

Paris - 12 July 2012

**To restore its competitiveness and secure its future,
PSA Peugeot Citroën presents a project to reorganise its
French production base and redeploy its workforce**

- ✓ **Sustained contraction in European demand: down 8% in 2012 and down 23% between 2007 and 2012**
- ✓ **Worsening overcapacity in the Group, with the European plants running at 76% utilisation in first-half 2012**
- ✓ **The Group will report a net loss for first-half 2012**
- ✓ **Reorganisation of the manufacturing operations and redeployment of the corporate workforce**
- ✓ **Operating cash flow expected to return to breakeven at end-2014**

In a meeting today with the Peugeot Citroën Automobiles Central Works Council, Philippe Varin, Chairman of the PSA Peugeot Citroën Managing Board, presented a project to reorganise the Automotive Division's production base in France and to redeploy the workforce, as well as the proposed employee support measures.

The business environment continued to deteriorate in first-half 2012, with the European market⁽¹⁾ now expected to end the period down 8% (versus the 5% forecast at the beginning of the year). This resulted in a 10% decline for PSA Peugeot Citroën, which is very exposed to demand in Southern Europe. Given the need to adjust inventory, Group production contracted by 18% over the period.

Capacity utilisation in the Group's European plants fell to an average 76% in first-half 2012 from 86% in 2011⁽²⁾. This rate is even lower in the small car segment, which accounts for 42% of PSA Peugeot Citroën sales and where most of the competing models are made in low-cost countries.

As in second-half 2011, the Automotive Division is expected to report a recurring operating loss⁽³⁾ in first-half 2012, estimated at around €700 million. Since mid-2011, the Group has been consuming around €200 million in cash a month, excluding non-recurring items (exceptional Banque PSA Finance dividend and proceeds from property disposals). The Group will end the first-half with a net loss.

In response to this enduring reduction in demand in Europe, a project to reorganise manufacturing operations and redeploy the workforce was presented today, in order to restore the Group's competitiveness and to secure its future:

- Reorganisation of the production base: ceasing production at Aulnay and revitalisation of the site so that it can continue its industrial vocation; adjustment of the production facilities in Rennes ahead of future investments.
- Redeployment of the corporate workforce.

⁽¹⁾30-country Europe.

⁽²⁾Based on the Harbour index, whereby 100% = 2 shifts, 8 hours/day, 235 days/year.

⁽³⁾Unaudited results.

In line with the Group's commitment to social dialogue, the projects concerning Aulnay and Rennes will comprise measures to support all of the affected employees and assist in their reassignment, notably through inplacement opportunities. The corporate workforce will be redeployed through voluntary separations.

Philippe Varin, Chairman of the Managing Board, said:

"I am fully aware of the seriousness of today's announcements, as well as of the shock and emotions they will arouse in the Company and its stakeholding environment. The depth and persistence of the crisis impacting our business in Europe have now made this reorganisation project indispensable in order to align our production capacity with foreseeable market trends. We are committed to implementing the proposed measures while pursuing exemplary social dialogue and profoundly respecting our values.

"The project presented today should enable the Automotive Division, the heart of our Company, to get back on track and restore its ability to execute its strategy. In this way, we will secure the Group's future and our car production base in France. »

The following measures are under consideration:

- **Ceasing production operations in 2014 at the Aulnay plant (which employs 3,000 people), refocusing Parisian area production at the Poissy plant, and revitalising the Aulnay site.**

In the greater Paris area, the Group has two facilities specialised in small car production, Aulnay for the Citroën C3 and Poissy for the Peugeot 208 and the Citroën C3 and DS3. Both are currently working undercapacity. To ensure satisfactory capacity utilisation, plans must now be made to consolidate production at a single plant.

The Group undertakes to offer every Aulnay employee a solution for his or her employment problem. The process should enable the identification of 1,500 inplacement positions, primarily in Poissy. Outplacement programmes would offer a comparable proportion of employees job opportunities in the Aulnay area.

The Group will implement all necessary support measures, so as to arrange an appropriate placement solution for each of the employees concerned, either within the Group or in the local employment area.

An exceptional revitalisation plan to convert the facility to manufacturing or automotive-related activities, including Group activities, will be implemented in association with all of the stakeholders concerned.

- **Adjusting production facilities at the Rennes plant**

Output at the Rennes plant, which makes the Peugeot 508 and Citroën C5 and C6, is being impacted by the decline in European demand for large sedans, which is sustainably trending downwards. A reorganisation in line with foreseeable production volumes is therefore indispensable before engaging the capital expenditure to prepare for the production of a new model.

This reorganisation would lead to a workforce redeployment involving 1,400 jobs out of a total 5,600 employees. The Group will implement the necessary support measures, so as to arrange an appropriate placement solution for each of the employees concerned, either within the Group or in the local employment area.

- **Consultation and social dialogue**

At both the Aulnay and the Rennes plants, a French employment protection plan will be presented to employee representatives for consultation and information. Employees will be offered opportunities for voluntary redundancy until mid-2013. This scheme will focus on measures to support job placements for employees and the revitalisation of the local employment area, in liaison with local authorities and stakeholders. The consultation will be part of an open process taking full account of the jobs-related expectations and concerns of employee representatives. It will also include a careful review of every alternative, in a commitment to offering every employee an appropriate solution for his or her employment problem.

- **Aligning the corporate organisation**

PSA Peugeot Citroën's corporate structures must be aligned with business volumes. The Group therefore has to continue reducing costs and improving its operating efficiency, which should lead to the reduction of 3,600 jobs across all of its facilities in France. Employees will be offered the possibility of participating in a voluntary redundancy plan.

This project to reorganise production operations in France and redeploy the workforce⁽⁴⁾ is expected to help operating cash flow return to breakeven by the end of 2014, based on current automotive market conditions and before the impact of the Alliance with General Motors is fully felt.

It strengthens the measures introduced in early 2012 and now underway to reduce costs by €1 billion, involving keeping inventory under control, prioritising capital expenditure projects and disposing of assets.

All of the measures to restore the Group's performance and financial position will be described in detail during the presentation of the Group's interim results on 25 July.

⁽⁴⁾Provisions related to the new measures to reorganise production operations and redeploy the workforce will be included in the second-half year results.

*With its two globally renowned brands, Peugeot and Citroën, **PSA Peugeot Citroën** sold 3.5 million vehicles worldwide in 2011, of which 42% outside Europe. The second largest carmaker in Europe, it generated revenue of €59.9 billion during the year. PSA Peugeot Citroën has sales operations in 160 countries. In 2011, it allocated more than €2 billion to research and development, in particular in the field of new automotive propulsion technologies. PSA Peugeot Citroën is also involved in financing activities (Banque PSA Finance), logistics (Gefco) and automotive equipment (Faurecia). For more information, please visit www.psa-peugeot-citroen.com*

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