 cc versions.

In 2008, the Company reported consolidated revenue of €204 million, a year-on-year decline of 9% due primarily to a shift in the product mix.

Among the most popular models, Ludix remains Europe's best-selling 50 cc scooter, with a 5.4% market share. Satelis, the brand's most technologically advanced model, has been equipped with a new 125 cc engine, which has helped to make it the third best-selling bike in France.

Unit sales declined by 0.7% to 136,000 units during the year. In the European 50 cc scooter market, the Company moved up to second place from third in 2007, led by the market launch of a Peugeot-designed scooter manufactured by a joint venture in China, the restyling of a compact GT scooter and the success of an entry-level bike purchased from a Chinese partner. In a European 50 cc market down 9%, Peugeot Motocycles increased sales by 4.5% and widened its market share to 17.5% from 15.4% in 2007. The Company also maintained its sixth-place ranking and its 3.4% market share in the region's over-50 cc segment.

7 ORGANISATIONAL STRUCTURE

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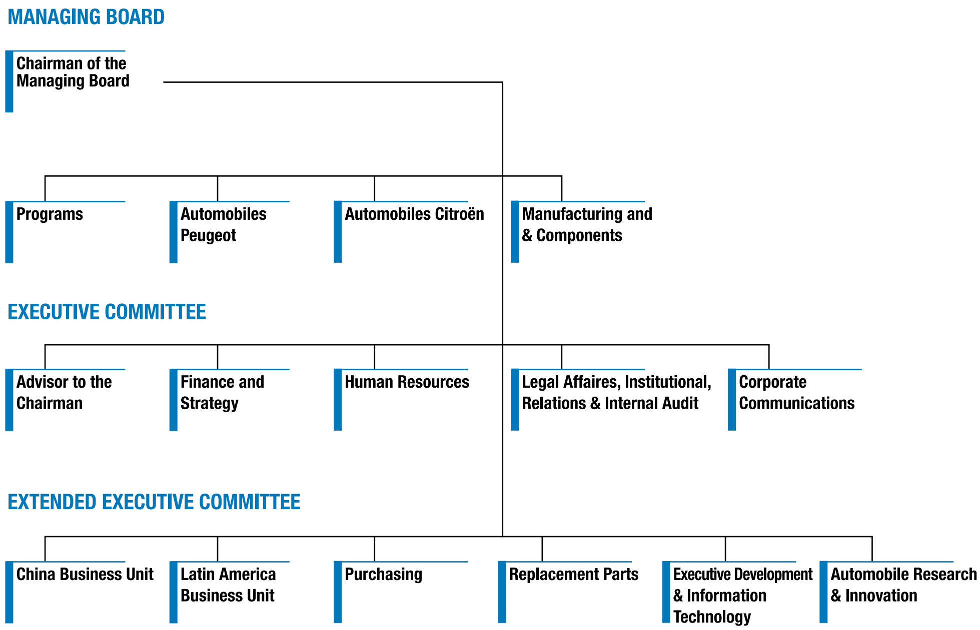
7.1 The Group

7.1.1 Corporate Management in 2008

The corporate management organisation chart in 2008 is presented below:



7.1.2 Management Structures

Executive management of the PSA PEUGEOT CITROËN Group is the responsibility of the Managing Board, which is presented in section 14.1.2 below.

The Managing Board is responsible for executive leadership and financial management, helping to define and implement the Group's strategic vision and defining Group policies. It decides among the various courses of action and allocates the appropriate resources.

The Managing Board is supported by the Executive Committee, comprising an advisor to the Chairman and four Executive Vice Presidents, in charge of Finance and Strategy, Human Resources, Legal, Institutional Relations and Internal Audit, and Corporate Communication. The Executive Committee also include the members of the Managing Board, making for ten members in all.

In addition to the members of the Executive Committee, the Expanded Executive Committee also includes the executives in charge of four Business Units (China, Mercosur, Purchasing and Replacement Parts), Executive Development and Information Systems and Automotive Research and Innovation, who all report directly to the Chairman of the Managing Board.

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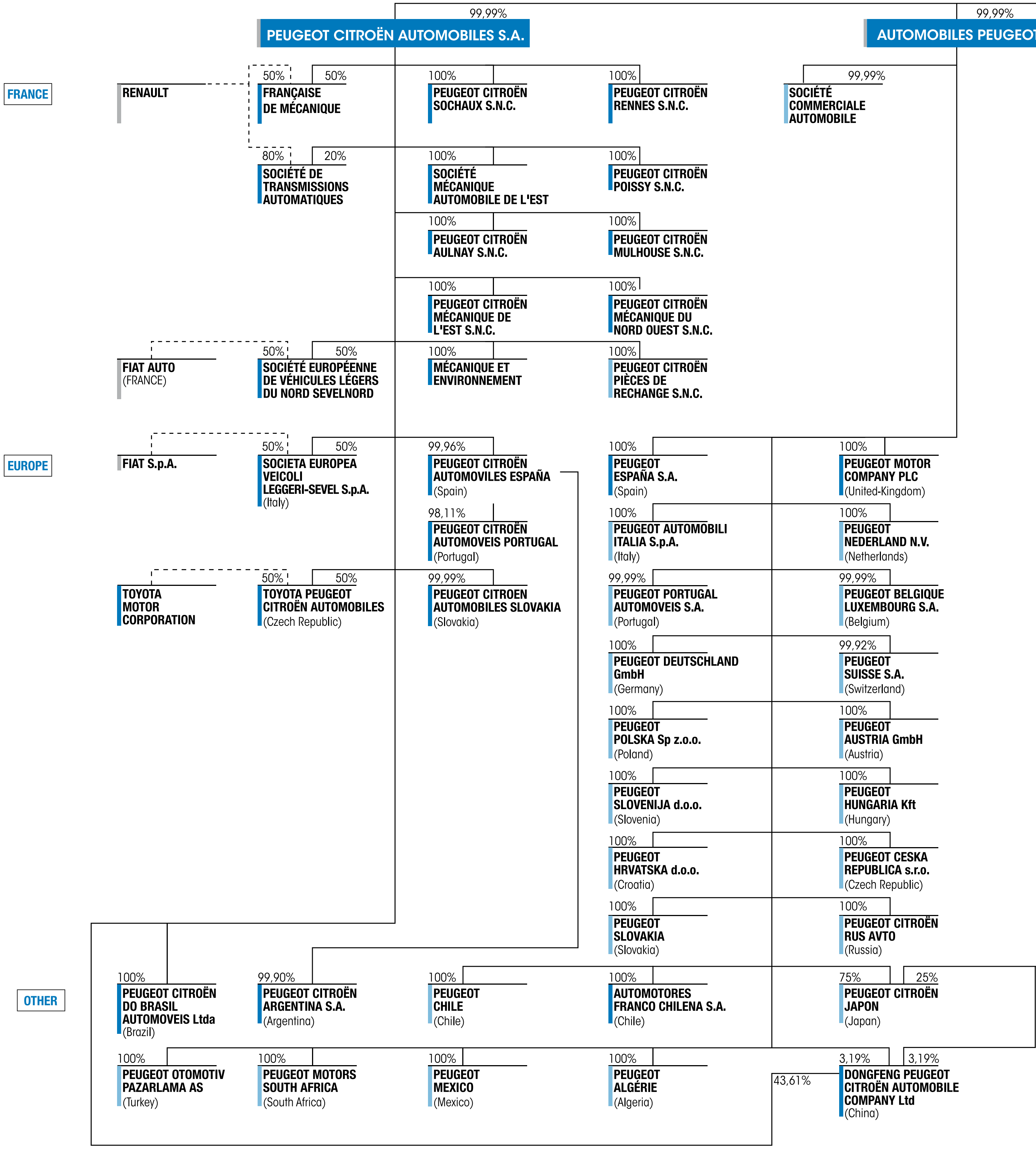
➜ 7.1.3 Parent-Subsidiary Relationships

As the Group's holding company, Peugeot S.A. is not directly involved in any material operating activities.

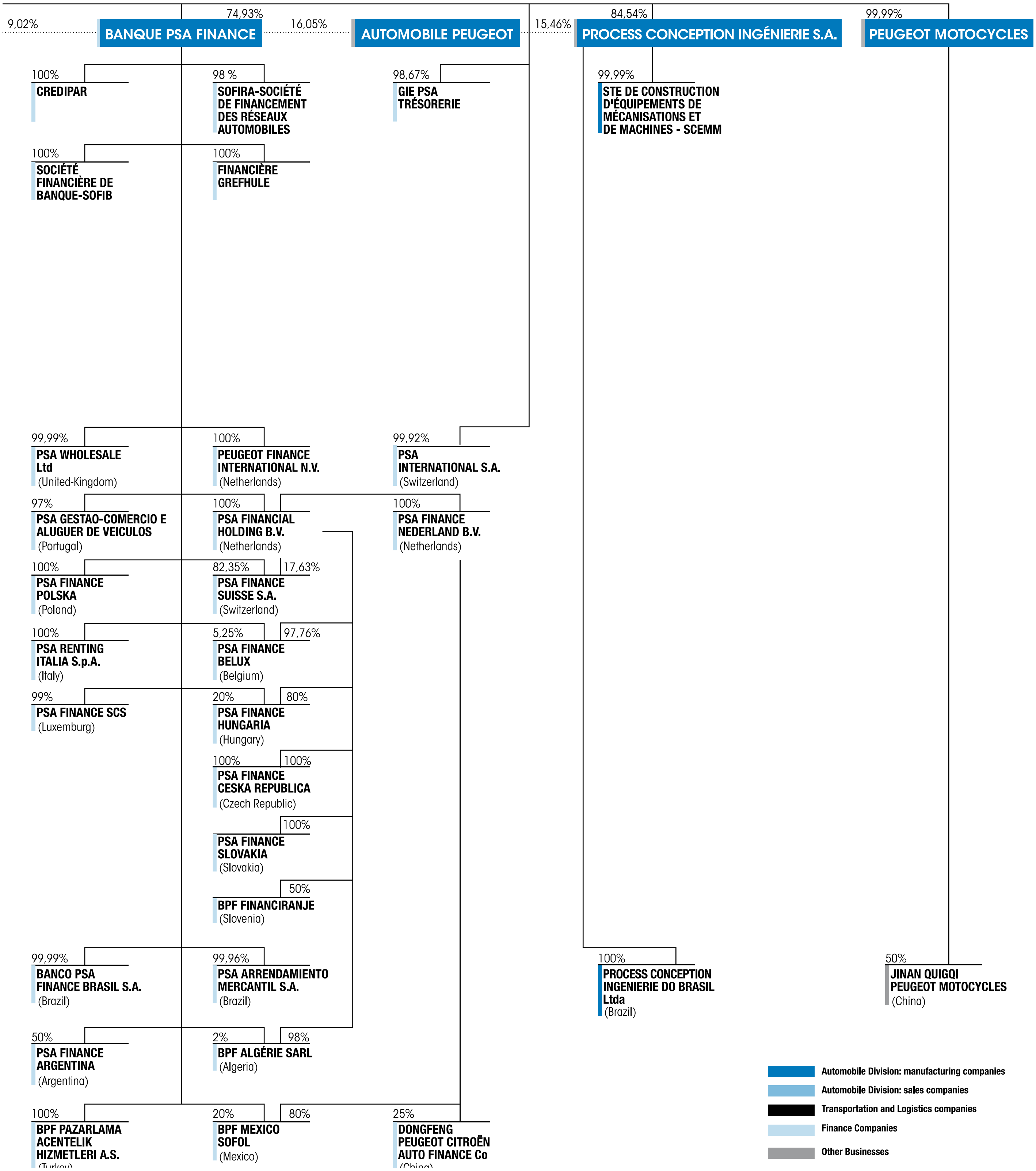
Peugeot S.A. has a normal parent company relationship with its subsidiaries. The main events in this relationship in 2008 are reviewed in the company's financial statements (see section 20.4 below).

7.2 Subsidiaries and equity holdings of the Company



PEUGEOT S.A.

- 99,99% **AUTOMOBILES CITROËN**
  - 98,40% **CITER**
  - 100% **SOCIÉTÉ COMMERCIALE CITROËN**
  - 100% **CITROËN CHAMP DE MARS**
  - 100% **CITROËN ITALIA S.p.A.** (Italy)
  - 99,71% **AUTOMOVILES CITROËN ESPAÑA** (Spain)
  - 100% **CITROËN DEUTSCHLAND AG** (Germany)
  - 99,92% **CITROËN (SUISSE) S.A.** (Switzerland)
  - 99,98% **AUTOMOVEIS CITROËN S.A.** (Portugal)
  - 99,97% **CITROËN U.K. Ltd** (United Kingdom)
  - 100% **CITROËN DANMARK A/S** (Denmark)
  - 100% **CITROËN BELUX S.A. - N.V.** (Belgium)
  - 100% **CITROËN NEDERLAND B.V.** (Netherlands)
  - 100% **CITROËN SVERIGE AB** (Sweden)
  - 100% **CITROËN ÖSTERREICH GmbH** (Austria)
  - 100% **CITROËN NORGE A/S** (Norway)
  - 100% **CITROËN SLOVENIJA d.o.o.** (Slovenia)
  - 100% **CITROËN POLSKA** (Poland)
  - 100% **CITROËN HUNGARIA Kft** (Hungary)
  - 100% **CITROËN SLOVAKIA s.r.o.** (Slovakia)
  - 100% **CITROËN HRVATSKA d.o.o.** (Croatia)
  - 100% **CITROËN CESKA REPUBLICA s.r.o.** (Czech Republic)
  - 100% **CITROËN ROMANIA s.r.l.** (Romania)
  - 51% **CITROËN DO BRASIL** (Brazil)
- 70,86% **FAURECIA**
- 99,95% **GEFCO**
  - 100% **GEFCO ITALIA S.p.A.** (Italy)
  - 100% **GEFCO U.K. Ltd** (United-Kingdom)
  - 100% **GEFCO OSTERRIECH** (Austria)
  - 100% **GEFCO DEUTSCHLAND GmbH** (Germany)
  - 99,99% **GEFCO BENELUX S.A. S.A.** (Belgium)
  - 100% **GEFCO SLOVAKIA** (Slovakia)
  - 100% **GEFCO PORTUGAL TRANSITARIOS LIMITADA** (Portugal)
  - 99,99% **GEFCO ESPAÑA S.A.** (Spain)
  - 100% **GEFCO ROMANIA** (Romania)
  - 100% **GEFCO POLSKA Sp. z.o.o.** (Poland)
  - 98,64% **GEFCO (SUISSE) S.A.** (Switzerland)
  - 100% **GEFCO HONGRIE** (Hungary)
  - 100% **LLC GEFCO (CIS)** (Russia)
  - 100% **GEFCO CESKA REPUBLICA s.r.o.** (Czech Republic)
  - 100% **GEFCO PARTICIPACOES Ltda** (Brazil)
    - 100% **GEFCO DO BRASIL Ltda** (Brazil)
  - 100% **GEFCO ARGENTINA S.A.** (Argentina)
  - 87,50% **GEFCO TASIMACILIK VE LOJISTIK ANONIM SIRKETI** (Turkey)
  - 50% **GEFCO TUNISIE** (Tunisia)
  - 99,92% **GEFCO MAROC** (Morocco)
  - 100% **GEFCO PREVOZNISTVO IN LOGISTICA** (Slovenia)
  - 50% **GEFCO DTW** (China)
  - 100% **GEFCO HONG KONG** (China)
- **AUTOMOBILES CITROËN**



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8 PROPERTY, PLANT AND EQUIPMENT

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8.1 Significant or planned tangible assets

For detailed information on tangible assets please refer to Note 16 of the Consolidated Financial Statements.

In 2008, Europe accounted for 84.6% of the Group's production, South America 8.6% and Asia 6.8%.

➜ 8.1.1 PSA PEUGEOT CITROËN Group – Manufacturing Facilities

Assembly Plants

Manufacturing centers	Models produced as of December 31, 2008	2008 output
Aulnay (France)	C2, C3	248,500
Madrid (Spain)	207, 207 CC, C3 Pluriel	114,700
Mangualde (Portugal)	Berlingo, Partner	61,400
Mulhouse (France)	206, 308, C4	276,000
Palomar (Argentina)	206, 207, 307, 307 Sedan, C4, C4 Sedan, Berlingo, Partner	132,100
Poissy (France)	1007, 207, 207 SW	198,400
Porto Real (Brazil)	206, 207, C3, Xsara Picasso	128,200
Rennes (France)	C5, C5 Tourer, C6, 407, 407 SW, 407 Coupé, 407 break, Xsara Picasso	229,900
Sochaux (France)	307, 307 break, 307 SW, 308 CC, 308 SW, 308 break, 607, 3008	287,800
Trnava (Slovakia)	207, C3 Picasso	185,900
Vigo (Spain)	Xsara Picasso, Grand C4 Picasso, C4 Picasso, Berlingo, Partner	439,600

Manufacturing Component Pland and Foundries

Asnières (France)	Hydraulic systems, free-cutting
Caen (France)	Wheels, axles suspension systems, transmissions
Charleville (France)	Aluminum and iron castings
Hérimoncourt (France)	Engines, gear boxes
Jeppener (Argentina)	HDi diesel engines, chassis systems
Metz (France)	Gear boxes
Mulhouse mécanique (France)	Wheels, axles, suspension systems
Mulhouse métallurgie (France)	Pressurised aluminium castings, steel forge, tooling
Porto Real (Brazil)	Flex-fuel and gasoline engines
Saint-Ouen (France)	Stamping, body-in-white, tooling
Sept-Fons (France)	Iron castings
Sochaux mécanique (France)	Shock absorbers, rear suspensions, crossbeams
Trémery (France)	Gasoline and HDi diesel engines
Valenciennes (France)	Gear boxes

8.1.2 PSA PEUGEOT CITROËN Group – Joint Plants with Other Manufacturers

(AS OF DECEMBER 31, 2008)

Facility	Production	2008 Output
FRANCE		
Française de Mécanique		
50% Peugeot Citroën Automobiles	Iron castings	
50% Renault	Engine: *TU + TUF	369,500
	*DV	338,200
	*D (Renault)	320,400
	*ES/L	2,300
	*EP	259,800
Sevelnord		
50% Peugeot Citroën Automobiles	Peugeot 807	13,400
50% Fiat	Peugeot Expert	44,100
	Citroën C8	8,400
	Citroën Jumpy	41,000
	Fiat Ulysse	2,700
	Fiat Scudo	35,900
	Lancia Phedra	2,700
OTHER COUNTRIES		
Società Europea Veicoli Leggeri (Italy)		
50% Peugeot Citroën Automobiles	Peugeot Boxer	59,000
50% Fiat	Citroën Jumper	57,200
	Fiat Ducato	
Dongfeng Peugeot Citroën Automobile (China)		
50% Peugeot Citroën Automobiles	Peugeot 307 Sedan	64,400
50% DongFeng Motors	Peugeot 206	16,700
	Citroën C-Triomphe	22,800
	Citroën Fukang, Citroën Elysée	59,200
	Citroën Xsara Picasso	2,500
	Citroën C2 Chine	6,200
	TOTAL	**171,800**
Toyota Peugeot Citroën Automobiles - TPCA		
(Czech Republic)		
50% Peugeot Citroën Automobiles	Peugeot 107	108,200
50% Toyota Motor Corporation	Citroën C1	108,100
	Toyota Aygo	-

8.1.3 Replacement Parts

In all, 15 replacements parts warehouses, totaling nearly a million square meters of storage space, were managing some 230,000 SKUs as of December 31, 2008:

- Copenhagen (Denmark);
- Koper (Slovenia);
- Melun (France);
- Moscow (Russia);
- Oosterhout (Netherlands);
- Pinto (Spain);
- Pregnana (Italy);
- Saarbrucken (Germany);
- Spillern (Austria);
- Tile Hill (UK);
- Vesoul (France);
- Barueri (Brazil);
- Natolin (Poland);
- Pacheco (Argentina);
- Rieste (Germany).

8.2 Environmental Restrictions that Could Influence Use of These Assets by PSA PEUGEOT CITROËN

Environmental information is included in chapter 5 above.

9

OPERATING AND FINANCIAL REVIEW

This section should be read jointly with the notes to the Consolidated Financial Statements at December 31, 2008

9.1 Consolidated Financial Condition

9.1.1 Accounting Policies

For more detailed information, please refer to *note 1 – Accounting Policies* in the notes to the Consolidated Financial Statements at December 31, 2008.

9.1.2 Adjustments to Financial Information Reported in the Prior Years

In order to better reflect the economic reality of its business transactions, PSA PEUGEOT CITROËN has changed the accounting presentation of certain previously reported figures. These changes have not had any effect on recurring operating income or net income, but they have led, among other things, to a reduction in Automobile Division sales and consequently in consolidated Sales and revenue.

For a more detailed explanation, please refer to *note 2 – Adjustments to the Reported Financial Statements* in the notes to the Consolidated Financial Statements at December 31, 2008.

9.2 Group Operating Results for 2007 and 2008

→ 9.2.1 Group Sales And Revenue

The following table shows consolidated net Sales and revenue by business in 2007 and 2008.

(in million euros)	2008	2007	%
Automobile Division	41,643	45,519	-8.5%
Faurecia	12,011	12,661	-5.1%
Gefco	3,536	3554	-0.5%
Banque PSA Finance	2,088	1,999	4.5%
Intersegment eliminations and other businesses	(4,922)	(5,057)	-2.6%
TOTAL	**54,356**	**58,676**	**-7.4%**

The following table shows consolidated Sales and revenue by region.

The scope of consolidation by region underwent a number of changes in 2008. For more detailed information, please refer to *note 4.2 – Geographical segments* in the notes to the Consolidated Financial Statements at December 31, 2008.

(in million euros)	2008	2007
Consolidated Sales and revenue	54,356	58,676
Net contribution to consolidated Sales and revenue, by region		
Western Europe	76%	78%
Central and Eastern Europe	8%	7%
Latin America	7%	6%
Rest of the World	9%	9%
TOTAL	**100%**	**100%**

Over the full year, consolidated net Sales and revenue declined by 7.4% to €54,356 million from €58,676 million in 2007. Performance was mixed, however, with a 0.7% increase in the first half followed by a 16% contraction in the second as the downturn spread to every automobile market around the world.

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9.2.2 Group Recurring Operating Income

(in million euros)	2008	2007	%
Automobile Division	(225)	858	-126.2%
Faurecia	91	121	-24.8%
Gefco	127	155	-18.1%
Banque PSA Finance	557	608	-8.4%
Intersegment eliminations and other businesses	0	10	-
TOTAL	**550**	**1,752**	**-68.6%**

Recurring operating income for the year totalled €550 million compared with €1,752 million in 2007, representing 1.0% of Sales and revenue versus 3.0% the year before. The decline was primarily caused by the fall-off in automobile demand, the resulting reduction in sales volumes and the fixed costs that were not absorbed when production was halted in late 2008 in response to the market's collapse. On the positive side, the Group successfully pursued its CAP 2010 programme, which generated savings of €1,414 million for the year.

As with Sales and revenue, recurring operating income performance varied from one half-year to the next.

In the first six months, consolidated recurring operating income surged 32.4% to €1,115 million, or 3.7% of Sales and revenue, compared with 2.7% a year earlier. Savings from the CAP 2010 programme amply offset the negative impact of the sharp slowdown in certain European automobile markets, higher raw material costs and the negative currency effect stemming from the significantly weaker British pound.

In the second half, recurring operating income was hard hit by the downturn in the global automobile market. Although CAP 2010 generated savings of €532 million during the period, it was not enough to dampen the €1,519 million negative impact of lower sales volumes and production stoppages. Higher raw material costs and the weaker British pound reduced recurring operating income by €701 million over the period, leading to a recurring operating loss of €565 million for the second half.

9.2.3 Sales and Revenue and Recurring Operating Income by Division

9.2.3.1 Automobile Division

Sales and Revenue

Automobile Division sales were down 8.5% at €41,643 million. New vehicle sales contracted 8.3% to €31,640 million from €34,495 million in 2007, reflecting primarily (i) an 8.3% decrease in unit sales of assembled vehicles, excluding China (operations in China are accounted for by the equity method); (ii) a 0.2% negative impact from changes in geographic mix, (iii) a 1.1% negative currency effect, and (iv) a 1.0% positive price effect and a 0.3% positive product mix effect.

The Group demonstrated its resilience as the automobile markets nosedived in 2008, but in a business environment that varied by country.

The deterioration in demand was particularly mixed in Western Europe. In the first quarter, only Spain showed signs of a slowdown, before contracting sharply over the first half as a whole. Italy and the United Kingdom followed suit, as did Germany to a lesser extent.

The full-year decline was less pronounced in France than in other European markets because local demand was buoyed by a feebate system introduced in early 2008 to encourage the purchase of fuel-efficient vehicles with low CO_2 emissions.

Demand in Central and Eastern Europe slackened throughout 2008, while the Chinese market experienced a difficult year, with sales turning downwards in the second half, notably in the mid-range segment that is central to Dongfeng Peugeot Citroën Automobile's line-up.

In this very difficult business environment, the Group was able to leverage significant strengths. Sales of the Peugeot 308 continued to rise over the year and the Citroën C5 exceeded its sales targets in a declining market segment. PSA PEUGEOT CITROËN confirmed its environmental leadership thanks to its eco-friendly models, which contributed strongly to consolidated sales. It also strengthened its European market leadership in light commercial vehicles with new model launches.

Recurring Operating Income

The Automobile Division reported a recurring operating loss of €225 million in 2008, or a negative 0.5% of sales, compared with recurring operating income of €858 million (1.9% of sales) in 2007. The performance reflected both the collapse in demand and measures to reduce output in response to the worsening global economy.

The Automobile Division's recurring operating loss resulted from the following factors:

- lower unit sales and production output had a negative impact of €1,707 million, of which €188 million in the first half and €1,519 million in the second. The geographic mix, on the other hand, was positive. The Mercosur Business Unit and Other Business Units had a total negative impact of €141 million. As demand dried up, production was suspended in an effort to limit vehicle inventories, primarily in the dealer networks. This meant that fixed costs were not fully absorbed over the year;
- the CAP2010 programme's cost-cutting measures added €1,414 million to recurring operating income compared with 2007, building on the €932 million in savings achieved in 2007. The positive impact was led by productivity gains in purchasing and production costs, which delivered €670 million in savings, and by a reduction in warranty costs and corporate overheads, which contributed €744 million (versus €275 million in 2007). Overheads continued to decline during the year thanks to a decrease in general and administrative expenses and ongoing workforce reductions;
- cost inflation and R&D spending depressed 2008 recurring operating income by €789 million. The primary cause was the increase in raw materials prices, which had a negative impact of €377 million. Wages and salaries rose by €52 million during the year; this was significantly less than the €250 million increase recorded in 2007, due to lower discretionary and statutory profit-sharing costs.

Changes in exchange rates, particularly of the British pound against the euro, had a negative impact of €324 million.

9.2.3.2 Faurecia

Sales

Faurecia's consolidated sales totalled €12,011 million in 2008, down 5.1% on a reported basis and 3.4% at constant exchange rates. Excluding monoliths, sales decreased 3.7% at constant exchange rates to €10,535 million. The currency effect was a negative 1.2%. Sales, excluding monoliths, were up 2.7% like-for-like in the first half and 1.6% in the first nine months. However, they declined over the full year, due to the dramatic drop in demand in the fourth quarter, which sent like-for-like sales down 20.9% for the quarter and 10.6% over the second half.

Sales by region were as follows:

- in **Europe**, sales came to €8,935 million (74.4% of the consolidated total), a decline of 7.0% at constant exchange rates and 6.5% excluding monoliths. The second-half decrease was 12.1%, reflecting a sharp 22.8% drop in the fourth quarter. Deliveries to all of Faurecia's customers were down on the year-earlier period, leading to a €516 million shortfall in like-for-like sales;
- in **North America**, sales totalled €1,778 million (14.8% of the consolidated total). Excluding the 7.2% negative currency effect, the year-on-year increase was 2.9%. Excluding monoliths, 2008 sales increased by 3.9% at constant exchange rates. Unit sales held firm despite the sharp drop in volumes with Chrysler, due to the fact that Faurecia supplies virtually no equipment for large American models but instead is positioned in the segments that demonstrated good resilience, equipping General Motors' Chevrolet Malibu and Cadillac CTS models and the BMW X6;
- operations in **Asia** contributed €707 million in sales (5.9% of the consolidated total), an increase over the year of 1.2% at constant exchange rates and 3.4% excluding monoliths. The currency effect was a negative 6.6%. Excluding monoliths, sales were down 5.7% like-for-like in the second half including a 10.9% drop in the fourth quarter. Sales in China totalled €452 million, up 6.9% over the year excluding monoliths and the currency effect, but down 15.5% in the fourth quarter. In South Korea, sales came to €226 million, a decline of 7.6% at constant exchange rates and 5.9% excluding monoliths;
- in the **rest of the world**, sales for the year rose 21.1% like-for-like and excluding monoliths to €590 million, with a slight 1.9% decline in the fourth quarter. The total mainly included sales in South America for €321 million, an increase of 16.4% at constant exchange rates and 16.8% excluding monoliths. The currency effect was a negative 2.2%.

By business segment, Vehicle Interior sales contracted by 3.7% at constant exchange rates to €8,309 million, reflecting declines of 10.6% in the second half and 21.3% in the fourth quarter. The currency effect was a negative 1%.

Sales of Other Modules amounted to €3,702 million, down 6.0% on a reported basis and 2.8% at constant exchange rates (after taking into account a 3.2% negative currency effect). Excluding monoliths, sales were down 3.6% at constant exchange rates to €2,226 million, with currency fluctuations reducing sales by 1.8%. Excluding monoliths and at constant exchange rates, sales contracted by 10.4% in the second half and 19.3% in the fourth quarter.

For more detailed information about Faurecia's sales, refer to the Faurecia Annual Report which can be downloaded from the group's website at www.faurecia.fr.

Recurring Operating Income

Faurecia's recurring operating income amounted to €91.2 million in 2008, representing 0.8% of sales. The first-half total was €90.3 million – reflecting a 0.4-point margin improvement compared with the same period of 2007 – while second half recurring operating income was just €0.9 million versus €58.3 million in the year-earlier period. The €57.4 million decline in the second half stemmed mainly from the decrease in unit sales.

The effect of lower unit sales on the variable margin on direct costs represented an estimated €150 million. Indirect costs were also scaled back, but not in the same proportions.

North American operations confirmed their turnaround with a positive contribution to recurring operating income, which showed a further improvement in the fourth quarter.

In Europe, the sudden collapse in unit sales was not offset by an equivalent decrease in indirect costs.

By business segment, Vehicle Interiors ended the year with a recurring operating loss of €24.6 million, representing a negative 0.3% of sales, versus a €15.6 million loss in 2007 (0.2% of sales). Recurring operating income from Other Modules stood at €115.8 million or 3.1% of sales. This represented a decline of €20.8 million from €136.6 million in 2007 (3.5% of sales).

For more detailed information about Faurecia's recurring operating income, refer to the Faurecia Annual Report which can be downloaded from the group's website at www.faurecia.fr.

9.2.3.3 Gefco

Sales and Revenue

Gefco revenue declined by 0.5% to €3,536 million in 2008. Revenue from services performed for other Group companies was stable at €2,171 million, while revenue from services sold to external customers decreased by 2.7% to €1,365 million.

Throughout the year, Gefco responded to the particularly challenging business environment with action plans aligned with both prevailing conditions and the Company's strategic objectives. In this way, 2008 was the source of new advances in the areas of international expansion, business diversification and the development of high value-added solutions.

Recurring Operating Income

Desptite higher gasoline prices in the first seven months of the year and by a drop in demand for automobiles – Gefco's largest market – recurring operating income came to €127 million, representing 3.6% of revenue versus 4.4% in 2007. Cost inflation was partly offset by improved cost discipline and the implementation of immediately effective action plans.

9.2.3.4 Banque PSA Finance

Sales and Revenue

In 2008, Banque PSA Finance's business environment was shaped by a financial crisis and a cash crunch that caused sources of financing to dry up and refinancing spreads to widen. In addition, demand contracted sharply in numerous automobile markets as the recession worsened, leading to lower sales volumes.

Nevertheless, the Bank delivered a satisfactory marketing performance and successfully limited the margin impact of higher refinancing costs and escalating credit risks.

Market share improved from 26.1% to an all-time high of 27.3%, helping to cushion the crisis' impact on lending volumes.

New car loans declined 1% to 653,545 units in a year when unit sales in the markets served by the Bank were down 5.5%.

The number of used vehicle loans rose 2.1% during the year, reflecting the combined efforts of Banque PSA Finance, the Peugeot and Citroën brands and the dealership networks.

In all, new retail financing was provided for 848,077 new and used vehicles during the year, down a slight 0.3% from 2007.

In Western Europe, the strongest gains were made in Austria (up 11.4%), Germany (up 6.5%), Poland (up 17.5%) and Slovakia (up 30.7%). The finance companies in Spain, Italy and Mexico recorded substantial volume declines as the local automobile markets went into a freefall.

The Bank enjoyed strong growth in Argentina and Brazil, led by robust sales of Peugeot and Citroën models and the deployment of an increased number of joint programmes with the brands. The number of new vehicle loans rose 45.8% in Brazil and 35.8% in Argentina on brand volumes up 18% and 2.5% respectively.

In all, €9,135 million worth of retail financing was extended during the year, down 1.3% from €9,253 million in 2007. Outside Western Europe, new retail financing increased by 27.1% in euros.

As of December 31, 2008, retail loan outstandings stood at €17,913 million, an increase of 0.3% over the year-earlier figure of €17,850 million. Outside Western Europe, the loan book rose 22.1% to €1,090 million.

Wholesale loan outstandings declined 22% over the year to €4,370 million at December 31, 2008 from €5,606 million a year earlier, reflecting the major efforts undertaken by the Group to reduce inventory.

In all, the total Banque PSA Finance loan book contracted 5% during the year, to €22,283 million from €23,456 as of December 31, 2007.

Customer services remained one of the Bank's strategic growth drivers. The number of motor insurance contracts written rose 14.3%, led by growth in sales of package solutions combining financing and services.

(in million euros)	December 31, 2008	December 31, 2007	December 31, 2006
Outstanding loans, including securitized loans			
• Retail financing	17,913	17,850	17,249
• Wholesale financing	4,370	5,606	5,650
TOTAL BANQUE PSA FINANCE	**22,283**	**23,456**	**22,899**
Outstanding loans, including securitized loans			
• Western Europe	20,761	22,150	21,998
• Outside Western Europe	1,494	1,306	901
TOTAL BANQUE PSA FINANCE*	**22,283**	**23,456**	**22,899**

* *Excluding the effect of remeasuring portfolios hedged against interest rate sides.*

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Banque PSA Finance reported revenue of €2,088 million in 2008, on a par with the €1,999 million reported the year before. The total comprises both interest on loans and the interest income earned on the liquidity reserve carried in the balance sheet as part of the Bank's financing strategy.

Net banking revenue dipped by 0.5% to €976 million from €981 million in 2007, reflecting negative fair value adjustments in an amount of €11.7 million compared with €0.8 million the year before. Excluding fair value adjustments, net banking revenue rose slightly in 2008.

For more information on Banque PSA Finance, go to www.banquepsafinance.com.

Recurring Operating Income

Banque PSA Finance recurring operating income amounted for €557 million compared to €608 million in 2007.

The main changes in 2008 were as follows:

- the 2.0% increase in average net loans to €23,548 million had a €29 million positive impact;
- margins on average net loans were slightly eroded by the increase in market interest rates and its impact on the Bank's refinancing costs. In response to the higher refinancing costs on new loans, an active margin management strategy was deployed throughout the year, while the margin impact was cushioned by the exercise of swaptions that had been acquired to cap refinancing costs on new lending in the first half;
- growth in general operating expenses was limited to €3.1 million or 0.41%, which was less than the increase in average net loans outstanding;
- recurring cost of risk rose to €114 million, or 0.48% of average net loans outstanding, from €51 million in 2007 as a result of the following factors:

– a €9 million increase in provisions for wholesale financing credit risk,

– higher retail financing provision expense, particularly in Spain (26 million euro impact),

– a €16 million decline in non-recurring provision reversals (€13.5 million in 2008 versus €27 million in 2006).

In response to the turbulent economic environment, collection processes were strengthened, particularly in Southern Europe and the United Kingdom, by increasing specialisation, centralizing collection flows and proactively managing loan defaults. At the same time, risk selection policies were regularly reviewed to reflect the fast-changing economic and financial situation.

The Bank ended the year with stronger market positions, stable net banking revenue and provisions for credit losses maintained at less than 0.5% of average net loans outstanding.

For more information on Banque PSA Finance, go to www.banquepsafinance.com.

9.3 Other Income Statement Items

➜ 9.3.1 Operating Income

Non-recurring operating expense amounted to €917 million, compared with €632 million in 2007. Towards the end of 2008, the Group announced action plans to counter the impact of the collapse in automobile demand. As a consequence, new separation plans were announced in the Group with a voluntary separation plan in the Automobile Division and a restructuring plan at Faurecia. Charges relating to these plans amounted to €512 million. The sharp fall in the automobile markets also triggered impairment of some vehicles and the interior systems Business Unit at Faurecia, in a total amount of €405 million.

For a more detailed explanation, please refer to *note 9 – Non-Recurring Operating Income and (Expenses)* in the notes to the Consolidated Financial Statements at December 31, 2008.

After taking into account these items, the Group ended the year with an operating loss of €367 million compared with a €1,120 million profit in 2007.

(in million euros)	2008	2007
Automobile Division	(685)	510
Banque PSA Finance	556	608
Gefco	127	113
Faurecia	(353)	(105)
Other businesses and holding company	(12)	(6)
TOTAL PSA PEUGEOT CITROËN	**(367)**	**1,120**

9.3.2 Net Financial Income

Interest income and finance costs, net amounted to €286 million in 2008 compared with €40 million the previous year. This amount includes interest income from loans and on cash and cash equivalents, finance costs and other financial income and expense. This significant increase results from:

- the decline in cash deposits in the second half due to the use of cash;
- the increase in financing costs as spreads widened in the wake of the credit crunch;
- the increase in debt at Faurecia.

Concerning pension obligations, the decrease in expected returns on external funds was offset by a reduction in interest costs on projected benefit obligations.

For a more detailed explanation, please refer to *notes 10, 11 and 12* in the notes to the Consolidated Financial Statements at December 31, 2008.

9.3.3 Income Taxes

Current taxes amounted to €293 million in 2008, representing taxes payable in Brazil and on the profits of Banque PSA Finance. A deferred tax benefit of €389 million was recognized at the year-end, due to the losses reported at Group level.

For a more detailed explanation, please refer to *note 13* in the notes to the Consolidated Financial Statements at December 31, 2008.

9.3.4 Share in Net Earnings of Companies at Equity

In 2008, the combined contribution of companies at equity was a net profit of €57 million versus a net profit of €48 million the year before. The main entities concerned are the Group's subsidiary in China, Dongfeng Peugeot Citroën Automobile (DPCA), and joint ventures with other carmakers (Fiat, Toyota and Renault) organized as separate entities.

After taking into account consolidation adjustments and entries, DPCA's contribution to consolidated profit amounted to €8 million in 2008 compared with €31 million in 2007. In an environment shaped by a price war, DPCA's unit sales declined to 179,100 vehicles in 2008 from 207,300 vehicles the previous year. Worsening market conditions in the fourth quarter led to production stoppages during that period. DPCA's sales for the year contracted by 20% to CNY 15,357 million compared to 19,248 CNY in 2007.

It ended the year with a recurring operating loss of €573 million, representing the equivalent of 3.7% of sales. In 2007, the Company reported a recurring operating profit of CNY 467 million.

The appreciation of the Chinese yuan led to the recognition of a CNY 447 million exchange gain on dollar- and euro-denominated debt (compared with a CNY 226 million gain in 2007).

DPCA reported a net profit for the year of CNY 102 million compared with a net profit of CNY 706 million in 2007.

For more information about the Group's share in the net earnings of companies at equity, refer to *note 17* to the Consolidated Financial Statements at December 31, 2008.

9.3.5 Consolidated Profit for the Year

The Group ended the year with a consolidated net loss of €500 million, compared with a profit of €826 million in 2007.

9.3.6 Consolidated Profit Attributable to Equity Holders of the Parent

The loss attributable to equity holders of the parent stood at €343 million. In 2007, the Group reported a profit attributable to equity holders of the parent of €885 million.

9.3.7 Earnings per Share

Earnings per share stood at €(1.51), compared with €3.88 in 2007.

10 CASH AND CAPITAL RESOURCES

10.1 Information on the Group's Capital Resources

10.1.1 Assets

Total assets amounted to €61,720 million compared with €68,975 million at December 31, 2007. This reduction primarily reflected:

- the increase in inventory to €7,757 million from €6,913 million in 2007 (see note 23 to the consolidated financial statements);
- the decrease in cash and cash equivalents to €3,230 million from €5,979 million (see note 27 to the consolidated financial statements);
- the reduction in loans and receivables at Banque PSA Finance (see note 21 to the consolidated financial statements);
- the reduction in short-term investments at Banque PSA Finance (see note 22 to the consolidated financial statements).

10.1.2 Warranty Provision

The Group's ongoing improvement in the quality of new vehicles sold continues to have a favourable impact on warranty cost provisions, which declined to €939 million at December 31, 2008 from €1,246 million at December 31, 2007. The reduction resulted both from the release of surplus warranty provisions and from the reduced requirement for new warranty provisions on new vehicle sales (see note 29.2 to the consolidated financial statements).

10.1.3 Pensions and Other Post-Employment Benefits

The Group's pension deficit increased only slightly in 2008, to €(819) million compared with €(745) million as at December 31, 2007 (see note 30.1.D to the consolidated financial statements for further details).The related provisions were reduced to €699 million at December 31, 2008 from €885 million at end-2007.

10.1.4 Consolidated Net Financial Position and Net Debt Ratio

Consolidated current and non-current debt at the manufacturing and sales companies remained largely unchanged at December 31, 2008, at €6,184 million compared with €6,244 as at December 31, 2007 (see note 31 to the consolidated financial statements).

The net financial position of the manufacturing and sales companies as at December 31, 2008 amounted to a net debt of €(2,906) million compared with a surplus of €1,404 million as at December 31, 2007 (see note 38.1 to the consolidated financial statements).

The net debt to equity at 21% at December 31, 2008.

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10.1.5 Equity

Total equity amounted to €13,277 million as at December 31, 2008. The decrease from December 31, 2007 reflected the net loss of €(500) million and the payment of the 2007 dividend to Peugeot S.A. Shareholders in an amount of €(342) million (see note 28 to the consolidated financial statements for further details).

As at December 31, 2008, the share capital stood at 234,048,798 shares with a par value of one euro each. This slight reduction compared with the number of shares outstanding at the end of the previous year resulted from the cancellation of 231,500 shares in July 2008. At year-end, the Group held 7,188,214 shares in treasury to cover outstanding stock option plans. During the year, 1,345,000 shares were acquired to cover the 2008 stock option plan (see note 28.4 to the consolidated financial statements for further details).

See note 28 to the consolidated financial statements for further details on PSA PEUGEOT CITROEN equity.

10.2 Sources, Amounts and Description of consolidated Cash Flows

10.2.1 Consolidated Statement of Cash Flows

For detailed information, please refer to the *Consolidated Financial Statements – Consolidated Statements of Cash Flow* at December 31, 2008.

10.2.2 Statement of Cash Flows of Manufacturing and Sales Companies

The following table presents the manufacturing and sales companies cash flows at December 31, 2008 compared to December 31, 2007:

	Manufacturing and Sales companies	
(in million euros)	December 31, 2007	December 31, 2008
Net profit (loss)	405	(858)
Working capital provided by operations	3,515	2,380
Changes in working capital requirements	920	(2,924)
Net cash from (used in) operating activities	4,435	(544)
Net cash from (used in) investing activities	(2,833)	(3,221)
Net cash from (used in) financing activities	(745)	695
Net increase (decrease) in cash and cash equivalents	835	(3,126)
NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**5,143**	**2,017**

10.2.2.1 Net Cash Flow from Operating Activities of Manufacturing and Sales Companies

Working capital provided by the industrial and sales activities totaled €2,380 million in 2008 and was generated in the first half of the year. This compares to €3,515 million in 2007. The generation of working capital was very limited in the second half due to the collapse in the automotive markets leading to an operating loss. The working capital requirement for 2008 increased significantly from a saving of €920 million in 2007 to an increase of €2,924 million in 2008. This negative change in working capital was triggered by two main factors. The first was that the level of new vehicle inventories was too high given the collapse in worldwide automotive markets. Secondly, the impact of the Group wide production cuts towards the end of the year resulting in a reduction in supplier orders and thus a increase in working capital to cover outstanding supplier accounts.

As a consequence, the industrial and sales activities consumed €544 million of cash in 2008.

The table below provides the new vehicle inventory levels for the Group and in the independent dealership network:

(in thousands of new vehicles)	December 31, 2006	December 31, 2007	June 30, 2008	December 31, 2008
Group inventory	287	275	366	367
Independent dealership inventory	333	329	301	261
TOTAL INVENTORY	**620**	**604**	**667**	**628**

Immediate actions were launched across the Group's production network to reduce inventories accumulated during the first half of the year. This involved massive production cuts which whilst detrimental to both the Group's recurring operating margin, and the working cash flow requirements were relatively successful at bringing down inventories. In addition, particular efforts were made not to increase the pressure on independent dealerships by retaining inventory at PSA PEUGEOT CITROËN. This also had the added benefit of reducing the Group's liquidity requirement to fund independent dealerships.

10.2.2.2 Net Cash Flow from Investing Activities of Manufacturing and Sales Companies

Net cash used in investing activities of manufacturing and sales companies increased to €3,221 million in 2008 compared to €2,833 million in 2007. This increase is explained by the acceleration of the rhythm of product development as well as the increase in the overall capital expenditure. Capital expenditure totaled €3,149 million including capitalized R&D of €1,065 million (see note 8 of the consolidated financial statements).

(in million euros)	December 31, 2007	December 31, 2008
Automotive Division	2,306	2,696
Faurecia	464	474
Gefco	55	50
Other businesses	8	1
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**2,833**	**3,221**

The table below provides details on capitalized development costs:

(in million euros)	December 31, 2007	
Automotive Division	595	921
Faurecia	159	144
TOTAL CAPITALIZED DEVELOPMENT COSTS	**754**	**1,065**

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Gross R&D expenses were increased 12% in 2008 to drive the momentum of new vehicle launches. The increase in capitalized R&D illustrates the efficiency benefits of the CAP 2010 program as 44% of R&D expenses have been incurred during the development project phases that are eligible for capitalization, compared to 36% in 2007.

10.2.2.3 Net Cash Flow from Financing Activities of Manufacturing and Sales Companies

Net cash from financing activities of manufacturing and sales companies totaled €695 million compared to €745 million of net cash used in 2007. The cash outflow relating to the Group's dividend which was increased from €1.35 for 2006 to €1.50 for 2007 totaled €342 million compared to €309 million in 2007. The change in financial assets and liabilities in the industrial and sales activities amounted to an inflow of €929 million to adapt to changes in financial markets compared to an outflow of €559 million.

10.2.2.4 Net Cash and Cash Equivalents at the End of Year of Manufacturing and Sales Companies

The cash consumption in the industrial and sales activities at end of 2008 amounted to €3,126 million compared to cash generation of €835 million in 2007. The net cash and cash equivalents at the end of the year totaled €2,017 million compared to €5,143 million at the end of 2007.

➜ 10.2.3 Net Cash and Cash Equivalents at the End of Year of Financing Companies

Banque PSA Finance successfully increased its generation of cash from operating activities in 2008 to €590 million compared to €512 million in 2007, mainly due to a consolidated profit for the year. Banque PSA increased its net cash position by €337 million to end the year with €1,280 million in cash and cash equivalents at the end of the year.

10.3 Liquidity and Funding

➜ 10.3.1 Manufacturing and Sales Companies

The Group's industrial and sales activities ended 2008 with cash and cash equivalents significantly lower than as at December 31, 2007. The increased working capital requirement in the second half of the year resulted in the release of funds invested or on deposit. The balance of funds invested amounted to €1,135 million compared to €4,115 million at December 31, 2007.

As at December 31, 2008 the Group's industrial and sales activities had €2,400 million of undrawn confirmed credit lines maturing 2011.

In light of the current economic environment, the Group expects to have significant financing needs of around €4 billion in 2009 to support its manufacturing and sales companies. The Group has already received €3 billion in financial support from the French government in the form of a long-term loan (for more details, please refer to Note 43 to the consolidated financial statements). In addition, the possibility of arranging new medium-term syndicated bank facilities is already being examined, with a reasonable chance of completion.

➜ 10.3.2 Banque PSA Finance

At December 31, 2008, 40% of Banque PSA Finance's financing was provided by bank facilities, 39% by the capital markets and 21% by loan securitizations. During the year, bank borrowings were increased to compensate for the lack of opportunities in the bond market. The Bank's leading banks actively supported both the rollover of its confirmed medium-term lines of credit and the continued regular drawdowns on its short-term bank lines.

Issuance under the Banque PSA Finance EMTN programme was low in 2008, due to the complete absence of investor interest over several months, particularly for bank paper, and to the flight to quality triggered by the steady stream of bad news from the financial crisis. Just €1,034 million worth of EMTNs were issued, while bond issues by Banque PSA Finance were scaled back to €5,118 million from €7,780 million in 2007.

The decline in capital markets issuance was partly offset by a new €1,000 million securitization of German automobile loans, that was placed in the market during July. The securitization programs were not affected by the credit crisis; there was no decline in the credit quality of the underlying loans and no evidence of any weaknesses in the way the programs are structured.

In the fourth quarter, the Bank obtained €446 million in financing from Société de Financement de l'Économie Française, the institution set up by the French government to inject cash into the economy. The financing has a two-year maturity for the most part and is secured by French retail and wholesale loan portfolios.

Liquidity Reserves

In 2008, the second year of the financial crisis, Banque PSA Finance sought to strike an appropriate balance between paying the higher financing costs generated by widening credit spreads and safeguarding its liquidity position. Careful liquidity management enabled the Bank to withstand the effects of the credit crunch without overly eroding its liquidity position and without incurring the significant additional costs generated by the considerable increase in lender's credit margins.

At December 31, 2008, 75% of refinancing had an initial maturity of twelve months or more (versus 68% at end-2007), representing continued solid coverage of potential liquidity risk.

The maturities of refinancing comfortably exceed the maturities of the retail financing loan book.

In addition to these borrowings, the Bank has €6,000 million worth of undrawn syndicated lines of credit consisting of three €2,000 million backup facilities obtained from two syndicates of leading banks and maturing in July 2010, June 2012 and June 2014.

In all, the Bank has access to sufficient financing to cover more than six months' worth of wholesale and retail loan originations, based on a constant loan book.

Liquidity reserves in the form of immediately realizable assets were kept at more than €1 billion throughout the year, although they declined to €1,140 million at December 31, 2008 due to the increased difficulty of rolling over short-term facilities.

Bank has various solutions to finance new lending of around €5 billion, whose implementation is not expected to be affected by the current financial environment. These solutions include:

- rolling over existing bank lines or credit on expiry;
- launching new automobile line securization programs in certain countries, particularly in connection with central bank cash injections;
- long-term capital markets issues, if necessary.

For more detailed information, please refer to the Banque PSA Finance Annual Report available at www.banquepsafinance.com.

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10.4 Information on Any Restrictions on the Use of Capital Resources

See note 28.1 to the Consolidated Financial Statements.

10.5 Information on Anticipated Sources of Funds Needed to Fulfill Commitments

See chapter 10.3 above.

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CAPITAL EXPENDITURE AND RESEARCH & DEVELOPMENT

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Automotive Expertise and Useful Technologies

In an industry where model line-ups have become much more diversified, innovation is the only way to create the competitive advantages so critical to driving growth. It is certainly a priority for PSA PEUGEOT CITROËN, which every day has to convince thousands of customers around the world to choose its models from among the dizzying array on offer. It is also what enables the Group to ensure compliance with changing standards and legislation, sometimes well ahead of their implementation dates. One example is our pioneering FAP diesel particulate filter, which has already been fitted on more than three million Peugeot and Citroën vehicles, even though the Euro V regulation making filters mandatory will not come into effect until September 2009.

The Group has four research and development centres in France – in Vélizy, Sochaux-Belchamps, La Garenne and Carrières-sous-Poissy – as well as teams in China and Brazil developing vehicles for the local market. The Group also has two test centres, in Belchamp and La Ferté-Vidame, and a styling centre in Vélizy called the Automotive Design Network (ADN). Inaugurated in October 2004, the ADN houses all of the Group's styling studios and vehicle innovation and architectural teams, comprising nearly 1,000 people from all of the automotive engineering professions.

Each Peugeot or Citroën car is created through a seamless design and development process involving daily input from more than 17,000 engineers and technicians. Backed by a substantial budget – totalling €2,117 million for the Automobile Division, including development costs on existing vehicles, and €2,372 million for the Group as a whole (see note 8 to the consolidated financial statement – Research and Development Costs) – the Group's R&D commitment is helping to build for the future, introduce exciting new concepts and offer a comprehensive range of innovative models.

To create this innovation-led competitive advantage, PSA PEUGEOT CITROËN pays careful attention to the needs, whether expressed or implied, of its customers and the wider community. At the same time, it makes sure that every automobile project assimilates and integrates the possibilities offered by new technologies, which have grown exponentially in recent years. It is the combination of these two approaches that generates innovative new ideas.

PSA PEUGEOT CITROËN is therefore focusing its research and development commitment on the following strategic pathways to innovation:

➜ 11.1 Improving Safety in Every Way

To fulfil its priority commitment to protecting people both inside and outside its vehicles, PSA PEUGEOT CITROËN has defined three levels of safety:

primary or active safety involves preventing accidents by ensuring superior performance in roadholding, braking and other vehicle fundamentals and by developing driver assistance systems such as the VCCF fixed-centred controls steering wheel, adaptive lighting, the lane departure warning system and cruise control;

secondary or passive safety involves protecting occupants in the event of impact, by improving occupant protection systems and the vehicle's structural components;

tertiary safety aims to improve post-accident assistance by fitting cars with innovative information technology that can automatically contact rescue services without the driver's input. PSA PEUGEOT CITROËN has been a pioneer in this field, with more than 650,000 vehicles already equipped with the emergency call system.

Thanks to this integrated safety approach, PSA PEUGEOT CITROËN is European best-in-class, with twelve models awarded the maximum five-star rating in Euro NCAP impact tests in 2008. It has also been recognized for the handling performance of its cars.

→ 11.2 Improving Fuel Efficiency and Safeguarding the Environment

In a commitment to sustainable development, PSA PEUGEOT CITROËN is focusing its research on improving its vehicles' fuel efficiency, reducing their carbon emissions and shrinking their environmental footprint.

Short-term programmes are helping to improve the efficiency of petrol and diesel internal combustion engines and to develop new emissions control processes.

The 1.4 and 1.6-litre petrol engines are now being deployed more quickly across the Peugeot and Citroën line-ups. By 2011, the introduction of a new, particularly fuel-efficient family of small 3-cylinder petrol engines will make it possible to reduce a compact city car's CO_2 emissions to less than 100 g/km without additional technology.

Over the medium term, the initial objective is to continue extending the Stop & Start system on petrol and diesel platforms, before taking vehicles to the next level in hybrid technology.

By 2010, almost every Peugeot and Citroën model will feature Stop & Start technology, which shuts down the engine when the car is standing still. The second generation Stop & Start system, considerably improves the regeneration of brake energy as the car slows and reduces carbon emissions by up to 15% in city driving. With this type of volume, the system will be widely affordable.

A programme is also underway to develop full-hybrid diesel technology.

Building on the technology used on the Peugeot 308 and Citroën C4 demonstrators, this improved system still combines the high fuel efficiency of the HDi diesel in highway driving with all the benefits of electric propulsion on city and suburban streets. It also adds all-wheel drive capability thanks to the electric motor mounted on the rear axle assembly. The system will initially be introduced on "distinctive" Peugeot and Citroën models in 2011, offering an exceptional driving experience, superior fuel economy and sharply lower CO_2 emissions. Then, once hybrid systems are sufficiently affordable for the majority of Peugeot and Citroën customers, hybrid diesel technology will be extended to the wider selling mid-range models. This technology was unveiled at the Paris Motor Show on the Peugeot Prologue and Citroën Hypnos concept cars.

Preparing for the future zero-emission vehicles (ZEVs)

A pioneer in electric vehicles with 10,000 EVs sold between 1995 and 2005, PSA PEUGEOT CITROËN has given new impetus to its development programmes in this area, in a commitment to serving a market that will initially expand through fleets and car sharing schemes. On 2 March 2009, PSA PEUGEOT CITROËN signed a new cooperation agreement with Mitsubishi to develop an electric vehicle for Europe.

At the same time, the Group is working on a multi-purpose plug-in hybrid to offer a more affordable EV for individual carbuyers. It can run in all-electric mode for around 50 kilometres, which corresponds to most drivers' daily needs. Offering all the benefits of an EV, it can also shift into hybrid mode for longer distances, for example on a weekend or vacation trip.

Over the longer term, the Group is exploring possible application of emerging hydrogen **fuel cell** technology.

Over the past ten years, the PSA PEUGEOT CITROËN Research Department has tested several solutions deployed on seven hydrogen fuel cell technology demonstrators. Based on these tests, it believes that to develop ZEVs requiring a longer range than pure EVs, the most promising way forward over the medium to long term is a hydrogen fuel cell range extender. This solution was showcased on the Peugeot Partner H2Origin demonstrator, presented in April 2008.

However, hydrogen fuel cell vehicles are still a long way from the technical and economic maturity needed to support mass-market production. PSA PEUGEOT CITROËN is therefore pursuing targeted partnerships – such as the one with French atomic energy commission CEA on fuel cells – and participating in major European Commission research projects, in a commitment to maintaining its leadership in the potentially disruptive technologies that could accelerate the advent of hydrogen vehicles.

These research programmes will enable PSA PEUGEOT CITROËN to maintain its environmental leadership. In 2008, the Group was once again Europe's leading manufacturer of fuel-efficient, low-emission vehicles, selling more than one million vehicles emitting less than 140 g CO_2/km for the third year in a row. Moreover, its share of the Western European market for cars emitting less than 120 g CO_2/km rose to 27% during the year.

For more information, please refer to section 5.3 on sustainable development.

11.3 Offering a More Enjoyable Onboard Experience and an Increasingly Rich Sensory Environment

By improving vehicle ingress/egress, making interior compartments brighter and more modular, enhancing cockpit ergonomics and developing telematics PSA PEUGEOT CITROËN is responding to emerging motorist expectations by creating a compelling new onboard lifestyle.

The car of the future will also offer an opportunity to rediscover all our senses, with a rich sensory design that will enhance our emotional relationship with the car and create an environment capable of inspiring profound pleasure and a sense of well-being.

11.4 Expanding the Model Line-up

Motorists are increasingly turning to smaller, more distinctive multi-purpose vehicles like pick-ups, MPVs and coupé cabriolets, while demand for small city cars is also on the rise. In response, PSA PEUGEOT CITROËN plans to offer a growing number of new body styles.

11.5 Keeping Costs under Control

In a challenging economic environment, PSA PEUGEOT CITROËN will continue to build the future by maintaining its capital expenditure and R&D budgets in 2009. Although total Automobile Division outlays will be reduced to €3,500 million from €3,816 million in 2008, they will still enable to Group to continue developing strategic models and innovative technological solutions, while pursuing its international expansion.

Programmes will focus on the core line-ups, with a view to streamlining their model diversity.

New models will continue to be introduced at a sustained pace. In the first quarter the Group launched the Citroën C3 Picasso, the Peugeot 308 cc and, in China, the Citroën C-Elysée hatchback. The Peugeot 3008 crossover, the 206+ and the 207 China will be brought to market in the second quarter, while the second half will see other models join the Peugeot and Citroën line-ups, including a new compact Peugeot MPV.

Construction work will continue on the new plant in Kaluga, Russia, whose cornerstone was laid on 10 June 2008. In China, a second plant is being built in Wuhan. Scheduled to come on stream in 2009, it will manufacture vehicles on the midsize platform.

12

TREND INFORMATION

12.1 Trend Information

PSA PEUGEOT CITROËN expects Western European automotive markets to experience a further decline of around 20% in 2009, with 2010 remaining stable compared to 2009. The first half of 2009 will be of unprecedented difficulty and full-year 2009 is expected to be loss making for the Group. CASH 2009 actions will not be sufficient to offset the falloff in demand and the Group's restructuring costs, with the result that free cash flow will be negative in 2009.

Faced with the prospect of a prolonged recession, our priorities are clear. We will concentrate all our efforts on reducing inventory and minimising our cash consumption through our CASH 2009 programme, and we will pursue our initiatives to cut costs as part of the CAP 2010 plan, so that we can return to profit in 2010.

At the same time, we must look forward with focused capital expenditure and R&D to develop new vehicles and new environmental solutions to ensure sustained and profitable growth for PSA PEUGEOT CITROËN once this crisis is behind us. In 2009, automotive capital outlays and R&D are expected to represent roughly €3.5 billion.

Proactive refinancing with a conservative liquidity policy will allow the Group to return to profit whilst building for the future. The Group's new funding requirement for the manufacturing and sales companies is expected to be around €4 billion in 2009. This requirement will be covered by an already approved government loan of €3 billion, combined with other sources of financing.

The marketing offensive will be maintained in 2009, with all new model launches proceeding as scheduled. These new models were made possible by the CAP 2010 action plans and the shortening of the vehicle development cycle. Peugeot launched in first quarter 2009 the new 308 cc and will make substantial steps to expand market coverage with its first crossover (the 3008) and its first compact MPV. Citroën rolled out its new "Creative Technologie" brand image and launched the C3 Picasso in early 2009.

12.2 First-quarter 2009 sales and revenues

First quarter revenues illustrate, as expected, the full extent of the crisis being experienced by the automotive industry worldwide:

(million euros)	Q1 2008	Q1 2009	% change
Automobile	11,269	8,678	-23.0%
Faurecia	3,245	2,008	-38.1%
Gefco	925	664	-28.2%
Banque PSA Finance	524	462	-11.8%
Inter-activity eliminations and other activities	(1,346)	(839)	
PSA PEUGEOT CITROËN	**14,615**	**10,973**	**-24.9%**

AUTOMOTIVE

Automotive revenues declined 23% to €8 678 million in Q1 09. This drop is due essentially to the decline in volumes given the weak market and inventory reduction policy of destocking the dealership network. Q1 09 revenues for new cars declined by 27.4%, negatively impacted by a 24.9% fall in volumes, the change in segment mix to smaller, less expensive vehicles of 2.5% and a negative foreign exchange impact of 2.2% which was partially offset by a positive country mix of 1.1%.

FAURECIA

Faurecia revenues fell 38.1% in Q1 to €2 008 million due to the extensive production cuts put in place by the car manufacturers. Faurecia is on track with the deployment of its “Challenge 2009” cost reduction plan. The first phase in securing financing was secured in April 2009.

GEFCO

Gefco revenues fell 28.2% to €664 million as the economic slowdown reduced the logistics needs across its customer network. Revenues declined in line with its customers’ markets, being down 25-30% for automotive and 10-15% for other industries. Revenues were also negatively impacted by adverse foreign exchange variations.

BANQUE PSA FINANCE

Banque PSA Finance revenues declined by 11.8% to €462 million. The bank continued to reinforce its commercial performance and increased its penetration rate by 3.6 pts to 28.3%.

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FORECASTS OR ESTIMATES OF PROFITS

13 FORECASTS OR ESTIMATES OF PROFITS

The Group has not released any precise forecasts or estimates of profit or operating margin for 2009.

In light of the trend information provided in Chapter 12, none of the previously published 2010 targets are realistic in the prevailing economic environment or attainable in 2010.

14 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

Since 1972, Peugeot S.A. has had a two-tier management structure, comprising a Managing Board, responsible for strategic and operational management, and a Supervisory Board, responsible for oversight and control. This separation is especially effective in addressing the concern for a balance of power between the executive and oversight functions, as reflected in the principles of good corporate governance.

14.1 Information about the administrative, management or supervisory bodies

➜ 14.1.1 The Supervisory Board

Members

The Supervisory Board has twelve members plus two non-voting advisors (*censeurs*), all of whom are elected by stockholders for six-year terms. The other functions and directorships held by Supervisory Board members and advisors are listed below, as well as the dates when they were elected and when their terms expire. Under French company law, only Stockholders in a General Meeting have the authority to remove a Supervisory Board member from office.

Each member of the Supervisory Board must own at least 25 shares of Peugeot S.A. stock.

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Functions and Dectorships Held by Supervisory Board members as of December 31, 2008

Thierry Peugeot First elected to the Supervisory Board on December 19, 2002 Current term expires in 2010 Born on August 19, 1957 **Chairman of the Supervisory Board** **Chairman of the Compensation and Appointments Committee** **Member of the Strategy Committee** Business address: PSA PEUGEOT CITROËN 75, avenue de la Grande-Armée 75016 Paris France	**Chairman of the Supervisory Board of PSA PEUGEOT CITROËN** **Other functions and directorships as of December 31, 2008:** Vice-Chairman and Chief Operating Officer of Établissements Peugeot Frères. Director of Société Foncière, Financière et de Participations – FFP, LFPF – La Française de Participations Financières, Société Anonyme de Participations – SAPAR, Immeubles et Participations de l'Est, Faurecia, Compagnie Industrielle de Delle and Air Liquide. Permanent representative of Compagnie Industrielle de Delle on the Board of Directors of LISI. **Former functions and directorships in the past five years:** Chairman of Immeubles et Participation de l'Est. Director of AMC Promotion. Legal Manager of SCI du Doubs. **Related expertise and professional experience:** Thierry Peugeot has served as Chief Executive Oficer of a number of companies, particularly in the automotive industry, and has managed companies outside France. **Number of Peugeot S.A. shares owned as of December 31, 2008:** 900.
Jean-Philippe Peugeot First elected to the Supervisory Board on May 16, 2001 Current term expires in 2013 Born on May 7, 1953 **Vice-Chairman of the Supervisory Board** **Chairman of the Strategy Committee** **Member of the Compensation and Appointments Committee** Business address: Établissements Peugeot Frères 75, avenue de la Grande-Armée 75016 Paris France	**Vice-Chairman of the Supervisory Board of PSA PEUGEOT CITROËN** **Chairman of Établissements Peugeot Frères** **Other functions and directorships as of December 31, 2008:** Vice-Chairman of Société Foncière, Financière et de Participations – FFP. Director of LFPF – La Française de Participations Financières, Immeubles et Participations de l'Est and Linedata Services. **Former functions and directorships in the past five years:** Chairman of the Board of Directors of Nutrition et Communication SAS. **Related expertise and professional experience:** Jean-Philippe Peugeot has spent his entire career with Automobiles Peugeot. In particular, he managed an Autombiles Peugeot marketing subsidiary for eight years and Peugeot Parc Alliance for four years. **Number of Peugeot S.A. shares owned as of December 31, 2008:** 150.
Jean-Louis Silvant First elected to the Supervisory Board on May 24, 2006 Current term expires in 2012 Born on February 7, 1938 **Vice-Chairman of the Supervisory Board** **Member of the Strategy Committee Member of the Compensation and Appointments Committee** Business address: La Martinerie 35, rue de la Fontaine 37370 Neuvy-le-Roi France	**Vice-Chairman of the Supervisory Board of PSA PEUGEOT CITROËN** **Former member of the PSA PEUGEOT CITROËN Executive Committee** **Other functions and directorships as of December 31, 2008:** Chairman of Closerie des Tilleuls. Legal Manager of Silvant-Invest. Director of Peugeot Suisse and Résidéal Santé. Former functions and directorships in the past five years Chief Executive Officer, then Chief Operating Officer of Peugeot Citroën Automobiles. Chairman of the Board of Directors of Peugeot Suisse. **Related expertise and professional experience:** Jean-Louis Silvant joined PSA PEUGEOT CITROËN in 1961. He held numerous executive positions, particularly in production, human resources management and engineering, before serving as Senior Executive Vice-President of Peugeot from 1992 to 1998. He was a member of the PSA PEUGEOT CITROËN Executive Committee from 1998 to 2002. **Number of Peugeot S.A. shares owned as of December 31, 2008:** 150.
Marc Friedel First elected to the Supervisory Board on June 26, 1996 Current term expires in 2014 Born on July 21, 1948 **Member of the Supervisory Board Member of the Finance Committee** Business address: 1, rue Ballu 75009 Paris France	**Consultant** **Former functions and directorships in the past five years:** Permanent representative of Sofinaction (CIC Group) on the Board of Directors of Société Nancéienne Varin-Bernier (SNVB). Member of the Supervisory Board of Presses Universitaires de France. **Related expertise and professional experience:** From 1989 to 1999, Marc Friedel served as Chairman and Chief Executive Officer of Berger-Levrault, a company listed on the Paris Bourse. **Number of Peugeot S.A. shares owned as of December 31, 2008:** 150.

Jean-Louis Masurel First elected to the Supervisory Board on August 27, 1987 Current term expires in 2011 Born on September 18, 1940 **Member of the Supervisory Board Member of the Finance Committee** Business address: Arcos Investissement 10 A, rue de la Paix 75002 Paris France	**Chairman of Arcos Investissement** **Other functions and directorships as of December 31, 2008:** Vice-Chairman of the Supervisory Board of Oudart S.A. Director of Société des Bains de Mer (Monaco), Compagnie de Transports Financière et Immobilière – Cotrafi, Oudart Gestion S.A., Gondrand (a Cotrafi subsidiray) and Banque J. Safra (Monaco). Member of the Supervisory Board of 21 Centrale Partners S.A. **Former functions and directorships in the past five years: None.** **Related expertise and professional experience:** From 1983 to 1989, Jean-Louis Masurel served as Vice-Chairman and Chief Executive Officer of Moët-Hennessy and subsequently LVMH. Since 1995, he has been Director and Chairman of the Finance Committee of Société des Bains de Mer (Monaco). **Number of Peugeot S.A. shares owned at December 31, 2008:** 600.
Jean-Paul Parayre First elected to the Supervisory Board on December 11, 1984 Current term expires in 2011 Born on July 5, 1937 **Member of the Supervisory Board Chairman of the Finance Committee Member of the Strategy Committee** Business address: 203, avenue de Molière 1050 Brussels Belgium	**Chairman of the Supervisory Board of Vallourec** **Other functions and directorships as of December 31, 2008:** Chairman of the Supervisory Board of Stena Maritime. Director of Bolloré S.A. and SNEF and Legal Manager of B Stena International Sarl. **Former functions and directorships in the past five years:** Director of SDV Cameroun, Stena Line, Seabulk, Sea-invest France, Carillion plc and Stena International BV. Member of the Steering Committee of V&M do Brasil. **Related expertise and professional experience:** Jean-Paul Parayre has held several executive positions in manufacturing and service companies, including Chairman of the Managing Board of PSA PEUGEOT CITROËN (1977-1984), Chief Executive Officer and then Chairman of Dumez (1984-1990), Vice-Chairman and Chief Executive Officer of Lyonnaise des Eaux Dumez (1990-1992) and Vice-Chairman and Chief Executive Officer of Bolloré Group (1994-1999). He also served as Chairman and Chief Executive Officer of Saga (1996-1999). **Number of Peugeot S.A. shares owned as of December 31, 2008:** 41,396.
Robert Peugeot First elected to the Supervisory Board on February 6, 2007 Current term expires in 2013 Born on April 25, 1950 **Member of the Supervisory Board Member of the Strategy Committee Member of the Finance Committee** Business address: FFP 75, avenue de la Grande-Armée 75016 Paris France	**Chairman and Chief Executive Officer of Société Foncière, Financière et de Participations – FFP** **Former member of the PSA PEUGEOT CITROËN Executive Committee** **Other functions and directorships as of December 31, 2008:** Chairman of the Board of Directors of Simante, SL. Member of the Supervisory Board of Hermès International. Director of B-1998 SL, FCC Construccion S.A., Établissements Peugeot Frères, Imerys, Immeubles et Participations de l'Est, LFPF – La Française de Participations Financières, Sanef, Holding Reignier S.A., WRG – Waste Recycling Group Limited, Alpine Holding and Faurecia. Legal Manager of CHP Gestion and Rodom. Permanent representative of FFP on the Supervisory Board of Zodiac. Legal representative of FFP at Financière Guiraud. **Former functions and directorships in the past five years:** Member of the Supervisory Boards of Groupe Taittinger, Citroën Deutschland Aktiengesellschatt and Aviva France. Director of Institut Français du Pétrole (IFP), Société du Louvre, Peugeot Automobiles United Kingdom Ltd, Citroën Danemark A/S, Fomentos de Construcciones y Contratas S.A. FCC, Aviva Participations, GIE de recherche et d'études PSA Renault and Citroën UK Ltd. **Related expertise and professional experience:** Robert Peugeot was a member of the PSA PEUGEOT CITROËN Executive Committee and served as the Group's Vice-President, Innovation and Quality from 1998 to 2007. Since 2002 he has also been Chairman and Chief Executive Officer of Société Foncière, Financière et de Participations – FFP. **Number of Peugeot S.A. shares owned as of December 31, 2008:** 150.
Henri Philippe Reichstul First elected to the Supervisory Board on May 23, 2007 Current term expires in 2013 Born on April 12, 1949 **Member of the Supervisory Board Member of the Strategy Committee** Business address: Av Pedroso de Morais, N° 1553, 8th floor, 05419-001 São Paolo, SP Brazil	**Chairman and Chief Executive Officer of Brenco – Companhia Brasileira de Energia Renovavel** **Other functions and directorships as of December 31, 2008:** Director of Prisma Energy International and Repsol YPF S.A. **Former functions and directorships in the past five years:** Director of TAM – Linhas Aéreas S.A., Holdings / Vivo and Pao de Açucar Group. **Related expertise and professional experience:** After earning an economics degree from the University of São Paulo, and doing post-graduate work at Oxford University, Henri Philippe Reichstul began his career as a university professor of economics. He then went on to hold various civil servant positions in Brazil, before serving as Chairman and Director of a variety of companies, including Petrobras, of which he was Chairman from 1999 to 2001. **Number of Peugeot S.A. shares owned as of December 31, 2008:** 25.

Marie-Hélène Roncoroni First elected to the Supervisory Board on June 2, 1999 Current term expires in 2011 Born on November 17, 1960 **Member of the Supervisory Board Member of the Finance Committee** Business address: FFP 75, avenue de la Grande-Armée 75016 Paris France	**Vice-Chairman of Société Foncière, Financière et de Participations – FFP** **Other functions and directorships as of December 31, 2008:** Director of La Française de Participations Financières – LFPF, Société Anonyme de Participations – SAPAR, Établissements Peugeot Frères, Immeubles et Participations de l'Est and SIMANTE SL. Permanent representative of Société Anonyme de Participation – SAPAR on the Board of Directors of Société des Immeubles de Franche-Comté, of Immeubles de Franche-Comté on the Board of Directors of Société Anonyme Comtoise de Participation, and of Société Assurances Mutuelles de France on the Board of Directors of Azur – GMF Mutuelles d'Assurances Associées. **Former functions and directorships in the past five years:** Permanent representative of Covéa Ré on the Boards of Directors of MMA Iard Assurances Mutuelles, MMA Vie Assurances Mutuelles, MMA Iard SA, MMA Vie SA and MMA Coopérations. **Related expertise and professional experience:** Marie-Hélène Roncoroni began her career in an international audit firm, before holding positions in the PSA PEUGEOT CITROËN Corporate Finance Department for seven years. **Number of Peugeot S.A. shares owned as December 31, 31, 2008:** 150.
Geoffroy Roux de Bézieux First elected to the Supervisory Board on May 23, 2007 Current term expires in 2013 Born on May 31, 1962 **Member of the Supervisory Board** Business address: Virgin Mobile France 40, boulevard Henri Sellier 92150 Suresnes France	**Chairman of Virgin Mobile France** **Other functions and directorships as of December 31, 2008:** Member of the Supervisory Board of Seloger.com. Director of Parrot. **Former functions and directorships in the past five years:** Director of Nocibé, Fromagers Plus, Micromania and Budget Telecom **Related expertise and professional experience:** Geoffroy Roux de Bézieux graduated from the ESSEC business school and held various positions at L'Oréal from 1986 to 1996. He was the founding Chairman of The Phone House, France's leading independent mobile phone retailer. He later sold the company to The Carphone Warehouse, which appointed him as Managing Director Europe in 2000 and Chief Operating Officer in 2003, a position he held until 2006. Since 2006 he has been the Founder-Chairman of Virgin Mobile. He has been President of the CroissancePlus association since 2005. **Number of Peugeot S.A. shares owned as of December 31, 2008:** 1,000.
Ernest-Antoine Seillière First elected to the Supervisory Board on June 22, 1994 Current term expires in 2012 Born on December 20, 1937 **Member of the Supervisory Board Member of the Strategy Committee Member of the Compensation and Appointments Committee** Business address: Wendel Investissement 89, rue Taitbout 75009 Paris France	**Chairman of the Supervisory Board of Wendel** **Other functions and directorships as of December 31, 2008:** Chairman and Chief Executive Officer of Société Lorraine de Participations Sidérurgiques – SLPS. Chairman of the Supervisory Board of Oranje – Nassau Groep B.V. Member of the Supervisory Boards of Bureau Veritas, Editis Holding, Gras-Savoye and Hermès International S.A. Director of Legrand and Sofisamc (Switzerland). **Former functions and directorships in the past five years:** Chairman and Chief Executive Officer of CGIP, Marine-Wendel and Legrand Holding. Vice-Chairman of the Board of Directors of Cap Gemini. Director of Editis. Permanent representative of Sofiservice on the Board of Directors of Bureau Veritas. **Related expertise and professional experience:** Ernest-Antoine Seillière has sat on various boards in the capacity of Chairman and Director. **Number of Peugeot S.A. shares owned as of December 31, 2008:** 600.
Joseph F. Toot Jr First elected to the Supervisory Board on May 24, 2000 Current term expires in 2012 Born on June 13, 1935 **Member of the Supervisory Board** Business address: The Timken Company 1835 Dueber Ave. SW P.O. Box 6928 Canton, OH 44706-0926 United States	**Former Chief Executive Officer of The Timken Company** **Other functions and directorships as of December 31, 2008:** Director of Rockwell Automation, Rockwell Collins and The Timken Company. **Former functions and directorships in the past five years: None.** **Related expertise and professional experience:** Former Chief Executive Officer of The Timken Company. **Number of Peugeot S.A. shares owned as of December 31, 2008:** 150.

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François Michelin First elected as advisor to the Supervisory Board on July 25, 2006 Current term expires in 2012 Born on June 15, 1926 **Advisor to the Supervisory Board** Business address: Pardevi 23, place des Carmes Déchaux 63040 Clermont-Ferrand France	**Chairman of Participation et Développement Industriels S.A. – Pardevi** **Other functions and directorships as of December 31, 2008:** Managing General Partner with unlimited liability of Compagnie Financière Michelin (Switzerland). Vice-Chairman of ANSA. **Former functions and directorships in the past five years:** Managing General Partner of Compagnie Générale des Établissements Michelin (CGEM) and Manufacture Française des Pneumatiques Michelin (MFPM). Partner with unlimited liability of Michelin Reifenwerke (MRW). **Related expertise and professional experience:** Under François Michelin's leadership, Michelin rose from the world's tenth largest tire manufacturer to one of the top three. **Number of Peugeot S.A. shares owned as of December 31, 2008:** 150.
Bertrand Peugeot First elected as advisor to the Supervisory Board on June 8, 1999 Born on October 30, 1923 Bertrand Peugeot passed away in February 2009. **Advisor to the Supervisory Board** Business address: PSA PEUGEOT CITROËN 75, avenue de la Grande-Armée 75016 Paris France	**Former Vice-Chairman of the Supervisory Board of PSA PEUGEOT CITROËN** **As of December 31, 2008, Bertrand Peugeot held the following other directorships:** Director of Paris Loire. **Former functions and directorships in the past five years:** Director of Société Foncière, Financière et de Participations – FFP, Établissements Peugeot Frères and La Française de Participations Financières – LFPF. **Related expertise and professional experience:** Bertrand Peugeot held various positions as Chairman or Director of PSA PEUGEOT CITROËN Group companies, including Chairman of Cycles Peugeot until 1987, Chairman of Peugeot Motocycles until 1989 and Vice-Chairman of the Supervisory Board of PSA PEUGEOT CITROËN from 1972 to 1999. **Number of Peugeot S.A. shares owned as of December 31, 2008:** 492.
Roland Peugeot First elected as advisor to the Supervisory Board on May 16, 2001 Current term expires in 2013 Born on March 20, 1926 **Advisor to the Supervisory Board** Business address: Établissements Peugeot Frères 75, avenue de la Grande-Armée 75016 Paris France	**Honorary Chairman of Établissements Peugeot Frères** **Other functions and directorships as of December 31, 2008:** Honorary Chairman of Football Club Sochaux Montbéliard – FCSM. Permanent representative of Établissements Peugeot Frères on the Board of Directors of LFPF – La Française de Participations Financières. **Former functions and directorships in the past five years:** Director of Société Foncière, Financière et de Participations – FFP. **Related expertise and professional experience:** Roland Peugeot has held several positions as Chairman in the PSA PEUGEOT CITROËN Group; in particular he served as Chairman of the Supervisory Board from 1972 to 1998. He was also a Director of Automobiles Peugeot from 1982 to 1996. **Number of Peugeot S.A. shares held as of December 31, 2008:** 20,041.

➜ 14.1.2 The Managing Board and Executive Committee

Members of the Managing Board

In 2008, the Managing Board was comprised of Christian Streiff, Chairman, Grégoire Olivier, Frédéric Saint-Geours, Gilles Michel* and Roland Vardanega. Managing Board is comprised of Christian Streiff (who acts as Chairman), Grégoire Olivier, Jean-Philippe Collin and Roland Vardanega. Managing Board members are appointed by the Supervisory Board for four-year terms. They may be removed from office by the Supervisory Board pursuant to the Company's bylaws, or by stockholders in a General Meeting, in accordance with French company law.

On 29 March 2009, the Supervisory Board removed Christian Streiff from office as member and Chairman of the Managing Board and appointed Philippe Varin Chairman of the Management Board effective 1 June 2009. Roland Vardanega, who is already a member of the Managing Board, was appointed Chairman pro tempore for the period from 30 March to 31 May 2009.

(*) Member of the Managing Board until 1 January 2009.

The other functions and directorships held by Managing Board members are listed below, as well as the dates when they were appointed and when their terms expire.

The Managing Board's membership changed twice in 2008 and early 2009: (i) on January 1, 2008 following the appointment of Jean-Philippe Collin as Executive Vice President of Automobiles Peugeot, replacing Frédéric Saint-Geours, who has been appointed Advisor to the Chairman of the Managing Board, and (ii) on January 1, 2009 following the resignation of Gilles Michel who has not yet been replaced.

Executive Management

Executive management of the PSA Peugeot Citroën Group is the responsibility of the Managing Board with the support of the Executive Committee, which had 10 members in 2008. As of 1 April 2009, following the departure of Christian Streiff, Gilles Michel and Jean-Luc Vergne, the members of this Committee were:

Roland Vardanega, Chairman of the Managing Board; Jean-Philippe Collin, member of the Managing Board (Peugeot); Grégoire Olivier, member of the Managing Board (Programmes); Roland Vardanega, member of the Managing Board (Manufacturing and Components); Frédéric Saint-Geours (Advisor to the Chairman); Isabel Marey-Semper (Finance and Strategy); Denis Martin (Human Resources); Jean-Claude Hanus (Legal Affairs, Institutional Relations and Internal Audit); and Liliane Lacourt (Communications).

In addition to the above members, the Expanded Executive Committee also includes Claude Vajsman (China), Vincent Rimbaud (Mercosur), Jean-Christophe Quémard (Purchasing), Daniel Marteau (Replacement Parts), Alain Sartoris (Executive Development and Information Systems) and Pascal Henault (Automotive Research and Innovation), who each report directly to the Chairman of the Managing Board.

Functions and Directorships Held by Managing Board Members as of December 31, 2008

Christian Streiff First appointed to the Managing Board on February 6, 2007 Current term expires in 2011 Born on September 21, 1954 **Chairman of the Managing Board** Business address: PSA PEUGEOT CITROËN 75, avenue de la Grande-Armée 75016 Paris France Christian Streiff was removed from his office as member and Chairman of the Managing Board on 29 March 2009 and resigned from all of his other duties within the PSA Peugeot Citroën Group on 31 March 2009.	**Chairman of the Managing Board of PSA PEUGEOT CITROËN** **Other functions and directorships as of December 31, 2008:** Chairman of Automobiles Peugeot and Automobiles Citroën. Vice-Chairman of Dongfeng Peugeot Citroën Automobile Ltd (China). Director of Banque PSA Finance, Peugeot Citroën Automobiles, Gefco, Faurecia, Thyssen-Krupp, Continental AG and PCMA Holding B.V. **Former functions and directorships in the past five years:** Chairman and Chief Executive Officer of Airbus Holding, Saint-Gobain Advanced Ceramics Corp and Carborundum Ventures Inc. Chief Operating Officer of Compagnie de Saint-Gobain. Chairman of the Board of Directors of Société Européenne des Produits Réfractaires-SEPR, Saint-Gobain Ceramics & Plastics Inc., Saint-Gobain Performance Plastics Corp. and Saint-Gobain Abrasivos S.A. Director of PAM Colombia S.A., Grindwell Norton Ltd., Kure-Norton Ltd., Saint-Gobain Corporation and Saint-Gobain Pipe Systems Plc. Managing Director of Saint-Gobain KK. Managing Partner of Argos Conseil. **Related expertise and professional experience:** Prior to joining PSA PEUGEOT CITROËN, Christian Streiff spent most of his career (1979-2005) with Saint-Gobain where he acquired extensive industrial and international experience in a variety of businesses in Germany, Italy, the United States, Brazil and China. He became Chief Operating Officer of Saint-Gobain in 2004 and Chairman of Airbus in 2006. **Number of Peugeot S.A. shares owned as of December 31, 2008:** 1 registered share.
Gilles Michel First appointed to the Managing Board on February 6, 2007 Born on January 10, 1956 **Gilles Michel resigned from his position as a member of the Managing Board, as well as from all of his other duties within the PSA PEUGEOT CITROËN Group on January 1, 2009.** **Member of the Managing Board** Business address: Automobiles Citroën Immeuble Colisée III 12, rue Fructidor 75017 Paris France	**Member of the Managing Board of PSA PEUGEOT CITROËN** **Executive Vice President of Automobiles Citroën** **Other functions and directorships as of December 31, 2008:** Chairman of Citer. Chairman of the Board of Directors of Citroën Danemark A/S, Citroën Italia, Citroën UK Ltd, Citroën Belux and Citroën (Suisse) S.A. Chairman of the Supervisory Board of Citroën Nederland B.V. Vice-Chairman of Citroën Deutschland Member of the Supervisory Board of Citroën Deutschland AG. Director of Automoveis Citroën, Automoviles Citroën España, Autotransporte Turistico Español S.A., Comercial Citroën S.A. and Citroën Sverrige AB. Managing Director of PCMA Holding B.V. Permanent representative of Automobiles Citroën in its capacity as: Chairman of the Board of Directors of Automoveis Citroën Director of Banque PSA Finance. **Former functions and directorships in the past five years:** Director of Peugeot Citroën Automobiles and Process Conception Ingénierie. **Related expertise and professional experience:** After serving as Chief Executive Officer of several Saint-Gobain subsidiaries, Gilles Michel joined PSA PEUGEOT CITROËN in 2002. As Vice-President, Platforms, Technical Affairs and Purchasing, he was a member of the Executive Committee from 2002 to 2007. **Number of Peugeot S.A. shares owned as of December 31, 2008:** 12.

Grégoire Olivier First appointed to the Managing Board on February 6, 2007 Current term expires in 2011 Born on October 19, 1960 **Member of the Managing Board** Business address: PSA PEUGEOT CITROËN ADN Route Nationale 118 78140 Vélizy-Villacoublay France	**Member of the Managing Board of PSA PEUGEOT CITROËN** **Executive Vice-President, Programmes** **Other functions and directorships as of December 31, 2008:** Director of Peugeot Citroën Automobiles. Member of the Supervisory Board of Wendel. **Former functions and directorships in the past five years:** Chairman and Chief Executive Officer of Faurecia. Chairman and Chief Executive Officer of Sagem Communication. Chairman of the Managing Board of Sagem. Member of the Managing Board of Safran. Vice-Chairman of the Club Sagem Executive Committee. Director of Snecma, Sagem Défense et Sécurité and Imerys **Related expertise and professional experience:** Grégoire Olivier has held senior management positions in a number of manufacturing companies. **Number of Peugeot S.A. shares owned as of December 31, 2008:** 0.
Jean-Philippe Collin First appointed to the Managing Board on January 1, 2008 Current term expires in 2011 Born on May 25, 1956 **Member of the Managing Board** Business address: Automobiles Peugeot 75, Avenue de la Grande-Armée 75016 Paris France	**Member of the Managing Board of PSA PEUGEOT CITROËN** **Executive Vice President of Automobiles Peugeot** **Other functions and directorships as of December 31, 2008:** Director of Peugeot Motocycles and Peugeot España. Permanent representative of Automobiles Peugeot on the Board of Directors of Banque PSA Finance. **Former functions and directorships in the past five years:** Chairman and Chief Executive Officer of Keymro. **Related expertise and professional experience:** Jean-Philippe Collin held several executive positions in the areas of technology, quality and purchasing at IBM, Valeo and Thomson before being appointed in 2004 as Executive Vice-President, Purchasing of PSA PEUGEOT CITROËN. He became a member of the Expanded Executive Committee in February 2007 and was appointed Chief Exeuctive Officer of Automobiles Peugeot and a member of the Managing Board on January 1, 2008. **Number of Peugeot S.A. shares owned as of December 31, 2008:** 0.
Roland Vardanega First appointed to the Managing Board on February 6, 2007 Current term expires in 2011 Born on June 27, 1943 **Member of the Managing Board** Business address: PSA PEUGEOT CITROËN Centre technique Vélizy A Route de Gisy 78140 Vélizy-Villacoublay France Roland Vardanega was appointed Chairman of the Managing Board on 30 March 2009 and will be replaced by Philippe Varin on 1 June 2009.	**Member of the Managing Board of PSA PEUGEOT CITROËN** **Executive Vice-President, Manufacturing and Components** **Other functions and directorships as of December 31, 2008:** Chairman of Peugeot Citroën Automoviles Portugal SA. Director of Esso – SAF, Peugeot Citroën Automobiles, Peugeot Citroën Automoviles España SA, Peugeot Citroën Automoviles Portugal SA, Résidence de Chantilly, Résidéal Santé and La Closerie des Tilleuls. Representative of the Legal Manager for Société Mécanique Automobile de l'Est, Peugeot Citroën Poissy, Peugeot Citroën Sochaux S.N.C, Peugeot Citroën Mulhouse S.N.C, Peugeot Citroën Aulnay, Peugeot Citroën Rennes, Peugeot Citroën Mécanique du Nord Ouest and Peugeot Citroën Mécanique de l'Est. Legal Manager of Vardanega Invest. **Former functions and directorships in the past five years:** Chairman of Societa Europea Veicoli Leggeri-Sevel Spa, Peugeot Citroën Automobiles UK Ltd and La Closerie des Tilleuls. Director of Société Européenne de Véhicules Légers du Nord- Sevelnord. **Related expertise and professional experience:** Roland Vardanega joined PSA PEUGEOT CITROËN in 1967. He has held numerous executive positions, particularly in production and human resources management, and was a member of the Group's Executive Committee from 1998 to 2007. **Number of Peugeot S.A. owned as of December 31, 2008:** 0.

14.1.3 Sanctions applicable to Supervisory Board or Managing Board Members

To the best of the Company's knowledge, in the last five years no member of the Supervisory Board or Managing Board has (i) been convicted of any fraudulent offence, (ii) been a member of the administrative, management or supervisory body of a company that has been declared bankrupt, or placed in liquidation or receivership, (iii) been the subject o any official public incrimination and/or sanctions by statutory or regulatory authorities or (iv) been disqualified by a court from acting as member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

14.2 Conflicts of interest concerning Supervisory Board or Managing Board Members

To the best of the Company's knowledge, there are no conflicts of interest between the duties of Supervisory Board and Managing Board members to Peugeot S.A. and their private interests or other duties.

No loans or guarantees have been granted to or on behalf of any members of the Supervisory Board or Managing Board by the Company or any Group entities.

No assets required for the operation of the business are owned by any members of the Supervisory Board or Managing Board or their families.

The Supervisory Board believes that its membership appropriately reflects the percentage of capital held by the Company's main stockholder, the Peugeot family.

As of 1 March 2009, the Board comprised five family members: Thierry Peugeot, Jean-Philippe Peugeot, Robert Peugeot, Marie-Hélène Roncoroni and Marc Friedel. Marie-Hélène Roncorini is Thierry Peugeot's sister, and Thierry Peugeot, Jean-Philippe Peugeot, Robert Peugeot and Marc Friedel are second cousins. There are no family ties among the other Supervisory Board or Managing Board members.

Jean-Louis Masurel, Henri Philippe Reichstul, Geoffroy Roux de Bézieux, Ernest-Antoine Seillière and Joseph F. Toot Jr. have no ties with the Company, its Group or its managment and contribute their international finance and managerial experience to the Supervisory Board's deliberations.

Jean-Louis Silvant is a former member of the Executive Committee and contributes his long experience in a large number of executive positions with the Group, particularly in production and human resources management.

Jean-Paul Parayre, former Chairman of the Peugeot S.A. Managing Board and Chairman of the Supervisory Board of Vallourec, contributes his knowledge of the automobile industry and the Group's operation, as well as of British and American corporate governance practices.

In accordance with the consolidated Corporate Governance Code for listed companies issued by the AFEP/MEDEF in December 2008, the Supervisory Board has reviewed its membership and considers that Jean-Louis Masurel, Henri Philippe Reichstul, Geoffroy Roux de Bézieux, Ernest-Antoine Seillière and Joseph F. Toot Jr can be qualified as independent. To assess its members' independence, the Supervisory Board applies the criteria recommended in the AFEP/MEDEF Corporate Governance Code, except that members who have sat on the Board for more than twelve years or who have been a director of another Group company during the last five years may nevertheless be deemed independent.

The Supervisory Board considers that the automobile industry experience of its members is extremely valuable, particularly in a business requiring a medium and long-term vision. The Board also considers that the fact of having recently been a director of another Group company does not give rise to any risk of the type of conflict of interest that the AFEP/MEDEF independence rules are designed to avoid. No member of the Board exercises any senior executive responsibilities or is a salaried employee of a Group company.

When new members are proposed for election at the Annual Stockholders' Meeting, the Supervisory Board will select candidates based on the recommendations of the Compensation and Appointments Committee and the independence criteria referred to above.

14.3 Organisation and Operating Procedures of the Supervisory Board

➜ 14.3.1 Role of the Supervisory Board

In accordance with the law, the Supervisory Board is responsible for appointing the members of the Managing Board and for overseeing their management of the Company.

The Company's bylaws also attribute to the Supervisory Board authority to remove members of the Managing Board from office, and to approve corporate actions, bond issues, the signature or termination of agreements with other companies operating in the same industry that will have a decisive impact on the Group's future development, and any major transaction that substantially alters the business or financial structure of the Company or the Group. In addition, the Supervisory Board ensures that the strategy implemented by the Managing Board is consistent with the Group's long-term vision, as defined by the Supervisory Board. The Supervisory Board meets at least once every quarter; the agenda of each meeting is prepared by the Chairman.

➜ 14.3.2 Supervisory Board Meetings in 2008

The Supervisory Board met five times in 2008, with an average attendance rate of 98%.

At each meeting, the Board reviewed the Managing Board's report on the Group's operations and performance in terms of quality, sales, production, financial results and human resources. It was also presented reports on the Group's major strategic growth programs and objectives.

The Managing Board presented the 2009 budget at the December meeting.

The Committees of the Board reported their findings and recommendations at each of the meetings during the year.

➜ 14.3.3 Supervisory Board Operating Procedures

The Supervisory Board's internal rules set out its stewardship and control responsibilities. In particular, the Supervisory Board is responsible for reviewing the Managing Board's quarterly reports, as well as the annual financial statements of the Company and the Group and the Managing Board's report to the Annual Stockholders' Meeting.

The internal rules also stipulate that the Supervisory Board is required to authorise, in advance, the following actions by the Managing Board as provided for in Article 9 of the bylaws:

- stockholder-approved share issues (whether paid up in cash or by capitalising retained earnings) and capital reductions;
- issues of ordinary or convertible bonds;
- any proposed merger agreements or agreements for the sale of a business;
- the signature or termination of any manufacturing or sales agreements representing a future commitment for Peugeot S.A., with companies whose corporate purpose is similar or related to that of Peugeot S.A., and generally the execution of any major transaction which substantially alters the business or financial structure of the Company or the Group.

Certain other actions exceeding financial limits set by the Supervisory Board may be carried out only with the unanimous backing of all the members of the Managing Board or, failing that, with the prior authorisation of the Supervisory Board. These include the purchase or sale for cash or for shares of any building and business rights used by Peugeot S.A. involving an amount in excess of €50 million, the purchase or sale of any equity interest in any other company directly or indirectly representing an immediate or deferred investment, expense, credit guarantee or seller's warranty involving an amount in excess of €50 million, and any borrowings by Peugeot S.A. other than in the form of bonds, involving an amount in excess of €100 million.

The internal rules describe the information to be made available to the Supervisory Board, the process to be followed to determine the issues to be discussed at Supervisory Board meetings, the terms of reference of each Board committee as well as the obligations of Supervisory Board members, especially those arising from their constant access to insider information.

Lastly, guarantees given on behalf of subsidiaries are submitted for Supervisory Board approval when the amount involved exceeds €25 million or the cumulative amount of guarantees given during the year exceeds €125 million (excluding customs and tax bonds).

In February 2008, the Supervisory Board conducted a new self-assessment of its procedures and structure, which found that the quality of discussions during the meetings and the members' knowledge of the Group had all improved. The number of meetings was set at five per year. The self-assessment also noted the members' interest in examining in more depth subjects concerning strategic or long-term issues. Lastly, knowledge of the Group has been further improved by theme presentations by members of the Managing Board or senior executives and by meetings with line managers during on-site visits.The assessment also addressed the terms of reference of the Board committees and the reporting of the Committees' findings and recommendations.

14.4 Supervisory Board Committees

The Supervisory Board has created three specialised committees: the Strategy Committee, the Compensation and Appointments Committee and the Finance Committee.

The role of these Committees is to analyse and prepare certain matters to be discussed at Supervisory Board Meetings. They issue proposals, recommendations and opinions on the areas falling within their terms of reference. They act in a purely consultative capacity under the authority of the Supervisory Board, which has actual decision-making powers. The Committees report to the Supervisory Board for each Board Meeting and more often when necessary.

➜ 14.4.1 The Strategy Committee

Terms of Reference

The Strategy Committee is responsible for considering the Group's long-term growth strategy. It reviews all matters of strategic importance as well as the Managing Board's long-term strategic plan. It is consulted about proposed major transactions and 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 seven members who are appointed in a personal capacity and may not be represented by another party:

- Jean-Philippe Peugeot, Committee Chairman;
- Jean-Paul Parayre;
- Robert Peugeot;
- Thierry Peugeot;
- Henri Philippe Reichstul;
- Ernest-Antoine Seillière;
- Jean-Louis Silvant.

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Activities in 2008

The Strategy Committee met four times in 2008, primarily to examine the Group's automobile product plan and its strategy in China, as well as Gefco's expansion strategy and the main measures taken in response to the financial and economic crisis.

➜ 14.4.2 The Compensation and Appointments Committee

Terms of Reference

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. It also stays informed of changes in compensation and stock option grants to other Group executives.

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 proposing selection criteria, organising the selection process and recommending candidates for appointment or re-appointment.

Members

The Committee comprises four members who are appointed in a personal capacity and may not be represented by another party:

- Thierry Peugeot, Committee Chairman:
- Jean-Philippe Peugeot;
- Ernest-Antoine Seillière;
- Jean-Louis Silvant.

Activities in 2008

The Compensation and Appointments Committee met six times in 2008, notably to discuss the base salary and bonuses of Managing Board members as well as the granting of stock options to Managing Board members. In addition, the Committee was informed of the succession plans for key executives and examined the recommendations issued by the AFEP/MEDEF on October 6, 2008, which it advised the Supervisory Board to adopt.

→ 14.4.3 The Finance Committee

Terms of Reference

The Finance Committee issues an opinion to the Board on the financial statements of the Company and the Group. It may also be asked to review any corporate actions and other projects requiring the Board's prior approval. To this end, the Committee reviews in detail the interim and annual financial statements, as well as the most significant financial transactions and management reporting indicators. It also monitors off-balance sheet commitments and information concerning 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 five members who are appointed in a personal capacity and may not be represented by another party:

- Jean-Paul Parayre, Committee Chairman;
- Marc Friedel;
- Jean-Louis Masurel;
- Robert Peugeot;
- Marie-Hélène Roncoroni.

Activities in 2008

The Committee met six times in 2008. At each meeting, it reviewed the management reporting indicators. The Auditors and the Chief Financial Officer attended the meetings held to review the 2007 financial statements and the 2008 interim financial statements. During the last quarter of the year the Committee carefully monitored the cash position and financing of the manufacturing and sales companies and Banque PSA Finance. It also devoted a specific meeting to examining the Group's Internal Audit plan and to tracking the action plans implemented following the fraud at Banque PSA Finance in 2007. To this end the Committee carefully reviewed the stronger internal control procedures set up at the Bank as described in the Report of the Chairman of the Supervisory Board on the preparation and organisation of Supervisory Board meetings and on internal control.

At its meeting on February 6, 2009 – which was attended by the Auditors – the Finance Committee reviewed (i) the 2008 financial statements of the Company and the Group, prior to their presentation to the Supervisory Board on February 10, 2009, (ii) Faurecia's financial position, and (iii) the financing measures being negotiated with the French government and banks.

15

REMUNERATION AND BENEFITS OF CORPORATE OFFICERS

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

15.1 Managing Board Compensation

➜ Base Salary and Incentive Bonus

Compensation Policy

The compensation paid to each Managing Board member is determined by the Supervisory Board after reviewing the recommendations of the Compensation and Appointments Committee.

The annual compensation paid to Managing Board members includes a base salary and an incentive bonus based on the achievement of a certain number of objectives.

The five members of the Managing Board have been assigned both shared objectives and personal objectives related to their respective executive responsibilities. Each objective includes qualitative and quantitative targets. The Chairman of the Managing Board receives an incentive bonus that, barring exceptional circumstances, may not be less than 50% or more than 110% of his base salary. Incentive bonuses for the other members of the Managing Board may not exceed 100% of their base salary.

At the end of the year, the Supervisory Board determines the base salary that will be paid to Managing Board members the following year and, at the beginning of the year, it calculates the incentive bonus based on an evaluation of how well each member met his or her assigned objectives over the year. Also at the beginning of the year, the Supervisory Board sets objectives for each of the Managing Board members for the current year.

2008 Compensation

The base salary paid to Managing Board members for 2008 was unchanged from the previous year.

Of the total incentive bonus paid to the Chairman of the Managing Board, 45% was based on consolidated recurring operating income and margin and 55% on product quality levels (as measured by the decline in warranty costs) and on progress in building the future by implementing the Group's strategic plans.

Of the total incentive bonus paid to members of the Managing Board, 25% was based on meeting the Group's consolidated recurring operating income target and 75% on meeting objectives directly related to their respective areas of responsibility.

Christian Streiff has elected to forego his incentive bonus in respect to 2008. Bonuses paid to the other members of the Managing Board were reduced to 30% of their base salary for Grégoire Olivier and Roland Vardanega and to 20% of their base salary for Jean-Philippe Collin and Gilles Michel.

➜ Pension Benefits under an Insured Plan

In addition to being covered by government-sponsored basic and supplementary pension plans, eligible Managing Board members are also entitled to pension benefits funded under an insured plan. Benefits are capped at 50% of the average of their gross compensation, including bonuses, for their best three years out of the last five in the job. The additional benefits comprise a fixed portion representing 30% of the compensation received from government-sponsored basic and supplementary pension plans, plus an additional 2% of their gross compensation per year of service with the Group. To be entitled to this supplementary pension benefit, a member must have served as an officer of the Group for at least five years and be employed by the Group when he or she retires.

Employment Contract

Employment contracts of Managing Board members are suspended during their term as corporate officers and reinstated when they cease to be a member of the Managing Board. At that time, their annual compensation under the employment contract would be equal to their latest base salary, as decided by the Supervisory Board, plus the average of the last three years' incentive bonuses, and their entire term as member of the Managing Board will be taken into account for the purpose of calculating their seniority under the employment contract. This arrangement is conditional on the person having earned an incentive bonus equal to at least 60% of his or her average base salary over his or her term as member of the Managing Board. The arrangement will not apply when the Chairman of the Managing Board comes up for re-appointment or replacement, in application of AFEP-MEDEF recommendations.

Stock Options

The Managing Board, in full agreement with the Supervisory Board and in compliance with stockholder-approved limits, decided that starting in 2002, the benchmark price for options to purchase existing shares granted in a given year to executives or employees of the Company or related companies would be equal to the average of the opening share price during the 20 trading days following the publication of the first-half consolidated earnings, without any discount.

On August 20, 2008, the Managing Board used the authorization granted by the Annual Stockholders' Meeting of May 23, 2007 to issue 1,345,000 options to purchase existing shares of Peugeot S.A. stock for €33.08 per share. The options to purchase existing shares of Peugeot S.A. stock granted to Managing Board members in 2008 were allocated as follows: 140,000 to Christian Streiff and 60,000 to each of the other four Managing Board members.

In July 2007, in accordance with the law, the Supervisory Board determined the lock-up rules applicable to shares acquired by corporate officers on exercise of stock options granted under any future plans. Under these rules, every time a Managing Board member sells such shares, he or she will be required to retain, until the end of his or her term as member, a number of Peugeot S.A. shares equal to 15% of the theoretical gross value of the shares sold. The same lock-up rules were applied to the August 2008 plan.

Details of stock option plans in effect at 31 December 2008 are presented in note 28.3 to the consolidated financial statements in section 20, below. The aggregate number of options granted to the ten employees other than corporate officers receiving the largest number of stock options under the 2008 plan is presented in table 9 below. In addition, details of the options to purchase existing shares of Peugeot S.A. stock granted to Managing Board members in 2008 are presented in tables 4 and 8 below. Table 5 shows that none of these options were exercised by corporate officers during the year. Over the last three years, the portion of such options reserved for the Managing Board has always represented less than one third of the total number granted, as part of a policy of limiting stock option grants.

The options granted to members of the Managing Board in 2008 were awarded in August, before the publication on October 6 of the AFEP-MEDEF recommendations concerning compensation for executive corporate officers. As a result, they are not subject to any performance criteria.

Faurecia has its own stock option plans. Option grants may be decided only once a year, at the Board meeting held in February to approve the annual financial statements, and options may not be granted at a discount to the average share price used to determine the exercise price. The list of grantees, the number of options granted to each individual and the option price – corresponding to the average of the opening share price during the 20 trading days preceding the grant date – are decided in April, at the Board meeting held to call the Annual Stockholders' Meeting. On 10 April 2008, Faurecia granted 297,500 options to purchase new shares of Company stock for €33.78 per share.

Other Benefits

The only existing benefit in kind is a company car assigned to each member of the Managing Board. No commitments have been given to past or present Managing Board members concerning any other benefits to be paid when they cease to be a member.

Details on the different types of compensation, commitments and benefits granted to Managing Board members in respect of 2008 are presented in the tables that follow.

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15.2 Supervisory Board Compensation

Supervisory Board members and advisors are paid annual attendance fees up to an aggregate amount determined in advance by the Annual Stockholders' Meeting. Pursuant to the decision of the Annual Stockholders' Meeting of May 28, 2008, this amount has been set at €600,000 until further notice.

In 2008, of the total €600,000 in fees approved by Shareholders, €20,000 was allocated to each member of the Supervisory Board and €15,000 to each advisor. Members of Board Committees are paid an additional €10,000, or an additional €15,000 in the case of the Chairmen.

The Chairman of the Supervisory Board received €425,000 in compensation for 2008, the same amount as for 2007, and each of the Vice Chairmen of the Supervisory Board received €30,000.

No benefits in kind were awarded to Supervisory Board members, with the exception of a company car provided for the Chairman.

Details on the different types of compensation, commitments and benefits granted to Supervisory Board members in respect of 2008 are presented in Table 3 below.

In addition, Thierry Peugeot, Jean-Philippe Peugeot, Robert Peugeot and Marie-Hélène Roncoroni receive compensation for working or holding corporate offices in the Peugeot family's companies. Details regarding this compensation are provided in the *Foncière, Financière et de Participations* (FFP) management report.

15.3 Paid Fees and Compensations

➜ Tables 1: Compensation and Stock Options Awarded to Executive Corporate Officers

Christian Streiff **Chairman of the Managing Board**	**2007** **February 6 to December 31**	**2008**
Compensation for the year (details in table 2)	€1,927,861	€1,053,020
Value of stock options granted during the year (details in table 4)	€2,611,000	€1,335,600
Value of performance shares granted during the year (details in table 6)	-	-
TOTAL	**€4,538,861**	**€2,388,620**

Grégoire Olivier Executive Vice President, Programmes	2007 February 6 to December 31	2008
Compensation for the year (details in table 2)	€1,047,099	€806,620
Value of stock options granted during the year (details in table 4)	€1,119,000	€572,400
Value of performance shares granted during the year (details in table 6)	-	-
TOTAL	**€2,166,099**	**€1,379,020**

Jean-Philippe Collin Executive Vice President, Automobiles Peugeot	2007	2008 January 1 to December 31
Compensation for the year (details in table 2)	-	€742,800
Value of stock options granted during the year (details in table 4)	-	€572,400
Value of performance shares granted during the year (details in table 6)	-	-
TOTAL	**-**	**€1,315,200**

Gilles Michel Executive Vice President, Automobiles Citroën	2007 6 February to 31 December	2008
Compensation for the year (details in table 2)	€1,055,194	€744,820
Value of stock options granted during the year (details in table 4)	€1,119,000	€572,400
Value of performance shares granted during the year (details in table 6)	-	-
TOTAL	**€2,174,194**	**€1,317,220**

Roland Vardanega Executive Vice President, Manufacturing and Components	2007 6 February to 31 December	2008
Compensation for the year (details in table 2)	€1,115,194	€806,620
Value of stock options granted during the year (details in table 4)	€1,119,000	€572,400
Value of performance shares granted during the year (details in table 6)	-	-
TOTAL	**€2,234,194**	**€1,379,020**

Frédéric Saint-Geours Executive Vice President, Automobiles Peugeot	2007 1 January to 31 December	2008
Compensation for the year (details in table 2)	€923,876	-
Value of stock options granted during the year (details in table 4)	€1,119,000	-
Value of performance shares granted during the year (details in table 6)	-	-
TOTAL	**€2,042,876**	**-**

Tables 2: Compensation Paid to Members of the Managing Board

Former Managing Board, January 1 – December 31, 2007

Frédéric Saint-Geours Executive Vice President, Automobiles Peugeot (term ended December 31, 2007)	2007 Compensation January 1 to December 31		2008 Compensation	
	Earned	Paid	Earned	Paid
Salary	€590,896	€590,896	-	-
Bonus	€330,000	€123,000	-	€330,000
Exceptional compensation	-	-	-	-
Directors fees	-	-	-	-
Company car	€2,980	€2,980	-	-
TOTAL	**€923,876**	**€716,876**	**-**	**€330,000**

New Managing Board, effective February 6, 2007

Christian Streiff Chairman of the Managing Board	2007 Compensation 6 February to 31 December		2008 Compensation	
	Earned	Paid	Earned	Paid
Salary	€904,167	€904,167	€1,030,000	€1,027,801
Bonus	€1,000,000	-	-	€1,000,000
Exceptional compensation	-	-	-	-
Directors fees*	€21,000	€21,000	€19,800	€19,800
Company car	€2,694	€2,694	**€3,220**	**€3,220**
TOTAL	**€1,927,861**	**€927,861**	**€1,053,020**	**€2,050,821**

* *In compensation for his duties as director of Faurecia, Christian Streiff was paid €21,000 in respect of 2007 and €19,800 in respect of 2008.*

Grégoire Olivier Executive Vice President, Programmes	2007 Compensation 16 February to 31 December		2008 Compensation	
	Earned	Paid	Earned	Paid
Salary	€522,500	€522,500	€618,000	€618,000
Bonus	€522,000	-	€185,400	€522,000
Exceptional compensation	-	-	-	-
Directors fees	-	-	-	-
Company car	€2,599	€2,599	€3,220	€3,220
TOTAL	**€1,047,099**	**€525,099**	**€806,620**	**€1,143,220**

Jean-Philippe Collin Executive Vice President, Automobiles Peugeot	2007 Compensation		2008 Compensation January 1 to December 31	
	Earned	Paid	Earned	Paid
Salary	-	-	€618,000	€618,000
Bonus	-	-	€123,600	€258,640
Exceptional compensation	-	-	-	-
Directors fees	-	-	-	-
Company car	-	-	€1,200	€1,200
TOTAL	-	-	**€742,800**	**€877,840**

Gilles Michel Executive Vice President, Automobiles Citroën	2007 Compensation 6 February to 31 December		2008 Compensation	
	Earned	Paid	Earned	Paid
Salary	€542,500	€542,500	€618,000	€618,000
Bonus	€510,000	-	€123,600	€673,200
Exceptional compensation	-	-	-	-
Directors fees	-	-	-	-
Company car	€2,694	€2,694	€3,220	€3,220
TOTAL	**€1,055,194**	**€545,194**	**€744,820**	**€1,294,420**

Roland Vardanega Executive Vice President, Manufacturing and Components	2007 Compensation 6 February to 31 December		2008 Compensation	
	Earned	Paid	Earned	Paid
Salary	€542,500	€542,500	€618,000	€185,400
Bonus	€570,000	-	€185,400	€679,480
Exceptional compensation	-	-	-	-
Directors fees	-	-	-	-
Company car	€2,694	€2,694	€3,220	€3,220
TOTAL	**€1,115,194**	**€545,194**	**€806,620**	**€1,300,700**

Table 3: Directors Fees and Other Compensation Paid to Non-Executive Corporate Officers

Non-executive corporate officers	Paid in 2007	Paid in 2008
Thierry Peugeot, Chairman of the Supervisory Board		
Directors fees	€17,000	€20,000
Directors' fees for members of Board Committees	€15 000	€25,000
Other compensation	€425,000	€425,000
Jean Boillot, Vice-Chairman of the Supervisory Board		
Directors fees	€8,500	-
Directors' fees for members of Board Committees	€2,500	-
Other compensation	€11,430	-
Jean-Philippe Peugeot, Vice Chairman of the Supervisory Board		
Directors fees	€17,000	€20,000
Directors' fees for members of Board Committees	€15,000	€25,000
Other compensation	€22,860	€30,000
Jean-Louis Silvant, Vice-Chairman of the Supervisory Board		
Directors fees	€17,000	€20,000
Directors' fees for members of Board Committees	€10,000	€20,000
Other compensation	€11,430	€30,000
Pierre Banzet, Member of the Supervisory Board		
Directors fees	€8,500	-
Marc Friedel, Member of the Supervisory Board		
Directors fees	€17,000	€20,000
Other compensation	€7,500	€10,000
Jean-Louis Masurel, Member of the Supervisory Board		
Directors fees	€17,000	€20,000
Other compensation	€5,000	€10,000
Jean-Paul Parayre, Member of the Supervisory Board		
Directors fees	€17,000	€20,000
Other compensation	€12,500	€25,000
Robert Peugeot, Member of the Supervisory Board		
Directors fees	€17,000	€20,000
Directors' fees for members of Board Committees	€5,000	€20,000
Other compensation*	€159,040	€83,250

Non-executive corporate officers	Paid in 2007	Paid in 2008
Henri Philippe Reichstul, Member of the Supervisory Board		
Directors fees	€8,500	€20,000
Other compensation	€2,500	€10,000
Marie-Hélène Roncoroni, Member of the Supervisory Board		
Directors fees	€17,000	€20,000
Other compensation	€5,000	€10,000
Geoffroy Roux de Bézieux, Member of the Supervisory Board		
Directors fees	€8,500	€20,000
Ernest-Antoine Seillière, Member of the Supervisory Board		
Directors fees	€17,000	€20,000
Other compensation	€10,000	€20,000
Joseph F. Toot, Member of the Supervisory Board		
Directors fees	€17,000	€20,000
Bertrand Peugeot, Advisor		
Directors fees	€8,500	€15,000
François Michelin, Advisor		
Directors fees	€8,500	€15,000
Roland Peugeot, Advisor		
Directors fees	€8,500	€15,000
TOTAL	**€949,260**	**€1,028,250**

Thierry PEUGEOT was paid €13,000 in compensation for his duties as director of Faurecia.

Robert PEUGEOT was paid €13,000 in compensation for his duties as director of Faurecia.

(*) The amount paid to Robert PEUGEOT in 2007 mainly corresponded to his compensation as a corporate officer (Executive Vice President, Innovation and Quality) from 1 january to 28 February of that year: The amount paid in 2008 mainly corresponds to his annual performance bonus for 2006, which was paid during the year.

➜ Table 4: Options to Purchase Existing or New Shares of Peugeot S.A. Stock Granted to Executive Corporate Officers During the Year

Name	Date of plan	Type of shares to be purchased	Value based on the method used in the consolidated financial statements	Number of options granted during the year	Exercise price	Exercise period
Christian Streiff	August 20, 2008	Existing	€1,335,600	140,000	€33.08	20 August 2011 to 19 August 2016
Grégoire Olivier	August 20, 2008	Existing	€572,400	60,000	€33.08	20 August 2011 to 19 August 2016
Jean-Philippe Collin	August 20, 2008	Existing	€572,400	60,000	€33.08	20 August 2011 to 19 August 2016
Gilles Michel	August 20, 2008	Existing	€572,400	60,000	€33.08	20 August 2011 to 19 August 2016
Roland Vardanega	August 20, 2008	Existing	€572,400	60,000	€33.08	20 August 2011 to 19 August 2016

➜ Table 5: Options to Purchase Existing or New Shares of Peugeot S.A. Stock Exercised by Executive Corporate Officers During the Year

None.

➜ Table 6: Performance Shares Granted to Executive Corporate Officers

None.

➜ Table 7: Performance Shares Vesting During the year for Executive Corporate Officers

None.

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➜ Table 8: Options Granted to Members of the Managing Board to Purchase New or Existing Shares of Peugeot S.A. Stock

Options Granted to Purchase New or Existing Shares Plan, Exercise and Expiry Date Information

Plan	October 5, 2000	November 20, 2001	August 20, 2002	August 21, 2003	August 24, 2004	August 23, 2005	August 23, 2006	August 22, 2007	August 20, 2008
Total number of new or existing shares available for purchase by:	709,200	798,600	860,100	996,500	1,004,000	943,000	983,500	1,155,000	1,345,000
Christian Streiff Chairman of the Managing Board								140,000	140,000
Grégoire Olivier Executive Vice President, Programmes								60,000	60,000
Jean-Philippe Collin Executive Vice President, Automobiles Peugeot						8,000	12,000	20,000	60,000
Gilles Michel Executive Vice President, Automobiles Citroën			24,000	35,000	40,000	40,000	60,000	60,000	60,000
Roland Vardanega Executive Vice President, Manufacturing and Components	15,000	24,000	24,000	30,000	30,000	30,000	45,000	60,000	60,000
Earliest exercise date	October 5, 2002	November 20, 2004	August 20, 2005	August 21, 2006	August 24, 2007	August 23, 2008	August 23, 2009	August 22, 2010	August 20, 2011
Last exercise date	October 5, 2008	November 20, 2008	August 21, 2009	August 21, 2011	August 24, 2012	August 23, 2013	August 23, 2014	August 22, 2015	August 20, 2016
Purchase price	€35.45	€46.86	€46.28	€39.09	€47.59	€52.37	€41.14	€60.43	€33.08
Exercise procedures applicable to plans comprising several tranches									
Number of shares issued on exercise of options as at December 31, 2008	526,093	389,400	317,800	289,393	12,000	10,000	15,000	-	-
Number of options cancelled, expired or forfeited	183,107	409,200	17,000	18,000	29,000	14,000	23,000	14,000	-
Number of options outstanding at the end of the period	-	-	525,300	689,107	963,000	919,000	945,500	1,141,000	1,345,000

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➜ Table 9: Options to Purchase New or Existing Shares Granted to the Ten Top Employees Other Than Corporate Officers

	Total number of options granted/ exercised for new or existing shares	Exercise price
Options granted during the year by the Company and any company included in the plan to the ten employees (other than corporate officers) of these companies to whom the most options were granted	330,000	€33.08
Options granted by the Company and any companies included in the plan and exercised during the year by the ten employees (other than corporate officers) of these companies having exercised the most options	-	-

➜ Table 10: Pension Obligations Concerning Members of the Managing Board

	Employment contract(*) suspended during term of office		Supplementary pension plan		Compensation or benefits due or that may be due on termination or change in position		Non-compete Indemnity	
Executive corporate officers	**Yes**	**No**	**Yes** (2)	**No**	**Yes**	**No**(3)	**Yes**	**No**
Christian Streiff Chairman of the Managing Board since February 6, 2007	Yes (1)		Yes			No		No
Grégoire Olivier Executive Vice President, Programmes since February 16, 2007	Yes		Yes			No		No
Jean-Philippe Colin Executive Vice President, Automobiles Peugeot since January 1, 2008	Yes		Yes			No		No
Gilles Michel Executive Vice President, Automobiles Citroën from 6 February 2007 to 31 December 2008	Yes		Yes			No		No
Roland Vardanega Executive Vice President, Manufacturing and Components since February 6, 2007	Yes		Yes			No		No

(1) This policy applies until the Chairman is re-appointed or replaced, in accordance with AFEP/MEDEF recommendations.

(2) In addition to being covered by government-sponsored basic and supplementary pension plans, eligible Managing Board members are also entitled to pension benefits funded under an insured plan. Benefits are capped at 50% of the average of their gross compensation, including bonuses, for their best three years out of the last five in the job.To be entitled to this supplementary pension benefit, a member must have served as an officer of the Group for at least five years within the meaning of note 42 to the consolidated financial statements and be employed by the Group when he or she retires.

(3) No other benefits exist aside from those arising from events described in the two previous columns.

(*) Upon reinstatement, annual compensation under the contract would be equal to their latest base salary, as decided by the Supervisory Board, plus the average of the last three years' incentive bonuses, and their entire term as member of the Managing Board would be taken into account for the purpose of calculating their seniority under the employment contract.<In accordance with the law, the Supervisory Board has decided to make this arrangement conditional on the person having earned an incentive bonus equal to at least 60% of his or her average base salary over his or her term as member ofthe Managing Board.

No other commitments have been given to past or present Managing Board members concerning any other benefits to be paid when they cease to be a member.

16 BOARD PRACTICES

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16.1 Terms of Office of Directors and Senior Executives

Please refer to section 14.1.

16.2 Service Contracts Providing for Benefits upon Termination of Employment

None of the members of the Supervisory Board or Managing Board have service contracts with Peugeot S.A. or any of its subsidiaries providing for benefits upon termination of employment.

16.3 Supervisory Board Committees

Please refer to section 14.4 above.

16.4 Compliance with Best Corporate Governance Practices

At its December 16, 2008 meeting the Supervisory Board decided to adopt the AFEP/MEDEF Corporate Governance Code, as applicable to French joint-stock companies with a Supervisory Board and Managing Board. Further details on the Company's application of this Code are provided in the Report of the Chairman of the Supervisory Board on the preparation and organisation of Supervisory Board meetings and on internal control, in section 16.5.1 below.

16.5 Other Significant Corporate Governance Practices and Internal Control Processes and Procedures

The Group's internal controls are implemented based on its operational organisation as well as its legal structure. The applicable internal control processes are described in the Report of the Chairman of the Supervisory Board on the preparation and organisation of Supervisory Board meetings and on internal control.

➜ 16.5.1 Report of the Chairman of the Supervisory Board on the preparation and organisation of Supervisory Board meetings and on internal control

1 Preparation and organisation of Supervisory Board meetings

1.1 Supervisory Board membership, role and responsibilities

The Peugeot S.A. Supervisory Board has twelve members and three non-voting advisors. No member of the Board is a salaried employee of a Group company.

The Supervisory Board appoints members of the Managing Board and can remove them from office. According to the law, it is responsible for overseeing the Managing Board's management of the business. The Company's bylaws also attribute to the Supervisory Board sole authority to approve corporate actions, bond issues, the signature or termination of agreements with other companies operating in the same industry that will have a decisive impact on the Group's future development, and any major transaction that substantially alters the business or financial structure of the Company or the Group. In addition, the Supervisory Board ensures that the strategy implemented by the Managing Board is consistent with the Group's long-term vision, as defined by the Supervisory Board.

The Board's internal rules stipulate that the Board is required to authorize, in advance, the following actions by the Managing Board, as provided for in Article 9 of the Peugeot S.A. bylaws:

- stockholder-approved share issues (whether paid up in cash or by capitalizing retained earnings) and capital reductions;
- any and all issues of convertible or non-convertible bonds;
- any proposed merger agreements or agreements for the sale of a business;
- the signature or termination of any manufacturing or sales agreements representing a future commitment for Peugeot S.A., with companies whose corporate purpose is similar or related to that of Peugeot S.A., and generally the execution of any major transaction which substantially alters the scope of the business or the balance sheet structure of the Company or the Group.

Certain other actions exceeding financial limits set by the Supervisory Board may be carried out only with the unanimous backing of all the members of the Managing Board or, failing that, with the prior authorization of the Supervisory Board. These include the purchase or sale for cash or for shares of any building and business rights used by Peugeot S.A. involving an amount in excess of €50 million, the purchase or sale of any equity interest in any other company directly or indirectly representing an immediate or deferred investment, expense, credit guarantee or seller's warranty involving an amount in excess of €50 million, and any borrowings by Peugeot S.A. other than in the form of bonds, involving an amount in excess of €100 million.

Lastly, guarantees given on behalf of subsidiaries are submitted for Supervisory Board approval when the amount involved exceeds €25 million or the cumulative amount of guarantees given during the year exceeds €125 million (excluding customs and tax bonds).

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1.2 Supervisory Board Practices

The Supervisory Board meets at least once every quarter; the agenda of each meeting is prepared by the Chairman. It met five times in 2008, with an average attendance rate of 98%.

Board members are provided with detailed information about all material transactions. Guarantees given on behalf of subsidiaries are submitted for Supervisory Board approval when the amount involved exceeds €25 million or the cumulative amount of guarantees given during the year exceeds €125 million (excluding customs and tax bonds).

1.3 Committees of the Board

The Supervisory Board is assisted by three committees, each of which has its own internal rules.

The Compensation and Appointments Committee

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. The Committee also stays informed of changes in compensation and stock option grants to other Group executives.

In February 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 proposing selection criteria, organising the selection process and recommending candidates for appointment or re-appointment.

The Committee currently comprises four members who are appointed in a personal capacity and may not be represented by another party. It met six times in 2008, to review the base salary and bonuses of Managing Board members and the granting of stock options to Managing Board members. In addition, the Committee was informed of the succession plans for the Group's key executives and examined the recommendations issued by the AFEP/MEDEF on October 6, 2008, which it advised the Supervisory Board to adopt.

The Strategy Committee

The Strategy Committee is responsible for considering the Group's long-term growth strategy. It is consulted on all major strategic issues and reviews the Managing Board's long-term strategic plan. It also prepares Supervisory Board decisions on strategic projects submitted for the Board's approval in accordance with Article 9 of the bylaws.

The Committee currently comprises seven members who are appointed in a personal capacity and may not be represented by another party. It met four times in 2008, primarily to examine the Group's automobile product plan and its strategy in China, as well as Gefco's expansion strategy and the main measures taken in response to the financial and economic crisis.

The Finance Committee

The Finance Committee comprises five members who are appointed in a personal capacity and may not be represented by another party. It issues an opinion to the Board on the financial statements of the Company and the Group. It may also be asked to review any corporate actions and other projects requiring the Board's prior approval. To this end, the Committee reviews in detail the interim and annual financial statements, as well as the most significant financial transactions and management reporting indicators. It also monitors off-balance sheet commitments and information concerning 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.

The Committee met six times in 2008. At each meeting it reviewed the management reporting indicators. The Auditors and the Chief Financial Officer attended the meetings held to review the 2007 financial statements and the 2008 interim financial statements. During the last quarter of the year the Committee carefully monitored the Group's cash position and the financing situation for manufacturing and sales operations and Banque PSA Finance. It also devoted a specific meeting to examining the Group's Internal Audit plan and to tracking the action plans implemented following the fraud at Banque PSA Finance in 2007. To this end the Committee carefully reviewed the stronger internal control procedures set up at the Bank as described in paragraph 2.3 below. At its meeting of February 6, 2009 – which was attended by the Auditors – the Finance Committee reviewed (i) the 2008 financial statements of the Company and the Group, prior to their presentation to the Supervisory Board on February 10, 2009, (ii) Faurecia's financial position, and (iii) the financing measures being negotiated with the French government and banks.

1.4 Supervisory Board and Managing Board Compensation Policies

Supervisory Board members and advisors are paid annual attendance fees. The total fees are approved by stockholders at the Annual Stockholders' Meeting.

The annual compensation paid to members of the Managing Board comprises a base salary and an incentive bonus that is based on a certain number of objectives.

The five Managing Board members are assigned common objectives as well as personal objectives related to their respective executive positions. Each objective comprises both quantitative and qualitative criteria. The Chairman of the Managing Board receives an incentive bonus which, barring exceptional circumstances, may not represent more than 110% or less than 50% of his base salary. The bonus for other members of the Managing Board is limited to 100% of their base salary.

The Supervisory Board sets Managing Board members' base salaries at the end of each year for the following year. Their bonuses are determined at the beginning of the following year, based on the performance for the prior year in relation to their assigned objectives. At the same meeting, the Supervisory Board sets the objectives of Managing Board members for the coming year.

In addition to being covered by government-sponsored basic and supplementary pension plans, Managing Board members are also entitled to pension benefits funded under an insured plan.

The employment contracts of Managing Board members, which were suspended upon their appointment as corporate officers, will be reinstated when they cease to be a member of the Managing Board. At that time, their annual compensation under the employment contract will be equal to their latest base salary decided by the Supervisory Board, plus the average of the last three years' incentive bonuses, and their entire term as member of the Managing Board will be taken into account for the purpose of calculating their seniority under the employment contract. This arrangement is conditional on the person having earned an incentive bonus equal to at least 60% of his or her average base salary over his or her term as member of the Managing Board. However, in accordance with the AFEP/MEDEF recommendations on executive directors' compensation, this system will be abolished for the Chairman of the Managing Board when his term of office is renewed or when he is replaced.

No other commitments have been given to past or present Managing Board members concerning any other benefits to be paid when they cease to be a member.

The Supervisory Board may also decide to grant stock options to Managing Board members, in which case it determines the lock-up rules that will apply to shares acquired upon the exercise of the options in accordance with the law. The Managing Board, in full agreement with the Supervisory Board and in compliance with stockholder-approved limits, decided that starting in 2002, the benchmark price for options to purchase existing shares granted in a given year to executives or employees of the Company or related companies would be equal to the average of the opening share price during the 20 trading days following the publication of the Group's first-half consolidated earnings, without any discount. On 20 August 2008, the Managing Board used the authorisation given by the Annual Stockholders' Meeting of May 23, 2007 to grant 1,345,000 options to purchase existing shares of Peugeot S.A. stock for €33.08 per share.

In July 2007, in accordance with the law, the Supervisory Board determined the lock-up rules applicable to shares acquired by corporate officers on exercise of stock options granted under any future plans. Under these rules, every time a Managing Board member sells such shares, he or she will be required to retain, until the end of his or her term as member, a number of Peugeot S.A. shares equal to 15% of the theoretical gross value of the shares sold. These lock-up conditions also apply to the August 2008 stock option plan.

In 2008, 140,000 stock options were granted to Christian Streiff and 60,000 options were granted to each of the four other Managing Board members.

Supervisory Board decisions concerning compensation are prepared by the Compensation and Appointments Committee.

The Group will implement the AFEP/MEDEF's October 6, 2008 recommendations on executive directors' compensation to the Chairman and other members of the Managing Board when applicable.

1.5 Adoption of the AFEP/MEDEF Corporate Governance Code

At its December 16, 2008 meeting, the Supervisory Board decided to adopt the AFEP/MEDEF Corporate Governance Code, as applicable to French joint-stock companies with a Supervisory Board and Managing Board, except for a number of points that are detailed below. The full version of this code, issued in December 2008, can be consulted at Peugeot S.A.'s head office or on the AFEP or MEDEF websites.

The areas of the Code that Peugeot S.A. has elected not to apply are as follows:

- to assess its members' independence the Supervisory Board applies the criteria recommended in the AFEP/MEDEF Code, except that members who have sat on the Board for more than twelve years or who have been a director of another Group company during the last five years may nevertheless be deemed independent.

  The Supervisory Board considers that the automobile industry experience of its members is extremely valuable, particularly in a business requiring a medium and long-term vision. The Board also considers that the fact of having recently been a director of another Group company does not give rise to any risk of the type of conflict of interest that the AFEP/MEDEF independence rules are designed to avoid. No member of the Board exercises any senior executive responsibilities or is a salaried employee of a Group company.

  As an exception to the recommendations in the AFEP/MEDEF corporate governance code, the membership structure of the Finance Committee and the Compensation and Appointments Committee takes into account the Group's independence criteria but also the requirement to have representatives from members of the Peugeot family, which is the Group's majority stockholder;

- supervisory Board members' terms of office are set at six years rather than four as recommended in the Code, as the Supervisory Board considers that a supervisory and oversight body needs to be in place for a certain amount of time in order to be able to effectively perform its duties. The term of office for Managing Board members is four years however;
- the Supervisory Board believes that it would be neither helpful nor necessary to set up a variable component for attendance fees based on members' attendance at Board and Committee meetings. Given that attendance rates at these meetings were 98% and 95% in 2008 and 2007 respectively, the Board feels that there is no need to give added incentives for members to attend meetings. Furthermore, the Chairman of the Supervisory Board frequently consults Board members on issues outside of scheduled meetings, and likewise, Board members regularly take the initiative of informing the Chairman of their opinions and recommendations.

1.6 Attendance at Peugeot S.A. Stockholders' Meetings

Any Peugeot S.A. stockholder may take part in the Company's Stockholders' Meetings irrespective of the number of shares held. No specific attendance requirements are stipulated in Article 11 of the bylaws concerning Stockholders' Meetings.

1.7 Disclosure of Information that May Have an Impact in the Event of a Public Tender Offer for the Company's shares

This information is provided in this Registration Document as part of the disclosures required under Article L. 225-100-3 of the French Commercial Code (see p. 346).

2 Internal Control Procedures

2.1 Objectives and Limits of the PSA PEUGEOT CITROËN Internal Control System

As part of its commitment to preventing and limiting the effects of internal and external risks, the Group has established internal control procedures and processes designed to provide reasonable assurance concerning the achievement of objectives in the following categories:

- compliance with laws and regulations;
- application of the Managing Board's instructions and strategic guidelines;
- efficient internal processes, particularly those that help to safeguard the Company's assets;
- reliable financial reporting.

These controls also contribute to the proficient management of the Company's businesses, the effectiveness of its operations and the efficient use of its resources.

Within Group companies, the focus is on accounting and financial controls, which constitute a core component of the internal control system. Covering the production and communication of all of the Group's accounting and financial information, these controls contribute to the reporting of reliable information in compliance with legal and regulatory requirements.

They are based on specific procedures defined and implemented by Corporate Finance in order to meet the above objectives.

The internal control system aims to ensure that the above objectives will be met; however, no system can provide an absolute guarantee that this will be the case.

2.2 Internal Control Framework Used by PSA PEUGEOT CITROËN

PSA PEUGEOT CITROËN set the objective of adopting the internal control framework and guidelines recommended by the French securities regulator (AMF) for the businesses defined in section 2.3 below by the end of 2007. This objective applied both to processes contributing to the preparation of accounting and financial information for reporting purposes and to the overall organisation of the Group's operations.

In 2008, the Group consolidated the internal control processes related to the new organisational structure put in place in 2007.

The Automobile Division's operating units and support departments are equipped with a set of procedures whose purpose is to ensure that operations continue to function effectively and in compliance with identified best practices. These units and departments also have the means to evaluate the risks they face and the controls they implement to counteract those risks. The databases and analyses are regularly updated.

2.3 Scope of the Internal Control Framework

Internal controls are implemented based on the Group's operational organisation as well as its legal structure.

The summary information provided in this internal control report focuses on procedures implemented to address risks likely to have a material impact on PSA PEUGEOT CITROËN'S published financial and accounting information.

Three Group companies use their own internal control frameworks, which are either specific to their business and regulatory environment (Banque PSA Finance) or adapted to the decentralised nature of their organisation (Faurecia and Gefco). These three companies are therefore not included in the scope of the overall internal control framework.

Banque PSA Finance

In line with CRBF regulation 97-02, dealing with internal control systems of credit institutions, Banque PSA Finance's internal control system is organised around two lines of responsibility – for recurring controls and periodic controls – and the first-tier controls performed by the operating units.

The fundamental principles underpinning the organisation and implementation of internal control are set out in an internal control charter that describes the system's organisation, resources, scope, missions and processes.

RECURRING CONTROLS

First-tier controls, the lynchpin of the internal control system

First-tier controls are either embedded in procedures and performed by all employees in the normal course of their work, or they are performed by dedicated employees within the operating units. They are supervised by the structures responsible for recurring controls.

Second-tier controls

Second-tier controls include compliance controls and controls over operational risks within the finance companies and corporate units, including those arising from services performed by the PSA PEUGEOT CITROËN Group on the Bank's behalf.

The Compliance unit is responsible for preventing, controlling and overseeing compliance risks.

In 2008, the Compliance unit focused on:

- continuing to train staff in compliance risks, particularly the prevention of money laundering and the financing of terrorism, and the protection of personal data;
- deploying controls to help prevent money-laundering and the financing of terrorism and improving the related systems and processes;
- monitoring regulatory changes more closely across the entire business.

Controls over operational risks include:

- recurring assessments of the effectiveness of controls over operational risks within the Bank, including for outsourced services;
- specific second-tier controls, performed across the entire organisation.

In 2008, the focus was on assessing recurring controls over the subsidiaries' and branches' operational risks, as identified during the Banque PSA Finance risk mapping process.

The department set up in the fourth quarter of 2007 to control operational risks associated with accounting, IT, refinancing and treasury processes gradually extended its activities during 2008. A significant proportion of the department's time was devoted to overseeing the implementation of the recommendations issued following a specific audit carried out within the Group's Financing and Treasury Department, following the discovery of a fraud committed by an employee.

Alongside the risk mapping approach, a system to monitor first-tier recurring controls was implemented from the second half of 2008. It consists of a quarterly reporting system designed to inform that Bank's executive management of the extent to which operational risks are controlled within the various units.

Risk Management Function

The Risk Management unit of the Management Control Department is responsible for measuring and overseeing the Bank's financial risks on a consolidated basis and participating in their overall management.

The second and third pillars of Basel II are currently being incorporated into the Bank's risk management system.

PERIODIC CONTROLS

Periodic – or third-tier – controls consist of periodically checking transaction compliance, risk levels, compliance with procedures and the effectiveness of recurring controls.

They are performed by the internal auditors, based on an Internal Audit plan that provides for all of the Bank's units and processes (including those that are outsourced) to be audited at least once every three years.

OVERSIGHT BY EXECUTIVE MANAGEMENT AND THE BOARD

The internal control system is overseen by executive management and the Board, supported by various committees.

The Board of Directors ensures that the Bank's main risks are properly managed and obtains assurance about the system's

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reliability, through the Audit Committee. The Audit Committee reviews the lessons to be learnt from risk monitoring activities and from recurring and periodic controls. It met four times in 2008.

Executive management is responsible for defining and implementing the system of internal control. It oversees the system's efficiency and effectiveness, and ensures that adequate resources are assigned to internal control. It is supported in this task by a Control Committee, which has front-line responsibility for the operational management of the internal control system.

ORGANISATION OF INTERNAL CONTROL

The internal control system is built around regular first-tier controls backed by an organisation structure in which each individual's authority and responsibilities are clearly defined, primarily through delegations of authority applicable to all operating units and corporate departments. These delegations of authority determine the levels at which decisions must be made in the areas of banking and financial transactions, loan approvals, lending terms, new products and services and expenditure commitments.

At the beginning of 2008, the system of dual signatures for banking and financial transactions was stepped up and extended to executive directors.

At Group level, committees have been set up to determine and implement Bank policies in the areas of internal control and decision-making processes during regular meetings. These committees are as follows:

- the Credit Risks Committee, which monitors changes in troubled loans and credit losses, and analyses the performance of the risk selection systems;
- the Lending Margins Committee;
- the Products and Processes Committee;
- the Group Credit Committee, which reviews wholesale and fleet financing applications;
- the Refinancing Committee, which reviews the results of the Bank's refinancing and interest rate risk management policies;
- the IT Security Committee;
- the Compliance Committee;

Faurecia

Faurecia's Board of Directors is made up of eleven members, five of whom are independent within the meaning of the AFEP/MEDEF Corporate Governance Code. Five members directly represent the interests of Peugeot S.A., Faurecia's majority stockholder. Yann Delabrière has held the position of Chairman and Chief Executive Officer since February 16, 2007. Two committees of the Board were set up in 2003 – the Appointments and Compensation Committee and the Audit Committee. The role of the Appointments and Compensation Committee is to (i) prepare matters for the Board's discussion regarding corporate officers' compensation and stock option grants, and (ii) prepare procedures for selecting and recommending directors for election or re-election. The role of the Audit Committee is to review in detail the interim and annual financial statements, as well as any material financial transactions, and to analyse the Group's financial performance indicators.

Internal control is based on a set of procedures available for consultation by all employees via the Faurecia Intranet. The procedures mainly concern programme controls designed to track the execution of contracts for the design, production and supply of complex equipment to automakers, and financial and accounting controls intended to ensure that financial and accounting information is properly processed, thereby underpinning the company's responsiveness.

Faurecia has its own Internal Audit Department, responsible for overseeing the optimal effectiveness of internal financial control systems. In 2008, Faurecia continued to enhance its internal control system through its risk mapping process and by developing the Internal Audit function to ensure proper implementation of defined practices.

Gefco

Internal control is an integral part of Gefco's corporate governance strategy. The Gefco group applies the definition of internal control set out in the reference framework issued by the AMF in January 2007.

To ensure that its internal control system is both complete and accurate, Gefco performs controls at each level of the organisation – agencies, subsidiaries and group headquarters – as well as within its various Business Units. These controls cover financial, accounting and operating functions.

INTERNAL CONTROL OF ACCOUNTING AND FINANCIAL INFORMATION

The accounting processes that underpin Gefco's internal control of accounting and financial information correspond to a set of uniform activities that convert business transactions into accounting data. They include an accounting system, the preparation of financial statements, and reporting processes based on the standards and principles used by the PSA PEUGEOT CITROËN Group.

Each agency is structured as a profit centre and prepares monthly income statements, which enables them to check that services rendered are correctly recorded and invoiced at the agreed price. Sales margins, personnel costs and other operating costs are closely monitored.

Each subsidiary aggregates the income statement data received from its agencies and ensures that the financial flows recorded comply with Group procedures.

Lastly, headquarters internal control teams check the accounts and results of each subsidiary using an SAP software solution covering 95% of Gefco's operations.

The controls used to guarantee the quality of Gefco's accounting and financial information are based on criteria including true representation, completeness, accuracy and compliance with classifications.

INTERNAL CONTROL OF OPERATING PROCESSES

The internal control process also involves each Gefco manager in the agencies and departments, who reviews the operations under his or her responsibility based on a structured analytical framework. This approach provides an opportunity to verify that objectives are understood and shared and that the best possible use is made of the resources put in place to meet them.

In 2008, Gefco's internal control system for operating processes covered 23 subsidiaries and some 380 agencies and departments. The reporting schedules drawn up following the control assessments were sent to each entity during the third quarter of the year. All Gefco managers also have access to an intranet portal providing regularly updated internal control information.

Action plans arising from internal control assessments are managed Group-wide via a software application that is also used to manage the quality system. Using the same application to track both functions is designed to enhance the quality of Gefco's customer service.

The outcome of the internal control procedures applied to operating processes and the action plans implemented by each unit are also assessed during the audits carried out across the Group by the Internal Audit team.

Lastly, in 2008 Gefco launched a broad-based project to improve its administrative processes, which will directly contribute to strengthening the Group's internal control system.

2.4 Internal Control Systems in the Corporate Departments

2.4.1 Corporate Structure and Internal Control

GROUP OPERATIONAL STRUCTURE

Since 1972, Peugeot S.A. has had a two-tier management structure, with a Supervisory Board and a Managing Board. This structure guarantees a clear separation between the Managing Board's day-to-day running of the business and the Supervisory Board's oversight role, exercised with the support of three committees of the Board (see section 1.3). It represents an effective corporate governance model, by maintaining an appropriate balance of powers between the executive and control functions. As part of this organisation, internal control is the responsibility of senior management, represented by the Managing Board.

The Automobile Division is organised into operating units with the necessary skills and resources to carry out their responsibilities. The new organisation set up for these units in 2007 came into full effect in 2008.

One or several employees within each operating unit are tasked with managing and overseeing internal control over operations and updating the related procedures, in order to ensure the system's effectiveness while also fostering the teams' accountability and commitment to internal control.

This decentralised operational structure is coordinated and supported by cross-functional departments.

The Vice President, Legal Affairs, Institutional Relations and Internal Audit, who is responsible for internal control, is a member of the Group's Executive Committee and reports directly to the Chairman of the Managing Board.

The Head of Internal Audit reports to the Vice President, Legal Affairs, Institutional Relations and Internal Audit. He has direct authority over the corporate-level internal auditors and a dotted-line reporting relationship with all internal auditors working in the Group's other departments, including at Banque PSA Finance and Gefco. He communicates directly with the Chairman of the Managing Board, which gives him total independence from all Group units and departments. He reports to the Chairman twice a year on all his responsibilities and reports to the Finance Committee of the Supervisory Board when requested.

The annual Internal Audit plan is drawn up based on identified and evaluated risks. It is prepared independently by the internal auditors and submitted to senior management for review. In 2008, the Internal Audit Department carried out 73 audits, the overall results of which were reported to senior management and to the external auditors for the purpose of their accounting and financial reports.

Capital expenditure management, which is key to meeting the Group's objectives, is the responsibility of the Programmes Operating Unit and Corporate Finance. Financial and management analyses are carried out to ensure that investment decisions are aligned with the Group's performance and profitability objectives. These analyses are presented to the Executive Committee members for validation.

Lastly, the overall structure of delegations of authority down the chain of command reflects the Group's internal organisation. Account is taken of each manager's job as well as of his or her position in the chain of command, in order to grant powers to individuals who have the necessary authority, resources and competence in the area concerned. Each delegation of authority describes the individual's role and responsibilities, the rules and regulations to be complied with and the practices to be followed.

PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

Financial and accounting information is controlled at Group level by Corporate Finance, which has appointed a coordinator to lead and monitor its work.

The consolidated financial statements are prepared by the Accounting Department and by the Consolidation Department, which is also responsible for establishing and updating Group accounting policies. The Accounting Department, in liaison with the operating units and the Management Control Department, ensures the accuracy of and systematically co-validates the individual statutory accounts and the consolidation packages. The Consolidation Department produces a full set of consolidated financial statements each month, for both internal management and external reporting purposes.

Management controls within the Group are organised around an integrated three-tier structure:

- a Corporate Department is responsible for the entire system and for issuing finance and management standards and procedures, describing the methods to be used, the related software applications and the timelines for the various tasks;
- the second tier consists of management control structures at divisional level, with Automobile Division controls organised around the main entities (the brands, production, R&D);
- the third tier corresponds to management control structures in each operating unit, such as a plant or a distribution subsidiary for the Automobile Division.

2.4.2 Internal Communication on Standards and Procedures

INFORMATION ON DIVISIONAL OPERATING PROCEDURES

Each sales and manufacturing department has set up databases that describe the operating procedures that employees must follow in order to carry out their tasks correctly within their area of competence. These databases are all accessible via the PSA PEUGEOT CITROËN Intranet.

In the case of the Automobile Division, as part of the ISO quality management systems certification process, the Management and Components Department established written procedures and operating policies with the general aim of providing employees with the information they need to properly carry out their duties. All these documents may be viewed on the Cascade Intranet site, which is accessible to all employees.

Lastly, a Code of Ethics setting out the standards of conduct and behaviour to be met by all employees has been available for consultation on the Group Intranet by all employees since March 2003.

FINANCIAL AND ACCOUNTING INFORMATION

Corporate Finance uses a technical and organisational framework called “Nordic”, which covers accounting and consolidation standards, best accounting practices, integrated accounting standards, financial management standards, financing and cash management standards and tax-related standards. The framework is accessible to all Group employees to ensure that standards are applied uniformly. A manager is responsible for updating each of the standards.

The best accounting practices database was created by the Accounting Department to extend the application of identified best accounting and internal control practices across the Group. These standards are also made available to all Group employees.

The accounting, management control and consolidation teams hold regular meetings to report and validate information leading to the preparation of the consolidated financial statements. The subsidiary financial statements are reported via the Magnitude system, which has been set up at all consolidated subsidiaries to guarantee data security and traceability. Data archiving and backup procedures create an audit trail guaranteeing data traceability.

To keep managers well informed, the management control entities produce monthly reporting packages for submission to senior management, based on the full monthly consolidation packages.

2.4.3 System for Identifying and Analysing Main Risks and Vverifying the Existence of Risk Management Procedures

The internal control system is evaluated each year based on assessments performed at the level of the main units, in France and abroad, within the different departments of the Automobile Division and the non-Automobile subsidiaries (except Faurecia and its subsidiaries which have their own system). These units include corporate departments, plants, import subsidiaries, captive dealerships, local finance departments, facility accounting departments, etc.

This approach enables each entity to assess how well it manages the various risks and to identify appropriate solutions.

A project was undertaken in 2006 to consolidate risks identified by the different departments and map the Group’s main risk exposures. This concise and thorough risk map led to the identification of some 20 risks, which are mapped in greater detail at the level of each department. The Group has therefore been able to satisfactorily cover its main risks by establishing their relationship to operating structures and procedures.

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To manage the major risks likely to compromise the physical safety of employees, harm the environment, disrupt operations or affect the Group's tangible or intangible assets, the Risk Management and Insurance Department, which reports to the Legal Affairs, Institutional Relations and Internal Audit Department, is in charge of defining, deploying and supervising the Group's risk prevention and management policy. It is supported by a network of risk prevention and management supervisors responsible for implementing the policy at department or site level. The Risk Management and Insurance Department also has teams of experts in environmental matters, fire and natural disaster risks, physical safety and insurance, who are responsible for:

- monitoring changes in technology and regulations;
- assisting and advising the corporate risk prevention and line managers;
- verifying that projects take risks into account and comply with regulations;
- defining and suggesting risk prevention and protection measures.

Note 37 to the consolidated financial statements provides information on (i) the management of market risks, which is primarily carried out by Corporate Finance; (ii) identified currency, interest rate, equity, commodity, counterparty and liquidity risks and the Group's policy for managing those risks; and (iii) the hedges set up at December 31, 2008, 2007 and 2006.

2.4.4. Control Procedures

DIVISIONAL OPERATING PROCEDURES

Each operating division has set up internal controls to cover the main risks identified in its risk map.

To cover the project management risks related to new vehicle development and process engineering, the Programmes Operating Unit leverages a comprehensive design and development process, known as the operational development plan, which is regularly updated. For each vehicle project, a set of product services, profitability, quality and time-to-market objectives are fixed. Progress in meeting these objectives is tracked by a system of project milestones, corresponding to the various stages at which senior management reviews all the financial and technical indicators. In addition, the Quality Department authorises the sale of each vehicle that leaves the production line and organises any necessary recalls of faulty vehicles delivered to dealers or customers.

In Manufacturing and Components, internal control is rooted in the PSA production system, the Risk Prevention and Management System and Management Control, Manufacturing Economics. These three systems cover all major risks identified within Manufacturing and Components. Internal control is integrated into Manufacturing and Components operational management and monitoring is performed all year long. Furthermore, each of the three internal control systems is regularly audited to verify proper implementation of control procedures, assess their effectiveness and issue recommendations where necessary.

The assembly plants have been ISO 19001:2000-certified by UTAC, to comply with the requirements of European Directive 2001/116, Appendix X. Substantially all of the manufacturing plants' environmental management systems are ISO 14001-certified. All employees are trained in safety procedures and a constant focus is maintained on improving plant safety. Ergonomic considerations are taken into account in the design of products and the related plant and equipment in order to improve working conditions in the production shops.

In sales and marketing, internal control for the two brands, Peugeot and Citroën, is based on descriptions of control procedures designed to cover operating process risks within the corporate departments, the import subsidiaries and dealerships. Senior management provides the leadership and impetus for operational management in each department, subsidiary and dealership, backed by a system of controls and a continuous improvement process. Each entity has a Service Quality Plan detailing action plans in progress and aiming to improve internal control and internal organisation in general. These plans are managed and controlled by the corporate sales and marketing teams. To enhance the performance of the dealer networks, each proprietary dealership has been allocated to specific entities whose managers report to the Executive Vice Presidents responsible for the Peugeot and Citroën brands.

The Purchasing Department leverages extensive expertise in product costing and commodity price management, as well as in-depth understanding of global markets, which enable it to manage the competitive bidding process and supplier relationships as part of its purchasing strategy. Close attention is paid to supplier risk, particularly the risk of supply chain disruption or of supplier bankruptcy. The department created a single team dedicated to industrial and supplier risk in July 2007, with responsibility for monitoring coverage of risks that may arise due to subcontractor failure by analysing and rating supplier financial statements and purchaser data.

Contractual commitments to suppliers are strictly adhered to. Orders, inward deliveries and invoices are systematically recorded. Supplier payments are made only when the invoices have been checked for compliance with the order and the applicable regulations, and when they correspond to the goods actually received.

Programmed and manual controls are performed to ensure that customer invoices comply with local customs, tax and other regulations in both the shipping country and the delivery country, as well as with the terms of the order or contract covering the price, incoterms, transfer of title and other matters. Periodic physical inventories and cycle counts are performed to ensure that all delivered goods have been duly invoiced.

Automobile Division vehicle and replacement part sales in the countries where Banque PSA Finance has operations are carried out on a cash basis, with any financing requested by customers being provided by Banque PSA Finance. For sales in other countries, a standard has been issued stipulating payment and credit terms to be applied by the Automobile Division to customers according to the product (new vehicles, used vehicles, replacement parts, spare parts or components). A secure payments policy has been drawn up to avoid credit risks, supported by a monthly reporting system that ensures compliance.

Financing decisions and banking relationships are managed at corporate level. Back-up trading rooms have been set up to avoid the risk of any interruption of trading following a major incident.

At senior management level, information systems security is overseen by the Information Systems Security Committee. The Group's Information Systems Security Policy – which was validated in 2004 by the Information Systems Department and the Legal Affairs, Institutional Relations and Internal Audit Department – is updated regularly to reflect any technological or regulatory changes. The policy concerns the automobile and finance Company divisions and complies with the best practices recommended in ISO 27001. The applicable standards are rolled out to the various departments via a cross-business network.

Based on risk analyses and internal and external audits performed regularly within the Group, the Information Systems Department implements security action plans in liaison with the relevant departments from the Group's business lines. These plans – which help ensure compliance with banking and finance regulations – are structured around three objectives: (i) enhancing the administration of access rights e.g. through segregating tasks, periodically reviewing access rights and reducing the number of users with such rights; (ii) ensuring that security is maintained despite the requirement to open up the Group's systems to external parties under the "PSA Extended Enterprise" strategy; and (iii) guaranteeing that the automobile and finance Company divisions would be able to continue their essential operations if a major incident occurred at one of the Group's IT centres.

PROCEDURES FOR THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

Corporate Finance is in charge of the internal control procedures covering the preparation and processing of published financial and accounting information. To ensure that internal control objectives are met in its area of competence, Corporate Finance runs several campaigns each year to identify risks, risk coverage and related control procedures.

The consolidated financial statements are prepared by a dedicated team. Each month, all consolidated companies send this team their detailed financial statements, including their income statement, balance sheet, cash flow statement and analyses, prepared in compliance with Group standards, for integration into the consolidated accounts. Each subsidiary is responsible for preparing regular reconciliations between their statutory equity and equity reported in the consolidation package. These reconciliations are checked by the consolidation team. All consolidation adjustments are controlled and traced. An overall analysis of changes in the main income statement, balance sheet and cash flow statement items is communicated each month to senior management.

The reliability of data reported by the subsidiaries is verified both by their own management control teams and by teams of accounting analysts within the Group Consolidation Department.

Off-balance sheet commitments are identified within each Group company and reported to the consolidation team.

Asset control procedures are based on annual inventories of all goods held by PSA PEUGEOT CITROËN as well as inventories of property, plant and equipment held at Group sites, based on cycle counts which ensure that each asset is counted at least once every three years. The inventories are governed by strict procedures concerning segregation of tasks and count controls to ensure that the results are reliable.

To uphold and improve the quality of accounting and internal control within Corporate Finance, an Accounting Quality Plan has been implemented at the level of each accounting team within the Automobile Division. This plan comprises all internal action plans established with the purpose of implementing the recommendations of the internal and external auditors, as well as those of the teams themselves. A meeting is held every quarter under the chairmanship of the Group's Chief Financial Officer to monitor the Accounting Quality Plan. At each meeting the line managers present action plan progress reports.

Published financial information is based on the consolidated financial statements approved by the Managing Board and presented to the Supervisory Board, as well as on analyses of consolidated data.

The management control system also includes detailed automobile costing analyses, including analyses of variances and product margins, for use by line management.

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Investment and financing strategies and strategies for evaluating counterparty risks arising from financial market transactions are approved by Corporate Finance.

2.4.5 Internal Management and Oversight

The Managing Board is responsible for constantly overseeing and reviewing the internal control system, where necessary with the support of the Internal Audit Department, which reports to the Board on the results of its controls. The Finance Committee of the Supervisory Board is kept informed of the main results of regular and one-off Internal Audits.

Each operating unit is responsible for managing risks within its scope of responsibility. However, the Risk Management and Insurance Department manages and oversees all procedures designed to protect the Group from major risks that may pose a threat to employee safety, the environment, operational activities or tangible or intangible assets. Product and service quality risks are managed by the Quality Department. These departments have teams of auditors that carry out dedicated quality controls designed to assess risk coverage.

Other risks are monitored by each Group department or unit independently.

At the end of 2008, a Corporate Internal Control unit was set up as part of Legal Affairs, Institutional Relations and Internal Audit in order to manage and coordinate internal control processes across the Group and verify the consistency of measures undertaken by each operating unit. For its assessment of the Group's position as a whole, this unit will mainly draw on information provided by the Risk Management and Insurance Department concerning risks that could affect the Group's assets or disrupt operations. The unit's official working framework as well as the coordinating processes and any changes in internal control methods will be prepared in early 2009.

Internal audit initiatives guarantee the effectiveness and appropriateness of internal control processes and procedures. In light of this, the 2009 Internal Audit plan includes a certain number of specific audits of areas identified as giving rise to significant risks, whatever the quality of the related internal controls as determined by the assessment process.

2.5 Procedures for the Preparation of This Report

This report was prepared based on the following main procedures:

- identifying all existing practices within the Group operating units and departments concerning procedures, risk analyses and regular updates to those procedures and analyses;
- verifying that Group internal control procedures and processes comply with the general principles of the internal control framework created under the aegis of the AMF;
- obtaining assurance at the level of Corporate Finance – with input from the accounting, consolidation, financial communications and management control teams – that processes for the preparation and approval of the consolidated financial statements fulfil the quality criteria defined for each operational category in the guidelines integrated into the internal control framework.

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➜ 16.5.2 Statutory Auditors' Report, Prepared in Accordance with Article L. 225-235 of the French Commercial Code, on the Report Prepared by the Chairman of the Supervisory Board of Peugeot SA

Year ended December 31, 2008

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Peugeot SA, and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we report to you on the report prepared by the Chairman of the Supervisory Board of your Company in accordance with Article L. 225-68 of the French Commercial Code for the year ended December 31, 2008.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L. 225-68 of the French Commercial Code, in particular relating to corporate governance.

It is our responsibility to:

- report to you our observations on the information set out in the Chairman's report on internal control procedures relating to the preparation and processing of financial and accounting information; and
- attest that the report sets out the other information required by Article L. 225-68 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information Concerning the Internal Control Procedures Relating to the Preparation and Processing of Financial and Accounting Information

Professional standards require that we perform procedures to assess the fairness of the information on internal control procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control procedures relating to the preparation and processing of financial and accounting information, contained in the report prepared by the Chairman of the Supervisory Board in accordance with Article L. 225-68 of the French Commercial Code.

Other Information

We attest that the Chairman's report sets out the other information required by Article L. 225-68 of the French Commercial Code.

Neuilly-sur-Seine and Courbevoie, March 13, 2009

The Statutory Auditors

PricewaterhouseCoopers Audit	**Mazars**
Pierre Riou	Loïc Wallaert

17 EMPLOYEES

17.1 Corporate Social Responsibility

In 2008, PSA PEUGEOT CITROËN employed nearly 201,700 people worldwide, including 129,890 in the Automobile Division [1].

➜ 17.1.1 Responsibly Managing Jobs and Capabilities

The financial and economic crisis led to a sharp decline in unit sales in 2008, in particular in the third and fourth quarters. In response, PSA PEUGEOT CITROËN developed new action plans throughout the year and is pursuing implementation of the CAP 2010 programme in 2009.

Responding to a Very Difficult Business Environment

Measures were undertaken very quickly in July to scale back production at every plant by eliminating additional shifts to curtail working hours, reducing output, adjusting work schedules and introducing short-time work.

All of the production facilities outside France also implemented compensated short-time work during the year, with the variable work scheduling agreements helping to maintain compensation levels.

Compensated Short-time Working as an Alternative to Job Cuts

Short-time work, which offers an alternative to layoffs, totalled nearly 4,400,000 hours in the Automobile Division in France during the year. Application of the variable work scheduling agreement signed on March 8, 2005 helped to maintain short-time employees at full salary for up to 25 unworked days, thanks to the partial compensation of overtime already worked (or to be worked within two years). This system provided 40% of the employee's salary to supplement the 60% provided by the short-time compensation guaranteed by the agreement.

Transfers to Redeploy Jobs and Capabilities Across the Organisation

Internal job mobility is particularly important in the current environment, and worldwide, more than 10% of all employees and 22% of managers changed jobs in 2008.

To encourage this dynamic, Corporate Human Resources undertook a number of new initiatives, such as the Mobility Charter (to facilitate dialogue between employees and their managers), Transfer Opportunity Centres (where corporate departments and divisions can meet with employees and present their function, business, activities and job openings) and Placement Fairs and Offices.

Maintaining Social Cohesion while Reducing Fixed Costs

The financial and economic crisis also led PSA PEUGEOT CITROËN to step up the process of reducing corporate staff that had been underway for the past two years.

As in 2007, the Group chose to make these adjustments while maintaining social cohesion through the use of jobs and capabilities redeployment plans, based on separation support measures negotiated in advance with employee representatives.

(1) Faurecia, a listed company 70.86%-owned by Peugeot S.A., manages its business independently and therefore defines its own human resources policies as described in its Annual Report. As a result, policies described in this chapter do not concern Faurecia.

These measures were primarily designed to move forward future separations for such reasons as full-time retirement, change of profession, retraining leave, transfers or outplacement, thereby avoiding dismissals or early-retirement schemes.

In France, Spain, Germany, Norway, the Netherlands, China and every other host country, separation incentive schemes were negotiated in advance with unions or developed from human resources planning and development agreements, with extensive measures to support the employees concerned.

Implementing these plans reduced the number of Automobile Division employees in Europe by 5,660 people in 2008. In all, the number of Group employees, including Gefco, declined by 6,150 people during the year. This downsizing process was carried out quickly, responsibly and without disruption or conflict.

Downsizing plans for 2009 have been consolidated and will concern 11,272 jobs across the organisation, including 5,145 at Faurecia. Of the 6,120 other separations, 3,550 will be covered by the voluntary capabilities redeployment plan announced in December 2008 for PCA France. In addition, another 900 operators at the Rennes plant will be transferred to other facilities.

Preparing for Tomorrow's Jobs and Capabilities After the Crisis is Behind Us

Proactively Responding to an Evolving Skills Base

To proactively respond to an evolving skills base, manage these skills more effectively and improve employee visibility of over-the-horizon technologies and manufacturing processes, two organisations have been created at Group level to encourage dialogue and discussion with employee representatives. They are helping to bring together all of the Group's human resources policies in training, job mobility, skills management and other areas.

The International Joint Union-Management Strategy Committee

On June 19, 2008, the Committee was extended to the leading unions outside France through an agreement signed with IGMetall, T&GWU, SIT-FSI, UGT and CC-OO. It acts as a forum for analysis, dialogue and discussion to explore in more detail issues related to the Group's situation and development, its policies and its strategic vision, in such areas as products, markets, changing technologies and new business projects outside France.

The Skills and Capabilities Observatory

To help provide an effective, forward-looking vision of the Group's skills-sets, the Skills and Capabilities Observatory uses analysis grids that distinguish between "sensitive" or "redundant" jobs that seem likely to dwindle for economic, organisational or technological reasons, thereby leading to job losses and the need for retraining and placement programs, and "understaffed" or "emerging" jobs, the former which are difficult to fill or require a long learning curve and the latter which are still scare in the organisation but which will likely increase in number. This approach is now up and running in Germany, Spain, the United Kingdom and other major European countries.

The Observatory is also identifying **strategic automotive skills** related to future vehicles, in such leading-edge technologies as new powertrains, power management systems and integrated after-treatment emissions-control systems. As well, it is identifying needs in more conventional technologies, like engines, internal combustion processes, physical measurements, computing and CAD, with a focus on undergraduate-degree levels.

The Job Track and Expertise Management Process

To meet tomorrow's jobs and skills needs, 21 global, cross-operations job tracks were introduced in 2005, enabling the Group to manage its expertise both quantitatively and qualitatively in every host country. The job tracks are helping to develop a forward-looking vision of tomorrow's skills-sets. For each one, a pool of potential applicants has been identified so as to improve the planning and development of the Group's human resources.

Nurturing Human Capital Through Skills Enhancement

Employees are offered a wide range of training courses and programmes to develop their skills and expand their career opportunities. The training catalogue now comprises nearly 4,100 courses organised by job track and skills cluster, as part of a broad-based commitment to developing every employee's job skills. The courses are primarily dedicated to redeploying capabilities as part of the Skills and Capabilities Observatory process.

Every major technical or managerial project is supported by employee training designed to instil the necessary skills and abilities. For example, line operators are trained to leverage the innovations introduced with the launch of new vehicles or drivetrains.

As part of the deployment of the new PSA Production System to improve manufacturing and engineering performance across the production base, every manager receives a five-day course in the system's principles, while supervisors attend several weeks of classes before being certified.

Training programmes, lasting up to 14 days, have been prepared for all of the techniques involved in our operations, so that line operators are thoroughly proficient in the requisite skills before taking up their workstation.

Active vocational training partnerships with French national education systems are supporting a wide variety of programmes to prepare young people for careers in automotive manufacturing and sales and to help bring them into the workforce with job-oriented training curricula.

Easing the Transition to the Work World

In 2008, measures to help people excluded from the labour market to get back into the work world were added to the new agreement on diversity and social cohesion signed with all of the French unions on October 6, 2008. By offering lasting jobs, these measures will encourage the local hiring and retaining of the disabled, give young people a real chance at employment and help individuals in difficulty who have encountered obstacles along the way. In France, for example, more than 150 inclusion programmes were underway in 2008.

Worldwide, nearly 4,400 school-approved interns worked with the Group under these measures. By enabling them to discover what it means to work in a company, PSA PEUGEOT CITROËN is facilitating their entry into the workplace.

➜ 17.1.2 Human Resources Management Practices Aligning Performance, Competitiveness and Personal Growth

Delivering Lasting Innovation through Intense Social Dialogue

An intense social dialogue process is being deployed in every host country, supported by employee information and participation.

A Large Number of New Agreements

In 2008, nearly 240 agreements were signed, including 140 outside France, covering all of the major issues concerning the Group and its employees, such as international expansion and new workplace practices and organisations. Contractual commitments are also aligned with employee expectations about salaries, career development, working hours and other job-related concerns. And by addressing such social issues as gender equality and diversity, these commitments are driving changes in corporate culture and mindsets.

Unions and employee representative bodies are consistently informed and consulted before any major changes are undertaken in the Group, while employees are informed through regular procedures.

Encouraging Employee Participation and Social Dialogue in the Workplace

To facilitate team management and dialogue, production sites around the world have been organised into Basic Production Units (BPUs), whose operating procedures are based on employee participation. In line with this model, Basic Design Units (BDUs) have also been set up in research and development facilities and departments.

Participatory management programs encourage employee initiative and involvement at every level and in every business, to nurture a culture of continuous improvement. In 2008, for example, nearly 151,000 suggestions were submitted by operators via the Déclic system.

Competitive, Performance-based Compensation

In every host country, compensation policies are designed to maintain employee purchasing power, while rewarding performance, offering compensation that is competitive with market practices and giving employees a stake in the value they help to create.

In 2008, more than 50 agreements were signed with employee representatives in Germany, Italy, Spain, Argentina, Brazil, Slovakia, France and other countries. These agreements not only maintained purchasing power, especially for the lowest wage categories, but also provided for individual performance-based bonuses.

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Performance-related Compensation

In addition to across-the-board raises, merit raises are awarded every year to individual employees in every job category, based on their performance, job proficiency and career development.

These processes are strictly monitored to prevent any discrimination on the basis of age, gender, nationality, culture, religion, political opinion, labour union activities, health, physical characteristics or sexual orientation.

All employees are paid an incentive bonus through the discretionary profit-sharing system. In addition, executives who make a critical contribution to earnings receive supplemental compensation, reflecting a commitment to encouraging a results-orientated culture and to offering competitive compensation aligned with market practices.

Diversified Employee Savings Plans

To give employees a stake in their company's performance and provide more effective support for their personal projects, a variety of company savings plans have been put into place in the host countries.

Enabling Employees to Share in the Value They Create

As part of the Group's commitment to enabling employees to share in the value they create, all employees around the world are paid a discretionary profit-share out of operating income. Out of 2008 earnings, for example, €11 million will be distributed in 2009 to Automobile, Finance and Transportation & Logistics Division employees worldwide in the form of discretionary and non-discretionary profit-shares.

Supplementary Retirement Benefits to Help Employees Prepare for the Future

Supplemental defined-contribution retirement plans are being set up in every host country and wherever they are necessary to offset insufficient mandatory pension schemes and market practices. Such plans have already been introduced in Germany, Brazil, Spain, Japan, the Netherlands, the Czech Republic, Slovakia and the United Kingdom.

In France, employees of the main French subsidiaries in the Automobile, Logistics & Transportation (Gefco) and Finance (Banque PSA Finance) Divisions are all covered by the supplemental retirement plan set up in 2002. Since 2005, employees in France are also eligible for a new "PERE" corporate pension savings scheme, which allows them to make voluntary contributions to a supplemental retirement savings account under attractive terms regarding taxation, insurance premiums and management fees.

Managed by joint labour-management commissions, in line with local practices, these systems are not designed to replace pay-as-you-go schemes in countries where these schemes are available. Rather, they have been created to provide beneficiaries with supplemental retirement income to offset the expected drop in replacement rates, as well as to harmonise retirement benefits across subsidiaries in each country.

A Strong Social Safety Net

In every host country, insurance plans are being introduced to provide at least death and disability cover.

Individual Career Paths Based on Capability and Performance

The use of objectives reviews, skills and capabilities reference guidelines and other tools based on skills assessment, individual performance and objective selection methods have been extended across the global organisation, thereby strengthening the effectiveness of the promotion and equal opportunity processes. They have also made the career management process more personalised, while continuing to optimise the skills base and enhance team expertise.

An agreement signed on January 16 2009 will offer administrative employees, technicians and supervisors new career opportunities based on their job proficiency and performance, as opposed to seniority and education. This will improve equal opportunity by making promotion decisions more objective and transparent. With the two agreements previously signed covering career development for production operators and other skilled workers, this means that the careers of operators, other skilled workers, administrative employees, technicians and supervisors are now structured by three major agreements. This approach is being gradually extended to every host country, such as Spain for operators and the United Kingdom for administrative employees, technicians and supervisors.

For managers, the individual career management process is informed by an understanding of their aspirations, results, capabilities and past experience. In addition to ongoing discussions with their direct managers, career opportunities for managers are reviewed every year at Careers Committee meetings organised in every department of every unit.

These Committees help to identify high potential managers, who attend management courses aligned with their future duties and pursue career paths that broaden their responsibilities.

Identifying High-potential Managers

When a manager is identified as a high-potential, his or her projected career development is mapped out based on his or her performance and results, ability to grow, managerial skills and proficiency, adaptability (particularly in international environments), motivation and aspirations.

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Intended for high-potentials age 35 to 40, the *Institut Supérieur du Management* (ISM) delivers high-level courses to train and prepare future executives in all our businesses and corporate departments.

International Mobility

To prepare more efficiently for the return of employees seconded to international postings and to capitalise on their international experience, an International Mobility Committee of human resources managers was set up in 2008. During the year, more than 750 employees were on international assignments lasting an average of 36 months.

To anticipate future needs and more effectively respond to employee requests for secondment abroad, a dedicated support system has been introduced for the employees concerned.

A Priority Focus on Keeping Employees Healthy throughout their Career

Employee health and safety is a major social and business issue for the Group.

An Active Commitment to Health

In 2005, PSA PEUGEOT CITROËN implemented a Health Care Plan designed to help employees stay healthy throughout their career.

The priority is to address job-related diseases, which are covered by active prevention programmes in every plant and facility. In recent years, other programmes have been underway to limit the number of workstations rated as "heavy" and increase the number of "light" workstations, which play an important role in preventing occupational illnesses like musculoskeletal disorders (MSDs).

The Group's medical teams are also deeply involved in preventing certain diseases and diagnosing non-work related risk factors capable of negatively impacting employee health. They provide regular screening for glaucoma, certain types of cancer and hepatitis C, and manage a number of preventive programmes, such as flu vaccinations and support for employees who want to quit smoking.

A Total Commitment to Workplace Safety

Now deployed at every plant and facility worldwide, the integrated Workplace Safety Management System ensures that executives, managers, employees and employee representatives all feel responsible and accountable for improving safety and preventing accidents. Procedures and performance are regularly reviewed by Safety Committees.

Meeting safety targets is also a criterion in determining executive bonuses, along with operating income and quality performance.

Over the past three years, the Workplace Safety Management System and the dedicated safety commitment of every employee has helped to keep the lost-time incident frequency rate below 4.0 in the Automobile business. The 2008 LTIF was 3.43, with all of the manufacturing and sales operations contributing equally to the average.

PSA PEUGEOT CITROËN is also committed to optimising the management of chemical risks by using a Health Safety Protection database and an air quality surveillance plan. These preventive measures leverage advanced technology and systems to effectively address the need to protect employees.

Extending Compliance with Labour and Safety Practices to our Partners

Compliance with labour and safety practices is being extended to outside contractors and temporary employment agencies. Workplace organisation takes into account the significant on-site presence of people employed by service providers, facilities maintenance companies, construction companies, suppliers and other outside contractors.

Without taking on their legal responsibility, the Group ensures that these companies also comply with its labour and safety practices.

A Group-wide procedure clearly defines the applicable labour and safety guidelines and requirements. Guidelines for selecting contractors, integrating their teams, coordinating projects and ensuring buyer accountability have been established and compliance is being tracked by audits. These measures have led to a significant improvement in safety conditions.

Important safety initiatives have also been undertaken with temporary employment agencies in France, as part of the temporary employment charter.

Building Employee Safe Driving Awareness

PSA PEUGEOT CITROËN pays special attention to preventing road accidents, which are the leading cause of work-related deaths in France. As a carmaker, we are particularly sensitive to this issue.

In association with employee representatives, an occupational road risk prevention manual was prepared in 2008. It offers employees guidelines on how to avoid an accident while on the road and on how to use their cars when travelling on business or commuting. It is being supported by an action plan that will be deployed in all of the Group's facilities and offices.

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Action Plans to Prevent Psychosocial Risks

PSA PEUGEOT CITROËN is also committed to preventing psychosocial risks and stress in the workplace. Action plans undertaken include the creation of early detection and intervention units at every site and the introduction of a toll-free psychological assistance and support hotline for employees in distress. A study was also conducted to assess key stress factors, determine how stressed employees actually feel and identify the actions points to effectively attenuate workplace stress.

It revealed that among the respondents, the levels of stress, anxiety and depression were lower than those reported in the control group and in international studies. Based on the findings, however, action plans were prepared in association with the unions.

Improving Working Conditions

PSA PEUGEOT CITROËN wants to ensure that every employee works in an environment meeting the highest international standards.

In every host country, the Group pays careful attention to the quality of office space, workspaces, break rooms and other aspects of workplace design and architecture.

Some units offer services to help employees improve their work/life balance, such as flexible working hours and new employee assistance services, like corporate concierge services, company daycare centres, and company sponsored social, sports and cultural activities.

In the manufacturing facilities, improvements in workstation ergonomics are being designed into new industrial projects using the proven METEO method. This process is being led by multi-disciplinary teams, comprising occupational physicians, engineers, safety technicians, ergonomists and managers, whose interlocking expertise is playing a critical role in reducing the hardship of certain workstations.

In the Automobile Division, the priority is to reduce the number of workstations rated as "heavy". Between 1999 and year-end 2008, their percentage declined from 35% to 11% of the total, while the percentage of "light" workstations that can be manned by any employee increased from 26% to 49%. Light workstations foster employability by enabling employees with medical restrictions to remain on the job.

➜ 17.1.3 Global Social Responsibility

Ensuring Equal Opportunity and Promoting Diversity

Diversity means bringing together and nurturing the brightest talent, regardless of culture, nationality, gender, religion, political opinion, labour union activities, background, physical characteristics, career path, age, health or sexual orientation.

In addition to complying with legislation, PSA PEUGEOT CITROËN applies and promotes best practices in the fight against racism, xenophobia, homophobia and, more generally, any and all forms of intolerance towards people who are different. It also guarantees respect for an employee's private life. Sensitivity training in these issues has been organised for executives and managers in every host country.

In addition to complying with legislation, PSA PEUGEOT CITROËN applies and promotes best practices in the fight against racism, xenophobia, homophobia and, more generally, any and all forms of intolerance towards people who are different. It also guarantees respect for an employee's private life.

In France, Spain and the United Kingdom, joint labour-management diversity and equal opportunity oversight committees have been created to monitor effective application of the agreements. In France, the committee verifies that merit raises and promotions are awarded in the same proportions as the different categories tracked across the organisation, such as non-French nationals, employees over 50 and disabled employees.

After four years of substantial, extensive progress, a new Diversity and Social Cohesion Agreement was signed with all of the French labour unions on October 6, 2008.

PSA PEUGEOT CITROËN was awarded the AFNOR seal of diversity in recognition for its commitment to equal opportunity and preventing discrimination.

This commitment has been extended to operations outside France under the Global Corporate Social Responsibility Agreement.

Guaranteeing Gender Equality in the Workplace

By expanding the range of skills and enabling a broader exchange of ideas, a gender-balanced workforce is beneficial to the Group's performance.

In 2008, French quality standards agency AFAQ AFNOR Certification renewed the Group's "Equal Opportunity Employer" label, based on our assertive gender equality policies and their compelling results. The agency recognised that these policies had delivered particularly significant gains in such areas as offering job opportunities for women, developing a gender-balanced workforce, ensuring equal pay for equal work and equal career development opportunities and initiatives to improve work/life balance.

An Increasing Percentage of Women Managers

A process to identify and develop future executives has been designed and deployed to find high-potentials and help them to devise a personalised career path aligned with the needs of the Group. The various stages in the path are prepared and implemented by a Mobility Committee, thereby ensuring that each one is managed cross-functionally. In 2008, the process identified 135 new high-potentials, including 15 women (compared with two the year before).

Two of the nine Executive Committee members are women.

Offering the Disabled Fulfilling Employment Opportunities

PSA PEUGEOT CITROËN is committed to hiring and retaining disabled employees, whose number in the Automobile, Finance and Transportation & Logistics Divisions has risen to more than 6,300.

To broaden this commitment, the Group has also helped to develop and launch hanploi.com, a French job search website for the disabled.

The agreement signed on July 21, 2008 has renewed and improved the September 22, 2005 agreement designed to help disabled employees retain their jobs, prevent disabilities and enable the disabled to play a productive role in the workplace. It has given further impetus to our policies in this area and raised awareness across the organisation of the need to integrate and recognise the contribution of our disabled employees. The agreement also supports other initiatives to promote equal opportunity within the organisation.

Similar agreements have been signed in Argentina and Brazil.

In the Automobile Division in France, nearly 7.9% of employees are classified as handicapped (including sheltered workers under contract), compared with the 6% national rate that businesses are encouraged to reach.

Retaining and Motivating Older Employees

Employees over 50 make up around 22% of the consolidated workforce.

Retaining and motivating these "seniors" is one of the socially responsible commitments described in the Global Agreement and the diversity and equal opportunity agreements.

It is based on rightly recognising their experience and expertise by continuing to offer them real opportunities for personal growth and salary increases in the years until they retire.

To guarantee compliance, performance indicators, such as raises, training opportunities and career orientation reviews, are regularly analysed with employee representatives.

A Fundamental Commitment to Respecting Human Rights

PSA PEUGEOT CITROËN is committed to growth founded on socially responsible principles and practices, consistently applied in every host country and business around the world. On April 9, 2003, the Group pledged to uphold and promote the ten principles of the United Nations Global Compact, an agreement inspired by the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption.

Moreover, PSA PEUGEOT CITROËN actively supports employee freedom of association and representation around the world and is committed to respecting the independence and pluralism of trade unions. Active, ongoing social dialogue is maintained with union representatives in every host country.

Deploying the Global Agreement in Every Subsidiary

The Global Corporate Social Responsibility Agreement, which reflects the principles expressed in the UN Global Compact, was signed on March 1, 2006 with the International Metalworkers' Federation (IMF), the European Metalworkers' Federation (EMF) and other unions in the major host countries. It covers all of the Automobile, Finance and Transportation & Logistics subsidiaries, engaging both the Group and nearly 85 unions around the world.

The Agreement has formalised PSA PEUGEOT CITROËN's commitments in favour of fundamental human rights, good human resources practices and the compliance of suppliers, subcontractors, production partners, dealership networks and host communities with our social responsibility practices.

In Brazil, our social responsibility process was honoured with the Corporate Citizenship Award, while in France, we received an award for the Best Global Social Responsibility Policy in February 2007.

The involvement of employee representatives in the process is helping to guarantee that the commitments are effectively fulfilled while respecting local cultures.

Upholding Fundamental Human Rights

Five commitments concern human rights, covering such areas as support and respect for human rights, refusal to accept complicity in human rights abuses, freedom of association and the recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the abolition of child labour, the elimination of discrimination in hiring and career development, the fight against corrupt practices and the prevention of conflicts of interest.

Extending Best Human Resources Management Practices Worldwide

Seven commitments are designed to promote the application, in every host country, of best human resources management practices.

Sharing our Social Responsibility Practices with Suppliers, Subcontractors, Dealership Networks and Production Partners

Alongside quality, deadlines and cost, PSA PEUGEOT CITROËN intends to make compliance with its social responsibility practices a core component of its purchasing policy. For example, one of the key criteria in the supplier approval process is compliance with International Labour Organisation principles. Suppliers who fail to respect human rights must respond immediately with corrective action plans, while continued violations will lead to sanctions, including exclusion from the Group's list of approved suppliers.

In January 2007, the Vice-President, Purchasing sent the Group's 1,000 largest suppliers a detailed guide specifying our social responsibility and environmental standards. All of the suppliers are expected to formally agree to comply with these standards, notably those concerning compliance with the rule of law, support and respect for human rights, freedom of association and the recognition of the right to collective bargaining, the elimination of all forms of discrimination, the elimination of all forms of forced and compulsory labour and the abolition of child labour. As of 31 December 2008, 71% of the Group's worldwide standard parts purchases were covered by a supplier agreement, compared with 43% a year earlier. Around 305 standard and non-standard parts suppliers are now involved in the process.

A self-assessment questionnaire has been sent to 20 suppliers who have been deemed "at risk" and audits are being conducted, including three pilot audits in China in December 2008.

At the same time, a sensitivity campaign was conducted throughout 2008 to improve purchasing employee awareness of these issues, noting for example that quality auditors could report any violations of fundamental human rights.

Dealers and production partners have also been formally informed of our social responsibility commitment, and have been requested to demonstrate irreproachable compliance with human rights.

Partnerships in Host Countries and Communities

The Global Corporate Social Responsibility Agreement also covers the Group's contribution to the economic and social development of host communities, in particular by using local human resources whenever possible and cooperating with local authorities in the event of changes in the business base.

To fulfil this commitment, a large number of partnerships have been formed with national employment and vocational training agencies, as well as with social integration associations.

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Using Social Audits to Drive Progress and Social Cohesion

PSA PEUGEOT CITROËN's social responsibility policies have been deployed worldwide and are regularly monitored. Data are reported annually by every subsidiary around the world via an efficient social reporting system, in full compliance with France's NRE legislation and Global Reporting Initiative guidelines.

In 2005, Corporate Human Resources introduced an internal social audit process to verify compliance with legal and regulatory standards, our contractual commitments and social responsibility principles in every host country worldwide. These audits are conducted by a social audit team certified by the Centre de Certification Internationale d'Auditeurs Spécialisés (C.C.I.A.S). The team is supported by 17 full-time auditors from the Group's Internal Audit team, who help to carry out social audit assignments with the contribution of 115 people around the world.

Internal Audits are supplemented by external compliance audits concerning employee relations information and social responsibility commitments.

An audit is not an end in itself, but a means of driving continuous improvement in our internal processes. By recommending remedial actions and regularly tracking their application, social audits help to impel a continuous improvement dynamic that has now become a key feature of our corporate culture.

Social audits are also designed to enhance alignment of human resources practices across the Group and prevent any practice or application that violates our commitments and social responsibility.

The process emphasises self-assessment by human resources managers in our facilities, host countries and corporate departments. As part of this process, the auditor's role is to:

- conduct targeted audits on the assigned priority issues;
- guide senior management and facility managers in the self-assessment process;
- prepare audit grids for this process;
- work with the facilities to ensure rapid implementation of the necessary corrective measures.

In 2008, 19 facilities or units were audited, with a focus on application of the Global Social Responsibility Agreement, hiring procedures and non-discrimination practices, the use of temporary workers and general equality in the workplace.

A Heightened Social Commitment in Certain Countries Tracked by Social Rating Agencies

PSA PEUGEOT CITROËN ensures that social and corporate citizenship issues are integrated into the good human resources practices deployed in all of its host countries, including those that are tracked by social rating agencies or Transparency International.

A large number of programmes are underway to develop good human resources practices:

- In China:
  - an increase in the employer contribution to the housing funds, a savings scheme based on equal contributions from employees and employers,
  - a biennial medical examination offered to Beijing-based employees and harmonisation of illness insurance policies at the Beijing and Shanghai offices, providing improved coverage for certain critical illnesses;
- in Algeria:
  - creation of a Works Council.

PSA PEUGEOT CITROËN is committed to promoting jobs and training for the local active population, as part of its contribution to the economic and social development of host communities. The Group has long nurtured and developed relationships with national education stakeholders, such as students, teachers, directors of industrial science and technology studies and directors of business and management studies. In France, it has demonstrated this commitment by signing the Charter of Companies Supporting Equal Opportunity in Education.

PSA PEUGEOT CITROËN and France's National Education Ministry are partnering with local educational systems to set up training centres, for example to offer vocational courses in industrial and business skills in Slovakia, China, Brazil and Mexico. In 2008, these courses were attended by more than 2,500 local Group employees, more than 500 students and more than 20 trainers and technical teachers.

In addition, at Citroën's request, a team of technical teachers "without borders" regularly conduct one-off training programmes as needed. In 2008, for example, 14 programmes were offered by 11 teachers without borders in five languages in Tunisia, Turkey, Cameroon, Madagascar and seven other countries.

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Broad-based programmes to enhance awareness of road safety **issues** have been deployed in several host countries:

- in China, 5,000 kindergarten and primary school children attended an awareness-building programme and 60,000 families received road safety handbooks;
- in Turkey, Gefco offered courses on how to drive safely in threatening situations.

➜ 17.1.4 Employee Relations Indicators (French NRE Legislation)

PSA PEUGEOT CITROËN's social responsibility policies have been deployed worldwide and are regularly monitored. Data are reported annually by every subsidiary around the world via a dedicated social reporting system, in full compliance with French NRE legislation.

The following employee relations indicators comply with French decree no. 2002-221 of February 20, 2002. With the exception of tables concerning headcount and hiring, the indicators have been prepared on the basis of data from all the companies fully consolidated by PSA PEUGEOT CITROËN, other than Faurecia, the automotive equipment division. Faurecia, a listed company 72%-owned by Peugeot S.A., manages its business independently and therefore prepares and publishes its own indicators in its Annual Report. In addition, employees of the Peugeot S.A. holding company are included in data for the Automobile Division.

For related information about the employee relations indicators, please refer to section 17.1 Corporate Social Responsibility. Additional details are also provided in the Sustainable Development and Annual Report.

17.1.4.1 Headcount

The financial and manufacturing crisis that impacted the entire global economy led to a sharp collapse in unit sales, prompting the Group to step up the process of reducing corporate staff that had been underway for the past two years.

In every host country, separation incentive schemes were negotiated in advance with unions or developed from human resources planning and development agreements, with extensive measures to support the employees concerned. Implementing these plans reduced headcount by 6,150 people during the year.

Total Headcount

Number of employees under permanent or fixed-term contracts by division, 2006-2008

(Worldwide, at December 31, 2008)

	2006	2007	2008
Automobile Division (1)	140,000	134,345	129,890
Banque PSA Finance	2,365	2,330	2,390
Gefco	9,900	9,980	10,060
Faurecia	57,810	59,765	58,140
Other businesses (2)	1,675	1,430	1,220
TOTAL	**211,750**	**207,850**	**201,700**

(1) Automobile Division and Peugeot S.A.

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

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Number of employees under permanent or fixed-term contracts in France, the rest of Europe and rest of the world, 2006-2008

(Worldwide, at December 31, 2008)

	2006	2007	2008
France	121,940	113,710	108,620
Rest of Europe	68,435	68,540	66,050
Rest of the world	21,375	25,600	27,030
TOTAL	**211,750**	**207,850**	**201,700**

The Group's growing presence in the global marketplace has led to a steady increase in the percentage of employees based outside France, which totalled more than 46% in 2008 (33% in Europe and 13% in the rest of the world).

Number of employees under permanent or fixed-term contracts by category in France, the rest of Europe and rest of the world

(Worldwide, at December 31, 2008)

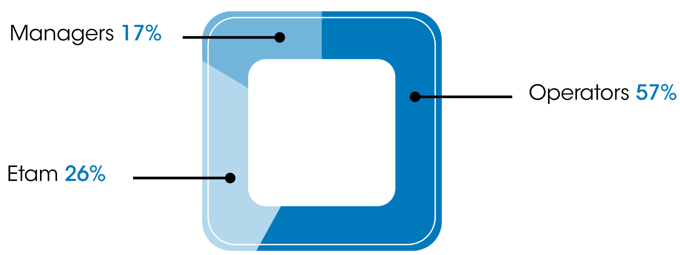
	France			Rest of Europe			Rest of the world			TOTAL		
	Operators	ETAM	Managers	Operators	ETAM	Managers	Operators	ETAM	Managers	Operators	ETAM	Managers
Automobile Division (1)	48,895	21,035	15,920	18,305	10,815	3,905	6,580	2,995	1,440	73,780	34,845	21,265
Banque PSA Finance	-	500	320	-	1,220	250	-	60	40	-	1,780	610
Gefco	1,820	2,420	800	1,195	2,530	260	560	440	35	3,575	5,390	1,095
Faurecia	9,000	3,135	3,600	19,435	4,600	3,485	9,820	2,015	3,050	38,255	9,750	10,135
Other businesses (2)	670	330	175	-	35	10	-	-	-	670	365	185
TOTAL	**60,385**	**27,420**	**20,815**	**38,935**	**19,200**	**7,910**	**16,960**	**5,510**	**4,565**	**116,280**	**52,130**	**33,290**

(1) Automobile Division and Peugeot S.A.

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

The manager category includes engineers and managers with a job description similar to managers in France. ETAM is the French acronym for administrative employees, technicians and supervisors.

Employees under permanent or fixed-term contracts by category



(Worldwide, at December 31, 2008)

Hirings

Employees hired under permanent contracts in 2008 and total hires 2002-2008

(Worldwide, at December 31, 2008)

	France	Rest of Europe	Rest of the world	TOTAL	Total hires, 2002-2008
Automobile Division (1) 2008	**1,995**	**3,155**	**1,695**	**6,845**	**57,700**
2007	1,320	2,605	2,870	6,795	
2006	2,620	4,635	1,100	8,355	
Banque PSA Finance 2008	**45**	**170**	**10**	**225**	**1,435**
2007	20	130	5	155	
2006	35	150	10	195	
Gefco 2008	**315**	**875**	**580**	**1,770**	**9,280**
2007	305	765	400	1,470	
2006	520	825	190	1,535	
Faurecia 2008	**625**	**5,405**	**4,160**	**10,190**	**57,135**
2007	740	4,975	4,540	10,255	
2006	525	5,550	5,760	11,835	
Other businesses (2) 2008	**-**	**-**	**-**	**-**	**280**
2007	15	10	-	25	
2006	15	10	10	35	
2008 TOTAL	**2,980**	**9,605**	**6,445**	**19,030**	**125,830**
2007	2,400	8,485	7,815	18,700	
2006	3,715	11,170	7,070	21,955	
TOTAL HIRES, 2002-2008	**38,550**	**49,810**	**31,970**	**125,830**	

(1) Automobile Division and Peugeot S.A.

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

Employees hired under permanent contracts in 2008, by category

(Worldwide, at December 31, 2008)

	France			Rest of Europe			Rest of the world			TOTAL		
	Operators	ETAM	Managers	Operators	ETAM	Managers	Operators	ETAM	Managers	Operators	ETAM	Managers
Automobile Division (1)	780	880	335	1,910	985	260	810	760	125	3,500	2,625	720
Banque PSA Finance	-	40	5	-	155	15	-	5	5	-	200	25
Gefco	75	150	90	330	510	30	405	170	10	815	830	125
Faurecia	155	75	395	4,415	625	370	2,980	515	660	7,545	1,215	1,430
Other businesses (2)	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**1,010**	**1,145**	**825**	**6,652**	**2,278**	**674**	**4,197**	**1,453**	**799**	**11,860**	**4,870**	**2,300**

(1) Automobile Division and Peugeot S.A.

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

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Employees hired under fixed-term contracts

(Worldwide, at December 31, 2008)

	France	Rest of Europe	Rest of the world	TOTAL
Automobile Division (1)	2,390	3,410	555	6,355
Banque PSA Finance	5	175	5	185
Gefco	115	170	5	290
Faurecia	475	3,110	3,375	6,960
Other businesses (2)	40	-	-	40
TOTAL	**3,025**	**6,865**	**3,940**	**13,830**

(1) Automobile Division and Peugeot S.A.

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

Separations

Number of separations and separation rates by age group, gender and region

(Worldwide, excluding Faurecia, at December 31, 2008)

In 2008, the Groupwide separation rate (excluding Faurecia) was 8.3%, including separations as part of the jobs and capabilities redeployment plan. The rate has been calculated by dividing the total number of separations (resignations by employees under permanent contracts, redundancies of employees under permanent or fixed-term contracts, dismissals of employees under permanent or fixed-term contracts and retirement, deaths and other attrition of employees under permanent or fixed-term contracts) by the total number of employees under permanent or fixed-term contracts.

	< 20 years		20-29 years		30-39 years		40-49 years		≥ 50 years		TOTAL	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Resignations (employees under permanent contracts)	90	25	1,360	485	1,210	435	415	110	65	25	3,140	1,080
Dismissals (employees under permanent or fixed-term contracts)	20	5	480	90	565	130	250	60	495	110	1,810	395
Redundancies (employees under permanent or fixed-term contracts)	5	-	260	55	615	160	430	130	1,220	230	2,530	575
Retirement or death (employees under permanent or fixed-term contracts)	-	-	25	5	40	10	50	5	1,880	340	1,995	360
TOTAL	**115**	**30**	**2,125**	**635**	**2,430**	**735**	**1,145**	**305**	**3,660**	**705**	**9,475**	**2,410**
Rate	9.5%	12.7%	10.3%	11.1%	7.3%	8.2%	3.9%	4.8%	11.6%	11.3%	8.2%	8.8%

	France	Rest of Europe	Rest of the world	TOTAL
Resignations (employees under permanent contracts)	1,315	2,400	505	4,220
Dismissals (employees under permanent or fixed-term contracts)	915	760	530	2,205
Redundancies (employees under permanent or fixed-term contracts)	2,520	485	100	3,105
Retirement or death (employees under permanent or fixed-term contracts)	1,750	575	30	2,355
TOTAL	**6,500**	**4,220**	**1,165**	**11,885**
Rate	7.0%	11.0%	9.6%	8.3%

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Overtime

Overtime

(Worldwide, excluding Faurecia, at December 31, 2008)

	France	Rest of Europe	Rest of the world	TOTAL
Automobile Division [(1)] 2008	**969,920**	**815,035**	**1,656,370**	**3,441,325**
2007	1,416,330	1,408,955	1,774,030	4,599,315
2006	1,390,185	1,065,445	615,190	3,070,820
Banque PSA Finance 2008	**12,240**	**22,545**	**-**	**34,785**
2007	1,175	19,255	50	20,480
2006	2,520	17,855	-	20,375
Gefco 2008	**195,515**	**212,925**	**181,260**	**589,700**
2007	335,210	183,445	144,630	663,285
2006	390,835	189,650	55,125	635,610
Other businesses [(2)] 2008	**10,615**	**-**	**-**	**10,615**
2007	16,050	-	-	16,050
2006	48,290	-	-	48,290
2008 TOTAL	**1,188,290**	**1,050,505**	**1,837,630**	**4,076,425**
2007	1,768,765	1,611,655	1,918,710	5,299,130
2006	1,831,830	1,272,950	670,315	3,775,095

(1) Automobile Division and Peugeot S.A.

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

In most countries, working hours are determined on an annual or multi-year basis.

Number of Contractor Employees Working on Group Sites

Number of full-time equivalent contractor employees working on Group sites

(Worldwide, excluding Faurecia, at December 31, 2008)

	France		Rest of Europe		Rest of the world		TOTAL	
	Occasional	Permanent	Occasional	Permanent	Occasional	Permanent	Occasional	Permanent
Automobile Division (1) 2008	**11,460**	**6,130**	**1,240**	**2,590**	**3,020**	**4,750**	**15,720**	**13,470**
2007	14,605	7,130	4,840	2,660	2,460	4,900	21,905	14,690
2006	12,705	7,085	1,575	2,500	1,280	1,630	15,560	11,215
Banque PSA Finance 2008	**5**	**25**	**15**	**40**	**30**	**35**	**50**	**100**
2007	-	-	20	60	-	-	20	60
2006	-	20	10	20	40	40	50	80
Gefco 2008	**40**	**220**	**260**	**265**	**5**	**95**	**305**	**580**
2007	150	365	215	705	240	60	605	1,130
2006	40	190	285	600	25	50	350	840
Other businesses (2) 2008	**10**	**20**	**-**	**-**	**-**	**-**	**10**	**20**
2007	35	25	-	-	-	-	35	25
2006	5	40	-	-	-	-	5	40
2008 TOTAL	**11,515**	**6,395**	**1,515**	**2,895**	**3,055**	**4,880**	**16,085**	**14,170**
2007	14,790	7,520	5,075	3,425	2,700	4,960	22,565	15,905
2006	12,750	7,335	1,870	3,120	1,345	1,720	15,965	12,175

(1) Automobile Division and Peugeot S.A.

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

The "occasional" category concerns contractor employees whose assignment lasts for more than a month. When it was not possible to determine how long a contractor employee worked onsite, he or she was classified as "occasional".

Redundancy Plans, Outplacement, Rehiring and Employee Support Programmes

The jobs and capabilities redeployment plan in France in 2008

(Automobile Division France, PCA and PSA, at December 31, 2008)

	Operators	ETAM	TOTAL
Personal projects	154	19	173
Outplacement leave	61	7	68
TOTAL	**215**	**26**	**241**

The plan is being deployed at the facilities in Rennes, Mulhouse, Metz, Aulnay and Asnières.

As part of this plan, 94 operators and seven ETAMs were offered a mobility opportunity.

In addition, given the length of their notices or outplacement leaves, 2,800 employees separated from the Group in 2008 under provisions of the 2007 jobs and capabilities redeployment plan.

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Jobs and capabilities redeployment plans outside France

In 2008, jobs and capabilities redeployment plans were implemented in Germany, the United Kingdom, the Netherlands, Spain, Denmark and Portugal. In all, nearly 400 employees took advantage of one of the voluntary separation incentives in the plans in order to leave the Group in 2008.

17.1.4.2 Organisation of Working Hours

Full-time Employees

In every host country, working hours are consistently equal to or less than the legal workweek or industry practices.

The 35-hour workweek legislation has been applied in France since 1999 and measures to reduce working hours while making the Group more competitive have been introduced in other countries.

Part-time Employees

Part-time employees are defined as employees who work fewer hours per week or fewer average hours over a period of up to one year, than a comparable full-time employee. Requests for part-time work are approved whenever possible, with individualised solutions that align employee needs with efficient team performance. These solutions include working part of a day or half-day, working a reduced number of total hours, and working every other week.

Number of part-time employees under permanent or fixed-term contracts

(Worldwide, excluding Faurecia, at December 31, 2008)

	France	Rest of Europe	Rest of the world	TOTAL
Automobile Division (1) 2008	**2,940**	**5,130**	**215**	**8,285**
2007	3,060	5,275	-	8,335
2006	2,255	4,760	25	7,040
Banque PSA Finance 2008	**45**	**240**	**-**	**285**
2007	40	215	-	255
2006	40	220	-	260
Gefco 2008	**290**	**175**	**-**	**465**
2007	260	175	-	435
2006	270	220	-	490
Other businesses (2) 2008	**25**	**5**	**-**	**30**
2007	90	5	-	95
2006	10	-	-	10
2008 TOTAL	**3,300**	**5,550**	**215**	**9,065**
2007	3,450	5,670	-	9,120
2006	2,575	5,200	25	7,800

(1) Automobile Division and Peugeot S.A.

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

In 2008, nearly 9,065 employees worked part-time worldwide, of which 1,280 worked half-time. Of the total, 43% were women and 57% were men.

Absenteeism and its Causes

Paid absences other than vacation

(Worldwide, excluding Faurecia, at December 31, 2008)

	France		Rest of Europe		Rest of the world		TOTAL	
	Sick leave	Other paid leave	Sick leave	Other paid leave	Sick leave	Other paid leave	Sick leave	Other paid leave
Automobile Division (1) 2008	**4,209,145**	**976,715**	**1,760,045**	**736,225**	**550,145**	**52,520**	**6,519,335**	**1,765,460**
2007	4,398,975	982,850	1,815,755	676,030	328,915	51,095	6,543,645	1,709,975
2006	4,053,610	869,370	1,901,775	778,805	218,645	68,560	6,174,030	1,716,735
Banque PSA Finance 2008	**34,035**	**21,870**	**50,380**	**30,205**	**-**	**720**	**84,415**	**52,795**
2007	30,835	13,375	78,645	34,430	115	590	109,595	48,395
2006	29,205	21,520	63,690	33,445	1,000	2,260	93,895	57,225
Gefco 2008	**238,830**	**92,305**	**184,405**	**79,830**	**8,595**	**5,945**	**431,830**	**178,080**
2007	286,495	166,020	166,180	34,495	7,855	6,340	460,530	206,855
2006	289,670	183,655	222,740	40,635	8,760	3,160	521,170	227,450
Other businesses (2) 2008	**86,905**	**7,815**	**2,840**	**95**	**-**	**-**	89,745	7,910
2007	83,890	12,960	2,520	1,625	-	-	86,410	14,585
2006	84,860	16,450	675	2,190	-	-	85,535	18,640
2008 TOTAL	**4,568,915**	**1,098,705**	**1,997,670**	**846,355**	**558,740**	**59,185**	**7,125,325**	**2,004,245**
2007	4,800,195	1,175,205	2,063,100	746,580	336,885	58,025	7,200,180	1,979,810
2006	4,457,345	1,090,995	2,188,880	855,075	228,405	73,980	6,874,630	2,020,050

(1) Automobile Division and Peugeot S.A.

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

Paid absences other than vacation totalled 9,129,570 hours, of which 7,125,325 for sick leave, 893,905 for maternity leave, 541,595 for accident-related absences and 568,745 for other reasons. Based on the nearly 294 million hours worked, the overall absenteeism rate stood at around 3.1% for the year (compared to 3.5% in 2007).

17.1.4.3 Compensation

Total payroll by region

(Worldwide, excluding Faurecia, at December 31, 2008)

In 2008, total payroll costs (excluding Faurecia) came to €4,693,145,000, while related payroll taxes amounted to €1,846,186,000.

(in thousands euros)	France	Rest of Europe	Rest of the world	TOTAL
2006	5,074,551	1,557,954	147,167	6,779,672
2007	5,114,073	1,569,748	210,104	6,893,925
2008	**4,776,909**	**1,492,919**	**269,504**	**6,539,331**

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In every host country, compensation policies are designed to maintain employee purchasing power, reward performance, offer compensation that is competitive with market practices and give employees a stake in the value they help to create.

A large number of wage agreements are signed in most host countries every year. These agreements not only maintain purchasing power, especially for the lowest wage categories, they also provide for individual performance-based bonuses for the most productive employees.

Group minimum wage versus local statutory minimum wage, by country in 2008

(Worldwide, excluding Faurecia and Gefco)

Country	Group minimum wage/the local statutory minimum wage *(base 100)*	Local statutory minimum wage
Germany	N/R	No statutory minimum wage
Austria	N/R	Minimum wage set by industry collective agreements
Argentina	153	Statutory minimum wage (vital y mobil del país)
Belgium	123	Minimum wage set by joint labour/ management commission
Brazil	253	Local statutory minimum wage
Spain	106	Local statutory minimum wage
United Kingdom	100	Local minimum wage (for people over 22)
France	125	Local statutory minimum wage
Italy	112	Industry minimum wage
Netherlands	100	Local minimum wage (for people over 23)
Poland	160	Local statutory minimum wage
Portugal	106	Local statutory minimum wage
Slovakia	228	Local statutory minimum wage
Switzerland	N/R	No statutory minimum wage; no industry agreements
Czech Republic	300	Local statutory minimum wage

Information is reported for countries representative of the Group's organisation (excluding Faurecia), where there are more than 300 employees. The index is calculated based on each country's statutory minimum wage (when one exists), without considering any regional variations.

Discretionary Profit-sharing

As part of the Group's commitment to enabling employees to share in the value they create, all employees around the world are paid a discretionary profit-share out of operating income.

Employee Savings Plans

In many host countries, PSA PEUGEOT CITROËN offers a variety of employee savings schemes that enable employees to invest their own funds, by making voluntary contributions at any time during the year.

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Gender Equality in the Workplace

Number of women employees under permanent or fixed-term contracts

(Worldwide, at December 31, 2008)

	2002	2003	2004	2005	2006	2007	2008	Increase, 2002-2008
Operators	16,235	16,295	19,105	19,060	21,065	22,365	21,635	33.3%
ETAM	14,420	15,510	16,655	16,395	16,175	15,650	15,610	8.2%
Managers	4,245	4,580	5,325	5,945	6,320	6,255	6,310	48.7%
TOTAL	**34,900**	**36,385**	**41,085**	**41,400**	**43,560**	**44,270**	**43,555**	**24.8%**

PSA PEUGEOT CITROËN's commitments to gender equality were first expressed in the November 12, 2003 agreement on gender equality and employment for women. As a result, 2002 has been chosen as the reference year.

Percentage of women employees in the workforce over the last three years

(Worldwide, at December 31, 2008)

	2002	2003	2004	2005	2006	2007	2008
% OF TOTAL HEADCOUNT	**17.6**	**18.2**	**19.8**	**19.8**	**20.6**	**21.3**	**21.6**

Women account for 19% of engineers and managers, 29.9% of administrative employees, technicians and supervisors (ETAM) and 18.6% of operators.

Improving gender equality in the executive suite – percentage of women managers by age group

(Worldwide, at December 31, 2008)

	< 30 years	30-39	40-49	≥ 50
Number of women managers	1,130	2,965	1,435	780
Total number of managers	3,775	12,900	10,010	6,605
% OF WOMEN MANAGERS	**29.9%**	**23.0%**	**14.3%**	**11.8%**

The percentage of women among new hires and total headcount has increased in every employee category. Today, nearly 29.9% of managers under 30 are women, compared with almost 11.8% of managers over 50.

Senior executives

(Worldwide, excluding Faurecia, at December 31, 2008)

Executive management of the PSA PEUGEOT CITROËN Group is the responsibility of the Managing Board with the support of the Executive Committee, whose nine members include two women.

At PSA PEUGEOT CITROËN, "senior executives" include the members of the Extended Executive Committee, along with the executives and senior managers in charge of adapting and implementing the Group's strategic vision, policies and programmes.

	30/49 years	≥ 50 years	TOTAL
Men	392	352	744
Women	17	21	38
TOTAL	**409**	**373**	**782**

Nationality	Number
French	680
Spanish	33
British	14
Argentine	11
Belgian	9
Brazilian	5
German	9
Italian	7
Swiss	5
Portuguese	2
Austrian	2
Dutch	2
Polish	1
Moroccan	1
Danish	1
TOTAL	**782**

17.1.4.4 Employee Relations and Collective Bargaining Agreements

An International Group Works Council

Created in 1996, the Group Works Council, which represents employees in European countries, Brazil and Argentina, serves as the primary forum for dialogue and discussion of the Group's strategy, performance and outlook. It is also involved in the contractual agreement process, in particular through application of the Global Corporate Social Responsibility Agreement.

The International Joint Union-Management Strategy Committee

On June 19, 2008, the Committee was extended to the leading unions outside France through an agreement signed with IGMetall, T&GWU, SIT-FSI, UGT and CC-OO. It acts as a forum for analysis, dialogue and discussion to explore in more detail issues related to the Group's situation and development, its policies and its strategic vision, in such areas as products, markets, changing technologies and new business projects outside France.

A large number of new agreements

In 2008, nearly 230 agreements were signed, including 52 outside France, covering all of the major issues concerning the company and its employees, such as international expansion and new workplace practices and organisations. Contractual commitments are also aligned with employee expectations about salaries, career development, working hours and other job-related concerns. And by addressing such social issues as gender equality and diversity, they are driving changes in corporate culture and mindsets. The large number of agreements signed reflects the Group's commitment to defining and implementing employee relations policies in close collaboration with unions and employee representative organisations. In addition, the renewal of collective bargaining agreements, notably in Spain, contributed to the sharp increase in the number of agreements signed in 2008.

17.1.4.5 Workplace Health and Safety

Workplace health and safety policy has been formalised in the Global Corporate Social Responsibility Agreement, which expresses the Group's commitment to implementing the best standards and practices in this area and makes health and accident prevention a priority. The commitment is also expressed in several national company agreements. For additional information, refer to the paragraph on "Keeping employees healthy throughout their careers" in section 17.1.2.

17.1.4.6 Training

Hours of training by region

(Worldwide, excluding Faurecia, at December 31, 2008)

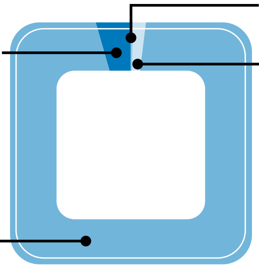
	Total hours of training (in thousands)			Average hours of training per employee (excluding Faurecia)		
	2006	2007	2008	2006	2007	2008
France	1,932	1,750	1,665	18.5	18.0	17.9
Rest of Europe	1,529	1,143	890	36.8	28.3	23.1
Rest of the world	375	719	380	47.0	67.1	31.3
TOTAL	**3,835**	**3,612**	**2,935**	**24.9**	**24.4**	**20.4**

Each employee received an average of nearly 20.4 hours of training in 2008. The nearly 3 million hours of training conducted throughout the Group represented an outlay of almost €123 million.

In addition, Faurecia offered 1.4 million hours of training, representing an average 25 hours per employee and a budget of nearly €27 million for the year.

Training expenditure by division

(Worldwide, excluding Faurecia, at December 31, 2008)



During the year, nearly 4,400 students served in Group units around the world under internship programs. In addition, more than 2,500 young people, nearly 28% of whom were women, took part in a company-sponsored work-study or apprenticeship programme in 2008.

Percentage of employees having a performance review in 2008

(Worldwide, excluding Faurecia, at December 31, 2008)

Percentage of employees having a performance review	France	Rest of Europe	Rest of the world	TOTAL
Operators	86.3%	70.3%	42.6%	**79.1%**
ETAM	62.0%	67.5%	56.9%	**63.4%**
Managers	90.0%	81.8%	67.1%	**87.0%**
TOTAL	**80.6%**	**70.6%**	**50.6%**	**75.7%**

During their annual performance review, employees can discuss their career development aspirations with their manager, including mobility opportunities, orientation programmes and training.

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17.1.4.7 Hiring and Integrating the Disabled

Disabled employees

(Worldwide, excluding Faurecia, at December 31, 2008)

	France	Rest of Europe	Rest of the world	TOTAL
Automobile Division [(1)] 2008	**5,515**	**515**	**55**	**6,085**
2007	5,890	635	55	6,580
2006	5,590	720	35	6,345
Banque PSA Finance 2008	**5**	**15**	**-**	**20**
2007	5	15	-	20
2006	5	15	-	20
Gefco 2008	**100**	**45**	**-**	**145**
2007	125	50	-	175
2006	105	40	-	145
Other businesses [(2)] 2008	**65**	**-**	**-**	**65**
2007	95	-	-	95
2006	95	-	-	95
2008 TOTAL	**5,685**	**575**	**55**	**6,315**
2007	6,115	700	55	6,870
2006	5,795	775	35	6,605

(1) Automobile Division and Peugeot S.A.

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

Worldwide, the Group directly employs 6,315 disabled people, as defined by local legislation. In all, 82% of disabled employees are operators, 15% are administrative employees, technicians and supervisors and 3% are managers.

In the Automobile Division in France, 8% of employees are classified as handicapped (including sheltered workers under contract), compared with the 6% national rate that businesses are encouraged to reach. The above table does not include the 1,040 disabled people who work for Faurecia.

17.1.4.8 Social Services

Depending on national and local needs and conditions, all Group companies and plants contribute to social and cultural activities and help to improve the quality of work-life, with food services, transportation, employee welfare benefits, corporate concierge services and daycare centres. In all, the Automobile, Finance and Transportation & Logistics Divisions paid more than €240 million in employee benefits in 2008. Representing more than 3.7% of payroll, this amount encompasses employer payments for housing, transportation, food services, health and social services, health care and personal protection insurance, as well as subsidies paid to Works Council in France for employee welfare programs.

17.1.4.9 Outsourcing

Refer to the paragraph on “A fundamental commitment to respecting human rights” in section 17.1.3.

17.2 Stock Option Plans and FreeAllocation of Shares

➜ 17.2.1 Allocation Policy

See chapter 15.1 above.

➜ 17.2.2 Share Subscription and Share Purchase Options

See chapter 15.1 above.

17.3 Employee Shareholding

➜ 17.3.1 The Group Employee Savings Plan

In many host countries, PSA PEUGEOT CITROËN offers a variety of savings schemes that enable employees to invest their own funds, by making voluntary contributions and investing their discretionary and/or non-discretionary profit shares.

➜ 17.3.2 Employee Ownership of Company Stock

Percentage of Capital Held by Employees through Employee Stockholding Plans Worldwide (France, Germany, Spain, United Kingdom, Portugal)

	2006	2007	2008
Percentage	2.67	2.52	2.76

More than 47,000 employees or former employees are Peugeot S.A stockholders.

18 MAJOR STOCKHOLDERS

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18.1 Capital and Voting Rights Structure at December 31, 2008

As of 31 December 2008, the Peugeot family group, whose members are presented in the table below, held 30.30% of the Company's outstanding shares and 45.10% of exercisable voting rights.

	December 31, 2008				December 31, 2007				December 31, 2006			
Main identified stockholders [(1)]	Number of shares	% interest	% exercisable voting rights	% theoretical voting rights	Number of shares	% interest	% exercisable voting rights	% theoretical voting rights	Number of shares	% interest	% exercisable voting rights	% theoretical voting rights
Établissements Peugeot Frères	6,923,760	2.96	4.64	4.53	6,923,760	2.96	4.72	4.62	6,923,760	2.95	4.73	4.62
La Française de Participations Financières (LFPF)	12,156,000	5.19	7.64	7.47	12,156,000	5.19	7.33	7.18	12,156,000	5.18	6.98	6.83
Foncière, Financière et de Participations (FFP) [(2)]	51,792,738	22.13	32.79	32.02	51,792,738	22.11	33.33	32.65	51,792,738	22.08	33.39	32.66
Comtoise de Participation	36,000	0.02	0.02	0.02	36,000	0.02	0.02	0.02	36,000	0.02	0.02	0.02
Peugeot family Group	**70,908,498**	**30.30**	**45.10**	**44.04**	**70,908,498**	**30.27**	**45.4**	**44.48**	**70,908,498**	**30.22**	**45.12**	**44.13**
Others Individual accounts	14,246,389	6.09	4.89	4.78	10,797,076	4.61	3.80	3.72	11,501,717	4.90	4.04	3.96
PSA corporate mutual fund	6,468,981	2.76	3.80	3.71	5,900,338	2.52	2.01	1.97	6,253,162	2.67	2.13	2.09
Groupe BNP Paribas	2,641,800	1.13	1.77	1.73	2,641,800	1.13	1.8	1.76	2,641,800	1.13	1.80	1.76
Others French Institutional shareholders	55,383,993	23.66	18.56	18.12	41,207,290	17.59	14.04	13.75	46,629,058	19.87	15.91	15.57
Barclays Plc (total holding)	5,574,298	2.38	1.87	1.82	14,270,910	6.09	4.86	4.76	-	-	-	-
Others Foreign Institutional shareholders	71,636,625	30.61	24.01	23.44	82,456,672	35.20	28.09	27.52	90,149,556	38.42	30.99	30.31
Treasury stock	7,188,214	3.07	-	2.35	6,097,714	2.60	-	2.03	6,534,475	2.79	-	2.18
TOTAL	**234,048,798**	**100**	**100**	**100**	**234,280,298**	**100**	**100**	**100**	**234,618,266**	**100**	**100**	**100**

(1) Sources: Euroclear France et Phoenix Investor Relations.

(2) Created in 1929, Foncière, Financière et de Participations (FFP) has been the Group's largest shareholder, alongside the other companies owned by the family group, since Peugeot was reorganised in 1966. The company's long-held primary asset is its 22.13% interest in the PSA PEUGEOT CITROËN Group. It is included in the stake held by the Peugeot family group, Peugeot S.A.'s leading shareholder with 30.30% of the capital.

Potential voting rights, by stockholder, at December 31, 2008

In compliance with article 223-11 of the AMF General Rules and Regulations, the above chart analyzes potential voting rights outstanding, which include rights attached to shares held in treasury. These potential voting rights are the ones used in determining when statutory disclosure thresholds have been exceeded.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Identity of Stockholders (Article 7 of the Bylaws)

The Company is entitled, under the applicable laws and regulations, to request information on the identity of the holders of securities granting immediate or future voting rights at its Stockholders' Meetings and the number of voting rights held.

Stock Buybacks

Under the stockholder authorizations given at the Annual Meeting of May 28, 2008, a total of 1,345,000 Peugeot S.A. shares were purchased at an average price of €32.87 per share during the year, for allocation on exercise of stock options granted in July and August 2008.

At year-end, 7,188,214 shares, or 3.07% of issued capital, were held in treasury, including 6,527,907 shares held for allocation on exercise of outstanding stock options and 660,307 for allocation on future stock options.

Cancellation of Shares

Under the stockholder authorizations given at the Annual Meeting of May 28, 2008, the Managing Board decided on July 17 to cancel 231,500 shares. The shares were effectively cancelled on July 29.

18.2 Different Voting Rights

Fully-paid up shares registered in the name of the same holder for at least four years shall carry double voting rights at Stockholders' Meetings.

This measure was retained in 1972 when the Company was transformed into a *société anonyme* (joint stock corporation), governed by a Supervisory Board and a Managing Board. The number of years the shares had to be held to qualify for double voting rights was raised from two to four at the Extraordinary Meeting of Stockholders on June 29, 1987. In the event of a capital increase through the capitalization of retained earnings, profits or additional paid-in capital, the resulting bonus shares distributed in respect of registered shares carrying double voting rights will similarly carry double voting rights. In accordance with the law, double voting rights will be lost if the shares are converted into bearer form or transferred to another Shareholder, unless the transfer takes place due to an inheritance, the liquidation of a marital estate or a gift to a spouse or heir.

18.3 Ownership and Control of the Company's Share Capital

Other stockholders.

There are no stockholders' pacts.

18.4 Change of Ownership

There are no stockholders' pacts in force among the companies making up the Peugeot family Group. However, these companies have signed a lock-up agreement concerning their Peugeot S.A. shares, in accordance with articles 787-B and 885-I bis of the French General Tax Code.

19

TRANSACTIONS WITH RELATED PARTIES

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

See note 41 to the consolidated financial statements.

In addition, the special report of Statutory Auditors on the regulated agreements and undertakings is presented below.

Statutory Auditors' Special Report on related party agreements and commitments

➜ Year ended 31 December 2008

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Peugeot S.A., we hereby report to you on related party agreements and commitments.

➜ Agreements and commitments authorised during 2008

In accordance with Article L.225-88 of the French Commercial Code *(Code de commerce)*, we were informed of the following agreements and commitments authorised by your Supervisory Board during 2008.

Our responsibility does not include identifying any undisclosed agreements or commitments. We are required to report to shareholders, based on the information provided, about the main terms and conditions of agreements and commitments that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of Article R.225-58 of the French Commercial Code, it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

We performed our procedures in accordance with professional standards applicable in France. These standards require us to perform procedures to verify that the information given to us agrees with the underlying documents.

Loan granted by Peugeot S.A. to its subsidiary, Faurecia

At its meeting of 21 October 2008, the Supervisory Board of Peugeot S.A. authorised the granting of a loan to its subsidiary, Faurecia, for a maximum amount of €250 million subject to the same rates and periods (two tranches of three and five years) as Faurecia's syndicated bank loan.

At 31 December 2008, €194 million had been drawn down by Faurecia on this loan. Accrued interest recognised with respect to 2008 amounted to €363 thousand.

Robert Peugeot and Thierry Peugeot were parties to the authorisation of the agreement in their capacities as members of the Supervisory Board of Peugeot S.A. and of the Board of Directors of Faurecia.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Commitments made in favour of corporate officers

We remind you that our special report of 21 April 2008 gave details of the following agreements relating to commitments in favour of members of the Managing Board in office at that date (Messrs. Streiff, Olivier, Collin, Michel and Vardanega), which were approved by the shareholders' meetings of 23 May 2007 and 28 May 2008:

- In addition to being covered by government-sponsored basic and supplementary pension plans, eligible Managing Board members are also entitled to pension benefits funded under an insured plan set up specially for Group senior management. Benefits are capped at 50% of the average of their gross compensation, including bonuses, for their best three years out of their last five in the job. Members are only eligible for this supplementary pension benefit if, in particular, they have occupied a senior management position in the Group for at least five years.
- At the end of their term of office, the Managing Board members' employment contracts with Peugeot S.A., which were suspended upon their appointment as corporate officers, will be reinstated, with annual compensation set at an amount equal to their latest base salary plus the average of the last three years' bonuses. Their entire term as member of the Managing Board will be taken into account for the purpose of calculating their seniority under the employment contract. In accordance with Article 225-42-1 of the French Commercial Code, eligibility for the above-described provision is subject to members of the Managing Board concerned having received an average bonus during their term of office equal to at least 60% of their average base salary over the same period.

➜ Agreements and commitments previously approved which remained in force during the year

In accordance with the French Commercial Code, we were informed that the following agreements and commitments previously approved remained in force during the past year.

Implementation in 2008 of commitments made in favour of corporate officers

The agreements relating to the commitments made in favour of the five corporate officers referred to above were not applied directly during 2008. As Gilles Michel resigned from his position as a member of the Managing Board with effect from 31 December 2008, his employment contract was not reinstated. No additional compensation was paid with respect to the termination of Gilles Michel's term of office and he will not receive any pension benefits under the insured plan for Group senior management.

These agreements remained in force for the other four members of the Managing Board as at 31 December 2008.

Other guarantees

The following table sets out the other guarantees previously given by your Company, with the amount outstanding as at 31 December 2008 and the compensation received during the year.

Type	Beneficiary of guarantee	Beneficiary of loan	Initial amount of loan in base currency	Amount outstanding under guarantee at 31 Dec. 2008	Compensation in 2008
Joint and several surety and guarantee	B.E.I	GIE Vulcain Energie	FRF 1,300,000,000	GBP 14,000,000	€31,412
Joint and several guarantee	IBIC	TPCA	€78.750.000	€78.750.000	€47,283
Joint and several guarantee	IBIC	TPCA	€78.750.000	€26.250.000	€39,139

Share of Group general and administrative expenses

In 2008, a total of €88,415,834 was received in respect of subsidiaries' share of Group general and administrative expenses.

Courbevoie and Neuilly-sur-Seine, 21 April 2009

The Statutory Auditors

Mazars	PricewaterhouseCoopers Audit
Loïc Wallaert	Pierre Riou

20 FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

20.1 Historical Financial Information

In compliance with article 28 of EC regulation No. 809/2004, the following information is incorporated by reference in the Registration Document:

➜ 2007 Financial Information

The consolidated financial statements are presented in section 9 and the corresponding Auditors' Report is presented in section 13 of the 2007 Registration Document filed with the *Autorité des Marchés Financiers* (No. D. 08-0281) on April 23, 2008.

➜ 2006 Financial Information

The consolidated financial statements are presented in section 9 and the corresponding Auditors' Report is presented in section 14 of the 2006 Registration Document filed with the *Autorité des Marchés Financiers* (No. D. 07-0375) on April 23, 2007.

20.2 *Pro forma* Financial Information

Not applicable.

20.3 Consolidated Financial Statements for the Year Ended December 31, 2008

➜ 20.3.1 Statutory Auditors' Report on the Consolidated Financial Statements

This is a free translation into English of the Statutory Auditors' Report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' Report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2008, on:

- the audit of the accompanying consolidated financial statements of Peugeot S.A.;
- the justification of our assessments;
- the specific verifications required by law.

The consolidated financial statements have been approved by the Managing Board. Our role is to express an opinion on these consolidated financial statements based on our audit.

I - Opinion on the Consolidated Financial Statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes verifying, on a test basis, or by other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2008 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

Without qualifying our opinion expressed above, we draw your attention to note 2 to the consolidated financial statements listing the reclassifications recorded in the consolidated income statement between Sales and revenue, Cost of goods and services sold and Selling, general and administrative expenses. This change in accounting presentation has no impact on consolidated profit or equity reported in prior years.

II - Justification of our Assessments

Accounting estimates used in preparing the financial statements at December 31, 2008 were made in light of the current economic and financial crisis affecting the automotive industry, characterized by the difficulty in assessing the economic outlook. Against this backdrop, and in accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- the consolidated statement of cash flows shows a significant decrease in cash and cash equivalents during the year. We ensured that the notes to the consolidated financial statements disclose appropriate information on the Company's current and foreseeable financial position, as well as on the management of liquidity risk within its various businesses (notes 37.1.F and 38);
- in the context of our assessment of the accounting principles and methods applied by the Company, we examined the criteria for recognizing development expenditure as an intangible asset and for amortizing said expenditure (note 1.11 A). We also examined the method for determining the revenue related to sales of new vehicles with a buyback commitment (note 1.5.A.a);
- as indicated in note 1.10, goodwill is not amortized but is tested for impairment at least annually according to the method set out in note 1.13, which is also applicable to all other long-lived assets. In 2008, the impairment tests led to write-downs on assets allocated to two of the Automobile Division's cash-generating units (note 9.1), and on certain assets of the Automotive Equipment Division (Faurecia Group) (note 9.2), in particular the total write down of residual goodwill relating to the Vehicle Interiors business. As part of our assessment of the significant estimates made by management, we verified that this approach complied with IFRS and that the impairment tests described in the notes to the consolidated financial statements were carried out correctly. We also reviewed the available documentation, notably relating to cash flow projections applied and other assumptions used.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific Verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group's Management Report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, March 13, 2009

The Statutory Auditors

Mazars	**PricewaterhouseCoopers Audit**
Loïc Wallaert	Pierre Riou

➜ 20.3.2 Consolidated Statements of Income

	2008			
(in million euros)	Manufacturing and Sales companies	Finance companies	Eliminations	TOTAL
Sales and revenue (Note 5)	**52,705**	**2,088**	**(437)**	**54,356**
Cost of goods and services sold	(44,146)	(1,211)	437	(44,920)
Selling, general and administrative expenses	(6,521)	(320)	-	(6,841)
Research and development expenses (Note 8)	(2,045)	-	-	(2,045)
Recurring operating income	**(7)**	**557**	**-**	**550**
Non-recurring operating income and (expenses) (Note 9)	(916)	(1)	-	(917)
Operating income	**(923)**	**556**	**-**	**(367)**
Interest income (Note 10) *	247	-	-	247
Finance costs (Note 11) *	(343)	-	-	(343)
Other financial income and (expenses), net (Note 12)	(189)	(1)	-	(190)
Income before tax of fully consolidated companies	**(1,208)**	**555**	**-**	**(653)**
Current taxes	(156)	(137)	-	(293)
Deferred taxes	449	(60)	-	389
Income taxes (Note 13)	**293**	**(197)**	**-**	**96**
Share in net earnings of companies at equity (Note 17)	57	-	-	57
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	**(858)**	**358**	**-**	**(500)**
Attributable to equity holders of the parent	*(699)*	*356*	-	*(343)*
Attributable to minority interests	*(159)*	*2*	-	*(157)*
(in euros)				
Basic earnings per €1 par value share (Note 14)				(1.51)
Diluted earnings per €1 par value share (Note 14)				(1.51)

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

The Notes on pages 193 to 293 are an integral part of the consolidated financial statements.

2007				2006			
Manufacturing and Sales companies	Finance companies	Eliminations	TOTAL	Manufacturing and Sales companies	Finance companies	Eliminations	TOTAL
57,132	**1,999**	**(455)**	**58,676**	**53,789**	**1,761**	**(365)**	**55,185**
(46,909)	(1,064)	455	(47,518)	(44,002)	(833)	365	(44,470)
(7,007)	(327)	-	(7,334)	(7,255)	(324)	-	(7,579)
(2,072)	-	-	(2,072)	(2,017)	-	-	(2,017)
1,144	**608**	**-**	**1,752**	**515**	**604**	**-**	**1,119**
(632)	-	-	(632)	(808)	-	-	(808)
512	**608**	**-**	**1,120**	**(293)**	**604**	**-**	**311**
283	-	-	283	178	-	-	178
(306)	-	-	(306)	(234)	-	-	(234)
(16)	(1)	-	(17)	(48)	(1)	-	(49)
473	**607**	**-**	**1,080**	**(397)**	**603**	**-**	**206**
(218)	(149)	-	(367)	(101)	(178)	-	(279)
102	(37)	-	65	150	(27)	-	123
(116)	**(186)**	**-**	**(302)**	**49**	**(205)**	**-**	**(156)**
48	-	-	48	20	-	-	20
405	**421**	**-**	**826**	**(328)**	**398**	**-**	**70**
467	*418*	-	*885*	*(211)*	*394*	-	*183*
(62)	*3*	-	*(59)*	*(117)*	*4*	-	*(113)*
			3.88				0.80
			3.86				0.80

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

➜ 20.3.3 Consolidated Balance Sheets

Assets

(in million euros)	December 31, 2008 Manufacturing and Sales companies	Finance companies	Eliminations	TOTAL
Goodwill (Note 15)	1,237	75	-	1,312
Intangible assets (Note 15)	4,061	96	-	4,157
Property, plant and equipment (Note 16)	14,064	41	-	14,105
Investments in companies at equity (Note 17)	732	14	-	746
Investments in non-consolidated companies (Note 18)	48	13	-	61
Other non-current financial assets (Note 19)	848	46	(25)	869
Other non-current assets (Note 20)	152	1	-	153
Deferred tax assets (Note 13)	468	75	-	543
Total non-current assets	**21,610**	**361**	**(25)**	**21,946**
Operating assets				
Loans and receivables - finance companies (Note 21)	-	22,495	(136)	22,359
Short-term investments - finance companies (Note 22)	-	1,182	-	1,182
Inventories (Note 23)	7,757	-	-	7,757
Trade receivables - manufacturing and Sales companies (Note 24)	2,001	-	(146)	1,855
Current taxes (Note 13)	189	35	(17)	207
Other receivables (Note 25)	1,897	1,028	(256)	2,669
	11,844	**24,740**	**(555)**	**36,029**
Current financial assets (Note 26)	**515**	**-**	**-**	**515**
Cash and cash equivalents (Note 27)	**2,040**	**1,280**	**(90)**	**3,230**
Total current assets	**14,399**	**26,020**	**(645)**	**39,774**
TOTAL ASSETS	**36,009**	**26,381**	**(670)**	**61,720**

Equity and Liabilities

(in million euros)	December 31, 2008 Manufacturing and Sales companies	Finance companies	Eliminations	TOTAL
Equity (Note 28)				
Share capital				234
Treasury stock				(303)
Retained earnings and other accumulated equity, excluding minority interests				13,212
Minority interests				134
Total equity				**13,277**
Non-current financial liabilities (Note 31)	4,491	-	-	4,491
Other non-current liabilities (Note 32)	2,793	-	-	2,793
Non-current provisions (Note 29)	876	24	-	900
Deferred tax liabilities (Note 13)	1,321	450	-	1,771
Total non-current liabilities	**9,481**	**474**	**-**	**9,955**
Operating liabilities				
Financing liabilities (Note 33)	-	21,864	(118)	21,746
Current provisions (Note 29)	2,053	27	-	2,080
Trade payables	8,428	-	(11)	8,417
Current taxes (Note 13)	76	27	(17)	86
Other payables (Note 34)	3,795	1,070	(399)	4,466
	14,352	22,988	(545)	36,795
Current financial liabilities (Note 31)	**1,818**	**-**	**(125)**	**1,693**
Total current liabilities	**16,170**	**22,988**	**(670)**	**38,488**
TOTAL EQUITY AND LIABILITIES				**61,720**

The Notes on pages 193 to 293 are an integral part of the consolidated financial statements.

December 31, 2007				December 31, 2006			
Manufacturing and Sales companies	Finance companies	Eliminations	TOTAL	Manufacturing and Sales companies	Finance companies	Eliminations	TOTAL
1,488	75	-	1,563	1,488	75	-	1,563
3,885	94	-	3,979	3,947	87	-	4,034
14,652	44	-	14,696	15,221	47	-	15,268
725	12	-	737	687	12	-	699
47	3	-	50	53	-	-	53
1,121	47	-	1,168	1,321	47	-	1,368
126	1	-	127	96	1	-	97
428	37	-	465	499	36	-	535
22,472	**313**	**-**	**22,785**	**23,312**	**305**	**-**	**23,617**
-	23,393	(170)	23,223	-	22,802	(99)	22,703
-	3,310	-	3,310	-	2,818	-	2,818
6,913	-	-	6,913	6,826	-	-	6,826
2,857	-	(157)	2,700	3,043	-	(193)	2,850
169	37	(44)	162	210	29	(26)	213
1,782	772	(134)	2,420	1,719	617	(68)	2,268
11,721	**27,512**	**(505)**	**38,728**	**11,798**	**26,266**	**(386)**	**37,678**
1,483	**-**	**-**	**1,483**	**1,132**	**-**	**-**	**1,132**
5,185	**943**	**(149)**	**5,979**	**6,339**	**620**	**(292)**	**6,667**
18,389	**28,455**	**(654)**	**46,190**	**19,269**	**26,886**	**(678)**	**45,477**
40,861	**28,768**	**(654)**	**68,975**	**42,581**	**27,191**	**(678)**	**69,094**

December 31, 2007				December 31, 2006			
Manufacturing and Sales companies	Finance companies	Eliminations	TOTAL	Manufacturing and Sales companies	Finance companies	Eliminations	TOTAL
			234				235
			(271)				(261)
			14,282				13,744
			310				388
			14,555				**14,106**
4,294	-	-	4,294	4,125	-	-	4,125
2,886	1	-	2,887	2,759	-	-	2,759
1,109	23	-	1,132	1,383	23	-	1,406
1,689	364	-	2,053	1,854	329	-	2,183
9,978	**388**	**-**	**10,366**	**10,121**	**352**	**-**	**10,473**
-	24,670	(148)	24,522	-	23,259	(215)	23,044
2,132	29	-	2,161	1,747	38	-	1,785
10,600	-	(29)	10,571	10,481	-	(25)	10,456
158	55	(44)	169	152	43	(26)	169
4,241	732	(292)	4,681	4,075	847	(261)	4,661
17,131	25,486	(513)	42,104	16,455	24,187	(527)	40,115
2,091	**-**	**(141)**	**1,950**	**4,551**	**-**	**(151)**	**4,400**
19,222	**25,486**	**(654)**	**44,054**	**21,006**	**24,187**	**(678)**	**44,515**
			68,975				**69,094**

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

20.3.4 Consolidated Statements of Cash Flows

	2008			
(in million euros)	Manufacturing and Sales companies	Finance companies	Eliminations	TOTAL
Consolidated profit (loss) for the year	**(858)**	**358**	**-**	**(500)**
Adjustments for:				
• Depreciation, amortisation and impairment	3,664	15	-	3,679
• Non-current provisions	(136)	1	-	(135)
• Changes in deferred tax	(447)	63	-	(384)
• (Gains) losses on disposals and other	124	-	-	124
Share in net (earnings) losses of companies at equity, net of dividends received	(37)	-	-	(37)
Revaluation adjustments taken to equity and hedges of debt	70	-	-	70
Working capital	**2,380**	**437**	**-**	**2,817**
Changes in operating assets and liabilities (Note 35.2)	(2,924)	153	16	(2,755)
Net cash from (used in) operating activities	**(544)**	**590**	**16**	**62**
Proceeds from disposals of shares in consolidated companies	-	-	-	-
Proceeds from disposals of investments in non-consolidated companies	-	-	-	-
Acquisitions of shares in consolidated companies	(2)	-	-	(2)
Investments in non-consolidated companies	(25)	(12)	-	(37)
Proceeds from disposals of property, plant and equipment	69	10	-	79
Proceeds from disposals of intangible assets	9	-	-	9
Investments in property, plant and equipment	(2,080)	(14)	-	(2,094)
Investments in intangible assets	(1,069)	(11)	-	(1,080)
Change in amounts payable on fixed assets	(1)	-	-	(1)
Other	(122)	5	-	(117)
Net cash from (used in) investing activities	**(3,221)**	**(22)**	**-**	**(3,243)**
Dividends paid:				
• To Peugeot S.A. shareholders	(342)	-	-	(342)
• Intragroup	168	(168)	-	-
• To minority shareholders of subsidiaries	(17)	(2)	-	(19)
(Purchases) sales of treasury stock	(43)	-	-	(43)
Changes in other financial assets and liabilities (Note 35.4)	929	-	42	971
Other	-	3	-	3
Net cash from (used in) financing activities	**695**	**(167)**	**42**	**570**
Effect of changes in exchange rates	(56)	(64)	1	(119)
Net increase (decrease) in cash and cash equivalents	**(3,126)**	**337**	**59**	**(2,730)**
Net cash and cash equivalents at beginning of year	**5,143**	**943**	**(149)**	**5,937**
NET CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 35.1)	**2,017**	**1,280**	**(90)**	**3,207**

The Notes on pages 193 to 293 are an integral part of the consolidated financial statements.

2007				2006			
Manufacturing and Sales companies	Finance companies	Eliminations	TOTAL	Manufacturing and Sales companies	Finance companies	Eliminations	TOTAL
405	**421**	**-**	**826**	**(328)**	**398**	**-**	**70**
3,559	14	-	3,573	3,686	12	-	3,698
(227)	1	-	(226)	(148)	(1)	-	(149)
(114)	38	-	(76)	(139)	29	-	(110)
(94)	-	-	(94)	(54)	2	-	(52)
(46)	-	-	(46)	(17)	-	-	(17)
32	1	-	33	11	4	-	15
3,515	**475**	**-**	**3,990**	**3,011**	**444**	**-**	**3,455**
920	37	134	1,091	424	(234)	(37)	153
4,435	**512**	**134**	**5,081**	**3,435**	**210**	**(37)**	**3,608**
-	-	-	-	2	-	-	2
11	-	-	11	-	-	-	-
-	-	-	-	(1)	-	-	(1)
(7)	(3)	-	(10)	(19)	(13)	-	(32)
148	9	-	157	155	6	-	161
8	-	-	8	3	-	-	3
(1,924)	(13)	-	(1,937)	(2,520)	(11)	-	(2,531)
(789)	(14)	-	(803)	(937)	(16)	-	(953)
(132)	-	-	(132)	(101)	-	-	(101)
(148)	1	-	(147)	(54)	-	-	(54)
(2,833)	**(20)**	**-**	**(2,853)**	**(3,472)**	**(34)**	**-**	**(3,506)**
(309)	-	-	(309)	(309)	-	-	(309)
157	(157)	-	-	161	(161)	-	-
(11)	-	-	(11)	(6)	(32)	-	(38)
(23)	-	-	(23)	(39)	-	-	(39)
(559)	-	8	(551)	205	-	(23)	182
-	-	-	-	-	-	-	-
(745)	**(157)**	**8**	**(894)**	**12**	**(193)**	**(23)**	**(204)**
(22)	(12)	1	(33)	45	2	(2)	45
835	**323**	**143**	**1,301**	**20**	**(15)**	**(62)**	**(57)**
4,308	**620**	**(292)**	**4,636**	**4,288**	**635**	**(230)**	**4,693**
5,143	**943**	**(149)**	**5,937**	**4,308**	**620**	**(292)**	**4,636**

20.3.5 Consolidated Statements of Changes in Equity

(in million euros)	Equity	Minority interests	Share capital	Treasury stock	Retained earnings and other accumulated equity, excluding minority interests	Retained earnings, excluding minority interests	Revaluations – excluding minority interests		
							Cash flow hedges	Available-for-sale securities	Translation adjustment
At December 31, 2005	**14,446**	**542**	**235**	**(220)**	**13,889**	**13,527**	**5**	**174**	**183**
Consolidated profit (loss) for the year	70	(113)	-	-	183	183	-	-	-
Revaluations taken to profit or loss	(25)	-	-	-	(25)	-	(6)	(19)	-
Revaluations taken to equity	(14)	(6)	-	-	(8)	2	33	64	(107)
Measurement of stock options	12	-	-	-	12	12	-	-	-
Comprehensive income *					***162***				
Effect of changes in scope of consolidation	3	3	-	-	-	-	-	-	-
Treasury stock (Note 28.4)	(39)	-	-	(41)	2	2	-	-	-
Dividends paid (€1.35 per €1 par value share)	(347)	(38)	-	-	(309)	(309)	-	-	-
At December 31, 2006	**14,106**	**388**	**235**	**(261)**	**13,744**	**13,417**	**32**	**219**	**76**
Consolidated profit (loss) for the year	826	(59)	-	-	885	885	-	-	-
Revaluations taken to profit or loss	(22)	-	-	-	(22)	-	(22)	-	-
Revaluations taken to equity	(14)	1	-	-	(15)	(7)	33	(31)	(10)
Measurement of stock options	12	1	-	-	11	11	-	-	-
Comprehensive income *					***859***				
Effect of changes in scope of consolidation	(10)	(10)	-	-	-	-	-	-	-
Treasury stock (Note 28.4)	(23)	-	(1)	(10)	(12)	(12)	-	-	-
Dividends paid (€1.35 per €1 par value share)	(320)	(11)	-	-	(309)	(309)	-	-	-
At December 31, 2007	**14,555**	**310**	**234**	**(271)**	**14,282**	**13,985**	**43**	**188**	**66**
Consolidated profit (loss) for the year	(500)	(157)	-	-	(343)	(343)	-	-	-
Revaluations taken to profit or loss	(60)	-	-	-	(60)	-	(60)	-	-
Revaluations taken to equity	(337)	(7)	-	-	(330)	-	34	(148)	(216)
Measurement of stock options	17	1	-	-	16	16	-	-	-
Comprehensive income *					***(717)***				
Effect of changes in scope of consolidation	6	6	-	-	-	-	-	-	-
Treasury stock (Note 28.4)	(43)	-	-	(32)	(11)	(11)	-	-	-
Dividends paid (€1.50 per €1 par value share)	(361)	(19)	-	-	(342)	(342)	-	-	-
AT DECEMBER 31, 2008	**13,277**	**134**	**234**	**(303)**	**13,212**	**13,305**	**17**	**40**	**(150)**

* *Comprehensive income includes all changes in equity resulting from transactions with third parties other than shareholders.*

The Notes on pages 193 to 293 are an integral part of the consolidated financial statements.

20.3.6 Notes to the Consolidated Financial Statements

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

The consolidated financial statements for 2008 including explanatory Notes were approved for issue by the Managing Board of Peugeot S.A. on February 5, 2009 with the exception of notes 42 and 43 which take into account events that occured in the period up to the Supervisory Board meeting on February 10, 2009.

Note 1 Accounting Policies

The Group's consolidated financial statements for 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union[1].

International Financial Reporting Standards include IFRSs and IASs (International Accounting Standards) and the related interpretations as prepared by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

New Standards and Interpretations whose Application was Compulsory in 2008

The only new text applicable from 2008 was:

- Amendment to IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures, which allows financial instruments to be reclassified under certain restrictive conditions.

The Group did not reclassify any financial instruments at December 31, 2008 pursuant to this amendment.

Standards and Interpretations Early Adopted by the Group

The Group early adopted IFRS 8 – Operating Segments at December 31, 2007. IFRS 8, which is applicable for annual periods beginning on or after January 1, 2009, as adopted by the European Union in November 2007.

The standard requires segment information to be presented in line with the indicators used internally by management to measure Group performance. The business segments identified in accordance with the new standard are the same as those previously determined under IAS 14 – Segment Information, and are presented in Note 4 along with the corresponding comparative data that has been adjusted to reflect the changes described in Note 2. The adjustment of operating segments did not affect the allocation of goodwill to cash-generating units for impairment testing.

New Standards and Interpretations not Early Adopted

The Group chose not to early adopt the following texts, which had been adopted by the European Union at the balance sheet date and are applicable for annual periods beginning on or after January 1, 2009:

- *amendment to IAS 23 – Borrowing Costs*, which requires borrowing costs related to qualifying assets (defined as assets that take a substantial period of time to get ready for their intended use or sale) to be capitalized as part of the cost of the asset. Applicable prospectively, the amendment will have a positive impact on finance costs and net profit in 2009 and then a gradual negative impact on recurring operating profit as the capitalized costs are amortised. The Group does not expect this to have any material impact in 2009;
- *IAS 1 (Revised) – Presentation of Financial Statements,* which requires the presentation of comprehensive income either in one statement or two statements. The Group has chosen not to change the titles of its financial statements and to present a statement of comprehensive income in two sections, keeping the income statement as it is today;
- *improvements to IFRSs:* In May 2008, the IASB published 35 amendments to 20 standards, most of which are applicable from January 1, 2009. The amendments, which will not have any material impact on the Group's financial statements, mainly concern:
  - reversals of impairment losses on investments in companies at equity, including goodwill included in the carrying amount of these investments,
  - the obligation to disclose the same information as that required for determining value in use when fair value less costs to sell is used and measured by the discounted cash flow method.

The other texts adopted by the European Union will not impact the Group.

(1) The International Financial Reporting Standards as adopted by the European Union are available for consultation on the European Commission's website: http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

1.1. Consolidation

The generic name PSA PEUGEOT CITROËN refers to the group of companies of which Peugeot S.A. is the parent. The financial statements of Peugeot S.A. and companies in which Peugeot S.A. directly or indirectly exercises exclusive control are fully consolidated.

Companies in which Peugeot S.A. directly or indirectly exercises joint control or significant influence over operating and financial policies are included in the consolidated financial statements using the equity method.

Certain companies meeting the above criteria have not been consolidated because they do not meet any of the following minimum requirements:

- sales and revenue in excess of €50 million;
- Total assets in excess of €20 million;
- Net debt in excess of €5 million.

Investments in these companies are recorded under "Investments in non-consolidated companies" in accordance with the general accounting principles described in Note 1.14.B (a). Their consolidation would not have a material impact on the consolidated financial statements.

All significant intragroup transactions are eliminated in consolidation.

1.2. Translation of the Financial Statements of Foreign Subsidiaries

A. Standard Method

The Group's functional currency is the euro (€), which is also the presentation currency in the consolidated financial statements. The functional currency of most foreign subsidiaries is their local currency, corresponding to the currency in which the majority of their transactions are denominated. The balance sheets of these subsidiaries are translated at the year-end exchange rate and their income statements are translated on a monthly basis at the average exchange rate for each month. Gains and losses resulting from the translation of financial statements of foreign subsidiaries are recorded in equity under "Translation reserve". Goodwill arising on the acquisition of these subsidiaries is measured in their functional currency.

B. Specific Method

The functional currency of some subsidiaries outside the euro zone is considered to be the euro because the majority of their transactions are denominated in this currency. Non-monetary items in these subsidiaries' accounts are translated at the historical exchange rate and monetary items at the year-end rate. The resulting translation gains and losses are recognised directly in profit or loss.

1.3. Translation of Transactions in Foreign Currencies

Transactions in foreign currencies are measured and recognised in accordance with IAS 21 – The Effects of Changes in Foreign Exchange Rates. In compliance with this standard, transactions in foreign currencies are translated into the subsidiary's functional currency at the exchange rate on the transaction date. At each balance sheet date, monetary items are translated at the closing rate and the resulting exchange difference is recognised in profit or loss, as follows:

- in recurring operating income, for commercial transactions carried out by all Group companies and for financing transactions carried out by the Banque PSA Finance group;
- in interest income or finance costs for financial transactions carried out by the manufacturing and sales companies.

Derivative instruments are measured and recognised in accordance with the general principles described in Note 1.14.D. Derivative instruments designated as hedges of currency risks on foreign currency transactions are recognised in the balance sheet and remeasured at fair value at each balance sheet date.

The gain or loss from remeasuring derivative instruments at fair value is recognised as follows:

- in recurring operating income, for commercial transactions carried out by Group companies and for financing transactions carried out by the Banque PSA Finance group;
- in interest income or finance costs for financial transactions carried out by the manufacturing and sales companies;
- directly in equity, for hedges of future transactions (for the effective portion of the gain or loss on the hedging instrument). The amount recognised in equity is reclassified into profit or loss when the hedged item affects profit or loss. The ineffective portion is recognised in the income statement under "Financial income (and expenses)".

1.4. Uses of Estimates and Assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions in order to determine the reported amounts of certain assets, liabilities, income and expense items, as well as certain amounts disclosed in the Notes to the financial statements relating to contingent assets and liabilities.

The estimates and assumptions used are those deemed by management to be the most pertinent and accurate in view of the Group's circumstances and past experience.

Nevertheless, given the uncertainty inherent in any projections, actual results may differ from initial estimates.

To reduce uncertainty, estimates and assumptions are reviewed periodically, and the effects of any changes are recognised immediately.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

The main items determined on the basis of estimates and assumptions are as follows:

- pension obligations;
- provisions (particularly vehicle warranty provisions, restructuring provisions and provisions for claims and litigation);
- the recoverable amount and useful life of property, plant and equipment and intangible assets;
- the recoverable amount of finance receivables, inventories and other receivables;
- the fair value of derivative financial instruments;
- deferred tax assets;
- sales incentives.

1.5. Sales and Revenue

A. Manufacturing and Sales Companies

(a) Automobile Division

Sales and revenue of the manufacturing and sales companies include revenues from the sale and leasing of vehicles and the sale of other goods and services.

In accordance with IAS 18 – Revenue, new vehicle sales are recognised on the date the risks and rewards of ownership are transferred. This generally corresponds to the date when the vehicles are made available to non-group dealers or the delivery date, in the case of direct sales.

Sales at cost of items purchased on behalf of other parties and sales to subcontractors of raw materials, parts and mechanical components that are intended to be bought back at cost are not included in sales and revenue.

Sales of new vehicles with a buyback commitment are not recognised at the time of delivery but accounted for as operating leases when it is probable that the vehicle will be bought back. This principle applies:

- whatever the duration of the buyback commitment;
- for both direct sales and sales financed by Banque PSA Finance and its subsidiaries.

The difference between the sale price and the buyback price is recognised as rental revenue on a straight-line basis over the duration of the buyback commitment. The vehicle is initially recognised at production cost in property, plant and equipment. Depreciation expense is calculated over the term of the lease by the straight-line method, on the basis of the vehicle's cost less its estimated residual value, representing the anticipated resale price on the used vehicle market. Any additional gain made on the final sale of the vehicle is recognised in the period in which the vehicle is sold on the used car market. If the net difference is a loss, an allowance is booked when the buyback contract is signed.

(b) Automotive Equipment Division

The Automotive Equipment Division performs development work and manufactures or purchases specific tooling to produce parts or modules for programs covered by specific customer orders.

The revenue recognition criteria provided for in IAS 18 are not met in cases where development costs are paid in proportion to parts delivered to the customer, with their full recovery being subject to an unguaranteed minimum level of orders placed by the customer. Under such circumstances, development work cannot be considered as having being sold. The development costs are recognised in intangible assets (see Note 1.11.A) and tooling in property, plant and equipment (see Note 1.12.A).

If the contract includes a payment guarantee, the development costs are recognised in inventories and work-in-progress. The corresponding revenue is recognised when the customer signs off on each technical phase.

B. Finance Companies

The Group's finance companies provide wholesale financing to dealer networks and retail financing to customers. Financing may take the form of conventional loans, finance leases, buyback contracts or long-term leasing. The different forms of financing are treated as lending transactions and are recognised in the balance sheet in the amount of the Banque PSA Finance group's net financial commitment (see Note 1.14.A). Sales financing revenues are recorded using the yield-to-maturity method, so as to recognize a constant rate of interest over the life of the loan.

1.6. Sales Incentives

The cost of current and future sales incentive programs is accrued on the basis of historical costs for the previous three months, determined country by country, and charged against profit for the period in which the corresponding sales are recognised. In cases where the cost of the program varies according to sales, it is deducted from sales and revenue.

The Group's incentive programs include retail financing granted at a significant discount to market interest rates. The corresponding cost is recognised at the time of the sale.

1.7. Selling, General and Administrative Expenses

Selling, general and administrative expenses correspond to general administrative expenses, indirect selling expenses and warranty costs.

Product warranty costs

A provision is recorded to cover the estimated cost of vehicle and spare parts warranties at the time of sale to independent dealer networks or end-customers. Revenues from the sale of extended warranties or maintenance contracts are recognised over the period during which the service is provided.

1.8. Research and Development Expenditure

Under IAS 38 – Intangible Assets, research expenditure is recognised as an expense, while development expenditure is recognised as an intangible asset when certain conditions are met (see Note 1.11.A).

In accordance with this standard, all research costs and all development expenditure other than that described in Note 1.11.A are recognised as an expense for the period in which they are incurred.

1.9. Recurring Operating Income and Operating Income

The Group uses recurring operating income (previously called "operating margin") as its main business performance indicator. Recurring operating income is equal to profit before:

- other non-recurring operating income and expenses, which consist mainly of:
  - restructuring and early-termination plan costs,
  - profits and losses and movements on provisions related to highly unusual events;
- net financial income or expense, which includes:
  - interest income including the impact of interest rate and currency hedges,
  - finance costs including the impact of interest rate and currency hedges,
  - other financial income and expenses;
- current and deferred taxes;
- share in net earnings of companies at equity.

Operating income is equal to profit before:

- net financial income or expense;
- current and deferred taxes;
- share in net earnings of companies at equity.

1.10. Goodwill

Goodwill is the excess of the cost of shares in a consolidated company, including transaction expenses, over the Group's equity in the fair value at the acquisition date of the identifiable assets and liabilities acquired.

In accordance with IFRS 3 – Business Combinations, goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. For the purposes of impairment testing, goodwill is allocated to cash generating units (CGUs), defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Where goodwill is also allocated to a specific geographic area, impairment tests are carried out at this more detailed level. The methods used to measure the recoverable amount of CGUs are described in Note 1.13. Any impairment losses are deducted from consolidated profit for the year.

Goodwill attributable to acquisitions of equity-accounted companies is included in "Investments in companies at equity" and is tested for impairment at the level of the corresponding investments.

1.11. Intangible Assets

A. Research and Development Expenditure

Under IAS 38 – Intangible Assets, development expenditure is recognised as an intangible asset if the entity can demonstrate in particular:

- its intention to complete the intangible asset and use or sell it, as well as the availability of adequate technical, financial and other resources for this purpose;
- that it is probable that the future economic benefits attributable to the development expenditure will flow to the entity;
- that the cost of the asset can be measured reliably.

(a) Automobile Division

Development expenditure on vehicles and mechanical assemblies (engines and gearboxes) incurred between the project launch (corresponding to the styling decision for vehicles) and the start-up of pre-series production is recognised in intangible assets. It is amortised from the start-of-production date over the asset's useful life, representing up to seven years for vehicles and ten years for mechanical assemblies. The capitalized amount mainly comprises payroll costs of personnel directly assigned to the project, the cost of prototypes and the cost of external services related to the project. No overheads or indirect costs are included, such as rent, building depreciation and information system utilisation costs. The capitalized amount also includes the portion of qualifying development expenditure incurred by the Group under cooperation agreements that is not billed to the partner. All development expenditure billed to the Group by its partners under cooperation agreements is also capitalized. As from 2007, all development expenditure incurred to develop mechanical assemblies compliant with new emissions standards is monitored on a project-by-project basis and is also capitalized.

(b) Automotive Equipment Division

Development work is undertaken for all programs covered by specific customer orders. Where development costs are paid in proportion to parts delivered to the customer, with their full recovery being subject to an unguaranteed minimum level of orders placed by the customer, the costs incurred during the period between the customer's acceptance of the commercial offer and the start-of-production date of the parts or modules are recognised in intangible assets. The intangible asset is amortised based on the quantity of parts delivered to the customer, provided that accumulated amortisation at each year-end does not represent less than the amount that would be recognised if the asset were amortised on a straight-line basis over five years. If the contract includes a payment guarantee, the development expenditure is recognised in inventories and work-in-progress.

Other research and development expenditure is recognised as an expense for the period in which it is incurred (see Note 1.8).

B. Other internally-developed or purchased intangible assets

The portion of development costs relating to software for internal use that corresponds to directly attributable internal or external costs necessary to create the software or improve its performance is recognised as an intangible asset when it is probable that these costs will generate future economic benefits. The capitalized costs are amortised over the estimated useful life of the software, ranging from four to twelve years.

Other software acquisition and development costs are expensed as incurred. Other intangible assets (consisting principally of patents and trademarks) are amortised on a straight-line basis over the estimated period of benefit, not to exceed twenty years.

1.12. Property, Plant and Equipment

A. Cost

In accordance with IAS 16 - Property, Plant and Equipment, property, plant and equipment are stated at acquisition or production cost excluding borrowing costs. They are not revalued.

Capitalized costs include the portion of specific tooling expenses incurred by the Group under cooperation agreements that is not billed to its partners. All specific tooling expenditure billed to the Group by its partners under cooperation agreements is also capitalized.

The cost of property, plant and equipment does not include any borrowing costs.

Government grants are recognised as a reduction in the cost of the corresponding assets.

Maintenance costs are expensed as incurred.

Leased assets include vehicles leased to retail customers by the Group's leasing companies and vehicles sold with a buyback commitment, which are recognised according to the method described in Note 1.5.A.

Assets acquired under finance leases, as defined in IAS 17 – Leases, are recognised at an amount equal to the present value of the future lease payments, or to the fair value of the leased property, whichever is lower. A financial liability is recognised in the same amount. The assets are depreciated by applying the method and rates indicated below.

B. Depreciation

(a) Standard Method

Depreciation is calculated on a straight-line basis to write off the acquisition or production cost of the assets, less any residual value, over their estimated useful lives. Property, plant and equipment generally have no residual value, except for rental vehicles. The main useful lives of property, plant and equipment are as follows:

(in years)	
Buildings	20 - 30
Plant and equipment	4 - 16
Computer equipment	3 - 4
Vehicles and handling equipment	4 - 7
Fixtures and fittings	10 - 20

(b) Specific Tooling

In the Automobile Division, specific tooling is depreciated over the estimated lives of the corresponding models, which are generally shorter than the useful lives of the tooling concerned, due to the frequency of model changes.

In the Automotive Equipment Division, specific tooling is depreciated based on the quantity of parts delivered to the customer, provided that accumulated depreciation at each year-end does not represent less than the amount that would be recognised if the asset were depreciated on a straight-line basis over three years.

The estimated useful lives of property, plant and equipment are reviewed periodically, particularly whenever a decision is made to halt production of a vehicle or mechanical assembly.

1.13. Impairment of Long-Lived Assets

In accordance with IAS 36 – Impairment of Assets, the recoverable amount of property, plant and equipment and intangible assets is tested for impairment at each balance sheet date, whenever events or changes in circumstances indicate that it might be impaired. The impairment test usually consists of estimating the asset's value in use. Assets with indefinite useful lives are tested for impairment at least once a year. Goodwill is the only asset with an indefinite life carried in the Group accounts.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Impairment tests are performed at the level of cash generating units (CGUs), which are defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The value in use of CGUs is measured as the net present value of estimated future cash flows. If this value is less than the CGU's carrying amount, an impairment loss is recognised in profit or loss and first recorded as an adjustment to the carrying amount of any goodwill allocated to the CGU.

The Automobile Division comprises a number of Vehicle CGUs, each corresponding to a vehicle model. The assets included in a Vehicle CGU consist of tooling and other specific plant and equipment used to manufacture the model, as well as capitalized model development expenditure (see Note 1.11.A). The Vehicle CGUs and all other fixed assets, including goodwill, together make up the Automobile Division CGU.

In the Automotive Equipment Division, each CGU corresponds to a program and comprises all customer contract-related intangible assets (corresponding to capitalized development costs) and property, plant and equipment. These CGUs are combined in Business Units (Automotive Seating, Vehicle Interiors, Exhaust Systems and Front Ends) to which support assets and goodwill are allocated.

Within the Banque PSA Finance group, fixed assets used in a given country constitute a homogenous group of assets (CGU).

For Gefco group companies, property, plant and equipment and intangible assets are allocated to either the Automotive GCU or the Integrated Supply Chain Solutions CGU.

1.14. Financial Assets and Liabilities

A. *Definitions*

Under IAS 39, financial assets include loans and receivables, available-for-sale securities, financial assets held for trading and financial assets accounted for using the fair value option. On the balance sheet, these categories correspond to investments in non-consolidated companies (Note 18), other non-current financial assets (Note 19), loans and receivables – finance companies (Note 21), short-term investments – finance companies (Note 22), trade receivables – manufacturing and sales companies (Note 24), current financial assets (Note 26), and cash and cash equivalents (Note 27).

The Group does not have any financial assets classified as "held-to-maturity".

Financial liabilities as defined by IAS 39 comprise financial liabilities at amortised cost and financial liabilities accounted for using the fair value option. On the balance sheet, these categories correspond to current and non-current financial liabilities (Note 31), financing liabilities (Note 33) and trade payables.

Financial assets and liabilities with maturities of more than one year at the balance sheet date are classified as non-current. All other assets and liabilities are reported as current. Financial assets and liabilities are recognised and measured in accordance with IAS 39, which was only partially adopted by the European Commission. However, the Group is not affected by the provisions of IAS 39 dealing with fair value hedges of portfolios of interest rate instruments that were rejected by the European Union.

B. *Recognition and Measurement of Financial Assets*

(a) Investments in Non-Consolidated Companies

These represent shares in companies that are not fully consolidated or accounted for by the equity method. They are shown on the balance sheet at historical cost, which the Group considers is representative of fair value in the absence of an active market for the shares. An impairment loss is recognised when there is objective evidence of an other-than-temporary decline in value. Fair value is determined by applying the most appropriate financial criteria, considering the specific situation of the company concerned. The most commonly applied criteria are equity in underlying net assets and earnings outlook.

(b) Loans and Receivables

Loans and receivables include advances to non-consolidated companies, very long-term loans under the French government housing scheme, and other loans and receivables. They are stated at amortised cost, measured by the effective interest method. Their carrying value includes the outstanding principal plus unamortised transaction costs, premiums and discounts. Their recoverable amount is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment losses are recorded in the income statement.

(c) Short-Term Investments

Short-term investments are classified as available-for-sale or as accounted for using the fair value option.

(C1) SHORT-TERM INVESTMENTS CLASSIFIED AS AVAILABLE-FOR-SALE

Short-term investments classified as available-for-sale include listed securities that the Group intends to hold on a lasting basis or that can be sold in the short term. They are stated at market value, which the Group considers is representative of fair value. Gains and losses arising from remeasurement at fair value are generally recognised directly in equity. Only impairment losses reflecting an other-than-temporary decline in value are recognised in the income statement.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

(C2) SHORT-TERM INVESTMENTS ACCOUNTED FOR USING THE FAIR VALUE OPTION

Assets recorded in this category comprise fixed-income securities hedged by interest rate swaps and unhedged variable-income securities. Any changes in the fair value of these securities are recognised directly in profit or loss for the period, together with the offsetting change in the fair value of the related swaps.

(d) Loans and Receivables – Finance Companies

Loans and receivables reported in the balance sheet correspond to Banque PSA Finance's net financial commitment in respect of the loans and receivables. Consequently, their carrying amount includes the outstanding principal and accrued interest plus the following items (before the effect of hedge accounting):

- commissions paid to referral agents as well as directly attributable administrative expenses incurred with third parties on inception of loans and receivables, which are added to the outstanding principal;
- contributions received from the brands, which are deducted from the outstanding principal;
- unamortised loan set-up costs, which are deducted from the outstanding principal;
- deposits received at the inception of finance leases, which are deducted from the amount financed.

Interest income is allocated by the effective interest method, with the effective interest rate being the rate that exactly discounts estimated future cash receipts through the expected life of the loan.

Loans and receivables are generally hedged against interest rate risks, with the hedged portion of the loan remeasured at fair value in accordance with hedge accounting principles. Gains and losses arising from remeasurement at fair value are recognised in profit or loss and are offset by the effective portion of the loss or gain arising from remeasurement at fair value of the hedging instrument (see Note 1.14.D – Derivative instruments).

Loans and receivables are tested for impairment when a loss event occurs, corresponding in practice to default on a single installment. Impairment is measured by comparing the carrying amount of the loan or receivable to the present value of estimated future cash flows discounted at the effective interest rate.

For retail loans and receivables:

- an impairment loss is recognised on sound loans when the borrower defaults on a single installment. Impairment is assessed based on the probability of the outstanding loan being classified as non-performing and on the discounted average loss ratio;
- impairment losses on non-performing loans are determined based on the discounted average loss ratio, which is used to calculate provisions for credit losses on non-performing and doubtful loans.

For other loans and receivables (consisting mainly of wholesale loans), provisions for known credit risks are determined on a case-by-case basis.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash at bank, units in money market funds and other money market securities that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value in the case of an increase in interest rates. All cash and cash equivalents are measured at fair value.

C. Recognition and Measurement of Financial Liabilities

(a) Financial Liabilities At Amortised Cost

Borrowings and other financial liabilities are generally stated at amortised cost measured using the effective interest method. Items hedged by interest rate swaps are accounted for using fair value hedge accounting. The hedged portion of the financial liability is remeasured at fair value, with changes in fair value attributable to the hedged risk taken to profit or loss and offset by the loss or gain arising from remeasurement at fair value of the hedging instrument.

(b) Financial Liabilities Accounted for Using the Fair Value Option

Exceptionally, the fair value option has been applied when it allows for a clearer presentation of the financial statements, namely because changes in the fair value of liabilities are accounted for symmetrically with any changes in the fair value of the derivatives hedging the interest rate risk on such liabilities. In such cases, the fair value of these liabilities reflects the credit risk specific to the issuer.

D. Recognition and Measurement of Derivative Instruments

(a) Standard Method

Derivative instruments are stated at fair value. Except as explained below, gains and losses arising from remeasurement at fair value are recognised in profit or loss.

(b) Hedging Instruments

Derivative instruments may be designated as hedging instruments in one of two types of hedging relationship:

- fair value hedges, corresponding to hedges of the exposure to changes in fair value of an asset or liability due to movements in interest rates or foreign exchange rates;
- cash flow hedges, corresponding to hedges of the exposure to variability in cash flows from existing or future assets or liabilities.

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Derivative instruments qualify for hedge accounting when:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship;
- the effectiveness of the hedge is demonstrated at inception and in each financial reporting period for which the hedge is designated.

The effects of hedge accounting are as follows:

- for fair value hedges of existing assets and liabilities, the hedged portion of the asset or liability is recognised in the balance sheet and measured at fair value. Gains and losses arising from remeasurement at fair value are recognised in profit or loss, and are offset by the effective portion of the loss or gain arising from remeasurement at fair value of the hedging instrument;
- for cash flow hedges, the effective portion of the gain or loss arising from remeasurement at fair value of the hedging instrument is recognised directly in equity, since the gain or loss arising from remeasurement at fair value of the hedged portion of the underlying future transaction is not recognised in the balance sheet. The ineffective portion is recognised in profit or loss. Cumulative gains and losses recognised in equity are reclassified to profit or loss when the hedged item affects profit or loss. The effective portion of the gain or loss arising from remeasurement at fair value of hedges of raw materials purchases does not affect the value at which the raw materials are recognised in inventory.

1.15. Inventories

Inventories are stated at the lower of cost and net realizable value, in accordance with IAS 2 – Inventories. Cost is determined by the first-in-first-out (FIFO) method and includes direct and indirect production expenses based on the normal capacity of the production facility.

The cost of inventories does not include any borrowing costs.

The Automotive Equipment Division performs development work and manufactures or purchases specific tooling to produce parts or modules for programs covered by specific customer orders. When the contract includes a payment guarantee, the development costs are recognised in inventories and work-in-progress and the corresponding revenue is recognised when the customer signs off on each technical phase.

1.16. Trade Receivables

A provision for impairment is recorded on the manufacturing and sales companies' trade receivables if the Group believes that there is a risk that the receivables will not be recovered. Indications of probable impairment include the existence of unresolved claims or litigation, the age of the receivables and the obligor's significant financial difficulties.

1.17. Deferred Taxes

In accordance with IAS 12 – Income Taxes, deferred taxes are calculated for all temporary differences between the tax base of assets and liabilities and their carrying amount. Deferred tax liabilities are systematically recognised, while deferred tax assets are only recognised when there is a reasonable expectation that they will be recovered.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and companies at equity, except to the extent that both of the following conditions are satisfied:

- the Group is able to control the timing of the reversal of the temporary difference;
- it is probable that the temporary difference will not reverse in the foreseeable future.

In practice:

- for subsidiaries, a deferred tax liability is recognised only in respect of distribution taxes on dividends that will be paid by the subsidiary in the following year by decision of the Group;
- for companies at equity, a deferred tax liability on dividend distributions is recognised for all differences between the tax base of the shares and their carrying amount;
- current tax benefits generated by intragroup provisions and sales are not cancelled by recognizing deferred tax liabilities, except when the difference is considered to be temporary, for example, when the Group plans to divest the subsidiary.

1.18. Provisions

In accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, a provision is recognised when, at the balance sheet date, the Group has a present obligation towards a third party, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and no inflow of resources of an equivalent amount is expected. Provisions for restructuring costs are recognised only when the restructuring has been announced and the Group has drawn up or has started to implement a detailed formal plan.

Provisions are discounted only when the effect is material.

1.19. Pensions and Other Post-Employment Benefits

In addition to pension benefits paid in accordance with the laws and regulations of the countries in which they operate, Group companies are liable for the payment of supplementary pensions and retirement benefits (see Note 30.1). These benefits are paid under defined contribution and defined benefit plans.

The payments made under defined contribution plans are in full discharge of the Group's liability and are recognised as an expense for the period.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

In accordance with IAS 19 – Employee Benefits, obligations under defined benefit plans are measured by independent actuaries using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation, which is then discounted to present value.

The calculations mainly take into account:

- an assumption concerning the expected retirement date;
- an appropriate discount rate;
- an inflation rate;
- assumptions concerning future salary levels and staff turnover rates.

The projected benefit obligation is measured every year for the main plans and every three years for the other plans, except when more frequent valuations are necessary to take into account changes in actuarial assumptions or significant changes in demographic statistics.

Changes in actuarial assumptions and experience adjustments – corresponding to the effects of differences between previous actuarial assumptions and what has actually occurred – give rise to actuarial gains and losses. These gains and losses are recognised in the income statement using the corridor method, which consists of recognizing a specified portion of net cumulative actuarial gains and losses that exceed the greater of (i) 10% of the present value of the benefit obligation, and (ii) 10% of the fair value of plan assets, over the remaining service lives of plan participants.

The purpose of external funds is to cover the total projected benefit obligation, including the portion not recognised due to the deferral of actuarial gains and losses. Because actuarial gains and losses are deferred, in some cases the amount of these external funds exceeds the recognised portion of the projected benefit obligation. This leads to the recognition of a non-current asset in an amount not exceeding the sum of net actuarial losses and unrecognised past service costs.

Other employee benefit obligations recognised in the balance sheet concern:

- long-service awards payable by French and foreign subsidiaries (Note 30.2);
- healthcare costs paid by certain subsidiaries in the United States (Note 30.3).

1.20. Options to Purchase Existing or Newly Issued Shares at an Agreed Price

Stock options are granted to Group management and certain employees under equity-settled share-based payment plans. These options are measured at either the grant date or at the date of approval of the plan by the Managing Board, in accordance with IFRS 2 – Share-based Payment, using the Black & Scholes option pricing model. Changes in the fair value of options after the grant date have no impact on the initial valuation.

The fair value of stock options depends in part on their expected life, which the Group considers as corresponding to the average option life of six years. The compensation cost corresponding to the options' fair value is recognised in personnel costs on a straight-line basis over the period from the grant date to the earliest exercise date (vesting period), with the offsetting adjustment recognised directly in equity.

In accordance with IFRS 2, only those stock options granted after November 7, 2002 but not yet vested at January 1, 2005 are measured and recognised in personnel costs. No compensation cost has therefore been recognised for stock options granted prior to November 7, 2002.

1.21. Treasury Stock

All Peugeot S.A. shares held by the Group are recorded at cost as a deduction from equity. Proceeds from sales of treasury stock are taken to equity, so that any disposal gains or losses have no impact on profit.

Note 2 Adjustments to Financial Information Reported in Prior Years

In order to better reflect economic reality, in accordance with IFRS, PSA PEUGEOT CITROËN has changed the accounting presentation of certain sales-related items, leading to a reduction in Automobile Division sales which in turn affects consolidated sales and revenue. Under the new presentation:

- Raw materials, parts and mechanical sub-assemblies sold to subcontractors that are intended to be bought back at cost are no longer recognised in sales and revenue, but are recorded as a deduction from "Cost of goods and services sold".
- Sales at cost of goods and services originally purchased on behalf of other parties are recorded as a deduction from the expense items concerned, whereas in prior periods they were included in sales and revenue.
- Off-invoice customer promotional offers that were previously included in "Selling, general and administrative expenses" are now recognised as a deduction from sales and revenue.

In addition, to align Group practices with those of other listed automobile manufacturers, the content of "Selling, general and administrative expenses" has been modified to include only indirect selling expenses, warranty costs and general administrative expenses. This new definition had the effect of reducing "Selling, general and administrative expenses" by €562 million in 2007 and €445 million in 2006, with a corresponding increase in "Cost of goods and services sold".

The overall effect of these changes is presented below:

	2007 published in February 2008			2007 adjusted published in February 2009	
(in million euros)	Manufacturing and Sales Companies	Group total	Reclassifications	Manufacturing and Sales Companies	Group total
Sales and revenue	59,069	60,613	(1,937)	57,132	58,676
Cost of goods and services sold	(47,826)	(48,435)	917	(46,909)	(47,518)
Selling, general and administrative expenses	(8,027)	(8,354)	1,020	(7,007)	(7,334)
Research and development costs	(2,072)	(2,072)	0	(2,072)	(2,072)
RECURRING OPERATING INCOME	**1,144**	**1,752**	**0**	**1,144**	**1,752**
Consolidated operating margin (as a % of sales and revenue)		*2.9%*			*3.0%*

	2006 published in February 2008			2006 adjusted published in February 2009	
(in million euros)	Manufacturing and Sales Companies	Group total	Reclassifications	Manufacturing and Sales Companies	Group total
Sales and revenue	55,198	56,594	(1,409)	53,789	55,185
Cost of goods and services sold	(44,758)	(45,226)	756	(44,002)	(44,470)
Selling, general and administrative expenses	(7,908)	(8,232)	653	(7,255)	(7,579)
Research and development costs	(2,017)	(2,017)	0	(2,017)	(2,017)
RECURRING OPERATING INCOME	**515**	**1,119**	**0**	**515**	**1,119**
Consolidated operating margin (as a % of sales and revenue)		*2.0%*			*2.0%*

Adjusted Automobile Division sales amounted to €45,519 million in 2007 compared with €47,456 million originally reported, and €43,157 million in 2006 versus an originally reported €44,566 million.

In 2007, the division's adjusted operating margin stood at 1.9% compared with 1.8% originally reported, while in 2006, the margin rate was the same both before and after adjustment, at 0.6%

Note 3 Scope of Consolidation

3.1. Number of Consolidated Companies

A. Number of Companies Consolidated at Year-End

	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2007
Fully-consolidated companies			
Manufacturing and sales companies	287	290	288
Finance companies	37	36	34
	324	326	322
Companies at equity			
Manufacturing and sales companies	37	37	33
Finance companies	1	1	1
	38	38	34
CONSOLIDATED COMPANIES AT DECEMBER 31	**362**	**364**	**356**

B. Changes During the Year

	2008
Consolidated companies at January 1	**364**
Newly consolidated companies	
• Automobile companies	2
• Automotive equipment companies	4
• Transportation and logistics companies	2
• Other manufacturing and sales companies	1
• Finance companies	4
Companies sold and removed from the scope of consolidation	(3)
Merged companies and other	(12)
CONSOLIDATED COMPANIES AT DECEMBER 31	**362**

3.2. Main Changes in the Scope of Consolidation in 2008

No material changes in the scope of consolidation occurred during 2008.

Note 4 Segment Information

In accordance with IFRS 8 – Operating Segments, segment information is presented in line with the indicators used internally by management to measure the performance of the Group's different business segments. The disclosures below are derived from the internal reporting system and have been prepared in accordance with the IFRSs adopted by the European Union. The Group's main performance indicator is recurring operating income.

4.1. Business Segments

The Group's operations are organized around five main segments:

- the Automobile Division, covering the design, manufacture and sale of passenger cars and light commercial vehicles under the Peugeot and Citroën brands;

- the Automotive Equipment Division, corresponding to the Faurecia group and comprising the Vehicle Interiors, Automotive Seating, Front End and Exhaust Systems businesses;
- the Transportation and Logistics Division, corresponding to the Gefco group comprising the Logistics and Vehicle and Goods Transportation businesses;
- the Finance Division, corresponding to the Banque PSA Finance group, which provides retail financing to customers of the Peugeot and Citroën brands and wholesale financing to the two brands' dealer networks;
- other Businesses, which include the activities of the holding company, Peugeot S.A., and Peugeot Motocycles.

Balances for each segment, as shown in the table below, are on a stand-alone basis. Faurecia and Banque PSA Finance publish consolidated financial statements and segment information for these two businesses is therefore presented down to the level of net profit. For the other segments, as cash positions and taxes are managed jointly in some countries, only operating income and share in net earnings of companies at equity are presented by segment. All intersegment balance sheet items and transactions are eliminated, and for the purposes of reconciliation with the Group's financial statements are shown under the heading "Eliminations and reconciliations" together with unallocated amounts.

All intersegment commercial transactions are carried out on an arm's length basis on the same terms and conditions as those applicable to the supply of goods and services to third parties.

	2008						
(in million euros)	Automobile	Automotive Equipment	Transportation and Logistics	Finance companies	Other	Eliminations and reconciliations	TOTAL
Sales and revenue							
• third parties	41,621	9,532	1,365	1,651	187	-	54,356
• intragroup, intersegment	22	2,479	2,171	437	89	(5,198)	-
TOTAL	**41,643**	**12,011**	**3,536**	**2,088**	**276**	**(5,198)**	**54,356**
Recurring operating income	**(225)**	**91**	**127**	**557**	**3**	**(3)**	**550**
Restructuring costs [(1)]	(335)	(166)	(1)	-	(10)	-	(512)
Impairment losses on CGUs	(138)	(265)	-	-	(2)	-	(405)
Other non-recurring operating income and (expenses)	13	(13)	1	(1)	-	-	-
Operating income (loss)	**(685)**	**(353)**	**127**	**556**	**(9)**	**(3)**	**(367)**
Interest income		15		-		232	247
Finance costs		(129)		-		(214)	(343)
Other financial income and (expenses), net		(81)		(1)		(108)	(190)
Net financial income (expense)		**(195)**		**(1)**		**(90)**	**(286)**
Income taxes		(29)		(197)		322	96
Share in net earnings of companies at equity	53	8	(2)	-	(2)	-	57
Consolidated profit (loss) for the year		**(569)**		**358**			**(500)**
Segment assets	28,610	5,185	1,053	26,381	(1,218)	(1,579)	58,432
Of which investments in companies at equity	686	40	1	14	5	-	746
Segment liabilities	(17,186)	(2,940)	(730)	(23,462)	490	1,569	(42,259)
Capital employed (Note 39.1)	**11,424**	**2,245**	**323**	**2,919**	**(728)**	**(10)**	**16,173**
Capital expenditure (excluding sales with a buyback commitment)	**2,620**	**483**	**45**	**25**	**1**	**-**	**3,174**
Depreciation and amortisation	**(2,656)**	**(465)**	**(56)**	**(15)**	**-**	**-**	**(3,192)**

(1) Automobile Division and Automotive Equipment Division restructuring costs include asset impairments of €79 million and €3 million respectively.

In 2008, following an internal reorganization, plant and equipment design operations were reclassified from "Other businesses" to the Automobile Division. The effect of this change on Automobile Division segment information is not material.

	2007						
(in million euros)	**Automobile**	**Automotive Equipment**	**Transportation and Logistics**	**Finance companies**	**Other**	**Eliminations and reconciliations**	**TOTAL**
Sales and revenue							
• third parties	45,471	10,028	1,403	1,544	230	-	58,676
• intragroup, intersegment	48	2,633	2,151	455	266	(5,553)	-
TOTAL	**45,519**	**12,661**	**3,554**	**1,999**	**496**	**(5,553)**	**58,676**
Recurring operating income	**858**	**121**	**155**	**608**	**10**	**-**	**1,752**
Restructuring costs	(229)	(105)	(42)	-	(4)	-	(380)
Impairment losses on CGUs	(216)	(61)	-	-	(12)	-	(289)
Other non-recurring operating income and (expenses)	97	(60)	-	-	-	-	37
Operating income (loss)	**510**	**(105)**	**113**	**608**	**(6)**	**-**	**1,120**
Interest income		16		-		267	283
Finance costs		(121)		-		(185)	(306)
Other financial income and (expenses), net		(10)		(1)		(6)	(17)
Net financial income (expense)		**(115)**		**(1)**		**76**	**(40)**
Income taxes		(13)		(186)		(103)	(302)
Share in net earnings of companies at equity	46	2	-	-	-	-	48
Consolidated profit (loss) for the year		**(231)**		**421**			**826**
Segment assets	27,544	6,228	1,203	28,768	(560)	(1,847)	61,336
Of which investments in companies at equity	677	45	3	12	-	-	737
Segment liabilities	(20,040)	(3,415)	(844)	(25,874)	141	1,855	(48,177)
Capital employed (Note 39.1)	**7,504**	**2,813**	**359**	**2,894**	**(419)**	**8**	**13,159**
Capital expenditure (excluding sales with a buyback commitment)	**2,182**	**472**	**53**	**27**	**6**	**-**	**2,740**
Depreciation and amortisation	**(2,728)**	**(479)**	**(55)**	**(14)**	**(8)**	**-**	**(3,284)**

	2006						
(in million euros)	**Automobile**	**Automotive Equipment**	**Transportation and Logistics**	**Finance companies**	**Other**	**Eliminations and reconciliations**	**TOTAL**
Sales and revenue							
• third parties	43,035	9,199	1,272	1,396	283	-	55,185
• intragroup, intersegment	122	2,450	1,973	365	370	(5,280)	-
TOTAL	**43,157**	**11,649**	**3,245**	**1,761**	**653**	**(5,280)**	**55,185**
Recurring operating income	**267**	**69**	**151**	**604**	**17**	**11**	**1,119**
Restructuring costs (1)	(245)	(169)	(6)	-	(9)	-	(429)
Impairment losses on CGUs	(194)	(234)	-	-	(41)	-	(469)
Other non-recurring operating income and (expenses)	64	17	9	-	-	-	90
Operating income (loss)	**(108)**	**(317)**	**154**	**604**	**(33)**	**11**	**311**
Interest income		11		-		167	178
Finance costs		(86)		-		(148)	(234)
Other financial income and (expenses), net		(15)		(1)		(33)	(49)
Net financial income (expense)		**(90)**		**(1)**		**(14)**	**(105)**
Income taxes		(35)		(205)		84	(156)
Share in net earnings of companies at equity	16	4	-	-	-	-	20
Consolidated profit (loss) for the year		**(438)**		**398**			**70**
Segment assets	27,710	6,462	1,160	27,191	(155)	(1,850)	60,518
Of which investments in companies at equity	*644*	*40*	*3*	*12*	*-*	*-*	*699*
Segment liabilities	(19,612)	(3,337)	(790)	(24,539)	(100)	1,991	(46,387)
Capital employed (Note 39.1)	**8,098**	**3,125**	**370**	**2,652**	**(255)**	**141**	**14,131**
Capital expenditure (excluding sales with a buyback commitment)	**2,852**	**515**	**70**	**27**	**20**	**-**	**3,484**
Depreciation and amortisation	**(2,547)**	**(530)**	**(54)**	**(12)**	**(15)**	**-**	**(3,158)**

(1) Automobile Division restructuring costs include impairment losses of €71 million linked to the sale of the Ryton site in the UK.

4.2. Reconciliation to the Consolidated Balance Sheet

(in million euros)	**2008**	**2007**	**2006**
Segment assets at December 31	**58,432**	**61,336**	**60,518**
Other non-current financial assets (1)	823	1,121	1,321
Current financial assets	515	1,483	1,132
Cash and cash equivalents (1)	1,950	5,035	6,123
Assets reported in the balance sheet	**61,720**	**68,975**	**69,094**
Segment liabilities at December 31	**42,259**	**48,177**	**46,387**
Equity	13,277	14,555	14,106
Non-current financial liabilities	4,491	4,294	4,125
Current financial liabilities (1)	1,693	1,949	4,476
Equity and liabilities reported in the balance sheet	**61,720**	**68,975**	**69,094**

(1) Including eliminations.

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4.3. Geographical Segments

In the table below, sales and revenue are presented by destination of products sold, and investments and assets by geographic location of the subsidiary concerned.

In accordance with IFRS 8, the Group's geographical segment analysis presents all non-current assets other than financial instruments, deferred tax assets and external pension plan assets.

	2008				
(in million euros)	Western Europe	Central and Eastern Europe	Latin America	Rest of world	TOTAL
Sales and revenue	41,429	4,314	3,617	4,996	54,356
Non-current assets (excl. deferred tax assets and financial instruments)	16,332	1,028	707	346	18,413

Since 2008, sales and revenue in Turkey - previously reported in the "Rest of world" segment - have been included in the "Central and Eastern Europe" segment. This reclassification had the effect of increasing sales and revenue in the "Central and Eastern Europe" segment by €579 million in 2007 and €377 million in 2006 compared with the originally reported amounts.

	2007				
(in million euros)	Western Europe	Central and Eastern Europe	Latin America	Rest of world	TOTAL
Sales and revenue	45,821	4,047	3,377	5,431	58,676
Non-current assets (excl. deferred tax assets and financial instruments)	16,807	1,066	610	316	18,799

	2006				
(in million euros)	Western Europe	Central and Eastern Europe	Latin America	Rest of world	TOTAL
Sales and revenue	43,805	3,159	2,760	5,461	55,185
Non-current assets (excl. deferred tax assets and financial instruments)	17,493	1,054	483	366	19,396

Note 5 Sales and Revenue

(in million euros)	2008	2007	2006
Sales of vehicles and other goods	49,969	53,815	50,643
Sales of service	2,736	3,317	3,146
Financial services revenue	1,651	1,544	1,396
TOTAL	**54,356**	**58,676**	**55,185**

Note 6 Recurring Operating Expenses Analysed by Function

(in million euros)	2008	2007	2006
Cost of goods and services sold	(44,920)	(47,518)	(44,470)
Selling, general and administrative expenses	(6,841)	(7,334)	(7,579)
Research and development expenses	(2,045)	(2,072)	(2,017)
TOTAL	**(53,806)**	**(56,924)**	**(54,066)**

Note 7 Recurring Operating Expenses Analysed by Nature

Details of employee benefits expense and depreciation and amortisation expense are presented below in accordance with IAS 1. Other recurring operating expenses are analyzed by each Division at its own appropriate level, which cannot be presented on a consistent basis at Group level.

7.1. Personnel Costs

Group personnel costs are as follows:

(in million euros)	2008	2007	2006
Automobile Division	(5,904)	(6,225)	(6,147)
Automotive Equipment Division	(2,059)	(2,104)	(2,104)
Transportation and Logistics Division	(406)	(413)	(390)
Finance companies	(123)	(126)	(123)
Other businesses	(106)	(131)	(120)
TOTAL	**(8,598)**	**(8,999)**	**(8,884)**

Details of stock option costs are provided in Note 28.3.D. Pension and other post-employment benefit costs are presented in Note 30.1.F.

7.2 Depreciation and Amortisation Expense

Depreciation and amortisation expense included in recurring operating income breaks down as follows:

(in million euros)	2008	2007	2006
Capitalized development expenditure	(738)	(752)	(704)
Other intangible assets	(61)	(60)	(70)
Specific tooling	(786)	(811)	(748)
Other property, plant and equipment	(1,607)	(1,661)	(1,636)
TOTAL	**(3,192)**	**(3,284)**	**(3,158)**

Depreciation and amortisation expense reflects the reduction in the useful lives of certain assets. This change in accounting estimate led to a €76 million increase in this item in 2008 compared with the previous depreciation and amortisation schedule (€132 million increase in 2007).

Note 8 Research and Development Expenses

(in million euros)	2008	2007	2006
Total expenditure	(2,372)	(2,074)	(2,195)
Capitalized development expenditure (Note 15.1)	1,065	754	882
Non-capitalized expenditure	**(1,307)**	**(1,320)**	**(1,313)**
Amortisation of capitalised development expenditure (Note 15.1)	(738)	(752)	(704)
TOTAL	**(2,045)**	**(2,072)**	**(2,017)**

Impairment losses on capitalized development expenditure are disclosed in Note 9.

Note 9 Non-Recurring Operating Income and (Expenses)

(in million euros)	2008	2007	2006
Impairment loss on Automobile CGUs (Note 9.1)	(138)	(216)	(194)
Impairment loss on Faurecia group CGUs and other Faurecia group assets (Note 9.2)	(268)	(65)	(234)
Provisions for contingencies and charges (Faurecia group)	(2)	(56)	-
Impairment loss on Other businesses CGUs (Note 9.3)	(2)	(12)	(41)
Restructuring costs (Note 9.4)	(512)	(380)	(429)
Net gains on disposals of property (Note 9.5)	7	95	93
Other	(2)	2	(3)
TOTAL	**(917)**	**(632)**	**(808)**

9.1. Impairment Loss on Automobile CGUs

In accordance with the principle set out in Note 1.13, the carrying amount of each vehicle CGU and the overall Automobile Division CGU was compared with their respective value in use. Value in use is defined as the present value of estimated future cash flows expected to be generated by the assets based on the latest projections from the Medium-Term Plan (2009-2012 plan for 2008 impairment tests) and the 10-year strategic plan for vehicles under development. Sensitivity to volume assumptions was measured based on a possible decline in the European automobile market of around 20% during the current economic crisis. For the two impaired CGUs, the test took into account the latest volume forecasts.

In 2008, future cash flows were discounted based on an average cost of capital of 8% after tax, as determined using the same method as that applied in 2006 by an independent expert. It was based on a risk-free interest rate and a 5% risk premium, in line with historical data. The 2008 discount rate was the same as that applied for the impairment tests carried out in 2007 and 2006.

At end-2006, these impairment tests led to the recognition of a €194 million write-down on two vehicle CGUs, essentially attributable to a decline in unit sales of these models. Impairment losses were first allocated against capitalized development expenditure (€108 million), and then against specific tooling in proportion to its net carrying amount (€86 million).

In 2007, the CGUs' unit sales continued to decline, leading the Group to perform further impairment tests. Based on the results of these tests, property, plant and equipment related to these two CGUs were written down in full, for a total additional amount of €216 million.

At end-2008, impairment tests led to write-downs of another two vehicle CGUs, for a total of €136 million, due mainly to lower unit sales of the models concerned. Impairment losses were first allocated against capitalized development expenditure (€113 million) and then against specific tooling in proportion to its net carrying amount (€23 million). At December 31, 2008, the carrying amount of the two CGUs' specific assets that had not been written down was €112 million.

Also at end-2008, an impairment loss of €2 million was recorded on additional investments made during the year in CGUs that had been written down in full in 2007.

For these two CGUs written down in 2008, a further 10% fall in unit sales compared with forecasts would lead to the recognition of additional impairment losses of €44 million.

The Group also assessed the sensitivity of the core assumptions used to test the other CGUs for impairment. The sensitivity tests were based on a 0.5-point increase in the discount rate, a €300 decrease in margin per vehicle and a decline in unit sales determined separately for each CGU. The reduction in the CGUs' value in use that would result from these changes in assumptions would not affect the amounts at which the assets are carried in the balance sheet.

9.2. Impairment Loss on Faurecia Group CGUs and Other Assets

A. Faurecia Group CGUs

In accordance with the principle set out in Note 1.13, the carrying amount of each group of assets was compared with the higher of its fair value and value in use. Value in use is defined as the present value of estimated future cash flows expected to be generated by each cash-generating unit based on the latest projections from the Medium-Term Plan (2008-2012 plan for 2008 impairment tests, as revised at end-2008).

The plan forecasts a decline in unit sales in 2009, mainly in the Automotive Seating and Vehicle Interiors CGUs, with a return to growth in the second half of that year.

The main assumption affecting value in use is the level of recurring operating income, particularly for the calculation of terminal value. 2012 margin is projected at 2.8% after taking into account the unfavourable economic environment.

The calculation was performed by extrapolating to perpetuity projected cash flows for the last year of the Medium-Term Plan (2012) using a growth rate of 1.5% based on estimated trends developed by analysts for the automobile market. This was also the rate applied in the impairment tests carried out in fiscal 2007.

An independent expert was consulted to determine the weighted average cost of capital to be used to discount future cash flows. The market parameters used by the expert for the calculation were based on a sample of 11 companies from the automotive equipment sector (seven European companies and four US companies). Using these parameters and a risk premium ranging from 5% to 5.5%, the average cost of capital used to discount future cash flows was set at 8.6% after tax (2007: 8.3%; 2006: 7.9%).

In 2006, impairment tests led to the recognition of a €198 million write-down of the Vehicle Interiors business (including €125 million against goodwill).

In 2007, these impairment tests led to the recognition of a €61 million write-down of non-current assets. No impairment was recorded against goodwill.

In 2008, the adjustment of the value in use of the Vehicle Interiors CGU due to the unfavourable conditions in the European and US automobile markets led to the net goodwill allocated to this CGU being written down in full, for an amount of €248 million. In addition, impairment losses of €20 million were recognised on other non-current assets.

The sensitivity of the impairment test to changes in the assumptions used in 2008 to determine the value in use of the CGUs accounting for the bulk of goodwill at end-2008 is illustrated in the table below:

(in million euros)	**Test margin (1)**	**Discount rate applied to cash flows +0.5%**	**Perpetual growth rate -0.5%**	**Terminal recurring operating margin -0.5%**
Automotive Seating	350	(109)	(92)	(212)
Exhaust Systems	655	(67)	(55)	(124)
Front-Ends	128	(20)	(16)	(49)

(1) Test margin = value in use - carrying amount.

Taken individually, the declines in values in use that would result from the above simulations would not affect the amount at which the goodwill allocated to the CGUs is carried in the balance sheet.

B. Faurecia CGU in the Accounts of PSA PEUGEOT CITROËN

Faurecia goodwill was tested for impairment based on the PSA PEUGEOT CITROËN Group's share in the sum of the discounted cash flows generated by Faurecia's businesses. This amount was greater than the carrying amount of the goodwill and therefore no impairment loss was recognised.

The sensitivity of the impairment test to changes in the assumptions used to determine the value in use of Faurecia goodwill at end-2008 is illustrated in the table below:

(in million euros)	Test margin (1)	Discount rate applied to cash flows +0.5%	Perpetual growth rate -0.5%	Terminal recurring operating margin -0.5%
	619	(165)	(137)	(365)

(1) Test margin = value in use - carrying amount.

Taken individually, the declines in values in use that would result from the above simulations would not affect the amount at which the goodwill is carried in the balance sheet.

9.3. Impairment Loss on "Other Businesses" CGUs

Following revised estimates of Peugeot Motocycles' business, an impairment loss of €2 million was recognised on assets of the CGU in 2008, which was allocated in full to property, plant and equipment.

The impairment tests were performed using a value in use defined as being equal to the sum of discounted future cash flows derived from Peugeot Motocycles' latest Medium Term Plan (covering the period 2009-2012) projected to perpetuity using a zero growth rate. The discount rate was calculated using a weighted average cost of capital of 9.7% after tax, unchanged from the rate used in fiscal 2007 and 2006.

9.4. Restructuring Costs

A. Analysis by Type

(in million euros)	2008	2007	2006
Early-termination plan costs (1)	(4)	1	(5)
Workforce reductions	(397)	(379)	(347)
End of production and other closure costs	(111)	(2)	(77)
TOTAL	**(512)**	**(380)**	**(429)**

(1) Early-termination plans relate to the agreements signed in 1999 for the Automobile Division and in 2001 for the Automotive Equipment Division. At the 2008 year-end, 2,561 employees were concerned by the plans, including 128 Faurecia group employees.

B. Analysis by Business Segment

(in million euros)	2008	2007	2006
Automobile Division	(335)	(229)	(245)
Automotive Equipment Division	(166)	(105)	(169)
Transportation and Logistics Division	(1)	(42)	(6)
Finance companies	-	-	-
Other businesses	(10)	(4)	(9)
TOTAL	**(512)**	**(380)**	**(429)**

Automobile Division

Automobile Division restructuring costs amounted to €335 million in 2008, and are described as follows.

France:

On May 9, 2007, management in France presented a workforce streamlining plan to Peugeot Citroën Automobiles' Central Works Committee. The net cost of the plan, which was expected to concern 6,217 employees, was estimated at €211 million in 2007. At December 31, 2008, the estimated number of employees was increased by 52 persons and the estimated cost was also adjusted, leading to the recognition of an additional charge of €38 million.

On January 15, 2008, another workforce streamlining plan was presented to the Central Works Committee. Under this new plan, employees who retired or voluntarily left the Group would not be replaced, and incentives would be offered to employees volunteering for internal or external mobility measures. The net cost of the plan, which concerned 297 employees, was estimated at €9 million. This amount was recognised in the 2008 financial statements.

On December 2, 2008, in light of the financial and industrial crisis, a new workforce streamlining plan was presented to Peugeot Citroën Automobiles' Central Works Committee. The plan offers employees who were due to leave the Group in the coming months or years the opportunity to volunteer to bring forward their departure. The net cost of the plan, which concerned 3,630 employees, was estimated at €105 million. This amount was recognised in full in the 2008 financial statements.

The costs recognised for these three plans take into account the resulting reduction in pension benefit obligations in the amount of €42 million (2007: €71 million).

Europe:

The cost of workforce reduction measures in other European countries amounted to €71 million in 2008. In addition, asset impairments and other site closure costs in France and Europe were recognised during the year for a total of €106 million.

In 2006, restructuring costs included €237 million related to the closure of the PSA PEUGEOT CITROËN site at Ryton, UK.

Automotive Equipment Division (Faurecia Group)

Faurecia group restructuring costs totalled €165 million in 2008, including provisions for estimated cash costs of €162 million and asset impairments of €3 million. Restructuring costs in 2008 concerned 5,146 employees, mainly in France.

Restructuring costs in 2007 and 2006 amounted to €105 million and €169 million respectively.

Transportation and Logistics Division

In 2007, restructuring costs of €40 million were booked by Gefco in Germany, concerning 430 employees.

Other businesses

On October 2, 2008, the management of Peugeot Motocycles presented a jobs and skills redeployment plan to the Central Works Committee. The net cost of the 6-month plan, which was launched on November 3, 2008 and concerns 200 employees, is estimated at €6 million. This amount was recognised in the 2008 financial statements.

C. Employees affected

(number of employees)	2008	2007	2006
France	6,471	6,812	1,820
United Kingdom	230	101	2,266
Germany	1,186	853	617
Rest of Europe	2,280	1,130	363
Rest of world (excluding Europe)	1,105	422	88
TOTAL	**11,272**	**9,318**	**5,154**

9.5. Net Gains on Disposals of Property

There were no material property disposals in 2008.

In 2007, net gains on disposals of property included €85 million from the sale of a site at Ryton, UK.

In 2006, net gains on disposals of property included €80 million from the sale of a site in Coventry (UK) and two sites in Madrid (Spain).

Note 10 Interest Income

Interest income on loans corresponds to interest accrued according to the method set out in Note 1.14.B (b).

(in million euros)	2008	2007	2006
Interest income on loans	13	10	11
Interest income on cash equivalents	253	275	167
Remeasurement of short-term investments accounted for using the fair value option	(20)	1	(2)
Net gain (loss) on interest rate instruments designated as hedges of short-term investments	1	(3)	2
TOTAL	**247**	**283**	**178**

Note 11 Finance Costs

(in million euros)	2008	2007	2006
Interest on other borrowings	(218)	(205)	(158)
Interest on bank overdrafts	(72)	(65)	(60)
Interest on finance lease liabilities	(20)	(17)	(14)
Foreign exchange gain (loss) on financial transactions	(16)	5	3
Net gain (loss) on hedges of borrowings (1)	(1)	(7)	11
Other	(16)	(17)	(16)
TOTAL	**(343)**	**(306)**	**(234)**

(1) Net gains and losses on hedges of borrowings arise from the remeasurement of interest-bearing debt to reflect changes in interest rates and the remeasurement of hedging instruments at fair value, as described in Note 1.14.C (a).

Note 12 Financial Income and (Expenses), Net

(in million euros)	2008	2007	2006
Interest cost on employee benefit obligations	(197)	(197)	(186)
Expected return on pension funds	169	190	188
Ineffective portion of the change in fair value of financial instruments [(1)]	(120)	(1)	(43)
Other financial income and (expenses)	(42)	(9)	(8)
TOTAL	**(190)**	**(17)**	**(49)**

(1) In 2008, the ineffective portion of the change in fair value of financial instruments includes losses of €62 million on financial instruments held by Faurecia, of which €38 million related to currency hedges and €24 million related to interest rate hedges. Losses on currency hedges includes changes in intrinsic value on options for €22 million. These instruments contribute to economic hedging of currency risk on future transactions but do not qualify for hedge accounting under IAS 39. As a consequence, the unrealised loss could not be recognised in equity and was recognised immediately in net financial income and expense in 2008. Losses on interest rate instruments correspond mainly to changes in the intrinsic value of economic hedges of interest rate risks that did not qualify for hedge accounting under IAS 39 at December 31, 2007. In 2008, the losses were offset by the collection of interest differentials of €20 million, recognised in financial income.

Note 13 Income taxes

13.1. Change in Balance Sheet Items

	2008					
(in million euros)	At Jan. 1	Expense	Equity	Payment	Translation adjustment and other changes	At Dec. 31
Current taxes						
Assets	162					207
Liabilities	(169)					(86)
	(7)	**(293)**	**-**	**418**	**3**	**121**
Deferred taxes						
Assets	465					543
Liabilities	(2,053)					(1,771)
	(1,588)	**389**	**8**	**-**	**(37)**	**(1,228)**

	2007					
(in million euros)	At Jan. 1	Expense	Equity	Payment	Translation adjustment and other changes	At Dec. 31
Current taxes						
Assets	213					162
Liabilities	(169)					(169)
	44	**(367)**	**-**	**327**	**(11)**	**(7)**
Deferred taxes						
Assets	535					465
Liabilities	(2,183)					(2,053)
	(1,648)	**65**	**(8)**	**-**	**3**	**(1,588)**

	2006					
(in million euros)	**At Jan. 1**	**Expense**	**Equity**	**Payment**	**Translation adjustment and other changes**	**At Dec. 31**
Current taxes						
Assets	156					213
Liabilities	(137)					(169)
	19	**(279)**	**-**	**300**	**4**	**44**
Deferred taxes						
Assets	610					535
Liabilities	(2,367)					(2,183)
	(1,757)	**123**	**2**	**-**	**(16)**	**(1,648)**

13.2. Income Taxes of Fully Consolidated Companies

(in million euros)	**2008**	**2007**	**2006**
Current taxes			
Corporate income taxes	(288)	(363)	(276)
Tax on intragroup dividends	(5)	(4)	(3)
Deferred taxes			
Deferred taxes arising in the year	528	179	342
Unrecognised deferred tax assets and impairment losses	(139)	(114)	(219)
TOTAL	**96**	**(302)**	**(156)**

A. Current Taxes

Current taxes represent the amounts paid or currently due to the tax authorities for the year, calculated in accordance with the tax regulations and rates in effect in the various countries.

Effective January 1, 2005, Peugeot S.A. and its French subsidiaries that are at least 95%-owned renewed their election to determine French income taxes on a consolidated basis in accordance with Article 223 A of the French Tax Code.

The Group has also elected to file a consolidated tax return in other countries that have group relief schemes. Concerning Faurecia, in addition to France, the countries concerned are Germany, Spain, the United States, the United Kingdom and Portugal. For the other businesses, the countries are Germany, Spain, the United Kingdom and Italy.

B. Deferred Taxes

Deferred taxes are determined as described in Note 1.17.

The Social Security Financing Act (no. 99-1140) of December 29, 1999 provided for the introduction of a surtax equal to 3.3% of the corporate income tax liability of French companies. This surtax had the effect of raising the French corporate income tax rate by 1.1%.

The French statutory income tax rate is 33.33%.

13.3. Reconciliation between Theoretical Tax Expense and Tax Expense in the Consolidated Statements of Income

(in million euros)	2008	2007	2006
Income before tax of fully consolidated companies	**(653)**	**1,080**	**206**
French statutory income tax rate for 2008	*34.4%*	*34.4%*	*34.4%*
Theoretical tax expense for the year based on the French statutory income tax rate	**225**	**(372)**	**(71)**
Permanent differences	(68)	30	(49)
Income taxable at reduced rates	39	46	52
Tax credits	29	42	76
Effect of differences in foreign tax rates and other	10	66	55
Unrecognised deferred tax assets and impairment losses	(139)	(114)	(219)
INCOME TAXES	**96**	**(302)**	**(156)**
Effective tax rate for the Group	*-14.7%*	*-28.0%*	*-75.7%*

With effect from 2007, research-based tax credits meeting the definition of subsidies are classified in recurring operating income.

Permanent differences in 2008 and 2006 include the negative impact of impairment losses recognised on goodwill allocated to the Faurecia CGUs, which had no tax effect. Permanent differences in 2007 included the effects of the favourable tax regime applicable to the sale of a site at Ryton (United Kingdom).

Unrecognised deferred tax assets and impairment losses essentially concern the Faurecia group.

13.4. Deferred Tax Assets and Liabilities

(in million euros)	2008	2007	2006
• **Tax credits**			
Tax credits before offsetting	10	10	21
Tax credits after offsetting (French tax group) (2)	(9)	(9)	(9)
Total tax credits	**1**	**1**	**12**
• **Deferred tax assets on tax loss carryforwards**			
Gross value before offsetting	1,475	858	621
Impairment	(90)	(75)	(83)
Previously unrecognised deferred tax assets	(606)	(535)	(486)
Tax loss carryforwards after offsetting (French tax≈group) (2)	(715)	(209)	-
Total deferred tax assets on tax loss carryforwards	**64**	**39**	**52**
• **Other deferred tax assets**	**478**	**425**	**471**
DEFERRED TAX ASSETS	**543**	**465**	**535**
Deferred tax liabilities before offsetting (1)	(2,495)	(2,271)	(2,192)
Deferred tax assets offset within the French tax group (2)	724	218	9
DEFERRED TAX LIABILITIES	**(1,771)**	**(2,053)**	**(2,183)**

(1) Before offsetting of the French tax group's deferred tax assets on tax loss carryforwards and tax credits.
(2) In accordance with international generally accepted accounting principles, relations between Group companies established in different countries are governed by the principle of full competition defined by the OECD in its Transfer Pricing Guidelines issued on June 25, 1995. The PSA PEUGEOT CITROËN Group determines transfer prices through a combination of three methods: "resale minus", "cost plus" and the "transactional net margin method" (TNMM). Offsetting consists of presenting on the face of the balance sheet the net deferred tax position of the French tax group, with deferred tax assets covered by deferred tax liabilities.

Note 14 Earnings per Share

Earnings per share are calculated on the basis of the weighted average number of shares outstanding during the year.

The average number of shares outstanding is calculated by taking into account the number of shares issued and cancelled during the period and the number of shares held in treasury stock. The dilutive effect of stock options is calculated using the "treasury stock" method, as follows:

	2008	2007	2006
Average number of €1 par value shares outstanding	227,614,235	228,349,123	228,662,232
Dilutive effect of stock options, calculated using the "treasury stock" method (Note 28.2)	-	861,186	399,015
DILUTED AVERAGE NUMBER OF SHARES	**227,614,235**	**229,210,309**	**229,061,247**

Earnings per share are presented at the foot of the consolidated income statement.

In view of the terms of the stock option plans (Note 28.3) and the average Peugeot S.A. share price, none of the plans had a dilutive impact in 2008.

	2008	2007	2006
Dilutive plans	None	1999 - 2006	1999 - 2003

Note 15 Goodwill and Intangible Assets

15.1. Change in Carrying Amount

	2008			
(in million euros)	Goodwill	Development expenditure	Software and other intangible assets	Intangible assets
Gross value				
At January 1	**1,826**	**7,312**	**1,451**	**8,763**
Purchases/additions	-	1,065	63	1,128
Disposals	-	(43)	(19)	(62)
Change in scope of consolidation and other	-	(20)	5	(15)
Translation adjustment	(3)	(21)	(3)	(24)
At December 31	**1,823**	**8,293**	**1,497**	**9,790**
Amortisation and impairment				
At January 1	**(263)**	**(3,697)**	**(1,087)**	**(4,784)**
Charge for the year	N/A	(738)	(61)	(799)
Impairment losses	(248)	(116)	-	(116)
Disposals	N/A	39	15	54
Change in scope of consolidation and other	-	7	(2)	5
Translation adjustment	-	5	2	7
At December 31	**(511)**	**(4,500)**	**(1,133)**	**(5,633)**
Carrying amount at January 1	1,563	3,615	364	3,979
CARRYING AMOUNT AT DECEMBER 31	**1,312**	**3,793**	**364**	**4,157**

(in million euros)	2007 Goodwill	Development expenditure	Software and other intangible assets	Intangible assets
Gross value				
At January 1	**1,826**	**6,651**	**1,382**	**8,033**
Purchases/additions	-	754	65	819
Disposals	-	(51)	(8)	(59)
Change in scope of consolidation and other	11	(26)	14	(12)
Translation adjustment	(11)	(16)	(2)	(18)
At December 31	**1,826**	**7,312**	**1,451**	**8,763**
Amortisation and impairment				
At January 1	**(263)**	**(2,979)**	**(1,020)**	**(3,999)**
Charge for the year	N/A	(752)	(60)	(812)
Impairment losses	-	(37)	-	(37)
Disposals	N/A	51	2	53
Change in scope of consolidation and other	-	11	(11)	-
Translation adjustment	-	9	2	11
At December 31	**(263)**	**(3,697)**	**(1,087)**	**(4,784)**
Carrying amount at January 1	1,563	3,672	362	4,034
CARRYING AMOUNT AT DECEMBER 31	**1,563**	**3,615**	**364**	**3,979**

(in million euros)	2006 Goodwill	Development expenditure	Software and other intangible assets	Intangible assets
Gross value				
At January 1	**1,827**	**5,824**	**1,265**	**7,089**
Purchases/additions	-	882	102	984
Disposals	-	(8)	(8)	(16)
Change in scope of consolidation and other	-	(34)	27	(7)
Translation adjustment	(1)	(13)	(4)	(17)
At December 31	**1,826**	**6,651**	**1,382**	**8,033**
Amortisation and impairment				
At January 1	**(138)**	**(2,173)**	**(952)**	**(3,125)**
Charge for the year	N/A	(704)	(70)	(774)
Impairment losses	(125)	(131)	-	(131)
Disposals	N/A	9	4	13
Change in scope of consolidation and other	-	17	(4)	13
Translation adjustment	-	3	2	5
At December 31	**(263)**	**(2,979)**	**(1,020)**	**(3,999)**
Carrying amount at January 1	1,689	3,651	313	3,964
CARRYING AMOUNT AT DECEMBER 31	**1,563**	**3,672**	**362**	**4,034**

15.2. Breakdown of Goodwill

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Net value			
Faurecia	187	187	187
Faurecia businesses:			
• Automotive Seating	793	793	793
• Vehicle Interiors	-	247	239
• Front End	96	96	96
• Exhaust Systems	151	153	161
Peugeot Automotiv Pazarlama AS (Popas)	10	12	12
Crédipar	75	75	75
TOTAL	**1,312**	**1,563**	**1,563**

Impairment tests are described in Note 9.

Note 16 Property, Plant and Equipment

	2008						
(in million euros)	Land and buildings	Plant and equipment	Leased vehicles [2]	Vehicles and handling equipment	Fixtures, fittings and other	Assets under construction	TOTAL
Gross value							
At January 1	**6,682**	**26,047**	**2,923**	**362**	**980**	**1,377**	**38,371**
Purchases/additions [1]	237	1,685	-	27	33	189	2,171
Disposals	(99)	(846)	-	(30)	(50)	-	(1,025)
Change in scope of consolidation and other	85	216	(115)	(25)	(18)	(276)	(133)
Translation adjustment	(95)	(197)	-	(4)	(8)	(45)	(349)
At December 31	**6,810**	**26,905**	**2,808**	**330**	**937**	**1,245**	**39,035**
Depreciation and impairment							
At January 1	**(3,340)**	**(19,057)**	**(342)**	**(266)**	**(670)**	**-**	**(23,675)**
Additions	(281)	(1,949)	(87)	(24)	(52)	-	(2,393)
Impairment losses	(34)	(89)	-	-	-	-	(123)
Disposals	73	815	-	18	46	-	952
Change in scope of consolidation and other	(15)	(11)	71	26	21	-	92
Translation adjustment	36	155	18	2	6	-	217
At December 31	**(3,561)**	**(20,136)**	**(340)**	**(244)**	**(649)**	**-**	**(24,930)**
Carrying amount at January 1	3,342	6,990	2,581	96	310	1,377	14,696
CARRYING AMOUNT AT DECEMBER 31	**3,249**	**6,769**	**2,468**	**86**	**288**	**1,245**	**14,105**

(in million euros)	Land and buildings	Plant and equipment	Leased vehicles [2]	Vehicles and handling equipment	Fixtures, fittings and other	Assets under Construction	TOTAL
	2007						
Gross value							
At January 1	**6,501**	**25,292**	**2,736**	**366**	**981**	**1,421**	**37,297**
Purchases/additions [1]	240	1,451	-	22	37	238	1,988
Disposals	(102)	(863)	-	(27)	(46)	-	(1,038)
Change in scope of consolidation and other	62	186	187	1	12	(270)	178
Translation adjustment	(19)	(19)	-	-	(4)	(12)	(54)
At December 31	**6,682**	**26,047**	**2,923**	**362**	**980**	**1,377**	**38,371**
Depreciation and impairment							
At January 1	**(3,159)**	**(17,653)**	**(312)**	**(256)**	**(649)**	**-**	**(22,029)**
Additions	(261)	(2,037)	(76)	(26)	(72)	-	(2,472)
Impairment losses	(18)	(234)	-	-	-	-	(252)
Disposals	90	831	-	16	44	-	981
Change in scope of consolidation and other	(4)	20	41	-	4	-	61
Translation adjustment	12	16	5	-	3	-	36
At December 31	**(3,340)**	**(19,057)**	**(342)**	**(266)**	**(670)**	**-**	**(23,675)**
Carrying amount at January 1	3,342	7,639	2,424	110	332	1,421	15,268
CARRYING AMOUNT AT DECEMBER 31	**3,342**	**6,990**	**2,581**	**96**	**310**	**1,377**	**14,696**

(in million euros)	Land and buildings	Plant and equipment	Leased vehicles [2]	Vehicles and handling equipment	Fixtures, fittings and other	Assets under construction	TOTAL
	2006						
Gross value							
At January 1	**6,098**	**23,457**	**2,309**	**377**	**963**	**2,393**	**35,597**
Purchases/additions [1]	529	2,767	-	29	83	(763)	2,645
Disposals	(115)	(1,063)	-	(33)	(20)	-	(1,231)
Change in scope of consolidation and other	8	210	427	(6)	(39)	(223)	377
Translation adjustment	(19)	(79)	-	(1)	(6)	14	(91)
At December 31	**6,501**	**25,292**	**2,736**	**366**	**981**	**1,421**	**37,297**
Depreciation and impairment							
At January 1	**(2,914)**	**(16,568)**	**(297)**	**(254)**	**(607)**	**-**	**(20,640)**
Additions	(297)	(1,930)	(47)	(26)	(84)	-	(2,384)
Impairment losses	(31)	(253)	-	-	-	-	(284)
Disposals	85	1,038	-	24	16	-	1,163
Change in scope of consolidation and other	(9)	21	32	-	22	-	66
Translation adjustment	7	39	-	-	4	-	50
At December 31	**(3,159)**	**(17,653)**	**(312)**	**(256)**	**(649)**	**-**	**(22,029)**
Carrying amount at January 1	3,184	6,889	2,012	123	356	2,393	14,957
CARRYING AMOUNT AT DECEMBER 31	**3,342**	**7,639**	**2,424**	**110**	**332**	**1,421**	**15,268**

(1) Including property, plant and equipment acquired under finance leases.
(2) "Other" movements in "Leased vehicles" include net changes for the year (additions less disposals) which, for the most part, do not give rise to any cash inflow or outflow.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Leased vehicles include vehicles leased under short-term leases to retail customers by the Group's leasing companies and vehicles sold with a buyback commitment, which are recognised according to the method described in Note 1.5.A.

They can be analyzed as follows:

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Vehicles subject to a buyback commitment	2,210	2,297	2,174
Vehicles under short-term leases	258	284	250
TOTAL, NET	**2,468**	**2,581**	**2,424**

Note 17 Investments In Companies at Equity

Most companies accounted for by the equity method are manufacturing and sales companies that manufacture automotive parts and components or complete vehicles.

17.1. Changes in the Carrying Value of Investments in Companies at Equity

(in million euros)	2008	2007	2006
At January 1	**737**	**699**	**699**
Dividends and profit transfers	(20)	(2)	(3)
Share of net earnings	57	48	20
Newly consolidated companies:			
• Dongfeng Peugeot Citroën Automobile Finance Company	-	-	12
• Jinan Qingqi Peugeot Motorcycles Co Ltd	7	-	-
• Faurecia group companies	-	3	3
Capital increase (reduction)	(68)	-	1
Disposals	7	-	(3)
Translation adjustment	26	(11)	(30)
AT DECEMBER 31	**746**	**737**	**699**
o/w Dongfeng Peugeot Citroën Automobile goodwill	62	56	59

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

17.2. Share in net Assets

(in million euros)	Latest % interest	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Renault cooperation agreement				
Française de Mécanique	50%	21	22	49
Société de Transmissions Automatiques	20%	3	3	3
Fiat cooperation agreement				
Sevelnord	50%	88	73	62
Giesevel	50%	22	18	15
Sevelind	50%	19	19	16
Sevel SpA	50%	94	95	86
Toyota cooperation agreement				
Toyota Peugeot Citroën Automobiles	50%	85	137	118
Dongfeng cooperation agreement				
Dongfeng Peugeot Citroën Automobile [1]	50%	347	303	288
Dongfeng Peugeot Citroën Automobile Finance Company	25%	14	12	12
Other				
Other excluding Faurecia		13	10	10
Faurecia associates		40	45	40
TOTAL		**746**	**737**	**699**

[1] *Including €62 million in Dongfeng Peugeot Citroën Automobile goodwill.*

17.3. Share in Net Earnings

(in million euros)	Latest % interest	2008	2007	2006
Renault cooperation agreement				
Française de Mécanique	50%	(2)	(27)	(9)
Société de Transmissions Automatiques	20%	-	-	-
Fiat cooperation agreement				
Sevelnord	50%	15	11	-
Giesevel	50%	4	3	3
Sevelind	50%	(1)	3	10
Sevel SpA	50%	(1)	9	(21)
Toyota cooperation agreement				
Toyota Peugeot Citroën Automobiles	50%	29	14	13
Dongfeng cooperation agreement				
Dongfeng Peugeot Citroën Automobile	50%	8	31	18
Dongfeng Peugeot Citroën Automobile Finance Company	25%	-	-	-
Other				
Other excluding Faurecia		(3)	1	2
Faurecia associates		8	3	4
TOTAL		**57**	**48**	**20**

17.4. Key Financial Data

A. Aggregate data

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Capital employed			
Property, plant and equipment	1,575	1,502	1,577
Working capital	(83)	(33)	(28)
Other capital employed [(1)]	97	66	97
TOTAL	**1,589**	**1,535**	**1,646**
Capital expenditure	**379**	**215**	**408**
Net financial position			
Long- and medium-term debt	(300)	(409)	(625)
Other financial items	(543)	(389)	(322)
TOTAL	**(843)**	**(798)**	**(947)**

(1) At December 31, 2008, the main balance sheet items included in "Other capital employed" concern intangible assets for €160 million and provisions for €96 million.

B. Key financial data by company

(a) Total Capital Employed

(in million euros)	Latest % interest	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Renault cooperation agreement				
Française de Mécanique	50%	109	99	141
Société de Transmissions Automatiques	20%	9	6	9
Fiat cooperation agreement				
Sevelnord	50%	112	157	164
Giesevel	50%	24	24	25
Sevelind	50%	18	18	14
Sevel SpA	50%	340	367	366
Toyota cooperation agreement				
Toyota Peugeot Citroën Automobiles	50%	209	222	234
Dongfeng cooperation agreement				
Dongfeng Peugeot Citroën Automobile	50%	728	594	628
Dongfeng Peugeot Citroën Automobile Finance Company	25%	14	12	12
Other				
Other excluding Faurecia		4	(3)	2
Faurecia associates		22	39	51
TOTAL		**1,589**	**1,535**	**1,646**

The increase in capital employed is attributable, for €274 million, to investments made in 2008 by Dongfeng Peugeot Citroën Automobile.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

(b) Net Financial Position

(in million euros)	Latest % interest	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Renault cooperation agreement				
Française de Mécanique	50%	(88)	(77)	(92)
Société de Transmissions Automatiques	20%	(6)	(3)	(6)
Fiat cooperation agreement				
Sevelnord	50%	(24)	(84)	(102)
Giesevel	50%	(2)	(6)	(10)
Sevelind	50%	1	1	2
Sevel SpA	50%	(246)	(272)	(280)
Toyota cooperation agreement				
Toyota Peugeot Citroën Automobiles	50%	(124)	(85)	(116)
Dongfeng cooperation agreement				
Dongfeng Peugeot Citroën Automobile	50%	(381)	(291)	(340)
Dongfeng Peugeot Citroën Automobile Finance Company	25%	-	-	-
Other				
Other excluding Faurecia		9	13	8
Faurecia associates		18	6	(11)
TOTAL		**(843)**	**(798)**	**(947)**

Note 18 Investments in Non-Consolidated Companies

The recognition and measurement principles applicable to investments in non-consolidated companies are set out in Note 1.14.B (a).

18.1. Analysis by Company

(in million euros)	Latest % interest	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Football Club de Sochaux Montbéliard	100%	14	14	14
Peugeot Citroën Automotive China (consolidated from January 1, 2007)	100%	-	-	2
Peugeot Automobile Nigeria [(1)]	10%	2	2	8
Citroën Romania (consolidated from January 1, 2008)	100%	-	4	-
Non-consolidated dealers		13	12	12
Gefco Hong Kong (consolidated from January 1, 2007)	100%	-	-	2
Granat	100%	13	-	-
Jinan Qingqi Peugeot otocycles Co Ltd (consolidated from January 1, 2008)	50%	-	7	7
Banque PSA Finance Financiranje (consolidated from January 1, 2008)	100%	-	3	-
PSA Assurance SAS	100%	9	-	-
Faurecia group portfolio		2	2	1
Other investments		8	6	7
TOTAL		**61**	**50**	**53**

(1) In January 2007, the Group sold 30% of its interest in the capital of Peugeot Automobile Nigeria, and retained a 10% stake.

18.2. Movements for the Year

(in million euros)	2008	2007	2006
Gross value			
At January 1	**67**	**78**	**88**
Acquisitions	37	10	31
Disposals	-	(11)	(1)
Change in scope of consolidation and other	(17)	(9)	(40)
Translation adjustment	-	(1)	-
At December 31	**87**	**67**	**78**
Allowances			
At January 1	**(17)**	**(25)**	**(42)**
Charges	(12)	(1)	(6)
Disposals	-	5	1
Change in scope of consolidation and other	3	3	22
Translation adjustment	-	1	-
At December 31	**(26)**	**(17)**	**(25)**
Carrying amount at January 1	50	53	46
CARRYING AMOUNT AT DECEMBER 31	**61**	**50**	**53**

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Note 19 Other Non-Current Financial Assets

The recognition and measurement principles applicable to other non-current financial assets are described in Note 1.14.B (b) for loans and receivables, Note 1.14.B (c1) for short-term investments classified as "available-for-sale", Note 1.14.B (c2) for short-term investments accounted for using the fair value option, and Note 1.14.D for derivatives.

	2008				
		Investments			
(in million euros)	Loans and receivables	Classified as "Available-for-sale"	Accounted for using the fair value option	Derivative instruments	TOTAL
Gross value					
At January 1	**227**	**254**	**724**	**59**	**1,264**
Purchases/additions	18	-	43	-	61
Disposals	-	-	(97)	-	(97)
Remeasurement	-	(150)	(27)	164	(13)
Transfers to current financial assets (1)	(14)	-	(224)	-	(238)
Translation adjustment and changes in scope of consolidation	-	-	(3)	-	(3)
At December 31	**231**	**104**	**416**	**223**	**974**
Allowances					
At January 1	**(96)**	**-**	**-**	**-**	**(96)**
Net charge for the year	(9)	-	-	-	(9)
At December 31	**(105)**	**-**	**-**	**-**	**(105)**
Carrying amount at January 1	131	254	724	59	1,168
CARRYING AMOUNT AT DECEMBER 31	**126**	**104**	**416**	**223**	**869**

(1) Investments accounted for using the fair value option transferred to current financial assets correspond to money market securities with maturities of less than one year at December 31, 2008.

The carrying amount of "available-for-sale" securities included an unrealised gain of €40 million at December 31, 2008 (€191 million at January 1, 2008).

	2007				
		Investments			
(in million euros)	Loans and receivables	Classified as "Available-for-sale"	Accounted for using the fair value option	Derivative instruments	TOTAL
Gross value					
At January 1	**216**	**283**	**797**	**165**	**1,461**
Purchases/additions	21	-	262	-	283
Disposals	-	-	(31)	(2)	(33)
Remeasurement	-	(29)	(1)	(104)	(134)
Transfers to current financial assets (1)	(10)	-	(295)	-	(305)
Translation adjustment and changes in scope of consolidation	-	-	(8)	-	(8)
At December 31	**227**	**254**	**724**	**59**	**1,264**
Allowances					
At January 1	**(93)**	**-**	**-**	**-**	**(93)**
Net charge for the year	(3)	-	-	-	(3)
At December 31	**(96)**	**-**	**-**	**-**	**(96)**
Carrying amount at January 1	123	283	797	165	1,368
CARRYING AMOUNT AT DECEMBER 31	**131**	**254**	**724**	**59**	**1,168**

(1) Investments accounted for using the fair value option transferred to current financial assets correspond to money market securities with maturities of less than one year at December 31, 2007.

The carrying amount of "available-for-sale" securities includes an unrealised gain of €191 million at December 31, 2007 (€218 million at January 1, 2007).

	2006				
		Investments			
(in million euros)	Loans and receivables	Classified as "Available-for-sale"	Accounted for using the fair value option	Derivative instruments	TOTAL
Gross value					
At January 1	**220**	**263**	**1,174**	**410**	**2,067**
Purchases/additions	16	-	475	-	491
Disposals	(7)	(30)	(82)	(82)	(201)
Remeasurement	-	50	(8)	(163)	(121)
Transfers to current financial assets [(1)]	(13)	-	(762)	-	(775)
Translation adjustment and changes in scope of consolidation	-	-	-	-	-
At December 31	**216**	**283**	**797**	**165**	**1,461**
Allowances					
At January 1	**(81)**	**-**	**-**	**-**	**(81)**
Net charge for the year	(12)	-	-	-	(12)
At December 31	**(93)**	**-**	**-**	**-**	**(93)**
Carrying amount at January 1	139	263	1,174	410	1,986
CARRYING AMOUNT AT DECEMBER 31	**123**	**283**	**797**	**165**	**1,368**

(1) Investments accounted for using the fair value option transferred to current financial assets correspond to money market securities with maturities of less than one year at December 31, 2006.

The carrying amount of "available-for-sale" securities includes an unrealised gain of €218 million at December 31, 2006 (€172 million at January 1, 2006).

Note 20 Other Non-Current Assets

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Excess of payments to external funds over pension obligations (Note 30)	2	3	3
Guarantee deposits and other	151	124	94
TOTAL	**153**	**127**	**97**

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Note 21 Loans and Receivables Finance Companies

The recognition and measurement principles for the loans and receivables of Group finance companies are defined in Note 1.14.B (d).

21.1. Analysis

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Net loans and receivables outstanding			
Credit sales	9,646	10,550	10,694
Long-term leases	4,600	4,031	3,525
Leases subject to buyback commitments	2,591	2,295	2,236
Other receivables	842	760	685
Guarantee deposits on leases	(59)	(57)	(73)
Total net loans and receivables outstanding	**17,620**	**17,579**	**17,067**
Net wholesale finance receivables outstanding			
Wholesale finance receivables	4,427	5,689	5,727
Guarantee deposits on wholesale finance receivables	(57)	(83)	(77)
Total net wholesale finance receivables outstanding	**4,370**	**5,606**	**5,650**
Ordinary accounts	188	168	116
Retail and lease finance receivables at amortised cost	105	103	66
Remeasurement of interest rate hedged portfolios	212	(63)	(97)
Eliminations	(136)	(170)	(99)
TOTAL	**22,359**	**23,223**	**22,703**

Retail and lease finance receivables represent loans made by finance companies to Peugeot and Citroën customers for the purchase or lease of cars.

Wholesale finance receivables represent amounts due to Peugeot and Citroën by their dealer networks and certain European importers which have been transferred to the Group finance companies, and working capital loans made by the finance companies to the dealer networks.

Retail and lease finance receivables include €4,312 million in securitized finance receivables that were still carried on the balance sheet at the year-end (€3,823 million at December 31, 2007 and €2,311 million at December 31, 2006). The Banque PSA Finance group carried out several securitisation transactions through the French Auto ABS umbrella fund (FCC) set up in June 2001 and the Italian Auto ABS S.r.l. fund set up in July 2007. On July 30, 2008, Banque PSA Finance's German branch sold €1 billion worth of finance receivables to the 2008-1 compartment of Auto ABS. Auto ABS 2008-1 issued €970 million worth of AAA/Aaa-rated preferred bonds and €30 million worth of A/Aa3-rated subordinated bonds. The German branch's retained interest amounts to €10,000.

The compartments of both the French and Italian funds qualify as special purpose entities and are fully consolidated insofar as the revenues from the retained interest held by the subsidiaries of the Banque PSA Finance group represent substantially all of the risks and rewards of ownership (respectively, essentially the credit risk and the recurring operating income generated by the SPEs).

Liabilities corresponding to securities issued by securitisation funds are shown in Note 33.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

21.2. Automobile Division Sales of Receivables

The following table shows outstanding Automobile Division receivables sold to the finance companies for which the Automobile Division pays the financing cost:

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
	2,347	3,459	3,318

The corresponding financing costs are included in "Selling, general and administrative expenses" in the accounts of the manufacturing and sales companies, as follows:

(in million euros)	2008	2007	2006
	(276)	(255)	(182)

21.3. Maturities of Finance Receivables

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Less than 3 months	2,561	2,483	2,419
3 months to 1 year	5,093	4,620	4,706
1 to 5 years	9,947	10,587	10,179
Beyond 5 years	375	199	173
Total gross loans and receivables outstanding	**17,976**	**17,889**	**17,477**
Guarantee deposits on leases	(59)	(57)	(73)
Allowances	(297)	(253)	(337)
TOTAL NET LOANS AND RECEIVABLES OUTSTANDING	**17,620**	**17,579**	**17,067**

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Less than 3 months	2,489	2,855	3,562
3 months to 1 year	1,531	2,851	2,178
1 to 5 years	410	-	-
Beyond 5 years	17	-	-
Total gross wholesale finance receivables outstanding	**4,447**	**5,706**	**5,740**
Guarantee deposits on leases	(58)	(83)	(77)
Allowances	(19)	(17)	(13)
TOTAL NET WHOLESALE FINANCE RECEIVABLES OUTSTANDING	**4,370**	**5,606**	**5,650**

21.4. Allowances for Credit Losses

Net loans and Receivables Outstanding

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Performing loans with no past due balances	17,016	17,056	16,584
Performing loans with past due balances	452	418	413
Doubtful loans	508	415	480
Total gross loans and receivables outstanding	**17,976**	**17,889**	**17,477**
Guarantee deposits	(59)	(57)	(73)
Allowances for performing loans with past due balances	(43)	(46)	(50)
Allowances for doubtful loans	(254)	(207)	(287)
Allowances	**(297)**	**(253)**	**(337)**
TOTAL NET LOANS AND RECEIVABLES OUTSTANDING	**17,620**	**17,579**	**17,067**
Allowances booked	**(113)**	**(59)**	**(90)**
Releases (utilisations)	**63**	**142**	**67**

Net Wholesale Finance Receivables Outstanding

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Performing loans with no past due balances	4,364	5,671	5,706
Doubtful loans	83	35	34
Total gross wholesale finance receivables outstanding	**4,447**	**5,706**	**5,740**
Guarantee deposits	(58)	(83)	(77)
Allowances for doubtful loans	**(19)**	**(17)**	**(13)**
TOTAL NET WHOLESALE FINANCE RECEIVABLES OUTSTANDING	**4,370**	**5,606**	**5,650**
Provisions booked	**(24)**	**(13)**	**(7)**
Releases (utilisations)	**21**	**10**	**8**

Note 22 Short-Term Investments - Finance Companies

The recognition and measurement principles applicable to short-term investments of the finance companies are described in Note 1.14.B (c2).

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Mutual fund units and money market securities [1]	450	2,635	2,352
Other	732	675	466
TOTAL	**1,182**	**3,310**	**2,818**

(1) This item constitutes part of the €1,176 million liquidity reserve held by the Banque PSA Finance group (Note 27.2). The reserves are invested solely in short-term instruments, including money market mutual funds with a capital guarantee and a guaranteed yield (€250 million) and bank certificates of deposit (€200 million).

Note 23 Inventories

	Dec. 31, 2008			Dec. 31, 2007		
(in million euros)	Gross	Allowance	Net	Gross	Allowance	Net
Raw materials and supplies	789	(136)	653	853	(137)	716
Semi-finished products and work-in-progress	676	(46)	630	781	(48)	733
Goods for resale and used vehicles	2,016	(314)	1,702	1,614	(146)	1,468
Finished products and replacement parts	4,952	(180)	4,772	4,158	(162)	3,996
TOTAL	**8,433**	**(676)**	**7,757**	**7,406**	**(493)**	**6,913**

	Dec. 31, 2006		
(in million euros)	Gross	Allowance	Net
Raw materials and supplies	936	(158)	778
Semi-finished products and work-in-progress	793	(47)	746
Goods for resale and used vehicles	1,476	(137)	1,339
Finished products and replacement parts	4,123	(160)	3,963
TOTAL	**7,328**	**(502)**	**6,826**

Changes in this item are analyzed in Note 35.

Note 24 Trade Receivables – Manufacturing and Sales Companies

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Trade receivables	2,153	3,004	3,172
Allowances	(152)	(147)	(129)
Total - manufacturing and sales companies	**2,001**	**2,857**	**3,043**
Elimination of transactions with the finance companies	(146)	(157)	(193)
TOTAL	**1,855**	**2,700**	**2,850**

Changes in this item are analyzed in Note 35.

This item does not include dealer receivables transferred to the finance companies, which are reported in the consolidated balance sheet under "Loans and receivables - finance companies" (Note 21.2).

In December 2002, Faurecia entered into an agreement to sell trade receivables with one of its banks. This agreement has limited recourse to a subordinated deposit, and is for a one-year term renewable up until November 2012. Outstanding receivables sold under this agreement and no longer carried on the balance sheet amounted to €88 million at December 31, 2008 (€128 million at December 31, 2007 and €188 million at December 31, 2006). The subordinated deposits recognised as a deduction from Faurecia's borrowings totalled €22 million at December 31, 2008 (€28 million at December 31, 2007 and €79 million at December 31, 2006).

Note 25 Other Receivables

25.1. Manufacturing and Sales Companies

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Prepaid and recoverable taxes other than income tax	1,031	1,034	1,038
Employee-related receivables	64	88	103
Due from suppliers	159	180	194
Derivative instruments (1)	249	64	13
Prepaid expenses	108	117	82
Miscellaneous other receivables	286	299	289
TOTAL	**1,897**	**1,782**	**1,719**

(1) This item corresponds to the fair value of instruments purchased by the Group to hedge currency risks on current or forecast operating receivables and payables. These instruments are analyzed by maturity in Note 37, "Management of market risks".

25.2. Finance Companies

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Prepaid and recoverable taxes other than income tax	35	26	32
Derivative instruments (1)	526	246	236
Deferred income and accrued expenses - finance companies	165	201	87
Miscellaneous other receivables	302	299	262
TOTAL	**1,028**	**772**	**617**

(1) This item corresponds to the fair value of instruments purchased by the Group essentially to hedge interest rate risks on finance receivables and financing liabilities. These instruments are analyzed by maturity in Note 37, "Management of market risks".

Note 26 Current Financial Assets

The recognition and measurement principles applicable to current financial assets are described in Note 1.14.B (b) for loans and receivables, Note 1.14.B (c1) for investments classified as available for sale, Note 1.14.B (c2) for investments accounted for using the fair value option, and Note 1.14.D for derivative instruments.

	2008				
		Investments			
(in million euros)	Loans and receivables	Classified as "Available-for-sale"	Accounted for using the fair value option	Derivative instruments	TOTAL
At January 1	497	-	948	38	1,483
Purchases/additions	122	-	-	4	126
Disposals	(399)	-	(921)	-	(1,320)
Remeasurement at fair value	-	-	(2)	(18)	(20)
Transfers to current financial assets (1)	14	-	224	-	238
Translation adjustment and changes in scope of consolidation	8	-	-	-	8
AT DECEMBER 31	**242**	**-**	**249**	**24**	**515**

(1) Investments accounted for using the fair value option transferred to current financial assets correspond to money market securities with maturities of less than one year at December 31, 2008.

In 2008, the decline in short-term loans and receivables was mainly due to the repayment of loans to GIE PSA Trésorerie for €300 million. The decline in investments in 2008 reflected the sale of €652 million worth of mutual funds and the redemption of Euro Medium Term Notes (EMTNs) for €270 million.

	2007				
		Investments			
(in million euros)	Loans and receivables	Classified as "Available-for-sale"	Accounted for using the fair value option	Derivative instruments	TOTAL
At January 1	**171**	**-**	**918**	**43**	**1,132**
Purchases/additions	397	-	651	-	1,048
Disposals	(79)	-	(912)	-	(991)
Remeasurement at fair value	-	-	(4)	(5)	(9)
Transfers to current financial assets [1]	10	-	295	-	305
Translation adjustment and changes in scope of consolidation	(2)	-	-	-	(2)
AT DECEMBER 31	**497**	**-**	**948**	**38**	**1,483**

(1) Investments accounted for using the fair value option transferred to current financial assets correspond to money market securities with maturities of less than one year at December 31, 2007.

	2006				
		Investments			
(in million euros)	Loans and receivables	Classified as "Available-for-sale"	Accounted for using the fair value option	Derivative instruments	TOTAL
At January 1	**176**	**41**	**971**	**26**	**1,214**
Purchases/additions	54	-	300	-	354
Disposals	(69)	(41)	(1,113)	-	(1,223)
Remeasurement at fair value	-	-	(2)	17	15
Transfers to current financial assets [1]	10	-	762	-	772
Translation adjustment and changes in scope of consolidation	-	-	-	-	-
AT DECEMBER 31	**171**	**-**	**918**	**43**	**1,132**

(1) Investments accounted for using the fair value option transferred to current financial assets correspond to money market securities with maturities of less than one year at December 31, 2006.

Note 27 Cash And Cash Equivalents

Cash and cash equivalents are defined in Note 1.14.B (e) and include:

27.1. Manufacturing and Sales Companies

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Mutual fund units and money market securities	1,135	4,115	5,197
Cash and current account balances	905	1,070	1,142
Total - manufacturing and sales companies	**2,040**	**5,185**	**6,339**
o/w deposits with finance companies	(90)	(149)	(292)
TOTAL	**1,950**	**5,036**	**6,047**

Cash equivalents include money market mutual funds with a capital guarantee and a guaranteed yield (€356 million), short-term certificates of deposit (€147 million) and overnight money market Notes (€404 million).

27.2. Finance Companies

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Due from credit institutions (1)	1,271	921	578
Central bank current account balances and items received for collection	9	22	42
TOTAL	**1,280**	**943**	**620**

(1) At December 31, 2008, this item includes €718 million worth of interbank loans that form part of Banque PSA Finance's €1,176 million in of liquidity reserves (Note 22).

Note 28 Equity

28.1. Capital Management Policy

The Group's capital management policy concerns equity as defined under IFRS. Managing capital essentially involves deciding the level of capital to be held currently or in the future, in addition to the payment of dividends.

Equity breaks down into portions attributable to minority interests and to equity holders of the parent company.

Minority interests mainly represent non-Group shareholders of Faurecia. Equity attributable to minority interests varies in line with changes in the consolidated equity of the Faurecia group (in particular net earnings and translation reserves) and could change significantly in the event of a sale, purchase or any other equity transaction carried out by Peugeot S.A. in respect of Faurecia. The Group's percentage interest in Faurecia has remained stable since 2001.

Equity attributable to equity holders of the parent is equal to the share capital of Peugeot S.A. less any treasury stock, plus reserves and retained earnings of the Group's various businesses.

The Group manages its equity with the aim of securing its long-term financing and optimizing the cost of capital. The level of consolidated equity approximates the level of capital employed, as shown in the table below:

(in million euros)	2008	2007	2006
Capital employed (Note 39.1)	16,173	13,159	14,131
CONSOLIDATED EQUITY	**13,277**	**14,555**	**14,106**

The equity of the Group's parent company is not subject to financial covenants or any other external restrictions. However, the Group's bank, Banque PSA Finance, is required to comply with capital adequacy ratios laid down by current banking regulations, while Faurecia's equity is included in the calculation of the minimum financial ratios it is required to maintain for its existing credit facilities. Faurecia complied with these ratios at December 31, 2008.

At December 31, 2008, the Peugeot family held 30.3% of the capital and 45.5% of the voting rights (44% of potential voting rights assuming exercise of all outstanding stock options).

The Group carries out share buybacks with the aim of acquiring shares:

- for cancellation, in order to reduce the share capital;
- for allocation to employees, directors and officers of the Company and its subsidiaries and related parties on exercise of stock options; and
- for allocation on conversion, redemption or exercise of share equivalents.

In order to cover its obligations under stock option plans, the Group buys back shares during the period when the exercise price of options is being determined. Purchases of treasury stock are also carried when market opportunities arise, but only when the Group has surplus cash. Shares bought back in 2007 were essentially held for allocation on exercise of stock options.

28.2. Analysis of Share Capital and Changes in the Year

On July 17, 2008 the Managing Board of Peugeot S.A. decided to cancel 231,500 shares, in line with the authorizations granted by the shareholders' Meeting of May 28, 2008.

At December 31, 2008, the share capital amounted to €234,048,798 and was made up of ordinary shares with a par value of €1, all fully paid. The shares may be held in bearer or registered form, at the discretion of shareholders. Shares registered in the name of the same holder for at least four years carry double voting rights (Article 11 of the bylaws).

(in euros)	2008	2007	2006
Share capital at January 1	234,280,298	**234,618,266**	**234,618,266**
Cancellation of shares	(231,500)	(337,968)	-
SHARE CAPITAL AT DECEMBER 31	**234,048,798**	**234,280,298**	**234,618,266**

28.3. Employee Stock Options

A. Plan Characteristics

Each year since 1999, the Managing Board of Peugeot S.A. has granted options to certain employees, directors and officers of the Company and its subsidiaries, allowing them to purchase shares at a specified price. Following the 2001 stock split, the current terms of these plans are as follows:

	Date of Managing Board decision	Vesting date	Last exercise date	Number of initial grantees	Exercise price (in euros)	Number of options granted
1999 Plan	31/03/1999	31/03/2001	31/03/2007	97	20.83	462,900
2000 Plan	05/10/2000	05/10/2002	04/10/2008	154	35.46	709,200
2001 Plan	20/11/2001	20/11/2004	19/11/2008	147	46.86	798,600
2002 Plan	20/08/2002	20/08/2005	20/08/2009	178	46.28	860,100
2003 Plan	21/08/2003	21/08/2006	20/08/2011	184	39.09	996,500
2004 Plan	24/08/2004	24/08/2007	23/08/2012	182	47.59	1,004,000
2005 Plan	23/08/2005	23/08/2008	22/08/2013	169	52.37	953,000
2006 Plan	23/08/2006	23/08/2009	22/08/2014	92	41.14	983,500
2007 Plan	22/08/2007	22/08/2010	21/08/2015	169	60.43	1,155,000
2008 PLAN	**22/08/2008**	**22/08/2011**	**19/08/2016**	**194**	**33.08**	**1,345,000**

On December 31, 2008, the share price was €12.15.

B. Changes in the Number of Options Outstanding

Changes in the number of options outstanding under these plans (for €1 par value shares) are shown below:

(number of options)	2008	2007	2006
Total at January 1	**5,866,214**	**6,078,007**	**5,274,725**
Options granted	1,345,000	1,155,000	983,500
Options exercised	(23,000)	(1,348,793)	(178,218)
Cancelled options	(93,200)	(18,000)	(2,000)
Expired options	(567,107)	-	-
TOTAL AT DECEMBER 31	**6,527,907**	**5,866,214**	**6,078,007**
o/w exercisable options	*3,098,907*	*2,811,714*	*3,146,507*

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Options outstanding at year-end are as follows:

(number of options)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
1999 Plan	-	-	114,930
2000 Plan	-	191,607	463,077
2001 Plan	-	394,200	726,900
2002 Plan	525,300	534,300	849,100
2003 Plan	689,107	712,607	992,500
2004 Plan	963,000	979,000	995,000
2005 Plan	919,000	931,000	953,000
2006 Plan	945,500	968,500	983,500
2007 Plan	1,141,000	1,155,000	-
2008 PLAN	**1,345,000**	**-**	**-**

C. Weighted Average Value of Options and Underlying Shares

	2008	
(in euros)	Exercise price	Share price
Value at January 1	48.3	
Options granted	33.1	33.3
Options exercised	37.3	48.9
Cancelled options	47.3	23.0
Expired options	43.2	17.6
VALUE AT DECEMBER 31	**45.7**	

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D. Valuation

In line with the principles described in Note 1.19, stock options granted after November 7, 2002 have been valued as follows:

(in million euros)	2008 Plan	2007 Plan	2006 Plan	2005 Plan	2004 Plan	2003 Plan	TOTAL
Valuation at grant date							
Peugeot S.A.	13	22	9	9	14	12	**79**
Faurecia	2	4	3	4	5	-	**18**
TOTAL	**15**	**26**	**12**	**13**	**19**	**12**	**97**
Charge for 2008							
Peugeot S.A.	2	9	3	2	-	-	**16**
Faurecia	1	1	-	1	1	-	**4**
TOTAL	**3**	**10**	**3**	**3**	**1**	**-**	**20**
Assumptions							
Peugeot S.A.							
Share price at the grant date (in euros)	33.26	60.70	42.92	51.80	48.70	41.60	
Volatility	40%	32%	27%	25%	39%	39%	
Interest rate (zero coupon bonds)	4.52%	4.57%	3.75%	2.76%	3.12%	3.12%	
Exercise price *(in euros)*	33.08	60.43	41.14	52.37	47.59	39.09	
Option life *(in years)* (1)	6	6	4	4	4	4	
Dividend payout rate	4.51%	2.30%	3.15%	2.75%	2.75%	2.75%	
Fair value of the options *(in euros)*	9.54	18.65	8.94	8.94	13.82	12.30	
Faurecia							
Share price at the grant date *(in euros)*	33.1	56.15	53.15	62.05	58.45		
Volatility	30%	30%	30%	40%	40%		
Interest rate (zero coupon bonds)	3.86%	4.41%	3.50%	2.93%	3.33%		
Exercise price *(in euros)*	33.78	53.19	53.80	63.70	58.18		
Option life *(in years)* (1)	4	6	4	4	4		
Dividend payout rate	0.00%	0.00%	1.50%	2.00%	2.00%		
Fair value of the options *(in euros)*	12.07	22.78	13.13	20.40	18.61		

(1) Option life corresponds to the average period from the grant date to the end of the exercise period. Until 2006, the average period was considered to correspond to the tax lock-up period.

28.4. Treasury Stock

The Group has used the buyback authorizations given at shareholders' Meetings to purchase Peugeot S.A. shares into treasury.

Changes in treasury stock can be analysed as follows:

A. Number of shares held

	Authorizations	Transactions		
(number of shares)		2008	2007	2006
At January 1		**6,097,714**	**6,534,475**	**5,612,693**
Share buybacks				
AGM of May 24, 2006	23,000,000	-	-	1,100,000
AGM of May 23, 2007	16,000,000		1,250,000	-
AGM of May 28, 2008	17,000,000	1,345,000		-
Share cancellations				
AGM of May 23, 2007	10% of capital		(337,968)	-
AGM of May 28, 2008	10% of capital	(231,500)		-
Share sales				
On exercise of stock options		(23,000)	**(1,348,793)**	**(178,218)**
AT DECEMBER 31		**7,188,214**	**6,097,714**	**6,534,475**
Shares held for allocation on exercise of outstanding options (Note 28.3.B)		6,527,907	5,866,214	6,078,007
Shares held for allocation on exercise of future options		660,307	-	-
Shares held for cancellation		-	231,500	456,468

B. Change in Value

(in million euros)	2008	2007	2006
At January 1	**(271)**	**(261)**	**(220)**
Acquired	(44)	(76)	(45)
Cancelled	11	17	-
Exercised	1	49	4
AT DECEMBER 31	**(303)**	**(271)**	**(261)**

28.5. Reserves and Retained Earnings, Excluding Minority Interests

This item can be analyzed as follows:

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Peugeot S.A. legal reserve	28	28	28
Other Peugeot S.A. statutory reserves and retained earnings	6,583	6,890	6,689
Retained earnings and profit for the year, excluding minority interests	6,601	7,364	7,027
TOTAL	**13,212**	**14,282**	**13,744**

Other Peugeot S.A. statutory reserves and retained earnings are as follows:

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Reserves available for distribution			
Tax-exempt reserves	5,515	5,822	5,621
Subject to payment of surtax [(1)]	1,068	1,068	1,068
TOTAL	**6,583**	**6,890**	**6,689**
Tax payable on dividends	**169**	**169**	**169**

(1) Corresponding to the portion of the long-term capital gains reserve that the Group decided not to transfer to an ordinary reserve account before December 31, 2006 that remains subject to additional tax.

28.6. Minority Interests

Minority interests essentially concern shareholders of Faurecia and of some of its subsidiaries.

Note 29 Current and Non-Current Provisions

29.1. Non-Current Provisions

A. Analysis by Type

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Pensions (Note 30.1)	699	885	1,063
Early-termination plan	55	92	152
Other employee benefit obligations	118	120	126
End-of-life vehicles	17	30	59
Other	11	5	6
TOTAL	**900**	**1,132**	**1,406**

B. Movements for the Year

(in million euros)	2008	2007	2006
At January 1	**1,132**	**1,406**	**1,544**
Movements taken to profit or loss			
Additions	125	108	121
Releases (utilisations)	(226)	(236)	(227)
Releases (surplus provisions)	(54)	(102)	(37)
	(155)	**(230)**	**(143)**
Other movements			
Translation adjustment	(83)	(42)	7
Change in scope of consolidation and other	6	(2)	(2)
AT DECEMBER 31	**900**	**1,132**	**1,406**

Provision releases mainly concern pensions and result from the implementation of workforce steamlining plans (Note 9.4).

29.2. Current Provisions

A. Analysis by Type

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Warranties [1]	939	1,246	1,093
Claims and litigation	107	99	103
Restructuring plans	419	305	265
Long-term contract losses	26	46	16
Sales subject to a buyback commitment	112	44	26
Other	477	421	282
TOTAL	**2,080**	**2,161**	**1,785**

(1) The provision for warranties mainly concerns sales of new vehicles, where the contractual obligations generally cover two years. The provision for warranties corresponds to the expected cost of warranty claims. The amount expected to be recovered from suppliers is recognised as an asset, under "Miscellaneous other receivables" (Note 25).

B. Movements for the Year

(in million euros)	2008	2007	2006
At January 1	**2,161**	**1,785**	**1,635**
Movements taken to profit or loss			
Additions	1,470	1,725	1,436
Releases (utilisations)	(1,041)	(1,174)	(1,186)
Releases (surplus provisions)	(424)	(149)	(78)
	5	**402**	**172**
Other movements			
Translation adjustment	(88)	(30)	(6)
Change in scope of consolidation and other	2	4	(16)
AT DECEMBER 31	**2,080**	**2,161**	**1,785**

The observed decline in warranty costs, confirmed by past experience, led to the release of €403 million from warranty provisions in 2008.

Note 30 Pensions and Other Post-Employment Benefits

30.1. Supplementary Pensions and Retirement Bonuses

A. Description of Plans

Group employees in certain countries are entitled to supplementary pension benefits payable annually to retirees, or retirement bonuses representing one-off payments made at the time of retirement. These benefits are paid under defined contribution and defined benefit plans. Payments under defined contribution plans are in full discharge of the Group's liability and are recognised as an expense for the year in which they are made. Payments under defined benefit plans concern primarily France and the United Kingdom.

In France, the existing defined benefit plans concern the retirement bonuses provided for by collective bargaining agreements, the internally-managed portion of the supplementary pension scheme for engineers and management personnel *(cadres)* that was not externalised in 2002, which guarantees a defined level of pension benefit for all plans of up to 60% of the employee's final salary (300 active employees and 2,700 retired employees) and the pension plan set up by the former subsidiary of the Chrysler group in France (Talbot), which was closed to new entrants in 1981 and covered 4,000 active employees and 14,900 retired employees at end-2008.

The members of the Group's management bodies are eligible to participate in a specific supplementary pension plan provided that: (i) they have sat on the Managing Board, Executive Committee, other management body or the Extended Management Committee for a specified minimum period; and (ii) they end their career with the Group. This top hat plan guarantees a defined level of pension benefit

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in the aggregate for all plans (statutory and supplementary) equal to up to 50% of a benchmark salary, taken to be the three highest annual salaries received over the last five years of employment. Under this plan, benefits may be paid over to the executive's spouse.

In the United Kingdom, the Group has four trustee-administered defined benefit plans. These plans have been closed to new entrants since May 2002. At December 31, 2008, 24,000 people were covered by these plans, including 1,700 active employees, 10,600 former employees and 11,700 retired employees. The plans guarantee a defined level of pension benefit representing up to 66% of the employee's final salary.

The supplementary pension plan for Faurecia group executives in France comprises:

- a defined contribution plan based on salary bands A and B, for which contribution rates vary according to the executive's years of service with Faurecia; and
- a defined benefit plan based on salary band C.

Executives aged over 53 who had completed more than 10 years' service at December 31, 2005 have retained their pension rights under the former defined benefit plan.

B. Assumptions

The assumptions used to calculate the Group's projected benefit obligation for the last three years are as follows:

	Euro zone	United Kingdom
Discount rate		
2008	**5.50%**	**6.00%**
2007	5.25%	5.75%
2006	4.50%	5.10%
Inflation rate		
2008	**2.00%**	**3.00%**
2007	2.00%	3.10%
2006	2.00%	2.80%
Expected return on external funds		
2008	**5.25%**	**7.00%**
2007	6.00%	7.00%
2006	6.00%	7.00%

At each period-end, the discount rate is determined based on the most representative returns on high quality corporate bonds with a life that approximates the duration of the benefit obligation.

The assumptions regarding future salary increases take into account inflation and forecast individual pay rises in each country. The assumption for French plans is inflation plus 1.0% in 2009, and inflation plus 0.5% for subsequent years. The assumption for UK plans is based on inflation plus 1.5%.

Mortality and staff turnover assumptions are based on the specific economic conditions of each Group company or the country in which they operate.

Sensitivity of assumptions: a 0.25-point increase or decrease in the actuarial rate (discount rate less inflation rate) would lead to an increase or decrease in the projected benefit obligation of 2.4% for French plans and 4.2% for UK plans.

The expected return on external funds is estimated based on asset allocation, the period remaining before the benefits become payable and experience-based yield projections.

C. External Funds

The breakdown of external funds intended to cover these obligations is as follows:

	Dec. 31, 2008		Dec. 31, 2007		Dec. 31, 2006	
	Equities	Bonds	Equities	Bonds	Equities	Bonds
France	23%	77%	34%	66%	37%	63%
United Kingdom	53%	47%	55%	45%	65%	35%

The actual return on external funds in 2008 was -10% for French plans and -9.5% for UK plans. In France, equity funds consist of tracker funds based on the DJ Eurostoxx index, while bond funds are invested solely in prime European Union government bonds.

In the UK, equity funds generally track the main UK, European, US and Japanese stock market indices. Bond funds in the UK track the main sterling-denominated government and corporate bond indices.

In France, at December 31, 2008, the PSA Peugeot Citröen Group had not decided the amount of contributions to be made to external funds in 2009.

In the United Kingdom, new pensions legislation has been introduced requiring companies to change the method used to calculate annual employer contributions. In line with the new legislation, the Group adjusted its 2008 contributions to the main defined benefit plan and will adjust its contributions to the other three defined benefit plans in 2009. Adjusted contributions for 2008 amounted to £56.7 million. Contributions payable in 2009 are estimated at £95.4 million before taking into account adjustments to contributions to the other three plans.

D. Reconciliation of Pension Assets and Liabilities Shown in the Balance Sheet

	Dec. 31, 2008				Dec. 31, 2007				Dec. 31, 2006			
(in million euros)	France	United Kingdom	Other	TOTAL	France	United Kingdom	Other	TOTAL	France	United Kingdom	Other	TOTAL
Present value of projected benefit obligation	**(1,563)**	**(1,212)**	**(453)**	**(3,228)**	**(1,622)**	**(1,688)**	**(458)**	**(3,768)**	**(1,838)**	**(1,891)**	**(503)**	**(4,232)**
Fair value of external funds	1,242	943	224	2,409	1,400	1,388	235	3,023	1,509	1,474	229	3,212
Funding surplus or (shortfall)	**(321)**	**(269)**	**(229)**	**(819)**	**(222)**	**(300)**	**(223)**	**(745)**	**(329)**	**(417)**	**(274)**	**(1,020)**
Unrecognised net actuarial (gains) and losses	110	43	(31)	122	(10)	(88)	(39)	(137)	54	(113)	19	(40)
NET (PROVISION) ASSET RECOGNISED	**(211)**	**(226)**	**(260)**	**(697)**	**(232)**	**(388)**	**(262)**	**(882)**	**(275)**	**(530)**	**(255)**	**(1,060)**
o/w provisions	*(213)*	*(226)*	*(260)*	*(699)*	*(233)*	*(388)*	*(264)*	*(885)*	*(276)*	*(530)*	*(257)*	*(1,063)*
o/w assets	*2*	*-*	*-*	*2*	*1*	*-*	*2*	*3*	*1*	*-*	*2*	*3*
o/w unfunded plans	*1.3%*	*0.0%*	*18.0%*	*3.2%*	*1.0%*	*0.0%*	*17.8%*	*2.6%*	*0.0%*	*0.0%*	*18.1%*	*2.2%*

The present value of the projected benefit obligation of French companies reflects benefit obligations towards members of the managing bodies (described in Note 42), in an amount of €34.7 million for supplementary pension benefits and €1.2 million for retirement bonuses. The service cost related to these two plans amounted to €3.8 million for 2008.

Under French law, retirement benefits are exempt from payroll taxes in the case of compulsory retirement but are subject to these taxes in the case of voluntary retirement. The French Social Security Financing Act for 2009, which was adopted on December 17, 2008, has pushed back to 70 the age at which companies can oblige their employees to retire. However, in certain specific cases, compulsory retirement is permitted from 65 years of age, provided that the employee concerned agrees. This new legislation did not have a material effect on the measurement of projected benefit obligations at December 31, 2008. Following adoption of the 2008 Social Security Financing Act, the Group adjusted its assumptions concerning voluntary and compulsory retirements, leading to a €71 million increase in projected benefit obligations at December 31, 2007. This increase was treated as an actuarial loss.

E. Movement for the year

	2008				2007				2006			
(in million euros)	France	United Kingdom	Other	TOTAL	France	United Kingdom	Other	TOTAL	France	United Kingdom	Other	TOTAL
Present value of projected benefit obligation												
At January 1	**(1,622)**	**(1,688)**	**(458)**	**(3,768)**	(1,838)	(1,891)	(503)	(4,232)	(1,821)	(1,785)	(529)	(4,135)
Service cost	(44)	(16)	(11)	(71)	(49)	(19)	(12)	(80)	(48)	(33)	(17)	(98)
Interest cost	(85)	(88)	(24)	(197)	(81)	(93)	(23)	(197)	(74)	(90)	(22)	(186)
Benefit payments for the year	164	106	26	296	155	173	23	351	139	59	22	220
Actuarial gains and (losses):												
• amount	(5)	69	13	77	127	(18)	52	161	(42)	(18)	40	(20)
• *as a % of projected benefit obligation*	*0.3%*	*4.1%*	*2.8%*	*2.0%*	*6.9%*	*1.0%*	*10.3%*	*3.8%*	*2.3%*	*1.0%*	*7.6%*	*0.5%*
Translation adjustment	-	405	-	405	-	160	3	163	-	(37)	9	(28)
Effect of changes in scope of consolidation and other	-	-	-	-	-	-	-	-	-	-	(20)	(20)
Effect of curtailments and settlements	29	-	1	30	64	-	2	66	8	13	14	35
AT DECEMBER 31	**(1,563)**	**(1,212)**	**(453)**	**(3,228)**	**(1,622)**	**(1,688)**	**(458)**	**(3,768)**	**(1,838)**	**(1,891)**	**(503)**	**(4,232)**
External funds												
At January 1	**1,400**	**1,388**	**235**	**3,023**	1,509	1,474	229	3,212	1,502	1,319	216	3,037
Expected return on external funds	69	90	10	169	78	102	10	190	85	94	9	188
Actuarial gains and (losses):												
• amount	(111)	(201)	(19)	(331)	(65)	14	4	(47)	36	13	7	56
• *as a % of plan assets*	*7.9%*	*14.5%*	*8.1%*	*10.9%*	*4.3%*	*0.9%*	*1.7%*	*1.5%*	*2.4%*	*1.0%*	*3.2%*	*1.8%*
Translation adjustment	-	(320)	-	(320)	-	(131)	(3)	(134)	-	29	(8)	21
Employer contributions	37	56	14	107	28	66	10	104	15	78	15	108
Benefit payments for the year	(153)	(70)	(15)	(238)	(150)	(137)	(15)	(302)	(129)	(59)	(15)	(203)
Effect of changes in scope of consolidation and other	-	-	-	-	-	-	-	-	-	-	8	8
Effect of curtailments and settlements	-	-	(1)	(1)	-	-	-	-	-	-	(3)	(3)
AT DECEMBER 31	**1,242**	**943**	**224**	**2,409**	**1,400**	**1,388**	**235**	**3,023**	**1,509**	**1,474**	**229**	**3,212**
Deferred items												
At January 1	**(10)**	**(88)**	**(39)**	**(137)**	54	(113)	19	(40)	48	(125)	72	(5)
Deferred items arising in the year	116	132	6	254	(62)	4	(56)	(114)	6	5	(47)	(36)
Amortisation of deferred items	4	1	2	7	(3)	8	(2)	3	1	10	(3)	8
Translation adjustment and other	-	(4)	-	(4)	-	10	-	10	-	(4)	(3)	(7)
Effect of curtailments and settlements	-	2	-	2	1	3	-	4	(1)	1	-	-
AT DECEMBER 31	**110**	**43**	**(31)**	**122**	**(10)**	**(88)**	**(39)**	**(137)**	**54**	**(113)**	**19**	**(40)**

F. Pension expense recognised in the Income Statement

These expenses are recorded as follows:

- service cost and amortisation of deferred items are recorded under "Selling, general and administrative expenses";
- interest cost and the expected return on external funds are recorded under "Financial income and (expenses), net";
- the impact of restructuring operations is reported under "Other non-recurring operating income and (expenses)".

Pension expense breaks down as follows:

	2008				2007				2006			
(in million euros)	France	United Kingdom	Other	Total	France	United Kingdom	Other	Total	France	United Kingdom	Other	Total
Service cost	(44)	(16)	(11)	(71)	(49)	(19)	(12)	(80)	(48)	(33)	(17)	(98)
Amortisation of deferred items	4	1	2	7	(3)	8	(2)	3	1	10	(3)	8
Interest cost	(85)	(88)	(24)	(197)	(81)	(93)	(23)	(197)	(74)	(90)	(22)	(186)
Expected return on external funds	69	90	10	169	78	102	10	190	85	94	9	188
Effect of curtailments and settlements [(1)]	29	2	-	31	65	3	2	70	7	14	11	32
TOTAL	**(27)**	**(11)**	**(23)**	**(61)**	**10**	**1**	**(25)**	**(14)**	**(29)**	**(5)**	**(22)**	**(56)**

(1) Effect of curtailments and settlements.
The workforce streamlining measures decided in May 2007 led to pension obligations towards eployees who volunteered to leave the Group (to pursue personal projects or retrain in new skills) being reversed for an amount of €56 million. The new worforce streamlining measures for 2008 (Note 9.4) led to pension obligations of €12 million being reversed.
The Faurecia restructuring plans led to pension obligations of €13 million being reversed.
A total of €24 million was paid to employees who volunteered to leave the Group under the 2007 plan (to pursue personal projects or retrain in new skills), to compensate for their loss of certain supplementary pension rights that had been funded in 2002 through the payment of a single premium to an insurance company. The corresponding funding of €24 million, that was no longer required due to the cancellation of these rights, was transferred by the insurance company to a contract covering retirement bonuses payable to Group employees.
An amount of €6 millions was recorded in respect of the 2008 workforce streamlining plan.

G. Projected 2009 benefit payments

Pension benefits payable in 2009 are estimated at €230 million.

30.2. Long Service Awards

The Group estimates its liability for long-service awards payable to employees who fulfil certain seniority criteria, notably in France. The calculations are performed using the same method and assumptions as for supplementary pension benefits and retirement bonuses (Note 30.1.B above). The estimated liability is provided for in full in the consolidated financial statements and breaks down as follows:

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
French companies	42	43	46
Foreign companies	18	17	16
TOTAL	**60**	**60**	**62**

30.3. Healthcare Benefits

'In addition to the pension obligations described above, some Faurecia group companies, mainly in the US, pay the healthcare costs of retired employees. The related obligation is provided for in full in the consolidated financial statements, as follows:

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
	27	27	28

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Note 31 Current and Non-Current Financial Liabilities - Manufacturing and Sales Companies

The recognition and measurement principles applicable to borrowings and other financial liabilities, excluding derivatives, are described in Note 1.14.C. Derivatives are accounted for as set out in Note 1.14.D.

	December 31, 2008		December 31, 2007		December 31, 2006	
	At amortised cost or fair value		At amortised cost or fair value		At amortised cost or fair value	
(in million euros)	Non-current	Current	Non-current	Current	Non-current	Current
Bonds	2,651	-	2,476	-	2,573	-
Employee profit-sharing fund	23	6	32	41	73	41
Finance lease liabilities	347	83	314	70	318	48
Other long-term debt	1,470	183	1,471	82	1,147	283
Other short-term financing and overdraft facilities	-	1,392	-	1,737	-	4,024
Derivative instruments	-	29	1	20	14	4
TOTAL FINANCIAL LIABILITIES	**4,491**	**1,693**	**4,294**	**1,950**	**4,125**	**4,400**

31.1. Non-Current Financial Liabilities

	December 31, 2008		Maturities (nominal amount)	
(in million euros)	At amortised cost or fair value	Nominal amount	1 to 5 years	Beyond 5 years
Bonds	2,651	2,396	1,797	599
Long-term employee profit-sharing fund	23	23	23	-
Long-term finance lease liabilities	347	347	218	129
Other long-term debt	1,470	1,470	1,134	336
Derivative instruments (1)	-	-	-	-
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**4,491**			

	December 31, 2007		Maturities (nominal amount)	
(in million euros)	At amortised cost or fair value	Nominal amount	1 to 5 years	Beyond 5 years
Bonds	2,476	2,395	1,796	599
Long-term employee profit-sharing fund	32	32	32	-
Long-term finance lease liabilities	314	314	212	102
Other long-term debt	1,471	1,474	1,146	328
Derivative instruments (1)	1	-	-	-
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**4,294**			

	December 31, 2006		Maturities (nominal amount)	
(in million euros)	At amortised cost or fair value	Nominal amount	1 to 5 years	Beyond 5 years
Bonds	2,573	2,393	1,794	599
Long-term employee profit-sharing fund	73	73	73	-
Long-term finance lease liabilities	318	318	193	125
Other long-term debt	1,147	1,146	1,087	59
Derivative instruments (1)	14	-	-	-
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**4,125**			

(1) Maturities and notional amounts of derivative instruments are provided in Note 37.

31.2. Characteristics of Bonds and Other Borrowings

	December 31, 2008					
(in million euros)	Non-current	Current	Issuing currency	Due	Effective interest rate	Rate after hedging
GIE PSA Trésorerie						
2001 bond issue	1,611	-	EUR	Q3/2011	5.98%	Euribor6M +73,9bp
2003 bond issue	740	-	EUR	Q3/2033	6.00%	Euribor3M+92,8 bp
Faurecia						
2005 bond issue (2)	300	-	EUR	2010	3.63%	3.63%
TOTAL	**2,651**	**-**				
Peugeot Citroën Automobiles						
EIB loan (1) - 73 M GBP	-	120	GBP	Q2/2009	Libor 3M +5 bp	Euribor3M +11,5 bp
EIB loan (1) - 125 M EUR	125	1	EUR	Q4/2011	Euribor3M +9 bp	Euribor3M +9 bp
EIB loan (1) - 250 M EUR	250	1	EUR	Q4/2014	Euribor3M +10 bp	Euribor3M +10 bp
FDES zero coupon debt (1)	24	-	EUR	Q1/2020		
Other borrowings	26	6				
Peugeot Citroën do Brasil Automoveis	-	22	BRL	Q4/2009	TJLP 6,25% +350bp	TJLP 6,25% +350bp
Peugeot Citroën Argentina	16	6	ARS	2011	Baibor 90j +575bp	Baibor 90j +575bp
Peugeot Citroën Spain	70	5	EUR	2011 - 2023		
Faurecia						
Syndicated loan - France (2)	585	-	EUR	Q4/2013	Euribor 3M +137 bp	4.62%
Syndicated loan - France (2)	321	-	EUR	Q4/2011	Euribor 3M +137 bp	4.62%
Other borrowings	51	22	EUR/USD			
Other companies	2	-				
TOTAL	**1,470**	**183**				

(1) EIB: European Investment Bank; FDES: French social and economic development fund.

(2) These contracts contain covenants based on financial ratios, as shown below. At 31 December 2008, the Faurecia group complied with all of these ratios. Based on the latest projections prepared in an uncertain economic environment, the ratios may not be complied with at 30 June 2009. If this were to be the case, the Faurecia 2005 bonds would become immediately repayable if the lender banks were to decide to invoke the acceleration clause. In addition Faurecia intends to renegotiate its existing facilities with its bankers.

		Values at Dec. 31, 2008	
Ratio	Contractual Limit	Ratio	Amount
Adjusted net debt* / EBITDA**	3.50 maximum	2.93	1,637 / 558
Interest cover (EBITDA** / finance costs)	4.50 minimum	5.8	558 / 96

Adjusted net debt: consolidated net debt adjusted for certain commitments defined in the loan agreement (mortgages, debt guarantees).*

*EBITDA**: Earnings Before Interest, Tax, Depreciation and Amortisation.*

In addition, any disposal of assets representing more than 15% of the Faurecia group's consolidated net assets must be authorized by the lender banks.

Fixed rate bonds issued by GIE PSA Trésorerie are converted to variable rate by means of swaps in order to immunize the Group against the effects on the value of these debts of changes in interet rates, particularly as the proceeds from the issues are invested in short-term instruments at variable rates. Long-term borrowings from EIB are at variable rates and are therefore not hedged.

31.3. Maturities of Debt

The following table shows maturities of the main borrowings, including principal and undiscounted contractual interest payments calculated a) for the closest maturity, at the rate applicable at the last reset date and b) for subsequent maturities, at the rate applicable at December 31, 2008. The amounts reported for interest take into account the effect of hedges.

	Nominal	0 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	+5 years
GIE PSA Trésorerie						
2001 bonds	1,500	45	-	27	1,610	-
2003 bonds	600	6	6	12	93	1,058
Faurecia						
2005 bonds	300	3	3	5	309	-
Peugeot Citroën Automobiles						
EIB loan (1) - £73m	119	2	120	-	-	-
EIB loan (1) - €125m	125	2	2	3	137	-
EIB loan (1) - €250m	250	2	2	5	297	-
FDES loan (1) - Zero coupon	24	-	-	-	-	24
Faurecia						
Syndicated loan - France	906	11	9	18	1,003	-
		71	**142**	**70**	**3,449**	**1,082**

(1) EIB: European Investment Bank; FDES: French social and economic development fund.

31.4. Characteristics of Other Short-Term Financing and Overdraft Facilities

(in million euros)	Issuing currency	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Commercial paper	EUR	147	504	484
Short-term loans	N/A	717	513	689
Bank overdrafts	N/A	505	678	820
Payments issued (1)	N/A	23	42	2,031
TOTAL		**1,392**	**1,737**	**4,024**

(1) This item corresponds to payments issued but not yet debited on bank statements due to a non-working day for banks. The matching entry is an increase in cash and cash equivalents under assets.

31.5. Finance Lease Liabilities

The present value of future payments under finance leases reported in "Other borrowings" can be analyzed as follows by maturity:

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
2007	-	-	94
2008	-	116	82
2009	142	107	83
2010	131	100	76
2011	78	52	40
2012	26	11	11
Subsequent years	134	47	32
	511	**433**	**418**
Less interest portion	(81)	(49)	(52)
PRESENT VALUE OF FUTURE LEASE PAYMENTS	**430**	**384**	**366**

Note 32 Other Non-Current Liabilities

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Liabilities related to vehicles subject to a buyback commitment	2,782	2,872	2,743
Other	11	15	16
TOTAL	**2,793**	**2,887**	**2,759**

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Note 33 Financing Liabilities Finance Companies

Financing liabilities are accounted for as described in Note 1.14.C.

33.1 Analysis by Type

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Securities issued by securitisation funds (Note 21)	4,561	4,088	2,537
Other bond debt	413	413	413
Other debt securities	8,049	12,165	12,996
Bank borrowings	8,549	7,626	6,895
	21,572	**24,292**	**22,841**
Customer deposits	292	378	418
	21,864	**24,670**	**23,259**
Amounts due to Group manufacturing and sales companies	*(118)*	*(148)*	*(215)*
TOTAL	**21,746**	**24,522**	**23,044**

"Other debt securities" consist mainly of EMTNs for €4,534 million and commercial paper for €3,296 million.

33.2. Analysis by Maturity

	Dec. 31, 2008				
(in million euros)	Securities issued by securitisation funds	Other bond debt	Other debt securities	Bank borrowings	Total
Less than 3 months	87	-	3,354	3,564	7,005
3 months to 1 year	153	-	1,927	2,166	4,246
1 to 5 years	3,379	413	2,759	2,819	9,370
Beyond 5 years	942	-	9	-	951
TOTAL	**4,561**	**413**	**8,049**	**8,549**	**21,572**

	Dec. 31, 2007				
(in million euros)	Securities issued by securitisation funds	Other bond debt	Other debt securities	Bank borrowings	Total
Less than 3 months	203	-	5,896	4,635	10,734
3 months to 1 year	221	-	2,738	1,385	4,344
1 to 5 years	1,164	-	3,460	1,606	6,230
Beyond 5 years	2,500	413	71	-	2,984
TOTAL	**4,088**	**413**	**12,165**	**7,626**	**24,292**

	Dec. 31, 2006				
(in million euros)	Securities issued by securitisation funds	Other bond debt	Other debt securities	Bank borrowings	Total
Less than 3 months	-	-	4,216	2,472	6,688
3 months to 1 year	637	-	2,850	1,948	5,435
1 to 5 years	1616	-	5,864	2,475	9,955
Beyond 5 years	284	413	66	-	763
TOTAL	**2,537**	**413**	**12,996**	**6,895**	**22,841**

33.3. Analysis by Repayment Currency

All bonds and securities issued by securitisation funds are repayable in euros. Other financial liabilities can be analysed as follows by repayment currency:

	Dec. 31, 2008		Dec. 31, 2007		Dec. 31, 2006	
(in million euros)	Other debt securities	Bank borrowings	Other debt securities	Bank borrowings	Other debt securities	Bank borrowings
EUR	7,095	7,232	11,569	7,554	12,495	6,022
GBP	157	376	204	6	246	385
USD	-	-	-	-	-	-
JPY	733	-	264	-	168	-
BRL	64	552	79	-	40	256
CHF	-	74	-	1	-	47
CZK	-	124	49	3	47	85
Other	-	191	-	62	-	100
TOTAL	**8,049**	**8,549**	**12,165**	**7,626**	**12,996**	**6,895**

Note 34 Other Payables

34.1. Manufacturing and Sales Companies

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Taxes payable other than income taxes	781	988	934
Personnel-related payables	864	1,079	996
Payroll taxes	500	557	590
Payable on fixed asset purchases	296	294	426
Customer prepayments	402	481	370
Derivative instruments (1)	233	46	2
Deferred income	436	386	335
Miscellaneous other payables	283	410	422
TOTAL	**3,795**	**4,241**	**4,075**

(1) This item corresponds to the fair value of instruments purchased by the Group to hedge currency risks on current or forecast operating receivables and payables. These instruments are analyzed by maturity in Note 37, "Management of market risks".

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

34.2. Finance Companies

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Personnel-related payables and payroll taxes	56	51	52
Derivative instruments [(1)]	420	164	211
Deferred income and accrued expenses	403	330	313
Miscellaneous other payables	191	187	271
TOTAL	**1,070**	**732**	**847**

(1) This item corresponds to the fair value of instruments purchased by the Group to hedge interest rate risks on finance receivables and financing liabilities. These instruments are analyzed by maturity in Note 37, "Management of market risks".

Note 35 Notes to the Consolidated Statements of Cash Flows

35.1. Analysis of Net Cash and Cash Equivalents Reported in the Statements of Cash Flows

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Cash and cash equivalents (Note 27.1)	2,040	5,185	6,339
Payments issued (Note 31.4)	(23)	(42)	(2,031)
Net cash and cash equivalents - manufacturing and sales companies	**2,017**	**5,143**	**4,308**
Net cash and cash equivalents - finance companies (Note 27.2)	**1,280**	**943**	**620**
Elimination of intragroup transactions [(1)]	*(90)*	*(149)*	*(292)*
TOTAL	**3,207**	**5,937**	**4,636**

(1) The elimination of intragroup transactions concerns the transfer of Automobile Division receivables to the finance companies on the last day of the month. The corresponding cash flows are recognised by the Automobile Division on the day of transfer and by the finance company on the following day.

35.2. Change in Operating Assets and Liabilities as Reported in the Consolidated Statements of Cash Flows

A. Manufacturing and Sales Companies

(in million euros)	2008	2007	2006
(Increase) decrease in inventories	(1,076)	(116)	(16)
(Increase) decrease in trade receivables	804	153	2
Increase (decrease) in trade payables	(2,015)	190	310
Change in current allowances and provisions	3	409	185
Change in income taxes	(97)	57	25
Other changes	(543)	227	(82)
	(2,924)	**920**	**424**
Net flows with Group finance companies	*(123)*	*(106)*	*(5)*
TOTAL	**(3,047)**	**814**	**419**

B. Finance Companies

(in million euros)	2008	2007	2006
(Increase) decrease in finance receivables	66	(700)	(464)
(Increase) decrease in short-term investments	2,196	(579)	(53)
Increase (decrease) in financing liabilities	(2,115)	1,612	368
Change in current allowances and provisions	2	(7)	(12)
Change in income taxes	(28)	(1)	(46)
Other changes	32	(288)	(27)
	153	*37*	*(234)*
Net flows with Group manufacturing and sales companies	**139**	**240**	**(32)**
TOTAL	**292**	**277**	**(266)**

35.3. Detailed Analysis of Change in Operating Assets and Liabilities - Manufacturing and Sales Companies

	2008					
(in million euros)	At Jan. 1,	Cash flows from operating activities	Change in scope of consolidation and other	Translation adjustment	Revaluations taken to equity	At Dec. 31,
Inventories	(6,913)	(1,076)	(42)	274	-	(7,757)
Trade receivables	(2,857)	804	8	44	-	(2,001)
Trade payables	10,600	(2,015)	-	(157)	-	8,428
Income taxes	(11)	(97)	-	(5)	-	(113)
Current allowances and provisions	2,132	3	2	(84)	-	2,053
Other receivables	(1,782)	(145)	(13)	48	(5)	(1,897)
Other payables	4,241	(268)	(79)	(98)	(1)	3,795
	5,410	**(2,794)**	**(124)**	**22**	**(6)**	**2,508**
Net flows with Group finance companies	*26*	*(123)*	*3*	*(3)*	-	*(97)*
TOTAL	**5,436**	**(2,917)**	**(121)**	**19**	**(6)**	**2,411**

	2007					
(in million euros)	At Jan. 1,	Cash flows from operating activities	Change in scope of consolidation and other	Translation adjustment	Revaluations taken to equity	At Dec. 31,
Inventories	(6,826)	(116)	(31)	60	-	(6,913)
Trade receivables	(3,043)	153	2	31	-	(2,857)
Trade payables	10,481	190	23	(94)	-	10,600
Income taxes	(58)	57	(9)	(1)	-	(11)
Current allowances and provisions	1,747	409	5	(29)	-	2,132
Other receivables	(1,719)	(51)	(9)	6	(9)	(1,782)
Other payables	4,075	155	9	2	-	4,241
	4,657	**797**	**(10)**	**(25)**	**(9)**	**5,410**
Net flows with Group finance companies	*132*	*(109)*	*3*	-	-	*26*
TOTAL	**4,789**	**688**	**(7)**	**(25)**	**(9)**	**5,436**

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

35.4. Change in Other Financial Assets and Liabilities - Manufacturing and Sales Companies

(in million euros)	2008	2007	2006
Increase in borrowings	982	414	705
Repayment of borrowings and conversion of bonds	(999)	(389)	(238)
(Increase) decrease in non-current financial assets	291	(565)	(318)
(Increase) decrease in current financial assets	921	261	855
Increase (decrease) in current financial liabilities	(266)	(280)	(799)
	929	**(559)**	**205**
Net flows with Group finance companies	*42*	*8*	*(23)*
TOTAL	**971**	**(551)**	**182**

Note 36 Financial Instruments

A. Financial Instruments Reported in the Balance Sheet

	Dec. 31, 2008		Analysis by category of instrument				
(in million euros)	Carrying amount	Fair value	Fair value through profit or loss	Available-for-sale assets	Loans, receivables and other liabilities	Borrowings at amortised cost	Derivative instruments
Investments in non-consolidated companies	61	61	-	61	-	-	-
Other non-current financial assets	869	869	416	104	126	-	223
Loans and receivables - finance companies	22,359	22,003	-	-	22,359	-	-
Short-term investments - finance companies	1,182	1,182	1,182	-	-	-	-
Trade receivables - manufacturing and sales companies	1,855	1,855	-	-	1,855	-	-
Other receivables	2,669	2,669	-	-	2,066	-	603
Current financial assets	515	515	249	-	242	-	24
Cash equivalents	1,135	1,135	1,135	-	-	-	-
Cash	2,095	2,095	2,095	-	-	-	-
ASSETS	**32,740**	**32,384**	**5,077**	**165**	**26,648**	**-**	**850**
Non-current financial liabilities	4,491	3,914	-	-	-	4,491	-
Financing liabilities - finance companies	21,746	21,755	-	-	-	21,746	-
Trade payables	8,417	8,417	-	-	8,417	-	-
Other payables	4,466	4,466	-	-	4,007	-	459
Current financial liabilities	1,693	1,651	-	-	-	1,664	29
LIABILITIES	**40,813**	**40,203**	**-**	**-**	**12,424**	**27,901**	**488**

	Dec. 31, 2007		Analysis by category of instrument				
(in million euros)	Carrying amount	Fair value	Fair value through profit or loss	Available-for-sale assets	Loans, receivables and other liabilities	Borrowings at amortised cost	Derivative instruments
Investments in non-consolidated companies	50	50	-	50	-	-	-
Other non-current financial assets	1,168	1,168	724	254	131	-	59
Loans and receivables – finance companies	23,223	23,022	-	-	23,223	-	-
Short-term investments – finance companies	3,310	3,310	3,310	-	-	-	-
Trade receivables – manufacturing and sales companies	2,700	2,700	-	-	2,700	-	-
Other receivables	2,420	2,420	-	-	2,110	-	310
Current financial assets	1,483	1,483	948	-	497	-	38
Cash equivalents	4,115	4,115	4,115	-	-	-	-
Cash	1,864	1,864	1,864	-	-	-	-
ASSETS	**40,333**	**40,132**	**10,961**	**304**	**28,661**	**-**	**407**
Non-current financial liabilities	4,294	4,302	-	-	-	4,293	1
Financing liabilities – finance companies	24,522	24,465	149	-	-	24,373	-
Trade payables	10,571	10,571	-	-	10,571	-	-
Other payables	4,681	4,681	-	-	4,471	-	210
Current financial liabilities	1,950	1,950	-	-	-	1,930	20
LIABILITIES	**46,018**	**45,969**	**149**	**-**	**15,042**	**30,596**	**231**

	Dec. 31, 2006		Analysis by category of instrument				
(in million euros)	Carrying amount	Fair value	Fair value through profit or loss	Available-for-sale assets	Loans, receivables and other liabilities	Borrowings at amortised cost	Derivative instruments
Investments in non-consolidated companies	53	53	-	53	-	-	-
Other non-current financial assets	1,368	1,368	797	283	123	-	165
Loans and receivables - finance companies	22,703	22,529	-	-	22,703	-	-
Short-term investments - finance companies	2,818	2,818	2,818	-	-	-	-
Trade receivables - manufacturing and sales companies	2,850	2,850	-	-	2,850	-	-
Other receivables	2,268	2,268	-	-	2,019	-	249
Current financial assets	1,132	1,132	918	-	171	-	43
Cash equivalents	5,197	5,197	5,197	-	-	-	-
Cash	1,470	1,470	1,470	-	-	-	-
ASSETS	**39,859**	**39,685**	**11,200**	**336**	**27,866**	**-**	**457**
Non-current financial liabilities	4,125	4,262	-	-	-	4,111	14
Financing liabilities - finance companies	23,044	23,056	152	-	-	22,892	-
Trade payables	10,456	10,456	-	-	10,456	-	-
Other payables	4,661	4,661	-	-	4,448	-	213
Current financial liabilities	4,400	4,400	-	-	-	4,396	4
LIABILITIES	**46,686**	**46,835**	**152**	**-**	**14,904**	**31,399**	**231**

The fair value of financial instruments held by the Group is calculated whenever it can be estimated reliably on the basis of market data for assets considering that they are not intended to be sold. The fair value of financial instruments traded on an active market is based on the market price at the balance sheet date. The market price used for financial assets held by the Group is the bid price on the market at the measurement date.

The main valuation methods applied are as follows:

Items recognised at fair value through profit or loss and derivative hedging instruments are measured by using a valuation technique which benchmarks interbank rates (Euribor, etc.) and daily foreign exchange rates set by the European Central Bank. All the financial instruments in this category are financial assets and liabilities designated at fair value through profit or loss on initial recognition in accordance with the criteria set out in Note 1.14.

Investments in non-consolidated companies and other investments are stated at fair value in the balance sheet, in accordance with IAS 39 (Note 1.14.B (a) and (c)). The fair value of investments in non-consolidated companies not traded in an active market corresponds to their cost. The fair value of listed equities classified as "available-for-sale" corresponds to their quoted market price at the balance sheet date.

Financing loans and receivables are stated at amortised cost measured using the effective interest rate method, and are generally hedged against interest rate risks. The hedged portion is remeasured at fair value in accordance with hedge accounting principles, with the result that the margin is excluded from the remeasurement. The fair value presented above is estimated by discounting future cash flows at the rate applicable to similar loans granted at the balance sheet date.

Borrowings taken out by the manufacturing and sales companies and the financing liabilities of finance companies are mainly stated at amortised cost, determined by the effective interest rate method. Financial liabilities hedged by interest rate swaps qualify for hedge accounting. The interest-linked portion is remeasured at fair value. The fair value presented above is estimated taking account of the Group's credit risk. Exceptionally, some financial liabilities are accounted for using the fair value option. The Group has decided to recognize such items at fair value through profit or loss in order to prevent an accounting mismatch between the fair values of the liability and the related economic hedging instruments. The change in fair value attributable to credit risk recognised during the year is not material.

The fair value of the manufacturing and sales companies' trade receivables and payables is considered as being equivalent to carrying amount, due to their very short maturities.

B. Impact of Financial Instruments on Income

	2008	Analysis by category of instrument				
(in million euros)	Impact	Fair value through profit or loss	Available-for-sale assets	Loans, receivables and other liabilities	Borrowings at amortised cost	Derivative instruments
Manufacturing and sales companies						
Total interest income	13	-	-	13	-	-
Total interest expense	(310)	-	-	-	(310)	-
Remeasurement	96	233	-	-	(16)	(121)
Income on disposal and dividends	14	-	14	-	-	-
Net impairment	(9)	-	-	(9)	-	-
Total - manufacturing and sales companies	**(196)**	**233**	**14**	**4**	**(326)**	**(121)**
Finance companies						
Total interest income	1,736	-	-	1,736	-	-
Total interest expense	(1,121)	-	-	-	(1,121)	-
Remeasurement	157	102	-	276	(52)	(169)
Net impairment	(98)	-	-	(98)	-	-
Total - finance companies	**674**	**102**	**-**	**1,914**	**(1,173)**	**(169)**
NET GAIN (LOSS)	**478**	**335**	**14**	**1,918**	**(1,499)**	**(290)**

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	2007	Analysis by category of instrument				
(in million euros)	Impact	Fair value through profit or loss	Available-for-sale assets	Loans, receivables and other liabilities	Borrowings at amortised cost	Derivative instruments
Manufacturing and sales companies						
Total interest income	10	-	-	10	-	-
Total interest expense	(287)	-	-	-	(287)	-
Remeasurement	257	276	-	-	5	(24)
Income on disposal and dividends	17	-	17	-	-	-
Net impairment	(3)	-	-	(3)	-	-
Total – manufacturing and sales companies	**(6)**	**276**	**17**	**7**	**(282)**	**(24)**
Finance companies						
Total interest income	1,617	-	-	1,617	-	-
Total interest expense	(978)	-	-	-	(978)	-
Remeasurement	176	127	-	34	(12)	27
Net impairment	(51)	-	-	(51)	-	-
Total – finance companies	**764**	**127**	**-**	**1,600**	**(990)**	**27**
NET GAIN (LOSS)	**758**	**403**	**17**	**1,607**	**(1,272)**	**3**

	2006	Analysis by category of instrument				
(in million euros)	Impact	Fair value through profit or loss	Available-for-sale assets	Loans, receivables and other liabilities	Borrowings at amortised cost	Derivative instruments
Manufacturing and sales companies						
Total interest income	11	-	-	11	-	-
Total interest expense	(232)	-	-	-	(232)	-
Remeasurement	115	165	-	-	3	(53)
Income on disposal and dividends	24	-	24	-	-	-
Net impairment	(15)	-	-	(15)	-	-
Total - manufacturing and sales companies	**(97)**	**165**	**24**	**(4)**	**(229)**	**(53)**
Finance companies						
Total interest income	1,462	-	-	1,462	-	-
Total interest expense	(757)	-	-	-	(757)	-
Remeasurement	94	72	-	(78)	68	32
Net impairment	(41)	-	-	(41)	-	-
Total - finance companies	**758**	**72**	**-**	**1,343**	**(689)**	**32**
NET GAIN (LOSS)	**661**	**237**	**24**	**1,339**	**(918)**	**(21)**

All income generated by the finance business on financial assets and liabilities within the meaning of IAS 39 is recorded in recurring operating income.

Note 37 Management of Market Risks

37.1. Risk Management Policy

In the course of its business, the PSA PEUGEOT CITROËN Group is exposed to currency and interest rate risks, as well as to other market risks arising, in particular, from changes in commodity prices and equity prices. The Group is also exposed to counterparty and liquidity risks.

A. Currency Risk

Currency Risk of Manufacturing and Sales Companies

The manufacturing and sales companies manage their foreign exchange positions on transactions denominated in foreign currencies with the objective of hedging the risk of fluctuations in exchange rates. Automobile Division currency risks are managed centrally, for the most part by PSA International S.A. (PSAI) under the supervision of Group management. All products used by PSAI are standard products covered by master agreements (ISDA).

Automobile Division positions are managed primarily by entering into forward foreign exchange contracts, as soon as the foreign currency invoice is accounted for, covering the period to the settlement date.

At Group level, currency risks are managed by requiring manufacturing companies to bill sales companies in the latter's local currency (except in the rare cases where this is not allowed under local regulations). Currency risks on these intragroup billings are systematically hedged by PSAI using forward foreign exchange contracts.

Future transactions in foreign currencies are not hedged using forward foreign exchange contracts. However, from time to time PSAI hedges the Automobile Division's future transactions using options, with the agreement of Corporate Finance. In most cases, the hedging strategy consists of purchasing options which act as an insurance policy that limits the maximum risk to the amount of the premium.

In line with this strategy, currency risks on forecast transactions in Japanese yen and pounds sterling were hedged by PSAI using purchased options. The sterling options hedged forecast sales in the UK market for the first half of 2008. The yen options capped the exchange rate for vehicle purchases in 2007, 2008 and the first nine months of 2009 under the cooperation agreement with Mitsubishi. The options represent hedges of highly probable future transactions and therefore qualify for hedge accounting under IAS 39.

The Group does not hedge its net investment in foreign operations.

PSAI also carries out proprietary transactions involving currency instruments. These transactions are subject to very strict exposure limits and are closely monitored on a continuous basis. They are the only non-hedging transactions carried out by companies in the PSA PEUGEOT CITROËN Group and have a very limited impact on consolidated profit.

Risks arising on these transactions are managed by applying simulated changes in market conditions (spot rates and volatility) to the existing portfolio using parameters that draw on historical volatility over a trailing twelve-month period accurate to within ten trading days. These parameters are verified or revised at least twice a year or in the event of a sharp unexpected shift in the market. Stress tests performed on the portfolio at December 31, 2008 showed that the impact on consolidated profit would not be material.

Currency fluctuation assumptions applied in the stress tests are as follows:

	USD	JPY	CZK	SKK	GBP
Hypothetical fluctuation against the euro	5.0%	10.0%	5.5%	5.5%	4.0%

Faurecia manages the currency risks incurred by its subsidiaries on commercial transactions principally through forward purchase and sale contracts or options, and foreign currency financing. Commercial positions are hedged by derivatives or by loans in the same currency as the subsidiary's exposure. Future transactions are hedged on the basis of cash flow forecasts drawn up during the budgeting process and approved by management. The derivative instruments used to hedge these future transactions qualify for cash flow hedge accounting. Subsidiaries located outside the euro zone receive intragroup loans in their functional currency. These loans are refinanced in euros, and the related currency risk is hedged by swaps.

The net position of the manufacturing and sales companies in the main foreign currencies is as follows:

	December 31, 2008						
(in million euros)	GBP	JPY	USD	PLN	CHF	RUB	Other
Total assets	93	24	432	59	15	215	192
Total liabilities	(228)	(40)	(255)	(84)	-	-	(106)
NET POSITION BEFORE HEDGING	**(135)**	**(16)**	**177**	**(25)**	**15**	**215**	**86**
Derivative financial instruments	129	16	(171)	54	(15)	(215)	(92)
NET POSITION AFTER HEDGING	**(6)**	**-**	**6**	**29**	**-**	**-**	**(6)**

	December 31, 2007						
(in million euros)	GBP	JPY	USD	PLN	CHF	RUB	Other
Total assets	262	33	220	21	23	-	317
Total liabilities	(582)	(58)	(270)	(80)	-	-	(179)
NET POSITION BEFORE HEDGING	**(320)**	**(25)**	**(50)**	**(59)**	**23**	**-**	**138**
Derivative financial instruments	311	25	40	52	(23)	-	(191)
NET POSITION AFTER HEDGING	**(9)**	**-**	**(10)**	**(7)**	**-**	**-**	**(53)**

	December 31, 2006						
(in million euros)	GBP	JPY	USD	PLN	CHF	RUB	Other
Total assets	163	57	196	131	27	-	479
Total liabilities	(523)	(28)	(178)	-	-	-	(108)
NET POSITION BEFORE HEDGING	**(360)**	**29**	**18**	**131**	**27**	**-**	**371**
Derivative financial instruments	357	(29)	(26)	(97)	(27)	-	(367)
NET POSITION AFTER HEDGING	**(3)**	**-**	**(8)**	**34**	**-**	**-**	**4**

Sensitivity to changes in the main exchange rates:

The sensitivity of consolidated profit to a change in exchange rates was fairly limited in 2008 due to the Group's policy of systematically hedging the foreign currency receivables and payables of the manufacturing and sales companies. Equity at December 31, 2008 was sensitive primarily to changes in exchange rates for the Japanese yen and Polish zloty.

(in million euros)	GBP	JPY	USD	PLN	CHF	RUB	Other
Hypothetical fluctuation against the euro	4.0%	10.0%	5.0%	10.0%	3.0%	12.0%	N/A
Impact on income before tax	-	-	-	(3)	-	-	3
Impact on equity	-	(11)	(3)	11	-	-	7

Currency Risk of Finance Companies

Group policy consists of not entering into any operational currency positions. Liabilities are matched with assets in the same currency, entity by entity, using appropriate financial instruments where necessary, such as cross currency swaps, currency swaps and forward foreign exchange contracts.

The Group does not hedge its net investment in foreign currency.

The net position of the finance companies in the main foreign currencies is as follows:

	December 31, 2008					
(in million euros)	GBP	JPY	USD	PLN	CHF	Other
Total assets	1,200	3	-	164	277	70
Total liabilities	(163)	(735)	-	-	(7)	(1)
NET POSITION BEFORE HEDGING	**1,037**	**(732)**	**-**	**164**	**270**	**69**
Derivative financial instruments	(1,037)	732	-	(164)	(270)	(69)
NET POSITION AFTER HEDGING	**-**	**-**	**-**	**-**	**-**	**-**

	December 31, 2007					
(in million euros)	GBP	JPY	USD	PLN	CHF	Other
Total assets	1,608	-	-	143	233	200
Total liabilities	(638)	(264)	-	-	-	(111)
NET POSITION BEFORE HEDGING	**970**	**(264)**	**-**	**143**	**233**	**89**
Derivative financial instruments	(970)	264	-	(143)	(233)	(89)
NET POSITION AFTER HEDGING	**-**	**-**	**-**	**-**	**-**	**-**

	December 31, 2006					
(in million euros)	GBP	JPY	USD	PLN	CHF	Other
Total assets	1,683	-	-	110	267	153
Total liabilities	(496)	(168)	(19)	-	-	(114)
NET POSITION BEFORE HEDGING	**1,187**	**(168)**	**(19)**	**110**	**267**	**39**
Derivative financial instruments	(1,187)	168	19	(110)	(267)	(39)
NET POSITION AFTER HEDGING	**-**	**-**	**-**	**-**	**-**	**-**

In view of the Group's hedging policy, a change in exchange rates at the level of the finance companies would not have any material impact on consolidated profit or equity.

B. Interest Rate Risk

Interest Rate Risk of Manufacturing and Sales Companies

Commercial receivables and payables are short-term assets and liabilities and their value is not affected by the level of interest rates.

Cash surpluses and short-term financing needs of manufacturing and sales companies – except for automotive equipment companies – are mainly centralized at the level of GIE PSA Trésorerie, which invests net cash reserves on the financial markets in short-term instruments indexed to variable rates.

The gross borrowings of manufacturing and sales companies – excluding automotive equipment companies – consist mainly of fixed- and adjustable-rate long-term loans. The debt is converted to variable rate by means of derivatives, in order to match interest rates on cash surpluses.

Faurecia's interest rate risks are managed on a centralized basis by its Finance and Treasury Department, which reports to executive management. Hedging decisions are made by a Market Risk Committee that meets on a monthly basis. As Faurecia's borrowings are primarily at variable rates, its hedging policy aims to limit the effect on profit of an increase in short-term rates, mainly through the use of caps and other options in euros and dollars and, to a lesser extent, through swaps. Substantially all interest payable between January 2009 and December 2010 is hedged, along with part of the interest payable in 2011.

The net interest rate position of manufacturing and sales companies is as follows:

	Dec. 31, 2008			
(in milions of euros)	Intraday to 1 year	1 to 5 years	Beyond 5 years	TOTAL
Total assets	2,789	133	94	3,016
Total liabilities	(3,124)	(1,961)	(764)	(5,849)
NET POSITION BEFORE HEDGING	**(335)**	**(1,828)**	**(670)**	**(2,833)**
Derivative financial instruments	(2,351)	1,611	740	-
NET POSITION AFTER HEDGING	**(2,686)**	**(217)**	**70**	**(2,833)**

	Dec. 31, 2007			
(in million euros)	Intraday to 1 year	1 to 5 years	Beyond 5 years	TOTAL
Total assets	7,169	125	85	7,379
Total liabilities	(3,320)	(2,014)	(646)	(5,980)
NET POSITION BEFORE HEDGING	**3,849**	**(1,889)**	**(561)**	**1,399**
Derivative financial instruments	(2,176)	1,554	622	-
NET POSITION AFTER HEDGING	**1,673**	**(335)**	**61**	**1,399**

	Dec. 31, 2006			
(in million euros)	Intraday to 1 year	1 to 5 years	Beyond 5 years	TOTAL
Total assets	7,914	100	75	8,089
Total liabilities	(5,276)	(2,282)	(755)	(8,313)
NET POSITION BEFORE HEDGING	**2,638**	**(2,182)**	**(680)**	**(224)**
Derivative financial instruments	(2,517)	1,834	683	-
NET POSITION AFTER HEDGING	**121**	**(348)**	**3**	**(224)**

Sensitivity tests show that a 1% increase or decrease in average interest rates would have a positive or negative impact of approximately €24 million on income before tax in 2008 and €2.6 million in 2007.

Fixed-rate debt due in more than one year corresponds primarily to the Faurecia bonds maturing in 2010.

Interest Rate Risk of Finance Companies

Banque PSA Finance's fixed-rate loans to customers of the Automobile Division are refinanced mainly through adjustable rate borrowings. The impact of changes in interest rates is hedged using appropriate instruments to match interest rates on the loans and the related refinancing.

Implementation of this strategy is overseen by the Bank's Refinancing Committee and led by Corporate Treasury. Interest rate risks on outstanding loans are attenuated through an assertive hedging policy, with a 3% ceiling on unhedged exposures (by country and by half-yearly maturity band) arising from the difficulty of precisely matching loan balances with the notional amounts of derivatives.

Concerning assets, fixed rate instalment loans are either hedged by interest rate swaps that are purchased on the market as soon as the financing is granted or – in countries where there is no liquid market for interest rate instruments – financed by fixed rate debt. In practice, the swaps are purchased at ten-day intervals. Wholesale financing is granted at rates based on short-term market rates, while the liquidity reserve is invested at the same rates. This fair value hedging strategy means that all of the Bank's interest-bearing assets are at short-term rates.

Concerning liabilities, all new interest-bearing debt is converted to a rate based on a 3-month benchmark using appropriate hedging instruments.

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Until the third quarter of 2008, refinancing costs for new retail loans in euros were capped at pre-set levels through the use of swaptions. These swaptions had expired at December 31, 2008.

The net interest rate position of finance companies is as follows:

(in milions of euros)	Dec. 31, 2008 Intraday to 1 year	1 to 5 years	Beyond 5 years	TOTAL
Total assets	14,457	10,329	-	24,786
Total liabilities	(19,815)	(1,752)	(55)	(21,622)
NET POSITION BEFORE HEDGING	**(5,358)**	**8,577**	**(55)**	**3,164**
Derivative financial instruments	5,380	(5,435)	55	-
NET POSITION AFTER HEDGING	**22**	**3,142**	**-**	**3,164**

(in million euros)	Dec. 31, 2007 Intraday to 1 year	1 to 5 years	Beyond 5 years	TOTAL
Total assets	17,809	9,929	-	27,738
Total liabilities	(23,120)	(1,154)	(62)	(24,336)
NET POSITION BEFORE HEDGING	**(5,311)**	**8,775**	**(62)**	**3,402**
Derivative financial instruments	5,788	(5,850)	62	-
NET POSITION AFTER HEDGING	**477**	**2,925**	**-**	**3,402**

(in million euros)	Dec. 31, 2006 Intraday to 1 year	1 to 5 years	Beyond 5 years	TOTAL
Total assets	16,749	9,597	-	26,346
Total liabilities	(19,264)	(2,350)	(1,316)	(22,930)
NET POSITION BEFORE HEDGING	**(2,515)**	**7,247**	**(1,316)**	**3,416**
Derivative financial instruments	2,981	(4,297)	1,316	-
NET POSITION AFTER HEDGING	**466**	**2,950**	**-**	**3,416**

Sensitivity tests show that a 1% increase or decrease in average interest rates would have a positive or negative impact of approximately €0.3 million on income before tax in 2008 and €1.6 million in 2007.

The net position after hedging for maturities of one to five years corresponds to net assets financed by Banque PSA Finance's regulatory capital.

C. Equity Risk

Equity risk corresponds to the price risk arising from a fall in the value of equities held by the Group.

In view of the situation in the stock markets and the difficulty of identifying a reasonable change assumption for sensitivity calculations, the sensitivities reported below are based on the same assumptions as in 2007.

(in milions of euros)	Dec. 31, 2008 Investments classified as "available-for-sale"	Investments accounted for using the fair value option
Balance sheet position	104	37
Sensitivity of earnings	-	(7)
Sensitivity of equity	(21)	N/A
Unfavourable fluctuation assumptions	20%	20%

	Dec. 31, 2007	
(in million euros)	**Investments classified as "available-for-sale"**	**Investments accounted for using the fair value option**
Balance sheet position	254	59
Sensitivity of earnings	-	(12)
Sensitivity of equity	(51)	N/A
Unfavourable fluctuation assumptions	20%	20%

	Dec. 31, 2006	
(in million euros)	**Investments classified as "available-for-sale"**	**Investments accounted for using the fair value option**
Balance sheet position	283	61
Sensitivity of earnings	-	(6)
Sensitivity of equity	(28)	N/A
Unfavourable fluctuation assumptions	10%	10%

D. Commodity Risk

The production costs of the Automobile Division and Faurecia are exposed to the risk of changes in certain raw materials prices, either as a result of their direct purchases or indirectly through the impact of these changes on their suppliers' costs. These raw materials are either industrial products such as steel and plastics whose prices and related adjustments are negotiated between buyers and vendors, or commodities traded on organized markets, such as aluminum, copper, lead or precious metals, for which the transaction price is determined by direct reference to the prices quoted on the commodity market.

In 2008, the Group hedged part of its exposure to fluctuations in metals prices by purchasing options and swaps. These instruments cover physical deliveries of metals for the Group's production needs. The Group does not hold any speculative positions in commodities.

Commodity hedges in 2008 concerned purchases of lead, platinum and aluminium and qualified as cash flow hedges within the meaning of IAS 39.

The effective portion of fair value adjustments relating to these hedging instruments was recognised directly in equity during the year for a negative amount of €23 million. When the hedged purchases were made, this effective portion was recorded as an expense in recurring operating income for an amount of €17 million, without affecting the acquisition cost of commodity inventories. As actual purchases were lower than expected, a €6 million loss was recognised in "Other financial income and (expenses)", corresponding to hedges that were no longer effective. At December 31, 2008, the Group no longer held any instruments to hedge its commodities risk.

E. Counterparty Risk

The Group places significant emphasis on guaranteeing the security of payments for the goods and services delivered to customers. Relations with Peugeot and Citroën dealers are managed within the framework of the sales financing system described below. Payments from other Group customers are secured by arrangements with leading counterparties that are validated by the Group Treasury Committee. Intercompany settlements are hedged against political risks whenever necessary.

Other counterparty risks concern investments of available cash and transactions involving currency and interest rate derivatives. For these two types of transactions, counterparty risks are managed by a system of exposure limits by type of instrument and by counterparty signature quality. The transactions are carried out solely with leading financial partners. Derivatives transactions are governed by standard ISDA or FBF agreements and contracts with the most frequently used counterparties provide for weekly margin calls.

Available cash is invested either in money market securities issued by approved counterparties, or in mutual funds offering a bank guarantee of capital and performance. The bulk of money market securities in the portfolio are issued by banks and the remainder by non-financial sector issuers.

F. Liquidity Risk

Liquidity Risk of Manufacturing and Sales Companies

At December 31, 2008, the manufacturing and sales companies had net debt of €2,906 million (Note 38). The bulk of this amount consisted of long-term debt, including €2,651 million worth of bonds and €1,470 million in other long-term borrowings due beyond 2009. Contractual interest payments on these debts are analysed by due date in Note 31.3. The only debts subject to financial covenants are the Faurecia bond issue and syndicated lines of credit (Note 31.2).

Peugeot S.A. and GIE PSA Trésorerie have access to a confirmed line of credit expiring in 2011 that was undrawn at December 31, 2008. This facility is not subject to any special drawing restrictions.

In light of the current economic environment, the Group expects to have significant financing needs in 2009 to support its manufacturing and sales companies. Various solutions are being examined, which can reasonably be expected to be implemented. They include:

- new medium-term syndicated bank facilities;
- government support in the form of a long-term loan;

Liquidity Risk of Finance Companies

Banque PSA Finance has a capital base in line with regulatory requirements. Each year, a significant proportion of the year's net income is transferred to reserves, leading to robust regulatory ratios that reflect the quality of the asset base. Its refinancing strategy consists of diversifying liquidity sources as broadly as possible, matching the maturities of assets and liabilities, and hedging all of its exposure to currency and interest rate risks. The Bank also endeavours to maintain a liquidity cushion in the form of permanent liquidity reserves and undrawn confirmed syndicated lines of credit (Note 38.2).

The Bank has access to confirmed lines of credit expiring at various dates through 2014 that were undrawn at December 31, 2008 (Note 38.2). These facilities ensure that the Bank will be able to meet its debt repayment obligations in 2009.

The Bank has various solutions to finance new lending, whose implementation is not expected to be affected by the current financial environment. These solutions include:

- rolling over existing bank lines of credit on expiry;
- launching new automobile line securitisation programs in certain countries, particularly in connection with central bank cash injections;
- long-term capital markets issues, if necessary.

37.2. Hedging Instruments - Manufacturing and Sales Companies

The different types of hedges and their accounting treatment are described in Note 1.14 D (b).

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A. Details of Balance Sheet Values of Hedging Instruments and Notional Amounts Hedged

	Dec. 31, 2008					
				Maturities		
	Carrying amount		Notional amount	Within 1 year	1 to 5 years	Beyond 5 years
(in million euros)	Assets	Liabilities				
Currency risk						
Fair value hedges:						
- Forward foreign exchange contracts	2	-	38	38	-	-
- Currency options	3	-	39	39	-	-
- Currency swaps	5	-	540	540	-	-
Cash flow hedges:						
- Currency options	17	-	433	433	-	-
Trading instruments (1)	235	(236)	1,102	1,062	40	-
Total	**262**	**(236)**	**2,152**	**2,112**	**40**	**-**
Interest rate risk						
Fair value hedges:						
- Interest rate swaps	223	-	2,100		1,500	600
Cash flow hedges:						
- Interest rate swaps	-	(12)	2,837	1,415	1,422	-
Trading instruments (2)	15	(16)	2,393	1,175	1,218	-
Total	**238**	**(28)**	**7,330**	**2,590**	**4,140**	**600**
TOTAL FAIR VALUE HEDGES	**233**	**-**	**2,717**	**617**	**1,500**	**600**
TOTAL CASH FLOW HEDGES	**17**	**(12)**	**3,270**	**1,848**	**1,422**	**-**

(1) Currency trading instruments: Derivative instruments not qualified for hedge accounting under IAS 39. As IAS 21 requires receivables and payables denominated in foreign currencies to be systematically remeasured at the closing exchange rate with any gains or losses taken to income, the Group has elected not to designate these receivables and payables as part of a documented hedging relationship, although their impact on income is the same.

(2) Interest rate trading instruments: Derivative instruments not qualified for hedge accounting under IAS 39. This item corresponds to the fair value of economic hedges of borrowings or investments.

	Dec. 31, 2007					
				Maturities		
	Carrying amount		Notional amount	Within 1 year	1 to 5 years	Beyond 5 years
(in million euros)	Assets	Liabilities				
Currency risk						
Fair value hedges:						
- Forward foreign exchange contracts	-	-	14	14	-	-
- Currency options	-	-	-	-	-	-
- Currency swaps	5	(1)	534	415	119	-
Cash flow hedges:						
- Currency options	18	-	832	590	242	-
Trading instruments [(1)]	46	(52)	1,448	1,387	61	-
Total	**69**	**(53)**	**2,828**	**2,406**	**422**	**-**
Interest rate risk						
Fair value hedges:						
- Interest rate swaps	58	-	2,100	-	1,500	600
Trading instruments [(2)]	35	(14)	6,897	3,288	3,609	-
Total	**93**	**(14)**	**8,997**	**3,288**	**5,109**	**600**
TOTAL FAIR VALUE HEDGES	**63**	**(1)**	**2,648**	**429**	**1,619**	**600**
TOTAL CASH FLOW HEDGES	**18**	**-**	**832**	**590**	**242**	**-**

(1) Currency trading instruments: Derivative instruments not qualified for hedge accounting under IAS 39. As IAS 21 requires receivables and payables denominated in foreign currencies to be systematically remeasured at the closing exchange rate with any gains or losses taken to income, the Group has elected not to designate these receivables and payables as part of a documented hedging relationship, although their impact on income is the same.

(2) Interest rate trading instruments: Derivative instruments not qualified for hedge accounting under IAS 39. This item corresponds to the fair value of economic hedges of borrowings or investments.

	Dec. 31, 2006					
				Maturities		
	Carrying amount		Notional amount	Within 1 year	1 to 5 years	Beyond 5 years
(in million euros)	Assets	Liabilities				
Currency risk						
Fair value hedges:						
- Forward foreign exchange contracts	1	-	45	45	-	-
- Currency options	-	-	154	154	-	-
- Currency swaps	2	(1)	469	350	119	-
Cash flow hedges:						
- Currency options	6	-	2,423	2,159	264	-
Trading instruments (1)	6	(2)	1,180	1,087	93	-
Total	**15**	**(3)**	**4,271**	**3,795**	**476**	**-**
Interest rate risk						
Fair value hedges:						
- Interest rate swaps	164	(4)	2,610	300	1,710	600
Trading instruments (2)	42	(13)	10,427	6,991	3,436	-
Total	**206**	**(17)**	**13,037**	**7,291**	**5,146**	**600**
TOTAL FAIR VALUE HEDGES	**167**	**(5)**	**3,278**	**849**	**1,829**	**600**
TOTAL CASH FLOW HEDGES	**6**	**-**	**2,423**	**2,159**	**264**	**-**

(1) Currency trading instruments: Derivative instruments not qualified for hedge accounting under IAS 39. As IAS 21 requires receivables and payables denominated in foreign currencies to be systematically remeasured at the closing exchange rate with any gains or losses taken to income, the Group has elected not to designate these receivables and payables as part of a documented hedging relationship, although their impact on income is the same.

(2) Interest rate trading instruments: Derivative instruments not qualified for hedge accounting under IAS 39. This item corresponds to the fair value of economic hedges of borrowings or investments.

B. Details of the Impact of Hedging Instruments on Income and Equity

Impact of Cash Flow Hedges of Currency Risks

(in million euros)	2008	2007	2006
Fair value at January 1	17	6	16
Effective portion of the change recognised in equity	1	2	3
Ineffective portion of the change recognised in income	(35)	(6)	(46)
Purchased options	41	15	33
Derecognition upon exercise or disposal	(7)	-	-
FAIR VALUE AT DECEMBER 31	**17**	**17**	**6**
Intrinsic value reclassified to income upon exercise or disposal	86	2	-
Intrinsic value reclassified to income upon disqualification	5	7	-
Pre-tax impact on income	**56**	**3**	**(46)**
Pre-tax impact on equity	**(6)**	**4**	**3**

Cash flow hedges set up by the manufacturing and sales companies (other than Faurecia) consist of Japanese yen and pound sterling currency options (Note 37.1.A.).

Changes in the time value of the instruments and the ineffective portion of the change in intrinsic value are recorded in "Other financial income and (expenses)" (Note 12). The effective portion of the change in intrinsic value is reclassified to recurring operating income when the sales are carried out.

Changes in the intrinsic value of currency instruments qualifying for hedge accounting under IFRS are recorded in equity. In the case of Faurecia, the amount recorded in equity was a negative €11 million.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Impact of Cash Flow Hedges of Interest Rate Risks

(in million euros)	2008	2007	2006
Fair value at January 1	22	26	13
Effective portion of the change recognised in equity	(12)	-	-
Ineffective portion of the change recognised in income	(3)	-	8
Change in fair value of instruments not qualifying for hedge accounting	(21)	(9)	-
Purchased options	2	5	5
Derecognition upon exercise or disposal	-	-	-
FAIR VALUE AT DECEMBER 31	**(12)**	**22**	**26**
Intrinsic value reclassified to income upon exercise	(3)	-	-
Change in fair value of instruments not qualifying for hedge accounting	(21)	(9)	-
Pre-tax impact on income	**(24)**	**(9)**	**8**
Pre-tax impact on equity	**(12)**	**-**	**-**

Certain derivative instruments held by Faurecia qualified for hedge accounting under IAS 39 for the first time as from January 1 2008 and others as from July 1, 2008. Faurecia's remaining derivatives constitute economic hedges of interest rate risk on debt, but do not qualify for hedge accounting under IAS 39.

Cash flow hedges of interest rate risks only concern Faurecia.

Changes in intrinsic value of interest rate instruments held by Faurecia and qualifying for hedge accounting under IFRS that were recognised directly in equity represented a negative €12 million.

Impact of Fair Value Hedges

(in million euros)	2008	2007	2006
Gains and losses on remeasurement through income of hedged borrowings	(174)	99	147
Gains and losses on remeasurement through income of hedging instruments	167	(99)	(145)
NET IMPACT ON INCOME	**(7)**	**-**	**2**

Net gains (losses) on interest rate derivative instruments (see Note 11) also include the change in value of derivatives used as hedges but not qualifying for hedge accounting under IAS 39.

37.3. Hedging Instruments - Finance Companies

The different types of hedges and their accounting treatment are described in Note 1.14 D (b).

A. Details of Balance Sheet Values of Hedging Instruments and Notional Amounts Hedged

Offsetting notional amounts have been netted to make the financial statements easier to read. However, separate disclosures are made at the foot of the page.

	Dec. 31, 2008					
	Carrying amount		Notional amount	Maturities		
				Within 1 year	1 to 5 years	Beyond 5 years
(in million euros)	Assets	Liabilities				
Currency risk						
Fair value hedges:						
- Currency swaps	329	(1)	2,372	2,318	54	-
Interest rate risk						
Fair value hedges:						
- Swaps on borrowings	11	-	1,176	475	701	-
- Swaps on EMTN/BMTN issues	12	(3)	1,587	712	866	9
- Swaps on bonds (1)	130	(130)	-	-	-	-
- Swaps on certificates of deposit	2	-	508	508	-	-
- Swaps on other debt securites	1	-	46	-	-	46
- Swaps on retail financing	2	(209)	12,886	5,882	7,004	-
- Accrued income/expenses on swaps	39	(77)	-	-	-	-
TOTAL	**526**	**(420)**	**18,575**	**9,895**	**8,625**	**55**
Total fair value hedges	526	(420)	18,575	9,895	8,625	55
Total cash flow hedges	-	-	-	-	-	-

(1) This item includes €4,251 million in swaps acquired as hedges that represent closed positions in the consolidated financial statements.

The Group does not hold any swaps representing isolated open positions. Swaps for a total of €310 million cancel each other out within a portfolio of instruments with similar characteristics, mainly symmetrical swaps set up at the time of the first securitisation transactions.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

	Dec. 31, 2007					
				Maturities		
	Carrying amount		Notional amount	Within 1 year	1 to 5 years	Beyond 5 years
(in million euros)	Assets	Liabilities				
Currency risk						
Fair value hedges:						
- Currency swaps	45	-	2,393	2,156	237	-
Interest rate risk						
Fair value hedges:						
- Swaps on borrowings	-	(1)	701	623	25	53
- Swaps on EMTN/BMTN issues	1	(29)	2,437	1,466	962	9
- Swaps on bonds (2)	42	(42)	-	-	-	-
- Swaps on certificates of deposit	-	-	-	-	-	-
- Swaps on other debt securites	-	-	-	-	-	-
- Swaps on retail financing	79	(5)	13,215	6,228	6,987	-
- Accrued income/expenses on swaps	27	(35)	-	-	-	-
Cash flow hedges:						
- Swaptions	7	-	2,522	2,522	-	-
Trading instruments (1)	44	(52)	602	450	152	-
TOTAL	**245**	**(164)**	**21,870**	**13,445**	**8,363**	**62**
Total fair value hedges	**194**	**(112)**	**18,746**	**10,473**	**8,211**	**62**
Total cash flow hedges	**7**	**-**	**2,522**	**2,522**	**-**	**-**

(1) Interest rate trading instruments: Derivative instruments not qualified for hedge accounting under IAS 39. This item corresponds to the fair value of economic hedges of borrowings or short-term investments measured using the fair value option.
It includes a) swaps representing a total notional amount of €1,475 million that cancel each other out within portfolios of instruments with similar characteristics, mainly symmetrical swaps set up at the time of the first securitisation transactions and b) swaps in opposite directions representing economic hedges of debt securities for a net amount of €152 million.
(2) Including two offsetting swaps for an amount of €3,350 million.

Dec. 31, 2006				Maturities		
	Carrying amount		Notional amount	Within 1 year	1 to 5 years	Beyond 5 years
(in million euros)	Assets	Liabilities				
Currency risk						
Fair value hedges:						
- Currency swaps	4	(31)	2,422	2,004	418	-
Interest rate risk						
Fair value hedges:						
- Swaps on borrowings	-	(3)	2,654	2,577	20	57
- Swaps on EMTN/BMTN issues	1	(38)	3,111	808	2,294	9
- Swaps on bonds (2)	3	(3)	-	-	-	-
- Swaps on certificates of deposit	-	-	-	-	-	-
- Swaps on other debt securites	-	-	-	-	-	-
- Swaps on retail financing	107	-	13,063	6,300	6,763	-
- Accrued income/expenses on swaps	69	(84)	-	-	-	-
Cash flow hedges:			-			
- Swaptions	21	-	5,163	5,163	-	-
Trading instruments (1)	31	(52)	3,204	2,589	615	-
TOTAL	**236**	**(211)**	**29,617**	**19,441**	**10,110**	**66**
Total fair value hedges	**184**	**(159)**	**21,250**	**11,689**	**9,495**	**66**
Total cash flow hedges	**21**	**-**	**5,163**	**5,163**	**-**	**-**

(1) Interest rate trading instruments: Derivative instruments not qualifying for hedge accounting under IAS 39. This item corresponds to the fair value of economic hedges of borrowings or short-term investments measured using the fair value option. It includes a) swaps representing a total notional amount of €1,287 million that cancel each other out within portfolios of instruments with similar characteristics, mainly symmetrical swaps set up at the time of the first securitisation transactions and b) swaps in opposite directions representing economic hedges of debt securities for a net amount of €152 million.

(2) Including two offsetting swaps for an amount of €1,250 million.

B. Details of the Impact of Hedging Instruments on Income and Equity

Impact of Cash Flow Hedges

(in million euros)	2008	2007	2006
Fair value at January 1	7	**21**	**11**
Effective portion of the change recognised in equity	12	30	50
Ineffective portion of the change recognised in income	(8)	(9)	(20)
Purchased options	2	6	24
Derecognition upon exercise or disposal	(13)	(41)	(44)
FAIR VALUE AT DECEMBER 31	-	**7**	**21**
Intrinsic value reclassified to income upon exercise	33	27	10
Intrinsic value reclassified to income upon disqualification	-	-	-
Pre-tax impact on income	25	**18**	**(10)**
Pre-tax impact on equity	12	**30**	**50**

At December 31, 2008, all swaptions had expired.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Impact of Fair Value Hedges

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Change in fair value	Ineffective portion recognised in income
Fair value adjustments to retail loans					
- Installment sales	142	(43)	(65)		
- Leases with a buyback commitment	30	(7)	(11)		
- Long-term leases	41	(13)	(21)		
Total, net	**213**	**(63)**	**(97)**	**276**	
Derivative instruments hedging outstanding retail loans					
- Assets	2	79	107		
- Liabilities	(209)	(5)	-		
Total, net	**(207)**	**74**	**107**	**(281)**	
INEFFECTIVE PORTION	**6**	**11**	**10**		**(5)**
Fair value adjustments to hedged borrowings					
Net	(12)	1	3		
Total, net	**(12)**	**1**	**3**	**(13)**	
Derivative instruments hedging borrowings					
- With a positive fair value (recorded in assets)	11	-	-		
- With a negative fair value (recorded in liabilities)	-	(1)	(3)		
Total, net	**11**	**(1)**	**(3)**	**12**	
INEFFECTIVE PORTION	**(1)**	**-**	**-**		**(1)**
Fair value adjustments to hedged EMTNs/BMTNs					
Net	(10)	26	37		
Total, net	**(10)**	**26**	**37**	**(36)**	
Derivative instruments hedging EMTNs/BMTNs					
- With a positive fair value (recorded in assets)	12	1	1		
- With a negative fair value (recorded in liabilities)	(3)	(29)	(38)		
Total, net	**9**	**(28)**	**(37)**	**37**	
INEFFECTIVE PORTION	**(1)**	**(2)**	**-**		**1**
Fair value adjustments to hedged bonds					
Net	-	-	-		
Total, net	**-**	**-**	**-**	**-**	
Derivative instruments hedging bonds					
- With a positive fair value (recorded in assets)	130	42	3		
- With a negative fair value (recorded in liabilities)	(130)	(42)	(3)		
Total, net	**-**	**-**	**-**	**-**	
INEFFECTIVE PORTION	**-**	**-**	**-**		**-**
Fair value adjustments to certificates of deposit					
Net	(2)	-	-		
Total, net	**(2)**	**-**	**-**	**(2)**	
Derivative instruments hedging certificates of deposit					
- With a positive fair value (recorded in assets)	2	-	-		
- With a negative fair value (recorded in liabilities)	-	-	-		
Total, net	**2**	**-**	**-**	**2**	
INEFFECTIVE PORTION	**-**	**-**	**-**		**-**

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Change in fair value	Ineffective portion recognised in income
Fair value adjustments to other debt securities					
Net	(1)	1	-		
Total, net	(1)	1	-	(2)	
Derivative instruments hedging other debt securities					
- With a positive fair value (recorded in assets)	1	-			
- With a negative fair value (recorded in liabilities)	-	(1)			
Total, net	1	(1)	-	2	
INEFFECTIVE PORTION	-	-	-		-

Note 38 Net Financial Position of Manufacturing and Sales Companies

38.1. Analysis

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Financial assets and liabilities of manufacturing and sales companies			
Cash and cash equivalents	2,040	5,185	6,339
Other non-current financial assets	848	1,121	1,321
Current financial assets	515	1,483	1,132
Non-current financial liabilities	(4,491)	(4,294)	(4,125)
Current financial liabilities	(1,818)	(2,091)	(4,551)
(NET DEBT) NET FINANCIAL POSITION OF MANUFACTURING AND SALES COMPANIES	**(2,906)**	**1,404**	**116**
o/w external loans and borrowings	(2,896)	1,396	(25)
o/w financial assets and liabilities with finance companies	(10)	8	141

38.2. Lines of Credit

The PSA PEUGEOT CITROËN Group has access to revolving lines of credit expiring at various dates through 2014. The amounts available under these lines of credit are as follows:

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Peugeot S.A. and GIE PSA Trésorerie (1)	2,400	2,400	2,400
Faurecia (2)	1,170	1,600	1,600
Banque PSA Finance (3)	6,000	6,000	6,000
CONFIRMED LINES OF CREDIT	**9,570**	**10,000**	**10,000**

(1) Expiring in March 2011.
(2) In two equal tranches, expiring in November 2011 and November 2013.
(3) In three equal tranches, expiring in July 2010, June 2012 and June 2014.

No draw-downs on these lines have been made by Peugeot S.A., GIE PSA Trésorerie or Banque PSA Finance group.

Faurecia has drawn down the following amounts:

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
FAURECIA DRAWDOWNS	**906**	**800**	**700**

The facility agreements contains covenants based on financial ratios. All of these ratios were complied with at December 31, 2008 (Note 31.2). Based on the latest projections prepared in an uncertain economic environment, the ratios may not be complied with at 30 June 2009. If this were to be the case, the Faurecia 2005 bonds would become immediately repayable if the lender banks were to decide to invoke the acceleration clause.

In addition Faurecia intends to renegotiate its existing facilities with its bankers.

Note 39 Return on Capital Employed

39.1. Capital Employed

Capital employed corresponds to the operating assets or liabilities employed by the Group. The definition of capital employed depends on whether it relates to manufacturing and sales companies or finance companies.

Capital employed is defined as representing:

- all non-financial assets, net of non-financial liabilities, of the manufacturing and sales companies, as reported in the consolidated balance sheet;
- the net assets of the finance companies.

Based on the above definition, capital employed breaks down as follows:

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Goodwill	1,237	1,488	1,488
Intangible assets	4,061	3,885	3,947
Property, plant and equipment	14,064	14,652	15,221
Investments in companies at equity	732	725	687
Investments in non-consolidated companies	48	47	53
Other non-current assets	152	126	96
Deferred tax assets	468	428	499
Inventories	7,757	6,913	6,826
Trade receivables - manufacturing and sales companies	2,001	2,857	3,043
Current tax assets	189	169	210
Other receivables	1,897	1,782	1,719
Other non-current liabilities	(2,793)	(2,886)	(2,759)
Non-current provisions	(876)	(1,109)	(1,383)
Deferred tax liabilities	(1,321)	(1,689)	(1,854)
Current provisions	(2,053)	(2,132)	(1,747)
Trade payables	(8,428)	(10,600)	(10,481)
Current taxes payable	(76)	(158)	(152)
Other payables	(3,795)	(4,241)	(4,075)
Net assets of the finance companies	2,919	2,894	2,652
Accounts between the manufacturing and sales companies and the finance companies	(10)	8	141
TOTAL	**16,173**	**13,159**	**14,131**

39.2. Economic Profit

Economic profit consists of profit before finance costs, interest income, net gains and losses on disposals of short-term investments and taxes related to these items.

A tax rate corresponding to the Group's effective rate for each transaction is then applied, to calculate after-tax economic profit used to determine the return on capital employed.

Based on this definition, economic profit is as follows:

(in million euros)	2008	2007	2006
Consolidated profit for the year	(500)	826	70
Interest income	(247)	(283)	(178)
Finance costs	343	306	234
Net gains on disposals of short-term investments	-	-	(26)
Tax on financial income and finance expenses	6	28	9
ECONOMIC PROFIT AFTER TAX	**(398)**	**877**	**109**

39.3. Return on Capital Employed

Return on capital employed, corresponding to economic profit expressed as a percentage of total capital employed at December 31, is as follows:

	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
	(2.5%)	**6.7%**	**0.8%**

Note 40 Off-Balance Sheet Commitments

40.1. Specific Commitments

Off-balance sheet pension obligations concern actuarial gains and losses not recognised at year end (see Note 30.1.E) in accordance with the corridor method (see Note 1.19).

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

40.2. Other Commitments

Other commitments at December 31, 2008 represented the following amounts:

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Manufacturing and sales companies			
Capital commitments for the acquisition of fixed assets	1,203	1,291	1,245
Orders for research and development work	6	8	9
Non-cancellable lease commitments	854	868	878
	2,063	**2,167**	**2,132**
Finance companies			
Financing commitments to customers	1,356	1,337	1,306
Guarantees given on behalf of customers and financial institutions (1)	722	75	111
	2,078	**1,412**	**1,417**
Other guarantees given	281	536	580
Pledged or mortgaged assets	148	184	251

(1) The increase in this item corresponds mainly to receivables given as collateral for loans from "Société de Financement de l'Economie Française" (SFEF) that were made under the package of measures introduced in the amended Finance Act of October 16, 2008 (Act no. 2008-1061) to help ease the credit crunch.

The Group is involved in claims and litigation arising in the normal course of business. Based on the information currently available, the outcome of this litigation is not expected to result in an outflow of economic resources without any corresponding economic benefit.

In order to speed up its growth and reduce costs, the Group has entered into cooperation agreements with other carmakers for the joint development of mechanical assemblies or vehicles. These joint ventures enable the partners to share project costs, delivering economies of scale that translate into competitive advantage. To ensure that the partnerships are balanced, each partner commits to taking delivery of a minimum quantity of products manufactured by the joint venture. If they fail to honour this commitment, they are required to pay a penalty designed to cover the related production costs borne by the other partner. Any adverse consequences of these commitments are reflected in the consolidated financial statements as soon as they are considered probable, in the form of asset impairments or, if necessary, provisions for contingencies.

In May 2008, PSA PEUGEOT CITROËN announced the construction of a new plant in Russia with an initial annual capacity of 160,000 vehicles. Mitsubishi Motors Corporation (MMC) holds a 30% interest in the project. Construction work began in June 2008 at the Kaluga site located 180 kms south-west of Moscow and the plant was scheduled to come on-stream in 2011. However, in light of recent developments in the automobile market, the two partners have launched discussions concerning a possible revision of the capital budget and the project timeline.

40.3. Pledged or Mortgaged Assets

EXPIRY DATES

(in million euros)	Expiry date	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Property, plant and equipment	Indefinite	12	15	17
Non-current financial assets				
	2006	-	-	-
	2007	-	-	56
	2008	-	32	49
	2009	32	49	84
	2010	11	11	11
	2011	33	29	34
	>2011	60	48	-
		136	169	234
	Total	**148**	**184**	**251**
TOTAL ASSETS		**61,720**	**68,975**	**69,094**
	% of total assets	0.2%	0.3%	0.4%

Note 41 Related Party Transactions

41.1. Companies at Equity

These are equity-accounted companies that are between 20%- and 50%-owned, in which PSA PEUGEOT CITROËN exercises significant influence. Most are manufacturing and sales companies that manufacture automotive parts and components or complete vehicles.

Transactions with companies at equity are billed on arm's length terms.

Receivables and payables with companies at equity are as follows:

(in million euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Loans - long-term portion	9	9	9
Loans - short-term portion	-	-	-
Trade receivables	257	367	304
Trade payables	(944)	(1,376)	(1,159)
Short-term loans	(49)	(16)	(114)

Sale and purchase transactions carried out by the consolidated Group with companies at equity are as follows:

(in million euros)	2008	2007	2006
Purchases	(4,927)	(5,122)	(4,609)
Sales	869	993	990

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

The reclassifications described in Note 2 had the effect of reducing related party purchases and sales by €798 million in 2007 and €700 million in 2006.

41.2. Related Parties that Exercise Significant Influence over the Group

No material transactions have been carried out with any directors or officers or any Shareholder owning more than 5% of Peugeot S.A.'s capital.

Note 42 Management compensation

(in million euros)	2008	2007	2006
Compensation paid to:			
- Members of management bodies	10.3	10.7	6.4
- Members of the Supervisory Board	0.9	0.8	0.8
TOTAL MANAGEMENT COMPENSATION	**11.2**	**11.5**	**7.2**
Stock options expenses (Note 1.20)	7.3	5.7	5.5
TOTAL	**18.5**	**17.2**	**12.7**

Since 6 February 2007, the Group has been managed by the Managing Board. The Group's management bodies correspond to the Extended Management Committee, which comprises the members of the Managing Board, the other members of executive management and the executives reporting directly to the Chairman of the Managing Board. Previously, the Group's management bodies included the Managing Board, the Executive Committee and senior management.

The compensation details provided in the table above do not include payroll taxes. The variable bonuses awarded to the Managing Board were approved by the Supervisory Board at its meeting of 10 February 2009.

The amounts disclosed above include 2008 and 2007 bonuses, which were accrued in the financial statements for those years. The 2007 financial statements also included accruals for 2006 bonuses in the amount of €1.1 million, the payment of which was dependent on the Group's 2007 net profit reaching a certain level.

Stock options on Peugeot S.A. shares granted to members of the Group's management bodies under the plans set up since 1999 are presented below. Stock options held by members of the Group's management bodies at the balance sheet date are as follows:

(number of options)	2008	2007	2006
Stock options granted during the year	715,000	621,000	510,000
Stock options held at December 31	2,258,000	1,664,760	2,609,000

Members of the Group's management bodies participate in the supplementary pension plan described in Notes 30.1.A and 30.1.D.

Members of the Group's management bodies are not entitled to any long-term benefits apart from pension benefits under the plan described above, or any direct share-based payments or any compensation for loss of office.

Note 43 Subsequent Events

No events occurred between 31 December 2008 and the meeting of the Supervisory Board to approve the financial statements on 10 February 2009 that could have a material impact on economic decisions made on the basis of these financial statements, except as described below:

- Commitment to underwrite the Faurecia rights issue

When it met to review the financial statements on 10 February, the Supervisory Board approved a commitment by PSA Peugeot Citroën to underwrite a €450 million rights issue by the Faurecia Group that was decided in principle by the Faurecia Board on 9 February. Peugeot S.A. intends to take up its share of the issue.

- Loan from the French State to PSA PEUGEOT CITROËN

In light of the economic crisis currently affecting the automobile industry, on 9 February the French State announced various measures to support the industry. For PSA PEUGEOT CITROËN, this support will take the form of a €3 billion State loan to Peugeot S.A. and an additional €500 million in financing from Société de Financement de l'Economie Française (SFEF), which will be used to support the Group's programme to develop cleaner, more fuel efficient and more affordable vehicles.

In the current circumstances, the Group will not close any manufacturing facilities in France and over the next two years, one or more new models will be launched at each of its five French assembly plants.

The Group is also actively supporting its automobile industry partners, by speeding up payments to suppliers in line with France's Economic Modernization Act and increasing its contribution to the Automobile Industry Investment Fund from €100 million to €200 million.

PSA PEUGEOT CITROËN will continue to work in partnership with suppliers to develop advanced technologies for low-CO_2 vehicles.

The Group will give priority to reinvesting its earnings, in order to strengthen its capital base and maintain the pace of growth through increased capital expenditure.

Note 44 Fees Paid to the Auditors

(in million euros)	PricewaterhouseCoopers 2008	PricewaterhouseCoopers 2007	Mazars 2008	Mazars 2007	Ernst & Young (Faurecia) 2008	Ernst & Young (Faurecia) 2007
Audit						
Statutory and contractual audit services						
- Peugeot S.A.	0.4	0.4	0.1	0.1	-	-
- Fully-consolidated subsidiaries	7.1	7.2	2.1	1.8	3.0	2.8
Audit-related services						
- Peugeot S.A.	-	-	-	-	-	-
- Fully-consolidated subsidiaries	0.6	0.1	-	-	-	-
Sub-total	**8.1**	**7.7**	**2.2**	**1.9**	**3.0**	**2.8**
	100%	*100%*	*100%*	*100%*	*100%*	*100%*
Other services provided to fully consolidated subsidiaries						
Legal and tax services	-	-	-	-	-	-
Other services	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
	0%	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL	**8.1**	**7.7**	**2.2**	**1.9**	**3.0**	**2.8**
o/w Faurecia	1.7	2.0	-	-	3.0	2.8
Excluding Faurecia	6.4	5.7	2.2	1.9	-	-

The PSA PEUGEOT CITROËN Group's auditors are PricewaterhouseCoopers and Mazars. The Faurecia group's auditors are PricewaterhouseCoopers and Ernst & Young.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Note 45 Consolidated Companies at December 31, 2008

Company	F/E	% Consolidated
HOLDING COMPANY AND OTHER		
Peugeot S.A. Paris – France	F	-
Grande Armée Participations Paris – France	F	100
PSA International S.A. Geneva – Switzerland	F	100
G.I.E. PSA Trésorerie Paris – France	F	100
Financière Pergolèse Paris – France	F	100
D.J. 06 Paris – France	F	100
Société Anonyme de Réassurance Luxembourgeoise – Saral Luxembourg – Luxembourg	F	100
Peugeot Motocycles Mandeure – France	F	100
Peugeot Motocycles Italia S.p.A. Milan – Italy	F	100
Peugeot Motocycles Deutschland GmbH Morfelden – Germany	F	100
Jinan Quigqi Peugeot Motorcycles Jinan – China	E	50
AUTOMOBILE DIVISION		
Peugeot Citroën Automobiles S.A. Velizy-Villacoublay – France	F	100
Peugeot Citroën Sochaux S.N.C. Sochaux – France	F	100
Peugeot Citroën Mulhouse S.N.C. Sausheim – France	F	100
Peugeot Citroën Aulnay S.N.C. Aulnay-Sous-Bois – France	F	100
Peugeot Citroën Rennes S.N.C. Chartres-de-Bretagne – France	F	100
Peugeot Citroën Poissy S.N.C. Poissy – France	F	100
Peugeot Citroën Mécanique du Nord-Ouest S.N.C. Paris – France	F	100
Peugeot Citroën Mécanique du Grand Est S.N.C. Paris – France	F	100
Société Mécanique Automobile de l'Est Tremery – France	F	100
Mécanique et Environnement Hérimoncourt – France	F	100
Process Conception Ingénierie S.A. Meudon – France	F	100
PCI do Brasil Ltda Rio de Janeiro – Brazil	F	100
Société de Construction d'Équipements de Mécanisations et de Machines – SCEMM Saint-Étienne – France	F	100
Société Européenne de Véhicules Légers du Nord – Sevelnord Paris – France	E	50

F : Fully consolidated - E : Accounted for by the equity method

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Company	F/E	% Consolidated
Societa Europea Veicoli Leggeri – Sevel S.p.A. Atessa – Italy	E	50
S.N.C. PC.PR Paris – France	F	100
G.I.E. PSA PEUGEOT CITROËN Paris – France	F	100
Gisevel Paris – France	E	50
Sevelind Paris – France	E	50
Française de Mécanique Douvrin – France	E	50
Société de Transmissions Automatiques Barlin – France	E	20
Peugeot Citroën Automoviles España S.A. Pontevedra – Spain	F	100
Peugeot Citroën Logistic Deutschland GmbH Saarbruck – Germany	F	100
Peugeot Citroën Automobiles UK Coventry – United Kingdom	F	100
Peugeot Citroën Automoveis Mangualde – Portugal	F	98
Toyota Peugeot Citroën Automobiles Czech s.r.o. Kolin – Czech Republic	E	50
PCA Logistika CZ Kolin – Czech Republic	F	100
PCA Slovakia s.r.o. Trnava – Slovakia	F	100
Peugeot Citroën Trnava s.r.o. Trnava – Slovakia	F	100
Peugeot Citroën do Brasil Automoveis Ltda Rio de Janeiro – Brazil	F	100
Peugeot Citroën Comercial Exportadora Rio de Janeiro – Brazil	F	100
Peugeot Citroën Argentina S.A. Buenos Aires – Argentina	F	100
Cociar S.A. Buenos Aires – Argentina	F	100
Aupe S.A. Buenos Aires – Argentina	F	100
Cisa Buenos Aires – Argentina	F	100
Dongfeng Peugeot Citroën Automobiles CY Ltd Wuhan – China	E	50
Wuhan Shelong Hongtai Automotive KO Ltd Wuhan – China	E	10
PCA Automotive China China	F	100
Automobiles Peugeot Paris – France	F	100
Peugeot Motor Company Plc Coventry – United Kingdom	F	100
Société Commerciale Automobile Paris – France	F	100
Société Industrielle Automobile de Champagne – Ardennes Cormontreuil – France	F	100
Peugeot Moteur et Systèmes Paris – France	F	100

F : Fully consolidated - E : Accounted for by the equity method

Company	F/E	% Consolidated
Société Industrielle Automobile de Provence Marseille – France	F	100
Grands Garages du Limousin Limoges – France	F	100
Peugeot Saint-Denis Automobiles Saint-Denis – France	F	100
Peugeot Media Production France	F	100
Peugeot Belgique Luxembourg S.A. Nivelles – Belgium	F	100
S.A. Peugeot Distribution Service N.V. Schaerbeek – Belgium	F	100
Peugeot Nederland N.V. Utrecht – Netherlands	F	100
Peugeot Deutschland GmbH Saarbruck – Germany	F	100
Peugeot Bayern GmbH Munich – Germany	F	100
Peugeot Berlin Brandenburg GmbH Berlin – Germany	F	100
Peugeot Niederrhein GmbH Dusseldorf – Germany	F	100
Peugeot Main/Taunus GmbH Frankfurt – Germany	F	100
Peugeot Sudbaden GmbH Saarbruck – Germany	F	100
Peugeot Hanse GmbH Hambourg – Germany	F	100
Peugeot Nordhessen GmbH Lohfendel – Germany	F	100
Peugeot Hannover GmbH Hanover – Germany	F	100
Peugeot Rheinland GmbH Cologne – Germany	F	100
Peugeot Rein-Neckar GmbH Rein-Neckar – Germany	F	100
Peugeot Saartal GmbH Saarbruck – Germany	F	100
Peugeot Sachsen GmbH Dresden – Germany	F	100
Peugeot Schwaben GmbH Stuttgart – Germany	F	100
Peugeot Weser-Ems GmbH Bremen – Germany	F	100
Peugeot Mainz Wiesbaden GmbH Wiesbaden – Germany	F	100
Peugeot Automobili Italia S.p.A. Milan – Italy	F	100
Peugeot Milan Milan – Italy	F	100
Peugeot Gianicolo S.p.A. Rome – Italy	F	100
Robins & Day Ltd Coventry – United Kingdom	F	100
Boomcite Ltd Coventry – United Kingdom	F	100
Aston Line Motors Ltd Coventry – United Kingdom	F	100

F : Fully consolidated - E : Accounted for by the equity method

Company	F/E	% Consolidated
Melvin Motors (Bishopbriggs) Ltd Coventry – United Kingdom	F	100
Warwick Wright Motors Chiswick Ltd Coventry – United Kingdom	F	100
Rootes Ltd Coventry – United Kingdom	F	100
Peugeot España S.A. Madrid – Spain	F	100
Hispanomocion S.A. Madrid – Spain	F	100
Peugeot Portugal Automoveis S.A. Lisbon – Portugal	F	100
Peugeot Portugal Automoveis Distribução Lisbon – Portugal	F	99
Peugeot (Suisse) S.A. Berne – Switzerland	F	100
Lowen Garage AG Berne – Switzerland	F	97
Peugeot Austria GmbH Vienna – Austria	F	100
Peugeot Autohaus GmbH Vienna – Austria	F	100
Peugeot Citroën Rus Moscow – Russia	F	100
Peugeot Polska S.p.z.o.o. Warsaw – Poland	F	100
Peugeot Ceska Republica s.r.o. Prague – Czech Republic	F	100
Peugeot Slovakia s.r.o. Bratislava – Slovakia	F	100
Peugeot Hungaria Kft Budapest – Hungary	F	100
Peugeot Slovenija d.o.o. P.z.d.a. Ljubljana – Slovenia	F	100
Peugeot Hrvatska d.o.o. Zagreb – Croatia	F	100
Peugeot Otomotiv Pazarlama AS – Popas Istanbul – Turkey	F	100
Tekoto Motorlu Tastlar Istanbul Istanbul – Turkey	F	100
Tekoto Motorlu Tastlar Ankara Ankara – Turkey	F	100
Tekoto Motorlu Tastlar Bursa Bursa – Turkey	F	100
Peugeot Algérie S.p.A. Algiers – Algeria	F	100
Stafim Tunis – Tunisia	E	34
Stafim – Gros Tunis – Tunisia	E	34
Peugeot Chile Santiago de Chile – Chile	F	97
Automotores Franco Chilena S.A. Santiago de Chile – Chile	F	100
Peugeot Mexico S.A. de CV Mexico City – Mexico	F	100
Servicios Auto. Franco Mexicana Mexico City – Mexico	F	100

F : Fully consolidated - E : Accounted for by the equity method

Company	F/E	% Consolidated
Peugeot Citroën Japan KK Co Ltd Tokyo – Japan	F	100
Peugeot Tokyo Tokyo – Japan	F	100
Peugeot Motors South Africa Ltd Johannesburg – South Africa	F	100
Automobiles Citroën Paris – France	F	100
Société Commerciale Citroën Paris – France	F	100
Citroën Champ de Mars Paris – France	F	100
Citroën Dunkerque Paris – France	F	100
Citer Paris – France	F	98
Société Nouvelle Armand Escalier Antibes – France	F	100
Centrauto Sarcelles – France	F	100
Prince S.A. Aulnay-Sous-Bois – France	F	100
Citroën Argenteuil Bois-Colombes – France	F	100
Citroën Orléans Olivet-La-Source – France	F	100
Cie Picarde de Logistique Automobile Beauvais – France	F	98
Citroën Belux S.A. – N.V. Brussels – Belgium	F	100
Citroën Nederland B.V. Amsterdam – Netherlands	F	100
Citroën Deutschland AG Cologne – Germany	F	100
Citroën Frankfurt GmbH Frankfurt – Germany	F	100
Citroën Commerce GmbH Cologne – Germany	F	100
Citroën Italia S.p.A. Milan – Italy	F	100
Citroën U.K.Ltd Coventry – United Kingdom	F	100
Citroën Sverige AB Vallingby – Sweden	F	100
Citroën Danmark A/S Copenhagen – Denmark	F	100
Citroën Norge A/S Skaarer – Norway	F	100
Citroën (Suisse) S.A. Geneva – Switzerland	F	100
Citroën Osterreich GmbH Vienna – Austria	F	100
Automoveis Citroën S.A. Lisbon – Portugal	F	100
Automoviles Citroën España Madrid – Spain	F	100
Comercial Citroën S.A. Madrid – Spain	F	97

F : Fully consolidated - E : Accounted for by the equity method

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Company	F/E	% Consolidated
Autotransporte Turistico Espanol S.A. (Atesa) Madrid – Spain	F	99
Garaje Eloy Granollers S.A. Granollers – Spain	F	99
Motor Talavera Talavera – Spain	F	100
Rafael Ferriol S.A. Alboraya – Spain	F	99
Citroën Hungaria Kft Budapest – Hungary	F	100
Citroën Polska S.p.z.o.o. Warsaw – Poland	F	100
Citroën Slovenija d.o.o. Komer – Slovenia	F	100
Citroën – Hrvatska d.o.o. Zagreb – Croatia	F	100
Citroën Slovakia s.r.o. Brastislava – Slovakia	F	100
Citroën Ceska Republica s.r.o. Prague – Czech Republic	F	100
Citroën Romania s.r.l. Bucharest – Romania	F	100
Citroën do Brasil São Paulo – Brazil	F	51
ÉQUIPEMENT AUTOMOBILE		
Faurecia Boulogne-Billancourt – France	F	71
Faurecia Investments Boulogne-Billancourt – France	F	71
Financière Faurecia Boulogne-Billancourt – France	F	71
Société Foncière pour l'Équipement Automobile SFEA Boulogne-Billancourt – France	F	71
Faurecia Sièges d'Automobile SAS Boulogne-Billancourt – France	F	71
Faurecia Systèmes d'Échappement Boulogne-Billancourt – France	F	71
Bleriot Investissements Boulogne-Billancourt – France	F	71
Faurecia Services Groupe Boulogne-Billancourt – France	F	71
Faurecia Global Purchasing Boulogne-Billancourt – France	F	71
Faurecia Cooling System Boulogne-Billancourt – France	F	71
Siemar Sandouville – France	F	71
Faurecia Industries Boulogne-Billancourt – France	F	71
Trecia Etupes – France	F	71
Siebret Redon – France	F	71
Sielest Pulversheim – France	F	71
Siedoubs Montbeliard – France	F	71

F : Fully consolidated - E : Accounted for by the equity method

Company	F/E	% Consolidated
Sienor Lieu Saint Amand – France	F	71
Sieval Boulogne-Billancourt – France	F	71
Sieto Somain – France	F	71
Société de Textile de l'Ostrevant Sotexo Somain – France	F	71
Ecsa – Études et Construction de Sièges pour l'automobile Crevin – France	F	71
EAK – Composants pour l'Automobile S.A.S Valentigney – France	F	36
EAK – Composants pour l'Automobile SNC Valentigney – France	F	36
Faurecia Automotive Holdings Nanterre – France	F	71
Faurecia Bloc Avant Nanterre – France	F	71
Faurecia Intérieur Industrie SNC Nanterre – France	F	71
Faurecia Exhaust International Nanterre – France	F	71
Faurecia Automotive Industrie SNC Nanterre – France	F	71
Automotive Sandouville Nanterre – France	F	71
Cockpit Automotive Systems Douai Douai – France	E	36
SAS Automotive France Nanterre – France	E	36
Ste Automobile du Cuir de Vesoul Vesoul – France	F	71
Société Internationale de Participations S.I.P. Brussels – Belgium	F	71
Faurecia Industrie N.V. Ghent – Belgium	F	71
SAS Automotive N.V. Ghent – Belgium	F	71
Faurecia Ast Luxembourg S.A. Eselborn – Luxembourg	F	71
Faurecia Autositze GmbH & Co KG Stadthagen – Germany	F	71
Faurecia Kunstoffe Automobilsysteme GmbH Ingolstadt – Germany	F	71
Faurecia Abgastechnik GmbH Furth – Germany	F	71
Leistritz Abgastechnik Stollberg GmbH Pfaffenhain – Germany	F	71
Faurecia Automotive GmbH Frankfurt – Germany	F	71
Faurecia Innenraum Systeme GmbH Hagenbach – Germany	F	71
Industriepark Sassenburg GmbH Sassenburg – Germany	F	71
Sas Autosystemtechnik GmbH & Co KG Karlsrühe – Germany	E	36
Sas Autosystemtechnik Verwaltung GmbH Karlsrühe – Germany	E	36

F : Fully consolidated - E : Accounted for by the equity method

Company	F/E	% Consolidated
Faurecia Netherlands Holding B.V. Roermond – Netherlands	F	71
Faurecia Automotive Seating B.V. Roermond – Netherlands	F	71
Faurecia Exhaust Systems AB Torsas – Sweden	F	71
Faurecia Interior Systems Sweden AB Torsas – Sweden	F	71
United Parts Exhaust Systems AB Torsas – Sweden	F	71
Faurecia Asientos Para Automovil España S.A. Madrid – Spain	F	71
Asientos de Castilla Leon S.A. Madrid – Spain	F	71
Asientos de Galicia SL Vigo – Spain	F	71
Asientos Del Norte S.A. Vitoria – Spain	F	71
Industrias Cousin Frères SL Burlada – Spain	F	36
Tecnoconfort Pampelona – Spain	F	36
Faurecia Sistemas de Escape España S.A. Vigo – Spain	F	71
Faurecia Automotive España SL Madrid – Spain	F	71
Faurecia Interior Systems España S.A. Valencia – Spain	F	71
Faurecia Interior Systems Salc España SL Valencia – Spain	F	71
Cartera E Inversiones Enrich S.A. Madrid – Spain	F	71
Componentes de Vehiculos de Galicia Porrino – Spain	E	36
Copo Iberica Vigo – Spain	E	36
Sas Autosystemtechnick S.A. Pampelona – Spain	E	36
Valencia Modulos de Puerta SL Valencia – Spain	F	71
Faurecia Assentos de Automovel Limitada São João da Madeira – Portugal	F	71
Faurecia Sistemas de Escape Portugal Lda Concelho de Braganca – Portugal	F	71
Sasal São João da Madeira – Portugal	F	71
Vanpro Assentos Lda Palmela – Portugal	E	36
Faurecia Sistemas de Interior Portugal Componentes Para Automovel S.A. Palmela – Portugal	F	71
Sas Autosystemtechnik de Portugal Unipessoal Ltda Palmela – Portugal	E	36
Eda – Estofagem de Assentos Lda Palmela – Portugal	F	71
Faurecia Automotiv Seating UK Ltd Coventry – United Kingdom	F	71

F : Fully consolidated - E : Accounted for by the equity method

Company	F/E	% Consolidated
Faurecia Midlands Ltd Coventry – United Kingdom	F	71
Sai Automotive Fradley Ltd Fradley – United Kingdom	F	71
SAI Automotive Washington Ltd Washington – United Kingdom	F	71
SAS Automotive Ltd Oxfordshire – United Kingdom	F	71
Faurecia Fotele Samachodowe S.p.z.o.o. Grojec – Poland	F	71
Faurecia Walbrzych S.p.z.o.o. Walbrzych – Poland	F	71
Faurecia Gorzow S.p.z.o.o. Gorzow – Poland	F	71
Faurecia Legnica S.p.z.o.o. Legnicza – Poland	F	71
Faurecia Systemy Kierownicze S.p.z.o.o. Walbrzych – Poland	F	71
Faurecia Seating Talmaciu s.r.o. Romania	F	71
Euro Auto Plastik Mioveni – Romania	F	71
Faurecia Technoplast Automotive Nijni Novgorod – Russia	F	43
Arced d.o.o. Novo Mesto – Slovenia	E	36
Faurecia Interior Systems Bratislava s.r.o. Bratislava – Slovakia	F	71
Faurecia Slovakia s.r.o. Bratislava – Slovakia	F	71
Faurecia Leather Kosice s.r.o. Bratislava – Slovakia	F	71
SAS Automotive s.r.o. Bratislava – Slovakia	F	36
Faurecia Magyarorszag Kipufogo – Rendszer Kft Vasvar – Hungary	F	71
Faurecia Exhaust Systems s.r.o. Bakov – Czech Republic	F	71
Faurecia Lecotex AS Tabor – Czech Republic	F	71
Faurecia Interior Systems Bohemia s.r.o. Mlada Boleslav – Czech Republic	F	71
Sas Autosystemtechnik s.r.o. Mlada Boleslav – Czech Republic	E	36
Faurecia Components Pisek Mlada Boleslav – Czech Republic	F	71
Faurecia Automotive Czech Republic Mlada Boleslav – Czech Republic	F	71
Faurecia Équipement Automobile Maroc Kenitra – Morocco	F	71
Teknik Malzeme Ticaret Ve Sanayi A.S. Bursa – Turkey	E	36
Faurecia Polifleks Otomotiv Sanayi Ve Ticaret A.S. Istanbul – Turkey	F	71
Société Tunisienne D'équipements Automobiles Ben Arous – Tunisia	F	71
Faurecia Azin Pars Kianabane Bronze – Iran	F	71

F : Fully consolidated - E : Accounted for by the equity method

Company	F/E	% Consolidated
A I Manufacturers Port Elizabeth – South Africa	F	71
Faurecia Automotive Seating Canada Ltd Mississauga – Canada	F	71
Faurecia Canada Investment Company Montreal – Canada	F	71
Faurecia Usa Holdings Inc. Wilmington – United States	F	71
Faurecia Automotive Seating Inc. Troy – United States	F	71
Faurecia Exhaust Systems Inc. Wilmington – United States	F	71
Faurecia Interior Systems USA Detroit Inc. Detroit – United States	F	71
SAS Automotive USA Inc. Michigan – United States	E	36
Faurecia Automotive do Brasil Ltda Quatro-Barras – Brazil	F	71
Faurecia Sistemas de Escapamento do Brasil Ltda São Paulo – Brazil	F	71
SAS Automotive do Brasil Ltda São Jose Dos Pinhais Pr – Brazil	E	36
Faurecia Sistemas de Escape Argentina S.A. Buenos Aires – Argentina	F	71
Faurecia Argentina Buenos Aires – Argentina	F	71
SAS Automotriz Argentina S.A. Buenos Aires – Argentina	E	36
Faurecia Duroplast Mexico S.A. de CV Puebla – Mexico	E	36
Servicios Corporativos de Personal Especializado S.A.De Cv Puebla – Mexico	F	36
Faurecia Interior Systems Mexico S.A. de CV Mexico City – Mexico	F	71
Faurecia Exhaust Mexicana S.A. de CV Mexico City – Mexico	F	71
Exhaust Services Mexicana S.A. de CV Mexico City – Mexico	F	71
SAS Auto Systems S.A. de CV Mexico City – Mexico	E	36
SAS Auto Systems & Services Mexico City – Mexico	E	36
Faurecia Japon KK Tokyo – Japan	F	71
Faurecia Nhk Co Ltd Tokyo – Japan	E	36
Faurecia Nhk Kyushu Ltd Tokyo – Japan	E	36
Cfxas – Changchun Faurecia Xuyang Automotive Seating Co Ltd Changchun – China	F	43
Faurecia (Shanghai) Automotive Systems China	F	71
Scheesc – Shanghai Honghu Ecia Exhaust Systems Company Ltd Sanghai – China	F	36
Faurecia Tongda Exhaust System (Wuhan) Co Ltd Wuhan – China	F	36
Faurecia Exhaust Systems Changchun Changchun – China	F	36

F : Fully consolidated - E : Accounted for by the equity method

Company	F/E	% Consolidated
Faurecia (Wuxi) Seating Components Co Ltd Wuxi – China	F	71
Faurecia Gsk (Wuhan) Automotive Seating Co Ltd Wuhan – China	F	36
Faurecia (Changchun) Automotive Systems Co Ltd Changchun – China	F	71
Faurecia (Shanghai) Managementy Cy Ltd Shanghai – China	F	71
Faurecia Shanghai Business Consulting Cy Shanghai – China	F	71
Faurecia Exhaust Systems Qingdao Shanghai – China	F	71
Faurecia (Wuhu) Exhaust Systems Wuhu – China	F	71
Daeki Faurecia Corp Shiheung City – South Corea	F	71
Kwang Jing Faurecia Shiheung City – South Corea	E	36
Fesk – Faurecia Exhaust System Korea Shiheung City – South Corea	F	71
Faurecia Trim Korea Shiheung City – South Corea	F	71
Faurecia Automotive Seating India Private Ltd Bangalore – Inde	F	71
Peugeot Exhaust Systems Rayong Bangkok – Thailand	F	71
Faurecia Exhaust Systems South Africa (Pty) Ltd Johannesburg – South Africa	F	71
Faurecia Interior Systems South Africa (Pty) Ltd Port Elisabeth – South Africa	F	71
SAS Automotive R.S.A. (Pty) Ltd Port Elisabeth – South Africa	E	36
TRANSPORTATION AND LOGISTICS DIVISION		
Gefco Courbevoie – France	F	100
Gefco Benelux S.A. Ath – Belgium	F	100
Gefco Deutschland GmbH Morfelden – Germany	F	100
Gefco Suisse S.A. Fahy – Switzerland	F	99
Gefco Osterreich GmbH Vienna – Austria	F	100
Gefco Italia S.p.A. Milan – Italy	F	100
Gefco U.K. Ltd London – United Kingdom	F	100
Gefco España S.A. Madrid – Spain	F	100
Gefco Portugal Transitarios Ltd Lisbon – Portugal	F	100
LLC Gefco (Cis) Moscow – Russia	F	100
Gefco Polska S.p.z.o.o. Warsaw – Poland	F	100
Gefco Ceska Republica s.r.o. Prague – Czech Republic	F	100

F : Fully consolidated - E : Accounted for by the equity method

Company	F/E	% Consolidated
Gefco Slovakia s.r.o. Bratislava – Slovakia	F	100
Gefco Romania Bucharest – Romania	F	100
Gefco Hongrie Budapest – Hungary	F	100
Gefco Prevoznistvo In Logistica Koper – Slovenia	F	100
Algai Moscow – Russia	F	51
Gefco Tasimacilik Ve Lojistik AS Istanbul – Turkey	F	100
Gefco Tunisie Tunis – Tunisia	E	50
Gefco Maroc Casablanca – Morocco	F	100
Gefco Participações Ltda Rio de Janeiro – Brazil	F	100
Gefco Do Brasil Ltda Rio de Janeiro – Brazil	F	100
Gefco Argentina S.A. Buenos Aires – Argentina	F	100
Gefco Dtw Logistics Co. Ltd Beijin – China	E	50
Gefco Hong Kong Hong Kong – China	F	100
FINANCE COMPANIES		
Banque PSA Finance Paris – France	F	100
Société Financière de Banque – Sofib Levallois-Perret – France	F	100
Sofira – Société de Financement Des Réseaux Automobiles Levallois-Perret – France	F	100
Société Nouvelle de Développement Automobile – SNDA Paris – France	F	100
Sas Financière Greffhule Paris – France	F	100
Compagnie Générale de Crédit Aux Particuliers – Crédipar Levallois-Perret – France	F	100
Gie Foncier Crédipar Levallois-Perret – France	F	100
Dicoma Gestion Levallois-Perret – France	F	100
Compagnie Pour La Location de Véhicules – CLV Levallois-Perret – France	F	100
PSA Finance Belux Brussels – Belgium	F	100
PSA Finance SCS Luxembourg – Luxembourg	F	100
PSA Finance Nederland B.V. Rotterdam – Netherlands	F	100
PSA Financial Holding B.V. Rotterdam – Netherlands	F	100
Peugeot Finance International N.V. Rotterdam – Netherlands	F	100
FCC Auto Abs – Compartiment 2004.01 Frankfurt – Germany	F	100

F : Fully consolidated - E : Accounted for by the equity method

Company	F/E	% Consolidated
FCC Auto Abs – Compartiment Locatif 2006.01 Frankfurt – Germany	F	100
FCC Auto Abs – Compartiment 2007.01 Frankfurt – Germany	F	100
FCC Auto Abs – Compartiment 2008.01 Paris – France	F	100
PSA Factor Italia S.p.A. Milan – Italy	F	100
PSA Renting Italia S.p.A. Milan – Italy	F	100
Spv Auto Italy 2007 Milan – Italy	F	100
PSA Wholesale Ltd London – United Kingdom	F	100
PSA Finance Plc London – United Kingdom	F	50
Vernon Wholesale Investments Co. Ltd London – United Kingdom	F	100
PSA Finance Suisse S.A. Ostermudigen – Switzerland	F	100
PSA Gestão Comercio e Aluger de Veiculos Lisbon – Portugal	F	97
PSA Finance Polska Warsaw – Poland	F	100
PSA Finance Hungaria Rt Budapest – Hungary	F	100
PSA Finance Ceska Republika s.r.o. Prague – Czech Republic	F	100
PSA Finance Slovakia s.r.o. Bratislava – Slovakia	F	100
BPF Financiranje d.o.o. Ljubljana – Slovenia	F	100
BPF Algérie Algiers – Algeria	F	100
BPF Pazarlama A.H.A.S. Istanbul – Turkey	F	100
Banco PSA Finance Brasil S.A. São Paulo – Brazil	F	100
PSA Finance Arrendamiento Comercial São Paulo – Brazil	F	100
PSA Finance Argentina S.A. Buenos Aires – Argentina	F	50
BPF Mexico S.A. de CV Mexico City – Mexico	F	100
Dongfeng Peugeot Citroën Automobile Finance Company Wuhan – China *Of which 12.5% held through Dongfeng Peugeot Citroën Automobile*	E	37,5

F : Fully consolidated - E : Accounted for by the equity method

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20.4 Financial Statements of Peugeot S.A. for the Year Ended December 31, 2008

➜ 20.4.1 Statutory Auditors' Report on the Financial Statements of Peugeot S.A.

Year ended 31 December 2008

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2008, on:

- the audit of the accompanying financial statements of Peugeot S.A.;
- the justification of our assessments;
- the specific verifications and information required by law.

The financial statements have been approved by the Managing Board. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the financial position and assets and liabilities of the Company as of 31 December 2008, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

Without qualifying our opinion, we draw your attention to the matter set out in Note 1J to the financial statements, which specifies the impact of the first-time application at 1 January 2008 of standard CRC 2008-15 of the French Accounting Standards Committee (*Comité de la Réglementation Comptable*) relating to stock option plans.

II - Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

CHANGES IN ACCOUNTING METHOD

As part of our assessment of the accounting rules and principles applied by your Company, we ensured that the above-mentioned change in accounting method and the presentation thereof in the financial statements was appropriate.

ACCOUNTING RULES, PRINCIPLES AND ESTIMATES

At each balance sheet date, the Company determines the value in use of its investments using the methods described in notes 1C, 1D and 1F to the financial statements, and sets aside a provision for impairment when the carrying amount exceeds value in use, as described in notes 3, 5 and 7 to the financial statements. As part of our assessment of the accounting principles applied and significant estimates made to prepare the financial statements, we verified the appropriateness of the accounting methods described in the financial statements and correct application thereof, as well as the reasonableness of the underlying estimates.

These assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verifications and information

We have also performed the specific verifications required by law.

We have no matters to report regarding:

- the fair presentation and conformity with the financial statements of the information given in the management report of the Managing Board, and in the documents addressed to shareholders with respect to the financial position and the financial statements;
- the fair presentation of the information provided in the management report of the Managing Board in respect of remuneration granted to certain corporate officers and any other commitments made in their favour in connection with, or subsequent to, their appointment, termination or change in function, in view of the clarifications provided by reference to the management report of the listed company Foncière, Financière et de Participations (FFP) on the remuneration and benefits paid by the companies of the Peugeot family group to certain corporate officers of your Company.

In accordance with the law, we have verified that the management report contains the appropriate disclosures regarding acquisitions of investments and controlling interests, the identity of shareholders and holders of voting rights.

Neuilly-sur-Seine and Courbevoie, 21 April 2009

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Pierre Riou	Loïc Wallaert

➜ 20.4.2 Peugeot S.A. Financial Review

As the holding company of the PSA Peugeot Citroën Group, Peugeot S.A. does not carry out any manufacturing or sales activities. It performs senior management, oversight and supervisory functions for Group companies and provides services for which it receives a flat fee. The fee is invoiced to direct Peugeot S.A. subsidiaries, based on the consolidated sales and revenue of the division concerned.

Peugeot S.A.'s assets correspond to:

- Equity investments in direct subsidiaries.
- Office buildings leased to subsidiaries.

Peugeot S.A. is also head of a tax group set up with its more than 95%-owned subsidiaries in France.

Income statement

Operating income

Revenue – which mainly comprises management fees received from the main subsidiaries as well as rental income – amounted to €102 million in 2008, versus €99 million in 2007 and €89 million in 2006. The management fees, which totalled €88 million in 2008, unchanged from the previous year, are calculated as a percentage of the sales and revenue of the operating divisions and cover the operating expenses incurred by the Company for its senior management functions. Rental income came to €7 million in 2008, compared with €5 million in 2007.

Operating expenses were €83 million, versus €89 million in 2007 and €85 million in 2006, and corresponded primarily to payroll costs.

The Company ended the year with overall operating income of €20 million compared with €10 million in 2007 and €5 million in 2006.

Financial income and expenses

Financial income primarily comprises dividends received from subsidiaries and affiliates, which came to €420 million in 2008 (€641 million in 2007 and €627 million in 2006).

Other financial income totalled €121 million, up from the €103 million recorded in 2007 and the €62 million for 2006, and other financial expenses amounted to €39 million (€13 million in 2007 and €11 million in 2006).

Charges to financial provisions came to €615 million in 2008 (€282 million in 2007 and €114 million in 2006) and mainly corresponded to provisions for impairment in value of shares in subsidiaries and affiliates (see Note 3 B to the company financial statements).

Total net financial expense stood at €89 million versus net financial income of €449 million in 2007 and €565 million in 2006.

Net profit

Taking into account the net income tax benefit of €122 million corresponding to group relief, Peugeot S.A. reported €48 million in net profit for 2008, compared with €526 million and €748 million for 2007 and 2006 respectively.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Balance sheet

Assets

Shares in subsidiaries and affiliates, which make up the majority of the Company's non-current assets, amounted to a gross €5,537 million at 31 December 2008 (€5,494 million at 31 December 2007). Provisions for impairment in value of shares in subsidiaries and affiliates stood at €889 million at end-December 2008 versus €452 million one year earlier. Movements in these provisions in 2008 are described in Note 3 B to the company financial statements.

After deducting these provisions, the net value of shares in subsidiaries and affiliates stood at €4,648 million at 31 December 2008 versus €5,043 million and €5,214 million at 31 December 2007 and 2006 respectively.

Current assets primarily correspond to (i) cash equivalents which amounted to €3,026 million at 31 December 2008 against €2,736 million and €2,178 million at 31 December 2007 and 2006 respectively (see Note 8 to the company financial statements) as well as (ii) marketable securities (including treasury shares) which totalled €170 million at December 31, 2008 (see Note 7). Of the 7,188,214 shares held in treasury at 31 December 2008, 6,527,907 are for allocation on exercise of stock options and 660,307 are being held for subsequent allocation. During 2008, the Company bought back 1,345,000 Peugeot S.A. shares using the authorisation granted by shareholders at the 28 May 2008 General Meeting. All of these shares were purchased for allocation on exercise of stock options.

Liabilities and stockholders' equity

Before the appropriation of net profit for the year, total stockholders' equity was €7,290 million at end-2008 (€7,621 million and €7,421 million at 31 December 2007 and 2006 respectively). At its meeting on 21 April 2009, the Supervisory Board decided not to recommend the payment of a dividend for 2008.

Following a decision by the Managing Board on 17 July 2008, based on an authorisation given by shareholders on 28 May 2008, 231,500 treasury shares were cancelled in July 2008.

Provisions for contingencies and charges came to €734 million compared with €627 million at end-December 2008 and €327 million at end-December 2006 (see Note 6 to the company financial statements). As explained in Note 11, these provisions chiefly correspond to tax savings realised by Peugeot S.A. that may have to revert to companies in the tax group if those companies subsequently return to profit.

Long- and short-term debt amounted to €37 million at 31 December 2008, versus €13 million one year earlier and €11 million at end-December 2006.

Other liabilities included €160 million due to the Company's main French subsidiaries under the group relief agreement.

20.4.3 Income Statements

(in € millions)	2008	2007	2006
Revenue	102.1	98.9	89.2
Operating expenses	(82.6)	(89.1)	(84.6)
Operating income (Note 15)	**19.5**	**9.8**	**4.6**
Investment income	419.5	641.1	626.7
Other financial income	121.3	102.6	62.3
Financial provision reversals and expense transfers	24.4	-	-
Financial income	565.2	743.7	689.0
Charges to financial provisions	(615.3)	(281.8)	(113.5)
Other financial expenses	(38.6)	(12.9)	(11.0)
Financial expenses	(653.9)	(294.7)	(124.5)
Net financial income (expense)	(88.7)	449.0	564.5
Recurring income (loss) before tax	**(69.2)**	**458.8**	**569.1**
Non-recurring income	2.9	9.3	49.2
Non-recurring expenses	(7.9)	(10.3)	(1.3)
Net non-recurring income (expense)	(5.0)	(1.0)	47.9
Income tax benefit (expense) (Note 17)	**121.7**	**67.8**	**130.7**
NET PROFIT FOR THE YEAR	**47.5**	**525.6**	**747.7**

➜ 20.4.4 Cash Flow Statements

(in € millions)	2008	2007	2006
Net profit for the year	47.5	525.6	747.7
Net change in provisions	718.6	467.9	149.8
Net gains on disposals of fixed assets	-	(4.6)	(1.0)
Other non-recurring items	-	-	(47.2)
Working capital provided by operations	766.1	988.9	849.3
Change in working capital requirement	136.5	(75.6)	54.8
Net cash from (used in) operating activities	902.6	913.3	904.1
Acquisitions of intangible assets and property and equipment	-	-	-
Proceeds from disposals of shares in subsidiaries and affiliates	-	-	-
Purchases of shares in subsidiaries and affiliates	(1.5)	-	(3.2)
Net cash from (used in) investing activities	(1.5)	-	(3.2)
Dividends paid	(342.3)	(308.9)	(309.3)
(Purchases)/sales of Peugeot S.A. shares	(43.5)	(21.0)	(38.8)
Increase/(decrease) in other long-term debt	-	(0.8)	(69.2)
(Increase)/decrease in long-term loans and receivables	(225.1)	(37.2)	(72.2)
Change in other financial assets and liabilities	3.0	10.0	-
Net cash from (used in) financing activities	(607.9)	(357.9)	(489.5)
Net increase/(decrease) in cash and cash equivalents	293.2	555.4	411.4
Cash and cash equivalents at beginning of period	2,726.8	2,171.4	1,760.0
Cash and cash equivalents at end of period	3,020.0	2,726.8	2,171.4
Breakdown of cash and cash equivalents at end of period			
Cash equivalents (Note 8)	3,019.7	2,727.3	2,171.3
Cash	0.3	0.3	0.3
Bank overdrafts	-	(0.8)	(0.2)
TOTAL	**3,020.0**	**2,726.8**	**2,171.4**

➜ 20.4.5 Balance Sheets at December 31, 2008

Assets

	2008			2007	2006
(in € millions)	Gross	Depreciation/ amortisation & provisions	Net	Net	Net
Intangible assets	0.1	-	0.1	0.1	0.1
Property and equipment	35.0	(26.9)	8.1	8.1	8.2
Investments					
Shares in subsidiaries and affiliates (Note 3)	5,537.4	(889.8)	4,647.6	5,042.5	5,214.0
Advances to subsidiaries and affiliates (Note 4)	225.4	(31.0)	194.4	-	21.0
Other investments (Note 5)	-	-	-	262.6	262.4
Long-term loans and receivables	2.1	(1.0)	1.1	1.1	0.9
	5,764.9	(921.8)	4,843.1	5,306.2	5,498.3
Total non-current assets (Note 2)	**5,800.0**	**(948.7)**	**4,851.3**	**5,314.4**	**5,506.6**
Current assets					
Receivables and prepayments to suppliers	206.5	-	206.5	222.5	122.1
Marketable securities (Note 7)	381.3	(211.5)	169.8	81.5	91.5
Cash equivalents (Note 8)	3,025.9	-	3,025.9	2,736.2	2,177.9
Cash	0.3	-	0.3	0.3	0.3
Total current assets	**3,614.0**	**(211.5)**	**3,402.5**	**3,040.5**	**2,391.8**
Prepaid expenses	0.2	-	0.2	0.2	0.2
TOTAL ASSETS	**9,414.2**	**(1,160.2)**	**8,254.0**	**8,355.1**	**7,898.6**

Liabilities and stockholders' equity

(in € millions)	2008	2007	2006
Stockholders' equity			
Share capital (Note 9)	234.0	234.3	234.6
Revaluation reserve	444.8	469.2	469.2
Other reserves			
Reserves and retained earnings	6,563.1	6,390.9	5,968.6
Net profit for the year	47.5	525.6	747.7
Untaxed provisions	0.7	0.7	0.7
Total stockholders' equity (Note 10)	**7,290.1**	**7,620.7**	**7,420.8**
Provisions for contingencies and charges (Note 6)	734.5	626.8	396.9
Long- and short-term debt			
Long- and short-term debt	37.3	13.0	10.7
	37.3	13.0	10.7
Payables			
Trade payables	2.2	2.0	1.9
Accrued taxes and payroll costs	22.5	24.4	24.5
	24.7	26.4	26.4
Due to suppliers of fixed assets (Note 3.A)	4.5	-	-
Other liabilities	162.9	68.2	43.8
Total liabilities	**229.4**	**107.6**	**80.9**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**8,254.0**	**8,355.1**	**7,898.6**

→ 20.4.6 Notes to the Financial Statements for the year ended December 31, 2008

The following disclosures constitute the notes to the balance sheet at December 31, 2008, which shows total assets of €8,254 million, and to the income statement for the year then ended, which shows a profit of €47.5 million.

The financial statements cover the twelve-month period from January 1 to December 31, 2008.

Notes 1 to 24 below are an integral part of the financial statements. All amounts are in million euros.

The financial statements were approved for publication by the Managing Board on February 5, 2009.

These financial statements are included in the consolidated financial statements of the PSA PEUGEOT Citroën Group.

Note 1 Summary of significant accounting policies

The financial statements have been prepared on a going concern basis in line with the true and fair value principle, as supported by the fundamental principles of prudence, consistent application of accounting policies and segregation of accounting periods. They also comply with the preparation and presentation rules set out in France's *Plan Comptable Général* (PCG) 99-03, as amended by the standards issued by the *Comité de la Réglementation Comptable* ("CRC").

Items recorded in the accounts are stated in accordance with the historical cost convention.

The main accounting policies applied are as follows:

A. Intangible assets

This item consists of the Panhard and Panhard & Levassor brands, which are stated at acquisition cost. The brands are not amortised.

B. Property and equipment

Property and equipment are stated at acquisition cost, including incidental expenses but excluding transaction costs. As an exception to this principle, assets acquired before December 31, 1976 that were included in the legal revaluation are stated at valuation.

Depreciation is calculated on a straight-line basis over the assets' estimated useful lives. Depreciation is recorded in the balance sheet as a deduction from the assets' carrying amount and in the income statement under "Depreciation expense".

The main useful lives are as follows:

- buildings 20-30 years;
- fixtures and fittings 10 years;
- office furniture 10 years.

C. Shares in subsidiaries and affiliates

Effective from 2007, the cost of shares in subsidiaries and affiliates includes transaction costs.

In prior years, these investments were stated at purchase cost excluding transaction costs, except for investments acquired before December 31, 1976 that were included in the legal revaluation.

At each period-end, the value in use of shares in subsidiaries and affiliates is estimated, based generally on the Company's equity in the underlying net assets and the investee's earnings outlook. For investees that are included in the consolidated financial statements of the PSA PEUGEOT CITROËN Group, net assets correspond to consolidated or restated net assets determined in accordance with International Accounting Standards and International Financial Reporting Standards. In the case of a prolonged decline in the value in use of an investment to below cost, a provision is recorded for the difference. If an investment has a negative value in use and circumstances warrant it, a provision for contingencies is booked.

D. Other investments

In accordance with standard CRC 2008-15 dated December 4, 2008, Peugeot S.A. shares purchased under stockholder-approved buyback programmes are recorded in either "Other investments" or "Marketable securities" depending on the purpose for which they were acquired. In prior years, all such shares were recorded in "Other investments".

Peugeot S.A. shares are stated at the lower of cost and market, unless they are intended to be cancelled.

Shares intended to be cancelled are reclassified as a separate component of "Other investments" at their net book value on the date their cancellation is decided by the Managing Board. Once they have been reclassified, no impairment losses are recorded and they are maintained at their net book value on the reclassification date until they are cancelled.

Peugeot S.A. shares held for allocation on exercise of stock options are reclassified to "Marketable securities" on the date when their allocation is decided by the Managing Board.

When the shares were recorded in "Other investments" and stated at the lower of cost and market at the beginning of the year, they are reclassified to "Marketable securities" at that net book value.

E. Loans and receivables

Loans and receivables are stated at their nominal amount. A provision is booked to cover any probable losses.

F. Marketable securities

Peugeot S.A. shares held for allocation on exercise of stock options are recorded in "Marketable securities" as explained in Note 1.D.

The shares are allocated to separate sub-categories based on an assessment of the probability of the options being exercised.

When it is probable that the options will be exercised, a provision for expenses is recorded in liabilities if the exercise price is less than the shares' carrying amount. The probability of options being exercised is assessed separately for each individual plan, taking into account the plan's terms and conditions. Any provisions are recorded on a straight-line basis over the option vesting period. The charge is recognised in the income statement under "Payroll costs" by recording an expense transfer.

When it is not probable that the options will be exercised, the Peugeot S.A. shares are measured at the lower of cost and market.

These accounting policies comply with PCG 99-03, as amended by standard CRC 2008-15 of December 4, 2008.

Other marketable securities consist of money market securities purchased under resale agreements. Interest income on these securities is recognised in "Financial income".

G. Untaxed provisions

Untaxed provisions primarily concern reinvested capital gains on sales of shares in subsidiaries and affiliates qualifying for rollover relief under former Article 40 of France's General Tax Code.

H. Retirement obligations

Company employees are entitled to length-of-service awards payable on retirement and supplementary pension benefits under defined contribution or defined benefit plans.

The Company has not elected to recognise its retirement obligations in the balance sheet. These obligations are measured by independent actuaries and disclosed in the notes to the financial statements (Note 19).

I. Income taxes

On January 1, 2005, Peugeot S.A. and its over 95%-owned subsidiaries in France renewed their election to file a consolidated tax return, in accordance with Article 223A of France's General Tax Code.

The effects of group relief recorded in the Company's income statement comprise:

- the total income corresponding to the sum of the tax due by profitable subsidiaries;
- the net tax expense or tax benefit resulting from setting off the taxable profits and losses of the companies in the tax group;
- the income corresponding to any repayments from profitable subsidiaries to which tax savings were transferred in prior periods;
- any adjustments of income tax expense for prior periods;
- charges to provisions for tax savings to be transferred to loss-making subsidiaries (Note 11);
- charges to provisions for contingencies set up to cover the estimated net income tax expense that may be due following periodic tax audits of subsidiaries in the tax group.

J. Changes of method

Peugeot S.A. shares held by the Company are now recognised and measured in accordance with standard CRC 2008-15 of December 4, 2008.

The effects of this change of method, applied retrospectively at January 1, 2008, were as follows:

- balance sheet presentation: reclassification of all Peugeot S.A. shares held for allocation on exercise of stock options from "Other investments" to "Marketable securities";
- provisions: recognition of €203 million in impairment provisions, due to the fact that exercise of the options is not considered probable in light of the Company's share price. The provision would also have been recognised under the previous method.

There were no other changes of method during the year.

Note 2 Non-current assets at December 31, 2008

(in € millions)	Cost at January 1, 2008	Additions	Disposals	Cost at December 31, 2008	Historical cost excluding revaluations (1)
Intangible assets					
Brands	0.1	-	-	0.1	0.1
Property and equipment					
Land	8.1	-	-	8.1	5.5
Buildings					
- Freehold buildings	21.0	-	-	21.0	10.9
- Fixtures and fittings	5.8	-	-	5.8	5.0
Other	0.1	-	-	0.1	0.1
	35.0	-	-	35.0	21.5
Investments					
Shares in subsidiaries and affiliates	5,494.4	43.0		5,537.4	5,055.7
Advances to subsidiaries and affiliates	37.0	225.4	(37.0)	225.4	225.4
Other investments	271.2		(271.2)	-	-
Loans	2.0	0.1	-	2.1	2.1
	5,804.6	268.5	(308.2)	5,764.9	5,283.2
TOTAL	**5,839.7**	**268.5**	**(308.2)**	**5,800.0**	**5,304.8**

(1) 1976 legal revaluation.

Note 3 Shares in subsidiaries and affiliates

A. Cost

During the year, Peugeot S.A. participated in the following share issues by subsidiaries:

- Peugeot Motocycles, for €37 million, paid up by capitalising an advance granted in 2007;
- Société Anonyme de Réassurance Luxembourgeoise, for €6 million in cash, of which €4.5 million had not yet been paid at the year-end.

B. Fair values

1) Faurecia

The investment in Faurecia was tested for impairment at the 2008 year-end. For impairment testing purposes, the investment's value in use was estimated based on the Company's share in the sum of the values in use of all of the Faurecia sub-group's businesses, after hedging of its debt. These values in use were considered as being equal to the sum of the present values of future cash flows, based on the latest projections and a discount rate of 8.6%

The value in use determined as described above was €300 million less than the investment's historical cost. An impairment provision was therefore recorded for this amount, reducing the carrying amount of the investment from €1,263 million to €963 million or €55.70 per share.

Of the total impairment charge, €275.6 million was recognized in the income statement and €24.4 million was deducted from the revaluation reserve created at the time of the 1976 legal revaluation of Ecia shares.

The Faurecia share price on December 31, 2008 was €9.88.

A 0.5-point increase in the discount rate or a 0.5-point reduction in the growth rate to perpetuity (compared with the 1.5% rates used at December 31, 2008) would lead to a further write-down of the investment in Faurecia of €165 million and €137 million respectively. A 0.5-point decrease in the recurring income margin used to calculate the terminal value would lead to an additional €365 million write-down.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

2) Grande Armée Participations

The fair value of the investment in this subsidiary was estimated based on its net assets plus potential capital gains of €39.7 million net of tax. These potential capital gains declined during 2008, leading to the recognition of a €105.7 million impairment provision to write down the investment to the company's enterprise value of €156.8 million. After deducting the €10.6 million in dividends received from Grande Armée Participations in 2008, the net charge for the year before tax was €95.1 million.

3) Peugeot Motocycles

The investment in Peugeot Motocycles was written down in full at December 31, 2008. During the year, €19.6 million was released from the provision for additional losses, following the payment by Peugeot S.A. of a further €31 million advance on a future capital increase. At the year-end, the provision for additional losses amounted to €24.2 million, corresponding to the amount of the cash advance received from the Group.

4) Process Conception Ingénierie

During the year, €4.8 million was released from the provision for impairment in value of this investment. At the year-end, the carrying amount of the investment was €48.5 million, corresponding to the value of Peugeot S.A.'s equity in the underlying net assets.

Note 4 Advances to subsidiaries and affiliates

On November 26, 2008, Peugeot S.A. granted a €250 million line of credit to Faurecia. The facility comprises two equal tranches, one due in November 2011 which can be rolled over by Peugeot S.A. for two further one-year periods, and one due in November 2013.

It is correlated with Faurecia's €1.17 billion syndicated loan, so that the drawdowns made by Faurecia on the Peugeot S.A. line of credit are proportionate to those made on the syndicated loan, based on the same rates and periods.

At December 31, 2008, €194 million had been drawn down on the Peugeot S.A. line of credit. Accrued interest at that date amounted to €0.4 million.

The €37 million advance made to Peugeot Motocycles in 2007 was used in 2008 to underwrite a share issue by this subsidiary (Note 3.A.) Following repayment of the advance in new shares, the €37 million impairment provision carried in the balance sheet at December 31, 2007 was reclassified as a deduction from "Shares in subsidiaries and affiliates" (Note 6).

In 2008, Peugeot S.A. paid a €31 million advance to Peugeot Motocycles, to finance a future share issue. The advance was written down in full during the year (Note 6).

Note 5 Other investments

In accordance with standard CRC 2008-15 of December 4, 2008, Peugeot S.A. shares held for allocation on exercise of stock options were reclassified in the opening balance sheet from "Other investments" to "Marketable securities". The shares were reclassified at cost (€259.8 million) less the provision for contingencies carried in the opening balance sheet (€0.4 million). The €8.6 million provision for impairment of the shares carried in the balance sheet at December 31, 2007 was also reclassified.

By decision of the Managing Board on July 17, 2008, a total of 231,500 shares were cancelled, leading to a €0.3 million reduction in share capital and an €11.1 million reduction in "Other reserves".

At December 31, 2008, no Peugeot S.A. shares held for cancellation were recorded under "Other investments".

Note 6 Provisions

Type of provision (in millions of euros)	At January 1, 2008	Increases	Utilisations	Releases	Other movements	At December 31, 2008
Untaxed provisions						
Reinvested capital gains	0.7	-	-	-	-	0.7
Provisions for contingencies and charges						
Provision for transferable tax savings (Note 11)	548.5	128.7	-	-	-	677.2
Provisions for tax risks	29.6	0.5	-	(3.6)	-	26.5
Other provisions for contingencies and charges	48.7	3.4	(1.2)	(19.7)	(0.4)	30.8
	626.8	132.6	(1.2)	(23.3)	(0.4)	734.5
Provisions for impairment of investments						
Shares in subsidiaries and affiliates (Note 3.B)	451.9	405.7	-	(4.8)	37.0	889.8
Advances to subsidiaries and affiliates (Note 4)	37.0	31.0	-	-	(37.0)	31.0
Other investments (Note 5)	8.6	-	-	-	(8.6)	-
Loans	0.9	0.1	-	-	-	1.0
	498.4	436.8	-	(4.8)	(8.6)	921.8
Provisions for impairment of current assets						
Marketable securities (Note 7.A)	-	202.9	-	-	8.6	211.5
TOTAL	**1,125.9**	**772.3**	**(1.2)**	**(28.1)**	**(0.4)**	**1,868.5**
Movements classified under:						
• Operating income and expenses		-	-	(0.1)	-	
• Financial income and expenses		615.3	-	(24.4)	(0.4)	
• Non-recurring income and expenses		3.9	(1.2)	(0.4)	-	
Movements in provisions for taxes (Note 17)		128.7	-	(3.2)	-	
• On movements on the revaluation reserve (Note 3)		24.4	-	-	-	

"Other provisions for contingencies and charges" correspond primarily to the provision for losses on Peugeot Motocycles, in the amount of €24.2 million at December 31, 2008 (Note 3.B).

Note 7 Marketable securities

A. Peugeot S.A. shares

Movements for the year

Peugeot S.A. shares held at the beginning of the year for allocation on exercise of stock options were reclassified to "Marketable securities" in the opening balance sheet, at their net book value of €259.4 million (Note 5).

In line with the authorisation given at the Stockholders' Meeting of May 28, 2008, during the year the Company purchased 1,345,000 of its own shares for allocation on exercise of stock options, at a total cost of €44.3 million.

The 2008 tax base for the 10% contribution sociale tax due on stock options amounted to €11.1 million, corresponding to 25% of the value of the shares on the date of the 2008 option grants.

During the year:

- 23,000 shares with a carrying amount of €0.8 million were sold on exercise of stock options;
- 93,200 options were cancelled following the departure of the option holders from the Group, and 567,107 options granted under the 2000 and 2001 plans expired without being exercised. The corresponding shares have been earmarked for future stock option plans.

At December 31, 2008

At December 31, 2008, the Company held 7,188,214 of its own shares, with a carrying value of €302.9 million. The total includes 6,527,907 shares held for allocation under the 2002-2008 plans and 660,307 shares held for allocation under future plans.

The exercise of the stock options outstanding at December 31, 2008 was not considered probable, as the average share price for December (€12.72) was less than the options' exercise price.

The €8.6 million impairment provision at end-2007 was increased by €202.9 million to €211.5 million at December 31, 2008 to write down the shares to market value at that date.

To the extent that the options are out-of-the-money (i.e. the Peugeot S.A. average share price is less than the option exercise price), a €1 increase or decrease in the average share price would lead to a decrease or increase of around €7 million in the impairment provision.

No provision for charges was recorded at the year-end in respect of outstanding stock options.

Stock options

The characteristics of the Company's stock option plans are presented below (after adjustment for the 6-for-1 stock-split carried out in 2001 where applicable):

	Date of the Managing Board decision	Vesting date	Last exercise date	Number of initial grantees	Exercise price (in €)	Number of options granted
1999 plan	31/03/1999	31/03/2001	31/03/2007	97	20.83	462,900
2000 plan	5/10/2000	5/10/2002	4/10/2008	154	35.46	709,200
2001 plan	20/11/2001	20/11/2004	19/11/2008	147	46.86	798,600
2002 plan	20/08/2002	20/08/2005	20/08/2009	178	46.28	860,100
2003 plan	21/08/2003	21/08/2006	20/08/2011	184	39.09	996,500
2004 plan	24/08/2004	24/08/2007	23/08/2012	182	47.59	1,004,000
2005 plan	23/08/2005	23/08/2008	22/08/2013	169	52.37	953,000
2006 plan	23/08/2006	23/08/2009	22/08/2014	92	41.14	983,500
2007 plan	22/08/2007	22/08/2010	21/08/2015	169	60.43	1,155,000
2008 PLAN	**20/8/2008**	**20/8/2011**	**19/8/2016**	**194**	**33.08**	**1,345,000**

One of the vesting conditions of the stock options is generally the grantee's continued presence within the company at the vesting date.

Changes in the number of outstanding options (exercisable for €1 par value shares) during the year were as follows:

(number of options)	2008	2007	2006
At January 1	5,866,214	6,078,007	5,274,725
Options granted	1,345,000	1,155,000	983,500
Options exercised	(23,000)	(1,348,793)	(178,218)
Cancelled options	(93,200)	(18,000)	(2,000)
Expired options	(567,107)	-	-
AT DECEMBER 31	**6,527,907**	**5,866,214**	**6,078,007**
Of which options currently exercisable	3,098,907	2,811,714	3,146,507

B. Other marketable securities

The Company purchases OAT debt securities under resale agreements, to be lodged with the European Investment Bank as collateral for loans made to its subsidiaries by the bank.

These resale agreements (for renewable three-month periods) are recognised in the balance sheet under "Other marketable securities" for €78.4 million at December 31, 2008, including accrued interest of €0.4 million.

Note 8 Cash equivalents

Cash equivalents correspond to cash advances made to GIE PSA Trésorerie, manager of the cash pool for the Group's manufacturing and sales companies. The funds are immediately available to meet the Company's day-to-day cash needs and bear interest at an interest rate based on EONIA.

The cash advances are used by GIE PSA Treasury to meet the cash needs of Group subsidiaries. External investments consist of units in money market funds with a capital guarantee and a guaranteed yield, retail certificates of deposit and money market notes at overnight rates.

At December 31, 2008, advances to GIE PSA Trésorerie totalled €3,019.7 million and accrued interest on these advances amounted to €6.2 million.

Note 9 Share capital

(number of shares)	2008	2007	2006
At January 1	234,280,298	234,618,266	234,618,266
Shares cancelled during the year	(231,500)	(337,968)	-
AT DECEMBER 31	**234,048,798**	**234,280,298**	**234,618,266**

The share cancellations were decided by the Managing Board on November 22, 2007 and July 17, 2008.

At December 31, 2008, the share capital comprised 234,048,798 shares with a par value of one euro each, all fully paid.

Note 10 Changes in shareholders' equity

(in € millions)	December 31, 2007	Appropriation decided at the AGM of May 28, 2008	Share cancellations	Other movements for the year	December 31, 2008
Share capital	234.3	-	(0.3)	-	234.0
Revaluation reserve (1)					
Property and equipment	2.6	-	-	-	2.6
Shares in subsidiaries and affiliates	466.6	-	-	(24.4)	442.2
	469.2	-	-	(24.4)	444.8
Reserves and retained earnings					
Legal reserve	27.8	-	-	-	27.8
Long-term capital gains reserve	1,068.5	-	-	-	1,068.5
Other reserves	4,662.5	100.0	(11.1)	-	4,751.4
Retained earnings	632.1	83.3	-	-	715.4
	6,390.9	183.3	(11.1)	-	6,563.1
Net profit for the year	525.6	(525.6)	-	47.5	47.5
Untaxed provisions	0.7	-	-	-	0.7
TOTAL	**7,620.7**	**(342.3)(2)**	**(11.4)**	**23.1**	**7,290.1**

(1) 1976 legal revaluation.

(2) Dividend of €1.50 per share paid on 228,205,584 shares (shares held by the Company on the dividend payment date are stripped of dividend rights).

Note 11 Provision for transferable tax savings

The balance sheet at December 31, 2008 includes a €677.2 million provision for transferable tax savings. The provision corresponds to tax savings realised by Peugeot S.A. through the utilisation of the tax losses of other companies in the tax group that would be able to use the losses in future periods if they were taxed on a stand-alone basis. Consequently, it does not cover the tax losses of companies that are dormant or are not expected to generate sufficient profit in future periods. The provision will be reversed in future periods as the subsidiaries whose tax losses have been utilised return to profit.

Note 12 Maturities of receivables and payables

Receivables *(in € millions)*	**Gross**	**Due within one year**	**Due beyond one year**
Advances to subsidiaries and affiliates	225.4	0.4	225.0
Loans	2.1	-	2.1
Non-current assets	227.5	0.4	**227.1**
Other receivables and prepayments to suppliers			
- Income tax prepayments	124.6	124.6	-
- Other	81.9	81.9	-
- Total	**206.5**	**206.5**	-
Cash equivalents	3,025.9	3,025.9	
Current assets	3,232.4	3,232.4	-
Prepaid expenses	0.2	0.2	-
TOTAL	**3,460.1**	**3,233.0**	**227.1**

Payables *(in € millions)*	**Gross**	**Due within one year**	**Due beyond one year**
Long- and short-term debt	37.3	37.3	-
Payables	24.7	24.7	-
Due to suppliers of fixed assets	4.5	-	4.5
Shareholder advances	160.0	160.0	-
Other	2.9	2.9	-
Other liabilities	162.9	162.9	-
TOTAL	**229.4**	**224.9**	**4.5**

No debts or payables are due beyond five years.

Note 13 Accrued income and expenses

Accrued income and expenses included in other balance sheet items are as follows:

(in € millions)	2008	2007	2006
Accrued income			
Advances to subsidiaries and affiliates	0.4	-	-
Other receivables	1.3	2.7	1.2
Marketable securities	0.4	0.5	0.5
Cash equivalents	6.2	8.9	6.6
TOTAL	**8.3**	**12.1**	**8.3**

(in € millions)	2008	2007	2006
Accrued expenses			
Trade payables	1.5	0.8	0.9
Accrued taxes and payroll costs	15.7	18.3	14.2
Other liabilities	0.5	0.3	0.3
TOTAL	**17.7**	**19.4**	**15.4**

Note 14 Related party transactions

(in € millions)	Related party transactions(1)
Balance sheet items	
Assets	
Shares in subsidiaries and affiliates	5,537.4
Advances to subsidiaries and affiliates	225.4
Other receivables	80.0
Cash equivalents	3,025.9
Liabilities	
Long- and short-term debt	37.3
Trade payables	1.5
Due to suppliers of fixed assets	4.5
Other liabilities	161.2
Income statement items	
Financial expenses	37.3
Investment income	419.5
Other financial income	118.2

(1) Companies consolidated or accounted for by the equity method in the consolidated financial statements of the PSA PEUGEOT CITROËN Group.

Transactions with other related parties are not material.

Note 15 Revenue and operating expenses

(in € millions)	2008	2007	2006
Service revenue	97.4	93.6	88.9
Other revenue	0.1	-	-
Expense transfers	4.6	5.3	0.3
Revenue	102.1	98.9	89.2
Other purchases and external charges	(16.3)	(17.4)	(28.4)
Taxes other than on income	(5.1)	(4.4)	(5.6)
Wages and salaries	(43.9)	(47.9)	(35.0)
Payroll taxes	(15.9)	(18.2)	(14.3)
Other expenses	(1.4)	(1.2)	(1.3)
Operating expenses	(82.6)	(89.1)	(84.6)
OPERATING INCOME	**19.5**	**9.8**	**4.6**

Note 16 Revenue

Revenue breaks down as follows:

A. By business segment

(in € millions)	2008	2007	2006
Service revenue	90.8	88.6	84.0
Property rent	6.6	5.0	4.9
TOTAL	**97.4**	**93.6**	**88.9**

Service revenue consists mainly of contributions to research costs and headquarters expenses billed by the Company to subsidiaries, together with management fees.

B. By geographical segment

Substantially all revenue is generated in France.

Note 17 Income tax expense

The effects of the Company's election for group relief (Note 1.i) on income tax expense are as follows:

(in € millions)	2008	2007	2006
Tax payable to Peugeot S.A. by profitable members of the tax group	96.9	173.2	137.3
Return by profitable members of the tax group of tax savings previously transferred by Peugeot S.A.	60.7	54.6	36.3
Estimated group relief for the period	86.9	26.6	(3.8)
Adjustments of income tax expense for prior periods	2.6	(1.9)	(3.3)
Change in provision for tax savings to be transferred to loss-making subsidiaries (Note 11)	(128.7)	(186.5)	(34.3)
Change in provision for tax risks	3.3	1.8	(1.5)
NET INCOME TAX BENEFIT	**121.7**	**67.8**	**130.7**

Note 18 Financial commitments

(in € millions)	2008	2007	2006
Commitments received			
Syndicated line of credit (1)	2,400.0	2,400.0	2,400.0
Bank guarantee (2)	52.8	52.8	79.5
Total	2,452.8	2,452.8	2,479.5
Commitments given			
Guarantees for loans obtained by:			
- Peugeot S.A. subsidiaries (3)	2,740.4	2,927.5	2,917.3
- Other companies	14.3	28.6	41.7
Other commitments given on behalf of:			
- Peugeot S.A. subsidiaries (4)	274.0	255.6	-
TOTAL	**3,028.7**	**3,211.7**	**2,959.0**
Commitments received from and given to related companies are as follows:			
- Commitments received	52.8	52.8	79.5
- Commitments given	3,014.4	3,183.1	2,917.3

(1) €2,400 million syndicated line of credit expiring March 2011. This facility has never been drawn down.

(2) Tax bonds issued in connection with tax litigation.

Commitments given include:

(3) - for €2,100 million, guarantees given by Peugeot S.A. in connection with the two bond issues by GIE PSA Trésorerie, one for €1,500 million due 2011 and the other for €600 million due 2033. The other guarantees concern for the most part loans obtained by subsidiaries from the European Investment Bank;

(4) - for €209.4 million, the equivalent of outstanding loans by Banque PSA Finance to Group subsidiaries at December 31, 2008 that Peugeot S.A. is committed to repaying in the event of default by the subsidiaries concerned;

- for €56 million, the undrawn portion of the €250 million line of credit granted to Faurecia by Peugeot S.A. (Note 4).

Commitments received

The contract for the 2005 sale of SCMPL (Panhard) shares included an earn-out clause based on the company's performance in the years 2005 to 2009. Accrued income of €1.2 million was recognised in the 2008 accounts in respect of the first earn-out payment due on June 30, 2009. The second earn-out payment will be due on June 30, 2010.

Note 19 Retirement commitments

Peugeot S.A. employees are entitled to supplementary pension benefits, payable annually, or lump sum length-of-service awards payable at the time of retirement. These benefits are paid under defined contribution and defined benefit plans.

Existing defined benefit plans concern the retirement bonuses provided for by collective bargaining agreements and the internally-managed portion of the supplementary pension scheme for engineers and management personnel (cadres) that was not externalized in 2002, which guarantees a defined level of pension benefit for all plans of up to 60% of the employee's final salary. The members of the Group's management bodies are eligible to participate in the supplementary pension plan provided that: (i) they have sat on the Managing Board, Executive Committee, other management body or the Extended Management Committee for a specified minimum period; and (ii) they end their career with the Group. This top hat plan guarantees a defined level of pension benefit in the aggregate for all plans (statutory and supplementary) equal to up to 50% of a benchmark salary, taken to be the three highest annual salaries received over the last five years of employment. Under this plan, benefits may be paid over to the executive's spouse.

At December 31, 2008, the projected benefit obligation amounted to €87.2 million, including €35.9 million under the plan for members of the Group's management bodies.

The obligation is partly funded by external funds in the amount of €49.3 million. No provision has been recorded for the unfunded portion.

Note 20 Unrecognised deferred taxes

Unrecognised deferred taxes arising from timing differences between the recognition of income and expenses for financial reporting and tax purposes represented a net asset of €84.7 million at December 31, 2008.

Under France's amended 2004 Finance Act (Act no. 2004-1485 dated December 30, 2004) companies were given the option of transferring reinvested long-term capital gains taxed at a reduced rate to distributable reserves without paying the difference between the reduced tax rate and the standard rate, in exchange for a 2.5% exit tax. This option concerned the portion of the long-term capital gains reserve in excess of €200 million, and the transfer had to be carried out before December 31, 2006. Peugeot S.A. decided not to take up this opportunity. At December 31, 2008, the long-term capital gains reserve potentially subject to additional tax amounted to €1,068.5 million (Note 10).

Note 21 Management compensation

(in € millions)	2008	2007	2006
Compensation awarded to:			
- Members of management bodies	9.3	10.7	6.4
- Members of the Supervisory Board	0.9	0.8	0.8
TOTAL	**10.2**	**11.5**	**7.2**

Since February 6, 2007, the Group has been managed by the Managing Board. The Group's management bodies correspond to the Extended Management Committee, which comprises the members of the Managing Board, the other members of executive management and the executives reporting directly to the Chairman of the Managing Board. Previously, the Group's management bodies included the Managing Board, the Executive Committee and senior management.

The compensation details provided in the table above do not include payroll taxes. Variable bonuses are subject to approval by the Supervisory Board at its meeting of February 10, 2009.

The amounts disclosed above include 2008 and 2007 bonuses, which were accrued in the financial statements for those years. The 2007 financial statements also included accruals for 2006 bonuses in the amount of €1.1 million, the payment of which was dependent on the Group's 2007 net profit reaching a certain level.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Stock options on Peugeot S.A. shares granted to members of the Group's management bodies under the plans set up since 1999 are presented below. Stock options held by members of the Group's management bodies at the balance sheet date are as follows:

(number of options)	2008	2007	2006
Stock options granted during the year	715,000	621,000	510,000
Stock options held at December 31	2,258,000	1,664,760	2,609,000

Members of the Group's management bodies participate in the supplementary pension plan described in Note 19. The service cost under this plan for 2008 amounted to €3.8 million.

Members of the Group's management bodies are not entitled to any long-term benefits apart from pension benefits under the plan referred to above, or any direct share-based payments or any compensation for loss of office.

Note 22 Average number of employees

(number of employees)	2008	2007	2006
Managers	291	312	365
Other	64	78	88
TOTAL	**355**	**390**	**453**

Note 23 Training entitlements

In line with the Training Act (Act no. 2004-391) of May 4, 2004, employees are entitled to at least 20 hours' personal training per calendar year, which can be carried forward for up to six years. At the end of the six-year period, if the training entitlement is not used it is capped going forward at 120 hours.

On April 15, 2005, the PSA PEUGEOT CITROËN Group signed an agreement with all of its trade unions in France concerning career-long career training opportunities. In line with the law, each employee is awarded an annual training credit equal to 20 hours. The training rights accumulated since 1999 under earlier schemes have been maintained and the cap on the training entitlement that may be carried forward has been raised to 150 hours. Employees may attend training courses during their working hours, provided that this does not disrupt the organization of their unit.

At December 31, 2008, training credits totalling 31,402 hours were available.

No accrual was booked in this respect at December 31, 2008, in line with opinion 2004-F issued on October 13, 2004 by the *Conseil National de la Comptabilité* urgent issues task force.

Note 24 Subsequent events

No events occurred between 31 December 2008 and the meeting of the Supervisory Board to approve the financial statements on 10 February 2009 that could have a material impact on economic decisions made on the basis of these financial statements, with the exception of the following:

- Commitment to underwrite the Faurecia rights issue

When it met to review the financial statements on 10 February, the Supervisory Board approved a commitment by PSA Peugeot Citroën to underwrite a €450 million rights issue by the Faurecia Group that was decided in principle by the Faurecia Board on 9 February. Peugeot S.A. intends to take up its share of the issue.

- Loan from the French State to PSA PEUGEOT CITROËN

In light of the economic crisis currently affecting the automobile industry, on 9 February the French State announced various measures to support the industry. For PSA PEUGEOT CITROËN, this support will take the form of a €3 billion State loan to Peugeot S.A. and an additional €500 million in financing from Société de Financement de l'Economie Française (SFEF), which will be used to support the Group's programme to develop cleaner, more fuel efficient and more affordable vehicles.

In the current circumstances, the Group will not close any manufacturing facilities in France and over the next two years, one or more new models will be launched at each of its five French assembly plants.

The Group is also actively supporting its automobile industry partners, by speeding up payments to suppliers in line with France's Economic Modernization Act and increasing its contribution to the Automobile Industry Investment Fund from €100 million to €200 million.

PSA PEUGEOT CITROËN will continue to work in partnership with suppliers to develop advanced technologies for low-CO2 vehicles.

The Group will give priority to reinvesting its earnings, in order to strengthen its capital base and maintain the pace of growth through increased capital expenditure.

20.4.7 Peugeot S.A. Five-Year Financial Summary

	2008	2007	2006	2005	2004
I - FINANCIAL POSITION AT DECEMBER 31					
a - Capital stock [1]	234,048,798	23,280,298	234,618,266	234,618,266	243,109,146
b - Shares outstanding	234,048,798	234,280,298	234,618,266	234,618,266	243,109,146
II - RESULTS OF OPERATIONS					
a - Net revenues	638,330,276	837,261,848	777,903,611	957,902,589	1,091,639,443
b - Income before tax, employee profit-sharing, depreciation, amortisation and provisions	518,965,886	740,999,549	730,770,923	818,698,967	949,166,548
c - Employee profit sharing (charge for the year)	-	-	-	-	-
d - Income tax [2]	121,708,369	67,780,191	130,753,783	64,458,584	103,617,707
e - Net income	47,527,964	525,580,339	747,728,148	904,989,653	1,031,594,676
f - Dividends	-	351,420,447	316,734,659	316,734,659	328,197,347
III - PER SHARE DATA [3]					
a - Income after tax and employee profit-sharing before depreciation, amortisation and provisions	2.74	3.45	3.67	3.76	4.33
b - Net income	0.20	2.24	3.19	3.86	4.24
c - Dividend per share:					
Dividend	0.00	1.50	1.35	1.35	1.35
Tax already paid (tax credit) [3]	-		-	-	-
= Total revenue	-		-	-	-
IV - EMPLOYEES					
a - Average number of employees	355	390	453	480	495
b - Total payroll	38,514,763	37,01, 614	38,983,986	40,292,304	38,075,578
c - Total benefits (National Health Insurance, retirement pensions, etc.)	15,865,706	18,133,174	14,338,277	18,890,052	17,475,520

(1) Movements in capital stock from 2004 to 2008 resulted from the cancellation of shares following their purchase on the open market.
(2) Since January 1, 1990, a consolidated tax return has been filed by the Company and its French subsidiaries that are at least 95 % owned. The income tax charge includes current taxes for the year and movements in provisions for deferred taxes.
(3) Beginning with dividends received in 2005, the tax credit has been replaced with tax relief.

20.4.8 Subsidiaries and affiliates at December 31, 2008

Companies or groups *(in thousand euros or local currency units)*	**Share capital**	**Reserves and retained earnings**	**% interest**
I - DETAILED INFORMATION ABOUT INVESTMENTS REPRESENTING OVER 1% OF THE COMPANY'S SHARE CAPITAL:			
A - Subsidiaries (at least 50%-owned)			
Peugeot Citroën Automobiles route de Gisy , 78 Velizy	294.816	2.703.677	100,00
Faurecia 2, rue Hennape , 92 Nanterre	170.765	165.379	70,85
Grande Armée Participations 75 avenue de la Grande-Armée, Paris 16e	60.435	56.740	100,00
Banque PSA Finance 75 avenue de la Grande-Armée, Paris 16e	177.408	1.756.602	74,93
Automobiles Citroën 12, rue Fructidor, Paris 17e	16.000	96.112	100,00
Automobiles Peugeot 75 avenue de la Grande-Armée, Paris 16e	171.285	120.536	100,00
Process Conception Ingénierie 9, ave du Maréchal Juin, 92 Meudon la Forêt	22.954	39.318	84,54
Peugeot Motocycles rue du 17 Novembre – 25 Mandeure	7.142	(29.347)	100,00
Gefco 77 à 81, rue des Lilas d'Espagne, Courbevoie (Hauts de Seine)	8.000	272.494	99,94
PSA International S.A. 62 quai Gustave Ador, 1207 Genève (Suisse)	CHF 5.979 EUR 4.008	203.237 136.254	- 99,93
Société Anonyme de Réassurance Luxembourgeoise 6 B Route de Trêves L2633 Senningerberg – Luxembourg	10.500	22	100,00
B - Affiliates (10% to 50%-owned)			
II - AGGREGATE INFORMATION ABOUT INVESTMENTS REPRESENTING LESS THAN 1% OF THE COMPANY'S SHARE CAPITAL:			
A - Subsidiaries not listed in I:			
a) French subsidiaries (total)			
b) Foreign subsidiaries (total)			
B - Affiliates not listed in I:			
a) French companies (total)			
b) Foreign companies (total)			

Carrying amount							
Cost	Net	Outstanding loans and advances	Outstanding guarantees	Last published revenue	Last published profit or loss	Dividends received during the year	Comments
2.703.677	2.610.622	-	480.446	59.851.572	(1.415.662)	-	
1.262.691	962.691	194.000	-	75.142	(136.509)	-	
408.923	156.823	-	-	-	10.861	10.625	
380.084	380.084	-	209.442	n/s	359.614	125.451	
257.653	257.653	-	1.300	8.832.141	91.063	53.300	
180.798	180.798	-	1.300	13.069.438	87.553	153.009	
170.304	48.444	-	-	157.993	11.017	-	
215.817	-	31.000	-	194.454	(31.633)	-	Advance written down in full
32.198	32.198	-	-	2.114.931	70.546	57.965	
- 6.844	- 6.844	- -	- -	n/s	15.355 10.295	19.143	€1 = CHF 1.4916
11.267	11.267	-	-	n/s	-	-	
15	15	-	2.100.000			-	
10	10	-	-			-	
-	-	-	-			-	
219	219	-	-			5	

➜ 20.4.9 Marketable securities portfolio at December 31, 2008

(in € thousands)		Par value	Issuer	Cost [1]	Provision	Net	Revaluation difference[1]	Reinvested capital gains[1]
2.680.060	shares	€110	Peugeot Citroën Automobiles	2.610.622	-	2.610.622	351.073	207
17.285.597	shares	€7	Faurecia *	1.262.691	(300.000)	962.691	24.396	408
395.000	shares	€153	Grande Armée Participations	408.923	(252.100)	156.823	-	
8.307.993	shares	€16	Banque PSA Finance	380.084	-	380.084	-	-
1.249.996	shares	€13	Automobiles Citroën	257.653	-	257.653	13.465	-
19.030.968	shares	€9	Automobiles Peugeot	180.798	-	180.798	61.965	53
192.134	shares	€101	Process Conception Ingénierie *	170.304	(121.860)	48.444	15.156	5
446.397	shares	€16	Peugeot Motocycles	215.817	(215.817)	-	-	-
499.692	shares	€16	Gefco	32.198	-	32.198	15.717	-
5.975	shares	CHF 1,000	PSA International S.A.	6.844	-	6.844	-	-
700.000	shares	€15	Société Anonyme de Réassurance			-	-	
			Luxembourgeoise	11.267	-	11.267	-	-
Securities with a carrying amount of less than €2 million (total)				244	-	244	-	-
Total shares in subsidiaries and affiliates (Note 3)				**5.537.445**	**(889.777)**	**4.647.668**	**481.772**	**673**
Marketable securities (Note 7)								
			Own shares	302.894	(211.460)	91.434	-	-

Prepared in accordance with Article 34-1 of the Companies Act of July 24, 1966.

(1) Investments that are not individually material have been aggregated.

**The revaluation difference on the shares in Faurecia and Process Conception Ingénierie is offset in full by the impairment provision.*

20.5 Auditing of Historical Annual Financial Information

➜ 20.5.1 Statutory Auditors' Assurance Opinion

Please refer to the Statutory Auditors' Reports on the consolidated financial statements and the corporate financial statements for the year ended December 31, 2008 in respectively section 20.3.1 and 20.4.1 above.

20.6 Age of Latest Financial Information

December 31, 2008.

20.7 Interim and Other Financial Information

Not applicable.

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20.8 Dividend Policy

	2004	2005	2006	2007	2008
Dividend per share					
Dividend	1.35	1.35	1.35	1.50*	-
Tax credit	-**	-**	-**	-**	n/a
Total revenue	-**	-**	-**	-**	n/a
PAYOUT RATIO	**22.9%**	**30.1%**	**168.8%**	**39.7%**	n/a

** *Beginning with the 2004 dividend received in 2005, the tax credit has been replaced, under certain conditions, with tax relief.*

Given the results of 2008 and in order to allocate financial resources in priority to the product plan, to the Group's development and to the strengthening of its cash position, it will proposed to the AGM not to pay a dividend for the fiscal year 2008.

20.9 Legal and Arbitration Proceedings

Please refer to chapter 4. 1.5.1

20.10 Significant Change in the Company's Financial or Trading Position

Please refer to chapter 12 and to the note 43 to the consolidated financial statements concerning subsequent events (section 20.3.6 above).

In addition, European Investment Bank (EIB) financing for Group research and development programmes to bring the model line-ups into compliance with Euro V and Euro VI emissions standards.

On 12 March 2009, the EIB approved new loans to European carmakers, primarily aimed at supporting the development of clean technologies. PSA PEUGEOT CITROËN'S €400 million loan was finalised in April.

On April 23, 2009, Banque PSA Finance issued €750 million Fixed Rate Notes maturing in 2012 with a coupon of 8.50%.

21

ADDITIONAL INFORMATION

21.1 Share Capital

➜ 21.1.1 Issued Capital as of December 31, 2008

Following the cancellation of 231,500 shares on July 29, 2008, the issued capital amounted to €234,048,798 as of December 31, 2008. It was divided into 234,048,798 shares with a par value of €1.00, all fully paid-up and of the same class. The shares are held in registered or bearer form, at the stockholder's choosing.

As of December 31, 2007, the issued capital amounted to €234,280,298, divided into 234,280,298 shares with a par value of €1.00.

➜ 21.1.2 Shares not Representing Capital

Not applicable.

➜ 21.1.3 Shares Held by or on Behalf of the Company or by Subsidiaries

A total of 7,188,214 shares with a par value of €1.00 were held in treasury as of December 31, 2008, representing 3.07% of issued capital.

➜ 21.1.4 Share Buybacks

At the Annual Meeting on May 28, 2008, stockholders authorised a share buyback programme for the purpose of:

- reducing the Company's capital stock;
- acquiring shares for attribution on the exercise of stock options granted to employees, executives or officers of the Company or any related entity;
- acquiring shares for attribution on redemption, conversion or exercise of share equivalents.

In compliance with the law, the Company may never directly or indirectly own more than 10% of issued capital.

The 18-month authorisation concerned the buyback of up to 17,000,000 shares for a maximum purchase price of €65 per share.

The authorised share buyback programme was in effect at the date of filing and will expire on November 28, 2009 (18 months after the May 28, 2008 Annual Meeting) unless stockholders authorise another share buyback programme at the June 3, 2009 Annual Meeting.

In compliance with article L. 225-209 of the French Commercial Code and articles 241-1 to 242-7 of AMF General Rules and Regulations, a description of the programme is available in the Stockholder/Annual Meeting section of the www.psa-peugeot-citroen.com website, as well as on the www.amf-france.org website.

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21.1.5 Authorisations in Effect

The following financial authorisations have been granted by stockholders to the Managing Board.

In accordance with the articles of association, any corporate actions or bond issues must be submitted to the Supervisory Board for prior approval.

FINANCIAL AUTHORISATIONS IN EFFECT AT DECEMBER 31, 2008

	Authorisation	Validity	Granted	Used	Expires
1. Annual Stockholders Meeting					
Buyback of shares *(12th resolution)*	Acquisition of up to 17,000,000 shares Maximum purchase price: €65	18 months	May 28, 2008	1,345,000 shares	November 28, 2009
2. Extraordinary Stockholders Meeting					
Issuance of equity or securities conferring the right to acquire equity directly or indirectly with or without pre-emptive subscription rights (Roll-over of the authorizations granted in the 10th and 11th resolutions approved at the *Annual Meeting of 23 May 2007)*	• aggregate par value of shares not to exceed €400 million • aggregate nominal amount of debt securities not to exceed €600 million	26 months	May 23, 2007	None	July 23, 2009
Same as above, up to a maximum of 18 months while a takeover bid is in progress *(14th resolution)*	• aggregate par value of shares not to exceed €400 million • aggregate nominal amount of debt securities not to exceed €600 million	18 months	May 28, 2008	None	November 28, 2009
Authorisation to increase the amount of share issues that are oversubscribed *(12th resolution)*	• authorisation to increase the number of shares offered under any issues decided pursuant to the 10th and 11th resolutions approved at the Annual Meeting of 23 May 2007, provided that the ceilings specified in the resolutions are not exceeded	26 months	May 23, 2007	None	July 23, 2009
Issuance of stock warrants while a takeover bid is in progress *(15th resolution)*	• aggregate par value of shares not to exceed €160 million to be deducted from the €400 million ceiling specified above • number of warrants issued not to exceed 160 million	18 months	May 28, 2008	None	November 28, 2009
Cancellation of shares *(13th resolution)*	10% of the capital stock per each 24-month period	24 months	May 28, 2008	231,500 shares	28 May 2010
Same as above, up to a maximum of 18 months while a takeover bid is in progress *(14th resolution)*		18 months	May 28, 2008	None	November 28, 2009

FINANCIAL AUTHORISATIONS THAT EXPIRED IN 2008

	Authorisation	Validity	Granted	Used	Expires
Extraordinary Stockholders Meeting					
Stock options (Roll-over of the authorization granted at the *Annual Meeting of 23 May 2007*)	2,500,000 shares	15 months	May 23, 2007	2,500,000 shares	August 31, 2008

21.1.6 Shares of Common Stock, Share Equivalents, Options to Purchase New Shares of Common Stock and Stock Grants

Share equivalents are options to purchase existing shares, which are granted solely to employees.

These options have been granted to executives and senior managers in 2008 and preceding years.

A total of 6,527,907 options were outstanding at December 31, 2008.

21.1.7 Options to Purchase Existing Shares of Common Stock

Every year since 1999, the Managing Board has granted options to certain employees, executives and corporate officers of the Company and its subsidiaries, allowing them to purchase existing shares of common stock at a specified price.

For a description of these plans, the number of options outstanding and the average weighted value of the options and underlying shares, please refer to note 28.3 to the consolidated financial statements at December 31, 2008 in section 20.6 above.

21.1.8 History of the Share Capital

(in euros)	2008	2007	2006
Share capital at the beginning of the year	234,280,298	234,618,266	234,618,266
Shares cancelled	(231,500)	(337,968)	-
SHARE CAPITAL AT THE END OF THE YEAR	**234,048,798**	**234,280,298**	**234,618,266**

No other securities convertible, exchangeable, redeemable or otherwise exercisable for shares were outstanding at December 31, 2008.

21.1.9 The Market for the Company's Financial Instruments

Listing of the Peugeot S.A. Share

The Peugeot S.A. share is listed on the NYSE Euronext Paris stock exchange, compartment A, where it is eligible for the deferred settlement system, as well as on the Brussels Stock Exchange. It is also traded in London on the SEAQ International system and in the United States in the form of American Depositary Receipts (ADRs), traded on the New York over-the-counter market. Each share of common stock is represented by one ADR.

SHARE DATA

ISIN	FR0000121501
Markets	Eurolist continuous trading – NYSE Euronext Paris, Compartment A. Ticker UGFP (Bloomberg) Other markets: - United States: Traded as American Depositary Receipts (ADRs), with one ADR representing one share of common stock on OTCQX. Ticker PEUGY US - Europe: Euronext Brussels and SEAQ International – London
Listed in the major indexes	CAC 40, SBF 120, SBF 250, Euronext 100, Dow Jones Euro Stoxx Auto, Advanced Sustainable Performance Indices (ASPI), FTSE4Good
Eligible for	Deferred settlement under the SDR system and inclusion in French PEA stock savings plans
Par value	€1.00
Shares outstanding at December 31, 2008	234,048,798
Closing price on December 31, 2008	€12.15
Market value at December 31, 2008	€2.84 billion
Weighting in the CAC 40 index at December 31, 2008	0.36%

Stockholder information

(Source: NYSE Euronext)

PRICE DATA

	2008			2007			% change on 2007 closing price
(in euros)	High	Low	December 31, 2008	High	Low	December 31, 2007	
Peugeot S.A. share	53.68	11.30	12.15	67.35	47.41	51.85	-76.57%
CAC 40 index	5665.94	2838.50	3217.97	6168.15	5217.70	5614.08	-42.68%

TRADING DATA

	2008		2007	
	TOTAL	Daily average	TOTAL	Daily average
Number of shares	666,453,390	2,603,334	470,709,786	1,845,921
Value *(in millions euros)*	22,750.3	88.9	26,597.9	104.3

PRICE AND TRADING VOLUME OF THE PEUGEOT S.A. SHARE ON THE NYSE EURONEXT PARIS MARKET (DEFERRED SETTLEMENT SERVICE)

	Share price *(in euros)*			Trading volumes		
(in thousands euros)	Low	High	Closing	Volume per month	Value per month	Daily average
2007						
January	50.25	54.90	50.45	41,078,196	2,173,722	98,805.5
February	49.77	54.85	50.99	39,296,208	2,034,732	101,736.6
March	47.41	53.01	52.76	41,836,797	2,093,996	95,181.6
April	52.44	59.98	59.79	34,432,105	1,949,467	102,603.5
May	56.90	62.39	58.89	40,927,992	2,411,580	109,617.3
June	56.25	61.43	59.78	30,920,912	1,823,808	86,848.0
July	58.60	67.35	62.34	42,827,353	2,690,550	122,297.7
August	56.03	63.25	62.50	40,213,718	2,419,677	105,203.4
September	54.42	63.00	57.88	39,020,599	2,228,207	111,410.3
October	54.80	64.18	63.98	44,375,961	2,640,576	114,807.7
November	49.31	64.25	53.10	37,628,181	2,078,880	94,494.6
December	49.54	57.86	51.85	38,151,764	2,052,717	108,037.7
2008						
January	45.10	53.19	49.21	73,766,301	3,550,364	161,380.2
February	44.78	53.68	50.80	54,297,105	2,722,635	129,649.3
March	44.72	52.75	49.11	45,401,074	2,205,571	116,082.7
April	43.60	49.63	44.98	44,636,754	2,061,623	93,710.1
May	39.63	46.93	40.00	47,413,991	2,046,658	97,459.9
June	32.60	40.61	34.49	53,201,912	1,964,781	93,561.0
July	28.48	35.80	31.54	61,107,640	1,957,652	85,115.3
August	30.70	35.98	32.52	36,855,086	1,227,434	58,449.2
September	25.60	35.17	26.37	53,784,848	1,660,552	75,479.6
October	15.11	26.80	20.80	80,530,165	1,658,269	72,098.6
November	12.03	23.00	14.22	56,126,251	912,293	45,614.7
December	11.30	15.24	12.15	59,332,263	782,427	37,258.4
2009						
January	11.43	14.98	13.31	73,301,622	971,949	46,283.3
February	12.29	15.54	13.66	67,131,953	936,450	46,822.5
March	12.25	16.57	14.24	60,684,859	893,821	40,628.2

AMERICAN DEPOSITARY RECEIPTS (ADR) OF PEUGEOT SA TRADED ON THE US MARKET

	Share price *(in USD)*		Trading volumes	
(in thousands euros)	**Low**	**High**	**Closing**	**Volume per month**
2007				
January	65.45	71.40	65.45	55,591
February	65.10	70.45	67.75	28,448
March	63.85	70.10	70.10	55,310
April	70.95	82.00	82.00	13,802
May	75.60	82.40	79.50	31,962
June	76.00	80.85	80.35	39,133
July	80.00	90.00	85.50	117,759
August	76.70	86.15	85.50	72,179
September	76.40	82.30	82.30	44,427
October	79.10	92.50	91.30	295,916
November	73.95	91.33	78.05	80,654
December	73.80	83.50	75.50	58,779
2008				
January	67.99	75.62	73.75	95,613
February	66.25	80.90	77.89	104,285
March	70.95	78.51	77.40	48,009
April	69.45	77.30	69.70	47,117
May	61.95	71.45	61.95	46,112
June	52.70	61.55	54.30	63,086
July	46.40	54.90	48.95	50,347
August	47.95	52.93	47.95	44,232
September	36.05	49.61	37.50	71,421
October	19.90	36.20	26.40	104,237
November	15.25	28.88	18.20	94,210
December	15.80	18.85	17.25	211,815
2009				
January	15.45	19.15	16.99	77,982
February	16.23	19.85	17.45	112,161
March	15.60	22.30	18.94	143,509

Coupons Eligible for Payment

Dividends

	Shares outstanding	Par value	Coupon number	Payment date	Time barred as from	Dividend paid	Tax credit	Total income per share
Shares	243,109,146	€1.00	42	June 4, 2004	June 2, 2009	€1.35	€0.675	€2.025
	243,109,146	€1.00	43	June 1, 2005	June 1, 2010	€1.35	*	*
	234,618,266	€1.00	44	May 31, 2006	May 31, 2011	€1.35	*	*
	234,618,266	€1.00	45	May 30, 2007	May 30, 2012	€1.35	*	*
	234,280,298	€1.00	46	May 28, 2008	May 28, 2013	€1.50	*	*
	234,048,798	€1.00	-	n/a	n/a	-	n/a	n/a

* *Beginning with dividends received in 2005, the tax credit has been replaced, under certain conditions, with tax relief.*

Given the results of 2008 and in order to allocate financial resources in priority to the product plan, to the Group's development and to the strengthening of its cash position, it will proposed to the AGM not to pay a dividend for the fiscal year 2008.

Other rights

	Shares outstanding	Par value	Coupon number	Ex-dividend date	Type of transaction
Share	18,479,370	FRF 70	26	July 15, 1987	Bonus share issue (1 new share for 5 existing shares)

21.2 Memorandum and Articles of Association

➜ 21.2.1 Objects and Purposes of the Company

(Summary of article 3 of the articles of association)

The Company's purpose is to participate, directly or indirectly, in any and all industrial, commercial or financial activities, in France or abroad, related to:

- the manufacture, sale or repair of all forms of motor vehicles;
- the manufacture and sale of all steel products, tools and tooling;
- the manufacture and sale of all manufacturing, mechanical and electrical engineering equipment;
- the granting of short, medium and long-term consumer loans, the purchase and sale of all marketable securities and all financial and banking transactions;
- the provision of all transport and other services;
- the acquisition of all real property and property rights, by any appropriate means.

And generally to conduct any and all commercial, industrial, financial, securities or real estate transactions related directly or indirectly to any of the above purposes or any other purpose that contributes to the development of the Company's business.

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➜ 21.2.2 Provisions of the Articles of Association with Respect to the Members of the Administrative, Management and Supervisory Bodies

The organisation and procedures of the Managing Board and Supervisory Board are described in articles 9 and 10 of the articles of association.

➜ 21.2.3 Rights, Preferences and Restrictions Attached to Existing Shares

(Article 8 of the articles of association)

In addition to the statutory voting rights attached to the shares, each share entitles its holder to a fractional share of the Company's profits and liquidation surplus equal to the fraction of the issued capital represented by the share.

All shares rank *pari passu* as regards taxation. As a result, they entitle their holders to the same net amount, based on their par value and cum-rights date, for any allocation or return of capital during the Company's life or its liquidation.

➜ 21.2.4 Action Necessary to Change the Rights of Stockholders

(Excerpt from article 7 of the articles of association)

In addition to the statutory disclosure thresholds, any individual or corporate stockholder that acquires or increases its direct or indirect interest in the Company's capital to more than 2% or any multiple of 1% of the capital in excess of 2%, is required to disclose the total number of shares held. Said disclosure must be made within five full days of the date when the shares in excess of the relevant disclosure threshold are recorded in the stockholder's account. This requirement continues to apply to stockholders whose interest is in excess of the first statutory disclosure threshold of 5%.

At the request of one or more stockholders together holding at least 5% of the Company's capital, any undisclosed shares in excess of any of the above disclosure thresholds will be stripped of voting rights for a period of two years from the date at which the omission is remedied.

There are no other clauses in the articles of association limiting voting rights.

➜ 21.2.5 Stockholders Meetings

(Summary of article 11 of the articles of association)

Stockholders' Meetings are held either at the Company's registered office or at any other location specified in the Notice of Meeting, which is prepared in compliance with the applicable legislation.

Fully-paid up shares registered in the name of the same holder for at least four years shall carry double voting rights at Stockholders Meetings.

➜ 21.2.6 Conditions Imposed by the Articles of Association Governing Changes in the Capital

None.

➜ 21.2.7 Company Accounts

(Summary of article 12 of the articles of association)

Each fiscal year shall cover a twelve-month period commencing on January 1 and ending on December 31.

The Annual Stockholders Meeting has full discretionary powers to decide the appropriation of net income, except for the appropriations required by law.

21.3 Fees Paid to the Statutory Auditors in 2007 and 2008

For information on fees paid to the Statutory Auditors, please refer to note 44 in the notes to the consolidated financial statements at December 31, 2008 in section 20.6 above.

22

THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTEREST

Not applicable.

23

PUBLICLY AVAILABLE DOCUMENTS

23.1 Documents Available on the Company's Website

The following documents are available on the website of the Company (www. psa-peugeot-citroen.com):

- the present reference document filed with the *Autorité des Marchés Financiers* as an Annual Report;
- financial press releases;
- bylaws of Peugeot S.A.

Documents and information concerning the Company can be also requested at PSA PEUGEOT CITROËN'S registered office located at 75 Avenue de la Grande Armée, 75116 Paris.

23.2 Annual Documents Created Pursuant to Article 222-7 of the General Regulations of the *Autorité des Marchés Financiers*

List of Press Releases

During 2007 and until the publication of the present document, the following press releases have been published on the Company's website (www.psa-peugeot-citroen.com) or in the Legal Information section of the website:

04/23/2009	Banque PSA Finance issues €750m Fixed Rate Notes
04/22/2009	Q1 2009 Sales & Revenues
04/21/2009	Supervisory Board Meeting – April 21, 2009
04/10/2009	PSA PEUGEOT CITROËN Awarded French Government's Seal of Diversity
04/02/2009	PSA PEUGEOT CITROËN'S sustainable development policy : a clear and concrete commitment using measurable objectives
03/29/2009	PSA Supervisory Board appoints Philippe Varin as Chairman of the Managing Board
03/25/2009	Fourteen Suppliers Honoured by PSA PEUGEOT CITROËN
03/11/2009	CO_2 emissions from PEUGEOT and CITROËN vehicles reduced by 15,000 metric tons a year thanks to one million Michelin Energy Saver tires
03/04/2009	PSA PEUGEOT CITROËN Leader in Patent Filings in France
03/02/2009	Mitsubishi Motors Corporation and PSA PEUGEOT CITROËN: one step further towards electric vehicles for Europe
03/02/2009	PSA PEUGEOT CITROËN'S EV Strategy Shifts into High Gear
27/02/2009	Remuneration for Members of the PSA PEUGEOT CITROËN Managing Board
02/12/2009	Jean-Marc Gales appointed Executive Vice-President Citroën brand
02/11/2009	2008 Financial Results
02/09/2009	PSA PEUGEOT CITROËN welcomes the €3 billion loan from the French State
28/01/2009	PSA PEUGEOT CITROËN has sold more than 3 million HDi diesel engines fitted with a Diesel Particulate Filter
14/01/2009	PSA PEUGEOT CITROËN obtains Diversity Label
13/01/2009	2008 market share worldwide maintained at 5%, PSA PEUGEOT CITROËN sales hold up against the sharp drop in automotive markets
07/01/2009	Denis Martin appointed executive Vice-President, Human Resources at PSA PEUGEOT CITROËN
05/01/2009	Mr Vergne, Executive Vice-President, Human Resources leaves the Group

List of Documents Published on BALO *(Bulletin des Annonces Légales Obligatoires)*

February 15, 2008	Periodic publication – Net sales
April 21, 2008	Notice of Meeting – Shareholders Meeting (Notice of Meeting)
April 30, 2008	Periodic publication – Annual financial statements
May 12, 2008	Periodic publication – Net sales
June 11, 2008	Avis divers – Voting rights
July 16, 2008	Periodic publication – Annual financial statements
August 13, 2008	Periodic publication – Net sales
November 21, 2008	Other transaction – Désignation de teneurs de comptes de titres nominatifs

24

INFORMATION ON SHAREHOLDINGS

See note 45 to the consolidated financial statements.

CROSS-REFERENCE TABLE

Cross-reference Table

This *Document de Référence* includes all the compulsory matters required to be covered in the Management Report of PSA PEUGEOT CITROEN Group established pursuant to articles L.225-100 and L.225-100-2 of the French Commercial Code.

You will find below the references to the extracts of the *Document de Référence* corresponding to the parts of the Management Report.

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1_ **Close-up of wheel**
on the Citroën C4 By Loeb
2_ **Close-up of cabin**
on the Citroën Hypnos HYbrid4
3_ **Close-up of grille**
on the Peugeot 407
4_ **Close-up of rear light**
on the Peugeot Prologue

PEUGEOT S.A.

Incorporated in France with issued capital of €234,048,798
Governed by a Managing Board and a Supervisory Board

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