PSA PEUGEOT CITROËN

Press Release

Wednesday, February 11, 2009

2008 Financial Results

Highlight

- **Market share maintained at 5% worldwide and 13.8% in Western Europe**
- **Global sales down 4.9% to 3,260,388 units**
- **Sales and revenue down 7.4% to €54,356 million**
- **Recurring operating income: €550 million**
- **Operating margin of 1% of sales and revenue**
- **Non-recurring operating expense: €917 million**
- **Net loss Group share for the year: €343 million**
- **€1,414 million in cost savings from the CAP 2010 plan**
- **Production stoppages in the fourth quarter to reduce inventory**
- **CASH 2009 plan launched to manage cash**

2008 was a highly contrasted year varying significantly from the first half of the year to the second:

- The first six months of the year showed strong improvements in both worldwide sales (up 4.6%) and operating margin (3.7% of sales and revenue), in line with the CAP 2010 programme.
- The second half saw the collapse of global automobile markets and a subsequent increase in inventory. In response, the Group significantly reduced production in the fourth quarter and prioritised the reduction of stock in the dealer network. These two actions had a major negative effect on the profitability of the Group.

In 2008, the CAP 2010 competitiveness programme delivered €1.414 billion in cost savings.

In this highly unfavourable environment, the Group successfully maintained its market share during the year by leveraging a number of strengths:

- A record pace of new model launches.
- Best selling models demonstrating record quality (the Peugeot 308 and Citroën C5).
- Sustained leadership in low-emission vehicles with 1.1 million sold emitting less than 140g CO_2/km.
- Uncontested leadership in light commercial vehicles, with 19.9% of the European market.

Summary Income Statement

(In millions of euros)	2007	2008	% change
Sales and revenue	58,676	54,356	-7.4%
Recurring operating income	1,752	550	-68.6%
Recurring operating margin on sales and revenue	3.0%	1.0%	
Operating profit/(loss)	1,120	(367)	
Net profit/(loss) attributable to Peugeot S.A.	885	(343)	
Earnings per share (in euros)	3.88	(1.51)	

Consolidated Results

- **Sales and revenue fell by 7.4% in 2008, to €54,356 million from €58,676 million in 2007.** After a first half that saw sales increase slightly (+0.7%), sales and revenue reduced significantly in the second half of 2008, as the collapse of automotive markets spread around the world and sales shifted towards smaller vehicles.

- **Recurring operating income fell to €550 million in 2008 from €1,752 million in 2007.** After increasing 32.4% in the first half, recurring operating income was negative in the second half, reflecting the collapse in volumes sold and the reduced fixed cost absorption due to groupwide production stoppages. The recurring operating margin ended the year at 1% after a continued improvement in the first half. The momentum of cost savings continued from the CAP 2010 programme to reach €1,414 million for the full year.

- **Non-recurring operating expense amounted to €917 million.** The unprecedented collapse in the automotive market triggered the launch of new restructuring plans in both the Automobile Division and at Faurecia for a total of €512 million. In addition, the impact of the fall in demand and the prospect of further contraction led to an aggregate €405 million in exceptional impairment charges in the Automobile Division and in Faurecia's vehicle interior business.

- **The net loss attributable to the Group amounted to €343 million for the year.**

- **The net financial position was a negative €2,906 million at 31 December 2008, while operating cash flow stood at €2,380 million for the year***. However, while free cash flow was positive in the first half of the year, the collapse in the automotive markets and the resulting inventory build-up led to a very significant increase in working capital requirement in the second half of the year. **In 2008 capital expenditure and R&D outlays amounted to €3.8 billion.** As a result, the Group ended the year with **negative free cash flow of €3,764 million.**

- **The Group's financial structure is solid.** Equity amounted to €13,277 million at 31 December 2008. The Group's gearing ratio was 22% at year-end, **allowing considerable leveraging headroom.**

- **The dividend that will be proposed to the shareholders' annual general meeting will take account of the sharp decline in the Group's results and the economic environment.**

* Industrial and commercial companies.

Results by Division

Automobile Division

- **Automobile Division sales and revenue totalled €41,643 million in 2008,** down 8.5%. Group worldwide unit sales declined 4.9% to 3,260,388 units.
- **The Group maintained its market share at 5% worldwide and 13.8% in Western Europe.** In the 4th quarter, market share for the Group even reached 14.1%, an increase of 0.5% compared with the same quarter in 2007.
- **A recurring operating loss of €225 million was recorded for 2008,** compared with a profit of €858 million in 2007. Despite an encouraging €633 million in recurring operating income in the first half of the year, the collapse in sales and the production cuts in the fourth quarter led to an €858 million recurring operating loss in the second half. The full year recurring operating margin stood at -0.5% after reaching 2.7% in the first half. This reflected:
    - The positive impact of the savings from the CAP 2010 programme (€1,414 million).
    - The negative impact of the currency effect (€324 million) and higher raw materials prices (€377 million).
- **European inventory is near to December 2007 levels:**
    - The Group massively reduced its production, quicker and more significantly than the sector average, reducing it's worldwide production by 26% in the fourth quarter compared with the same period in 2007
    - Independent dealer stocks fell by 20% in 2008 as a result of a Group decision to voluntarily limit sales to dealers and to absorb stock costs at Group level.

Faurecia

- **Faurecia's sales and revenue totalled €12,011 million in 2008,** down 5.1% compared to 2007 (€12,661 million).
- **Recurring operating income fell to €91 million from €121 million in 2007.**
- **Faurecia made a net loss of €569 million.**
- **Faurecia has accelerated its recovery plan:**
    - Acceleration of the restructuring and competitiveness programme across the global organisation.
    - A €450 million rights issue to finance the recovery plan, underwritten by PSA Peugeot Citroën.

GEFCO

- **GEFCO reported €3,536 million in sales and revenue in 2008,** down 0.5% compared with 2007 (€3,554 million).
- **GEFCO recorded recurring operating income of €127 million (compared to €155 million in 2007)**, reflecting improved cost management and the quick implementation of action plans, which allowed the company to compensate partially for rising fuel prices during the first nine months of the year and reducing production at customer manufacturing plants.

Banque PSA Finance

- **Banque PSA Finance performed well, with sales and revenue totalling €2,088 million in 2008,** up 4.5% compared with 2007. Banque PSA Finance was able to refinance sufficiently to maintain its commercial activity at 2007 levels. The Bank's market share even rose to 27.3% during the year from 26% in 2007.

- **Recurring operating income contracted to €557 million from €608 million in 2007.**
- **Banque PSA Finance's balance sheet remains solid**, thanks to effective credit risk management and the limited impact of refinancing costs despite the liquidity crisis. Banque PSA Finance has 6 billion euros in undrawn credit lines and maintains a European capital ratio of over 11%.

Outlook for 2009

Christian Streiff, Chairman of the PSA Peugeot Citroën Managing Board, said:

"Faced with the prospect of a prolonged recession, our priorities are clear. We must concentrate all our efforts on reducing inventory and minimising our cash consumption through our CASH 2009 programme, and we must pursue our initiatives to cut costs as part of the CAP 2010 plan, so that we can return to profit during the course of 2010.
At the same time, we must prepare for the future by targeting our investments and R&D expenditure to develop new vehicles and new environmental solutions to ensure sustained and profitable growth for PSA Peugeot Citroën once this crisis is behind us. Our intention is to maintain investment and expenditure on automotive R&D at around 3.5 billion euros."

The Group expects Western European automotive markets to experience a further decline of around 20% in 2009 followed by stability in 2010. The first half of 2009 is expected to be particularly difficult. 2009 is expected to be loss making for the Group. CASH 2009 actions will not be enough to compensate for the collapse of markets and the cash costs of restructuring, with the result that free cash flow will be negative in 2009.

Proactive refinancing with a conservative liquidity policy will allow the Group to return to profit whilst building for the future. The Group's funding requirements for the manufacturing and sales activities is therefore expected to be around €4 billion in 2009. The €3 billion Government loan, together with the other financing sources, will cover these needs.

The commercial offensive will be maintained in 2009, with all of the new model launches proceeding as scheduled**.** These new models are the direct result of CAP 2010 actions and the reduction in vehicle development time. Peugeot will make substantial steps to expand market coverage with the new 308 CC, its first crossover (the 3008) and its first compact MPV. Citroën will roll out its new "Creative Technologie" brand image and launch the C3 Picasso in early 2009.

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PSA PEUGEOT CITROEN

(n° vehicles)	2007	2008
Worldwide sales	3 428 366	3 260 388

CONSOLIDATED TURNOVER

(million euros)	2007	2008
Automobile	45 519	41 643
Faurecia	12 661	12 011
Gefco	3 554	3 536
Banque PSA Finance	1 999	2 088
Inter-activity eliminations and other activities	(5 057)	(4 922)
Total PSA Peugeot Citroën	58 676	54 356

SUMMARY OF CONSOLIDATED FINANCIAL RESULTS

(million euros)	2007	2008
Recurring operating income	1 752	550
Operating profit / (loss)	1 120	(367)
Consolidated net income	826	(500)
Net income, group share	885	(343)

FINANCING AND FINANCIAL POSITION

(million euros)	2007	2008
Cash flow*	3 515	2 380
Capital expenditure (excl. R&D)*	2 079	2 156
Net financial position*	1 404	(2 906)
Equity	14 555	13 277

* of manufacturing and sales companies

HEADCOUNT

Employees under contract (worldwide)	207 800	201 700

The 2008 consolidated accounts are available on www.psa-peugeot-citroen.com