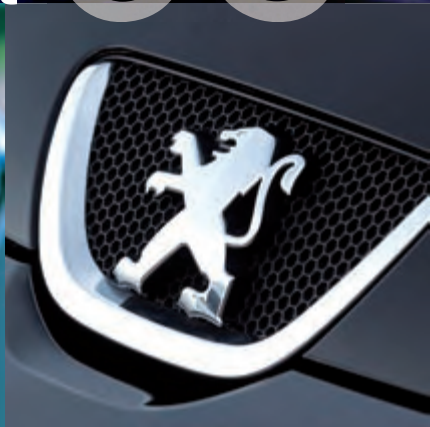
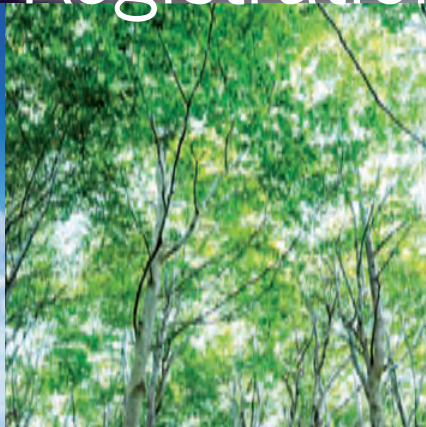




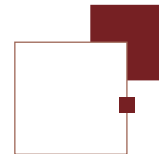
Registration Document

06



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PSA Peugeot Citroën Group

2006 REGISTRATION DOCUMENT

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

With operations in 150 countries, the Group is actively expanding its sales in new, fast-growing markets and today, nearly one third of its business is generated outside Western Europe.

A responsible global corporate citizen, PSA Peugeot Citroën constantly innovates in the areas of safety and environmental protection to develop and produce cars that meet the expectations of Peugeot and Citroën customers around the world.

Its efficient manufacturing base and unique strategy of forging targeted cooperation agreements with other carmakers enable the Group to optimize capital spending and adapt production volumes while expanding its model lineups. It also takes an active, innovative approach to employee relations in all its units, in France and around the world.

PSA Peugeot Citroën also encompasses the Banque PSA Finance, group of automotive finance companies, Faurecia, an automotive equipment manufacturer and Gefco, a transportation and logistics company.



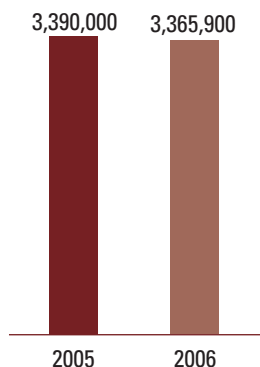
The French version of this Registration Document was filed with the *Autorité des Marchés Financiers* (French Financial Markets Authority) on April 23, 2007, in accordance with the provisions of Articles 211-1 to 211-42 of the general regulation of the AMF. It may be used in support of any financial transaction if it is supplemented by a prospectus approved by the *Autorité des Marchés Financiers*.



Key Figures

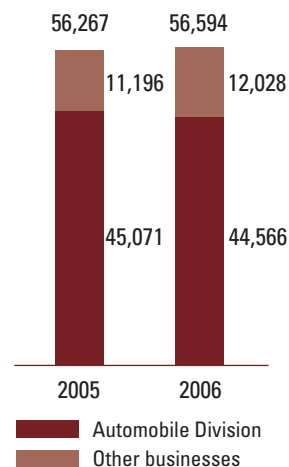
Worldwide sales

(in units)



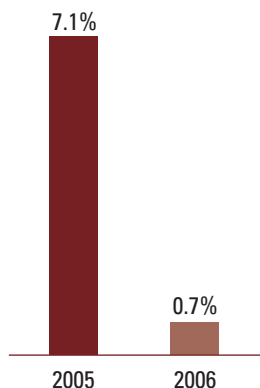
Sales and revenue

(in millions of euros)



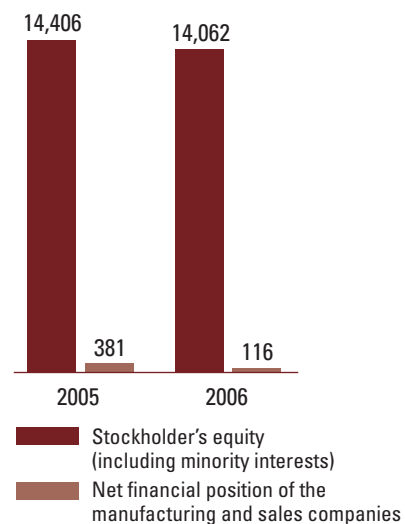
Return on capital employed

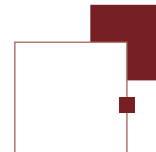
(after tax)



Balance sheet structure

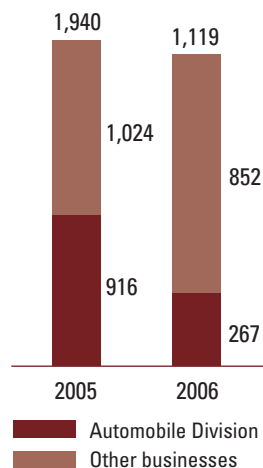
(in millions of euros)





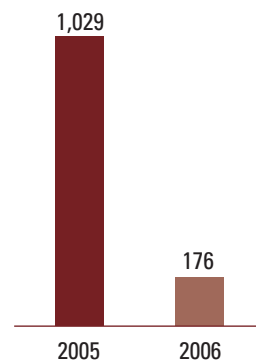
Operating margin

(in millions of euros)



Net income

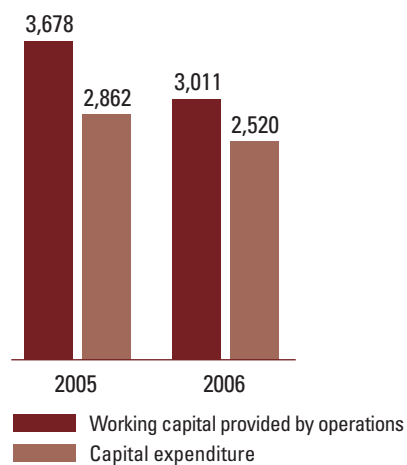
(in millions of euros)



Working capital provided by operations and capital expenditure

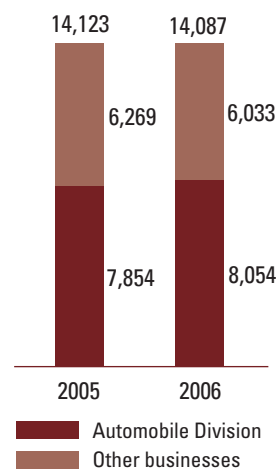
(manufacturing and sales companies)

(in millions of euros)



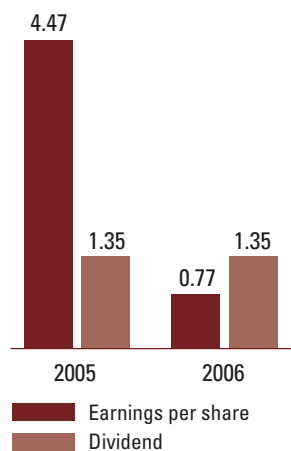
Capital employed

(in millions of euros)

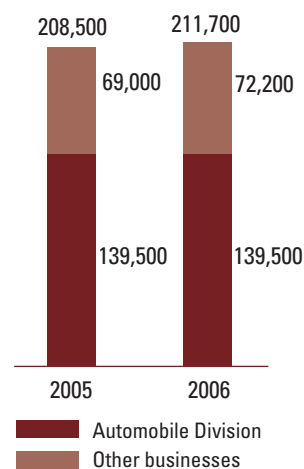


Earnings per share/Dividend

(in euros)



Workforce at December 31





Corporate Governance **and Management**

Supervisory Board

Thierry Peugeot
Chairman

Jean Boillot
Jean-Philippe Peugeot
Vice-Chairmen

Pierre Banzet
Marc Friedel
Jean-Louis Masurel
Jean-Paul Parayre
Robert Peugeot*
Marie-Hélène Roncoroni
Ernest-Antoine Seillière
Jean-Louis Silvant
Joseph F. Toot Jr.

Bertrand Peugeot
Roland Peugeot
François Michelin
Advisors to the Supervisory Board

** Coopted on February 6, 2007*

Managing Board

Christian Streiff
Chairman of the
Managing Board

Grégoire Olivier
Programs

Frédéric Saint-Geours
Automobiles Peugeot

Gilles Michel
Automobiles Citroën

Roland Vardanega
Technical and
Manufacturing

Executive Committee

Isabel Marey-Semper
Strategy and
Innovation

Sylvie Rucar
Finance and
Information Systems

Jean-Luc Vergne
Human Resources

Jean-Claude Hanus
Legal Affairs,
Institutional Relations
and Internal Audit

Liliane Lacourt
Corporate
Communications

Extended Executive Committee

Denis Duchesne
China

Vincent Rambaud
Mercosur

Jean-Philippe Collin
Purchasing

Daniel Marteau
Replacement Parts

Alain Sartoris
Executive
Development

Statutory Auditors

PricewaterhouseCoopers Audit

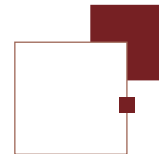
Mazars & Guérard

Auxiliary Auditors

Yves Nicolas

Patrick de Cambourg

As of March 1, 2007



1

Report of the **Supervisory Board**

The Supervisory Board would like to take this opportunity to express its deepest thanks to Jean-Martin Folz, Chairman of the Managing Board from October 1, 1997 to February 6, 2007, for his enormous contribution to the Group's expansion during that period.

Between 1997 and 2006, the number of vehicles sold by the Group increased by 60%, from 2.1 million to 3.4 million, while revenue doubled, from €28 billion to €56 billion. The Group's market share in Western Europe widened by almost two points, from 11.9% to 13.8%.

The platform strategy was considerably expanded and the production system was thoroughly rationalized by dedicating each plant to specific platforms. New plants were acquired, planned or built in Argentina, Brazil, the Czech Republic, Slovakia and China, enabling the Group to step up the pace of its expansion in the global marketplace.

The number of cars sold outside Western Europe grew from 300,000 to more than one million, representing more than 30% of total unit sales compared to 14% in 1997. Major cooperation agreements were signed with Ford, Toyota, BMW and Mitsubishi and the agreement with Fiat was expanded.

A number of highly successful models were launched, including the Peugeot 206, 207 and 307 and the Citroën C3, C4 and Picasso. Citroën now has a full-fledged model line-up that has enhanced its competitive advantage.

Innovations like the HDi engine, the particulate filter and the coupé-cabriolet were developed, brought to market and often taken up by the competition.

ECIA became Faurecia and transformed itself into a universally appreciated original equipment manufacturer.

Lastly, the Group's net financial position is positive.

Although growth has slowed and earnings have declined in recent years, the Supervisory Board considers that the nine years in which Jean-Martin Folz led the Group's operations were an extremely positive period for your Company.

The Board extended its warmest thanks to Mr. Folz at its meeting on February 6, 2007. It also expressed its gratitude to Claude Satinet, Chief Executive Officer of Automobiles Citroën and member of the Managing Board, who is also retiring, for his very substantial contribution to revitalizing and developing the Citroën marque.

2006 was another difficult year for the Group.

Unit sales stabilized at 3,366,000 vehicles, down 0.7% from 2005, while revenue edged up 0.6% to €56.6 billion.

Operating margin fell 42% to €1,119 million, or 2% of revenue, compared with 3.4% the year before. Aggressive competition in Europe, rising raw materials prices and the additional cost of meeting European environmental standards continued to weigh heavily on consolidated operating margin.

Profit attributable to equity holders of the parent dropped 83% to €176 million, impacted by asset impairment losses and restructuring costs related to the closure of the Ryton plant and to Faurecia.

Despite the decline in earnings, the net financial position of the manufacturing and sales companies remained positive, at €116 million at December 31, 2006.

Investments were kept under control, at €2.5 billion. The plant in Trnava, Slovakia was inaugurated and the new MCP compact automated gearbox production unit was brought on line at the Valenciennes plant.

The Peugeot 207, a strategic model for both the marque and the Group, was successfully launched and met its target of selling more than 300,000 units during the year. The new Peugeot Boxer and Citroën Relay, built in cooperation with Fiat, were also introduced in 2006. Early in the year, the Group unveiled two Hybrid HDi technology demonstrators, a Peugeot 307 and a Citroën C4, with diesel-electric powertrains.

The number of cars sold outside Western Europe continued to increase, rising to 1,070,000, or nearly 32% of the total, compared with 30% in 2005.

In China, DPCA increased its market share to 4.8% by selling more than 200,000 Peugeot and Citroën cars, or 43% more than last year. To keep pace with this fast expanding market, and in agreement with our partner DongFeng Motor Group, PSA Peugeot Citroën decided to increase its local manufacturing and marketing presence. A new plant, dedicated to large sedans and with capacity to make 150,000 units a year, will come on stream in 2009 in Wuhan, where the existing facility will expand capacity to 300,000 units next year. Three new models – the Peugeot 206, the Citroën C-Triomphe and the five-door Citroën C2 – were introduced in China in 2006. An import subsidiary, Peugeot Citroën China Automotive Trade Company, was created and the joint automotive finance subsidiary of Banque PSA Finance and the Bank of China was granted permission by the Chinese authorities to start operations.

The Group also continued to expand in Brazil and Argentina, with sales of more than 166,000 units, up 23% on 2005. In addition, it strengthened its local manufacturing base by starting production of the Peugeot 307 Sedan in Argentina.

The Managing Board reported to us regularly during the year about the Group's performance and we continued to fulfill our role, in accordance with the law and the bylaws.

The matters examined by the three Committees of the Board are described in the corporate governance section. In order to apply best governance practices in selecting the future Chairman of the Managing Board, new members were temporarily added to the Compensation and Appointments Committee. After reviewing internal and external candidates and conducting several rounds of interviews, the Committee recommended, during a special meeting on November 7, 2006, that the Supervisory Board appoint Christian Streiff as the future Chairman.

In this way, our corporate governance system functioned perfectly at a stage that was particularly strategic for the Group's further development.

At the beginning of the year, the Board conducted a self-assessment program, during which each member was asked to comment on the efficiency and effectiveness of our procedures and recommend any improvements. The recommendations made were acted upon.

The resolutions submitted by the Managing Board to the Stockholders' Meeting have all been approved or proposed by the Supervisory Board.

Despite the sharp decline in 2006 earnings, the Supervisory Board approved the Managing Board's recommendation to set the dividend at €1.35 per share, demonstrating its confidence in the Group's ability to rapidly turn around the situation with a new Managing Board and a new strategy.

The terms of office of Jean Boillot and Jean-Philippe Peugeot expire at this Meeting. You are being asked to re-elect Mr. Peugeot but Mr. Boillot did not wish to seek another term. The Board would like to thank him for his outstanding contribution, particularly the vital role he played as Vice-Chairman following the death of Pierre Peugeot in December 2002.

Pierre Banzet informed us of his decision to resign from the Board as of the date of this Meeting. We extend our wholehearted thanks to Mr. Banzet for his important contribution to our meetings all these years.

You are also being invited to ratify the Board's appointment, on February 6, 2007, of Robert Peugeot to replace Jean-Louis Dumas and to re-elect him to the Board for another six-year term. Born in 1950, Mr. Peugeot was a member of the Executive Committee and Vice President, Innovation and Quality until February 6, 2007. He will contribute his extensive knowledge of the Group and the automobile industry.

Lastly, the Board recommends that two new members, Henri Philippe Reichstul and Geoffroy Roux de Bézieux, be elected to the Supervisory Board.

Born in 1949, Henri Philippe Reichstul, a Brazilian national, is Chairman and Chief Executive Officer of Brenco – Companhia Brasileira de Energia Renovavel. As a member of the Board, Mr. Reichstul will contribute his experience in international business and the management of multinational organizations, as well as his knowledge of Brazil, the Mercosur region and renewable energies. Mr. Reichstul will provide insight to improve the Board's understanding of the Group's international expansion, particularly in the high priority Mercosur region.

Born in 1962, Geoffroy Roux de Bézieux, a French national, is Chairman and Chief Executive Officer of Virgin Mobile France. He will contribute a dynamic, international perspective on a fast changing, highly competitive industry, as well as extensive knowledge of mass retailing, marketing and British corporate governance practices.

The resolutions authorizing share buybacks, the issuance of shares and share equivalents with or without pre-emptive subscription rights, the cancellation of shares purchased under the buyback program and the granting of stock options by the Board correspond to renewals of earlier authorizations.

The purpose of the resolution authorizing the Managing Board to issue stock warrants while a takeover bid for the Company is in progress is to enable the Company to respond to such an event.

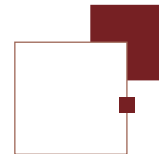
We invite stockholders to approve all the resolutions tabled at the meeting, with the exception of the one authorizing an employee share issue.

In 2007, the business environment will once again be shaped by aggressive competition in Western Europe. The Group will continue to introduce new models, including the Peugeot 207 CC, the 207 SW, the 4007 SUV and a new high volume model, as well as the Citroën C4 Picasso and C-Crosser SUV.

At its meeting on February 6, 2007, the Supervisory Board appointed a new Managing Board led by Christian Streiff, Chairman, and comprising five members: Frédéric Saint-Geours, Automobiles Peugeot, Gilles Michel, Automobiles Citroën, Grégoire Olivier, Programs, and Roland Vardanega, Technical and Manufacturing.

In full agreement with Christian Streiff, the Supervisory Board informed the new Managing Board members that their objective was to lead the Group into a new period of expansion by restoring fast growth and improving profitability as quickly as possible. The Managing Board was also given the mission of intensifying the Group's international expansion and making it a major player in the global automotive industry, while preserving its independence.

On February 6, Christian Streiff proposed a new organizational structure and identified four priority areas: quality, cost reduction, faster deployment of the product plan and international expansion. These initial strategic initiatives received our full support.



2

Strategic Strengths *and Priorities*

Strategic Strengths **and Priorities**

Strategic Strengths

PSA Peugeot Citroën enjoys a large number of strategic strengths. Underpinned by the choices that have driven the Group's robust growth, these strengths are now being leveraged to ratchet up the pace of expansion and put the Group back on the road to profitability.

Two Strong Marques

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

Recognized innovation capabilities to support sustainable mobility

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

PSA Peugeot Citroën's success in reducing CO₂ emissions has made it Europe's leading manufacturer of fuel-efficient vehicles.

The Group is consolidating its leadership in diesel engines. Now widely recognized for its environmental performance, the Group's direct-injection, common rail HDi technology reduces CO₂ emissions by 20% compared

with the previous generation diesels and by 30% compared with gasoline engines. In addition, HDi engines deliver remarkable drivability and today rank among the most popular in Europe. The Group has also developed new gasoline engine technologies, as illustrated by the mid-size engines being produced in cooperation with BMW Group since 2006.

Farther out, a wide variety of research programs are being conducted to align the automobile with a long-term commitment to sustainable mobility.

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

Highly skilled, dedicated teams, the foundation of success

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

Technological and manufacturing expertise

To improve the performance of its production facilities, the Group has implemented a plan to drive greater manufacturing efficiency, primarily by upgrading production and supply chain processes and by optimizing procurement policies.

Purchasing strategy, which plays a critical role in the vehicle production system, is designed to optimize costs and quality. The Group is also committed to sharing its environmental and social responsibility standards with suppliers, as part of the extended enterprise.

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

Expansion in new markets

PSA Peugeot Citroën has established solid bridgeheads in its three strategic growth regions: China, Latin America and Central and Eastern Europe. Peugeot and Citroën

are both enjoying robust sales in these fast growing markets, where the Group is responding to local customer expectations by developing specific models for such countries as China, Brazil and Argentina. As part of its strategy of expanding outside Western Europe, PSA Peugeot Citroën operates production plants alone or in partnership, in a commitment to rapidly increasing local content.

A healthy balance sheet

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

Three other efficient businesses

In addition to its core competency of making automobiles, PSA Peugeot Citroën is involved in three other major businesses. Banque PSA Finance finances new vehicle and replacement part inventory for dealers and offers a comprehensive array of financing and related services for Peugeot and Citroën carbuyers. Gefco, a transportation and logistics company, supplies production plants and distributes cars for the Group and other customers. PSA Peugeot Citroën is also the majority stockholder of Faurecia, an original automotive equipment manufacturer that makes car seats and interiors, exhaust systems and front-end modules. An independently managed company, Faurecia supplies not only the Group but also most of the world's leading carmakers.

Strategic Priorities

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

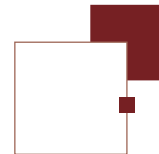
The first priority is quality, on which the entire organization remains as sharply focused as ever. Major progress has been made in the past three years, but now the objective is to rapidly position Peugeot and Citroën among the market leaders in both product and service quality by stepping up the programs already underway in automotive design, in the production plants, with suppliers and with dealers.

The second priority is to reduce costs. The Group prepared itself for sustainable growth, but when growth slowed, costs spun out of control. Costs will have to be reduced much more quickly in the short term, through measures implemented in the coming months to manage headcount, cut overheads, quickly improve plant and office productivity across the Group and streamline the organization.

The third priority concerns product strategy. The product plan will be stepped up and broadened to improve response to changing customer expectations and more aggressive competition in the global marketplace. In particular, with the market increasingly driven by new models and features, the Group will have to refocus on shortening time-to-market for future projects.

The fourth priority concerns international operations, where in the short term the Group is committed to expanding more quickly in its current regions—to get bigger in China, become a major automobile industry player in the Mercosur region and continue to expand in Eastern Europe.

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



3

Corporate Governance

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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.

The Supervisory Board

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.

Supervisory Board members

The Supervisory Board has twelve members plus three non-voting advisors (*censeurs*), all of whom are elected by stockholders for six-year terms. The other functions exercised by Supervisory Board members and advisors are listed on page 24, as well as the dates when they were elected and when their terms end.

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 March 1, 2007, the Board comprised four family members, Thierry Peugeot, Jean-Philippe Peugeot, Robert Peugeot and Marie-Hélène Roncoroni, and two relatives, Pierre Banzet (who has resigned as of the Annual Stockholders' Meeting on May 23, 2007) and Marc Friedel.

Jean-Louis Masurel, Ernest-Antoine Seillière and Joseph F. Toot Jr., have no ties with the Company, its Group or its management and contribute their international financial and managerial experience to the Board's deliberations.

Jean Boillot, who does not wish to seek another term, was Chairman of Automobiles Peugeot until 1990 and has since contributed to the Board his experience in automotive manufacturing and marketing.

A former member of the Executive Committee, Jean-Louis Silvant 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 recommendation of the French securities regulator (COB, now renamed AMF) dated January 17, 2003, the Supervisory Board has reviewed its membership and considers that Jean Boillot, Jean-Louis Masurel, Ernest-Antoine Seillière and Joseph F. Toot Jr., can be qualified as independent directors.

To assess its members' independence, the Supervisory Board applies the criteria listed in the Medef-Afep report on corporate governance, except that members who have sat on the Board for over twelve years or who have been a director of another Group company during the last five years are nevertheless considered to be independent. The Supervisory Board considers that the experience of the automobile industry that its members contribute to the Board is extremely valuable, particularly in a business requiring very good 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 Medef-Afep 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.

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

Supervisory Board meetings in 2006

The Supervisory Board met five times in 2006, with an average attendance rate of 90%.

During four of the meetings, the Board reviewed the Managing Board's periodic reports on the operations and results of the Group's various businesses, examined the financial statements of the Company and the Group and reviewed the annual budgets of the Group and its divisions. The Committees of the Board reported their findings and recommendations to the Supervisory Board at regular intervals.

At the fifth meeting, on November 7, 2006, the Board selected Christian Streiff to replace Jean-Martin Folz as Chairman of the Managing Board.

On February 6, 2007, the Supervisory Board removed from office the Managing Board comprised of Jean-Martin Folz, Frédéric Saint-Geours and Claude Satinet and appointed a new five-member Managing Board comprising Christian Streiff, Chairman, and Gilles Michel, Grégoire Olivier, Frédéric Saint-Geours and Roland Vardanega.

Board 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 authorize, 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 capitalizing retained earnings) and capital reductions;
- stockholder-approved 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 and 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 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.

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.

The first self-assessment of the Board's procedures was carried out in 2004. In early 2006, the Supervisory Board sent out a new questionnaire to members covering the Board's procedures, its structure, the organization of its meetings and the issues included on the agenda, the quality of discussions during each meeting and the steps taken to improve members' knowledge of the Group. The questionnaire also invited comments on the terms of reference of the Board Committees and the reporting of the Committees' findings and recommendations. Respondents suggested a certain number of improvements that were duly noted by the Chairman.

Supervisory Board Committees

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

The Strategy Committee

Terms of reference:

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

Members:

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

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

Activities in 2006:

The Strategy Committee met twice in 2006, once without the Managing Board in attendance to assess Committee procedures and once with the Managing Board in attendance to review the manufacturing and marketing strategy of the Group and its marques in Asia.

In January 2007, the Committee met, without the Managing Board in attendance, to hear Christian Streiff's analysis and initial conclusions concerning the Group's situation and the appropriate strategic response.

The Compensation and Appointments Committee

Terms of reference:

Set up in 1998, the Compensation and Appointments Committee is responsible for preparing Supervisory Board decisions regarding compensation for members of the Managing Board, the Supervisory Board and the Board Committees, as well as stock option grants to members of the Managing Board. It also stays informed of the compensation and stock option grants for 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, organizing the

selection process and recommending candidates for appointment or re-appointment.

Members:

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

Thierry Peugeot, Committee Chairman,
Ernest-Antoine Seillière.

Activities in 2006:

The Committee met in January to prepare Supervisory Board decisions concerning the 2005 bonuses to be paid to Managing Board members, and again in July to recommend to the Board the number of stock options to be granted to Managing Board members.

The Compensation and Appointments Committee also prepared the Supervisory Board's decisions concerning the choice of the new Chairman of the Managing Board and its membership. As part of this process, the Board expanded the Committee to include Jean-Philippe Peugeot, Jean-Paul Parayre and Jean-Louis Silvant. The Committee then met six times to determine the selection method, establish a list of possible candidates, conduct interviews and recommend their choice. It also determined the recommended compensation package for Christian Streiff, should he be appointed by the Supervisory Board.

In January 2007, the Committee met to recommend to the Supervisory Board the candidates for appointment to the new Managing Board and their compensation packages. It prepared Supervisory Board decisions concerning the 2006 bonuses to be paid to Jean-Martin Folz, Frédéric Saint-Geours and Claude Satinet. Lastly, it recommended new candidates for election to the Supervisory Board, and appointed Robert Peugeot to replace Jean-Louis Dumas for the remainder of his term.

The Finance Committee

Terms of reference:

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

reporting schedules. It also monitors off-balance sheet commitments and data to assess the Group's risk exposure.

The Finance Committee, which enjoys free access to all the information it needs, can, like the Chairman of the Supervisory Board, meet with the persons responsible for internal control and with the auditors, with or without line management attending.

Members:

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

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

Activities in 2006:

The Committee met four times in 2006. During the year, it reviewed the 2005 financial statements published in February 2006 and analyzed the Group's internal control process and internal audit program, the Group tax planning policy and the valuation of fixed assets. The meetings held in July 2006 and February 2007 to review the interim and annual financial statements respectively were attended by the external auditors. In addition, the Committee held a meeting in 2006 with the external auditors, without any members of management being present, to discuss internal control and the content of the Group's financial information.

Supervisory Board compensation

Pursuant to the decision of the Annual Stockholders' Meeting of May 26, 2004, Supervisory Board members and advisors are paid annual attendance fees up to an aggregate amount of €340,000 a year. In 2006, they were paid an aggregate €313,000 in fees. A fixed fee of €17,000 was paid to each member for serving on the Supervisory Board. Members of Board Committees were paid an additional €5,000, except the Chairmen, who were paid €10,000. By decision of the Supervisory Board, the Chairman and Vice-Chairmen of the Board receive an additional fee of €425,000 and €22,860 respectively. In 2006, an addition fee of €2,500 was paid to Jean-Philippe Peugeot, Jean-Paul Parayre and Jean-Louis Silvant for their services on the expanded Compensation and Appointments Committee. The compensation paid to individual Supervisory Board members and advisors is disclosed on page 37.

Situation of Supervisory Board and Managing Board members

Thierry Peugeot, Jean-Philippe Peugeot, Robert Peugeot, Marie-Hélène Roncoroni, Pierre Banzet and Marc Friedel are related. There are no family ties among the other Supervisory Board or Managing Board members.

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.

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.

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.

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 of any official public incrimination and/or sanctions by statutory or regulatory authorities or (iv) been disqualified by a court from acting as a 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.

Under French company law, only the Annual Stockholders' Meeting has the authority to remove a Supervisory Board member from office. Managing Board members may be removed from office by the Supervisory Board, in accordance with Company bylaws, or by the Annual Stockholders' Meeting, in accordance with French company law.

The Managing Board and Executive Management

The Managing Board

Previously comprised of Jean-Martin Folz, Chairman, Frédéric Saint-Geours and Claude Satinet, the Peugeot S.A. Managing Board has had the following five members since February 6, 2007: Christian Streiff, Chairman, Grégoire Olivier, Frédéric Saint-Geours, Gilles Michel and Roland Vardanega.

The Executive Committee

Executive management of the PSA Peugeot Citroën Group is the responsibility of both the Managing Board and the Executive Committee, which had the following ten members as of February 6, 2007: Christian Streiff, Chairman of the Managing Board, Frédéric Saint-Geours, member of the Managing Board (Peugeot), Gilles Michel, member of the Managing Board (Citroën), Grégoire Olivier, member of the Managing Board (Programs) Roland Vardanega, member of the Managing Board (Manufacturing and Components), Isabel Marey-Semper (Strategy and Innovation), Sylvie Rucar (Finance and Information Systems), Jean-Luc Vergne (Human Resources), Jean-Claude Hanus (Legal Affairs, Institutional Relations and Internal Audit) and Liliane Lacourt (Communication).

In addition to the above members, the Expanded Executive Committee also includes Denis Duchesne (China), Vincent Rambaud (Mercosur), Jean-Philippe Collin (Purchasing), Daniel Marteau (Replacement Parts) and Alain Sartoris (Executive Development), who each report directly to the Chairman of the Managing Board.

Managing Board compensation

The compensation paid to each Managing Board member is determined by the Supervisory Board after reviewing the recommendations of the Compensation and Appointments Committee. It includes both a base salary and an incentive bonus.

Compensation paid in respect of 2006 to the Managing Board members who served during that year is disclosed on page 37.

The five members of the Managing Board in place since February 6, 2007 also receive a base salary and an incentive bonus. Base salaries have been set at €1,000,000 for Christian Streiff and at €600,000 for each of the other Managing Board members. Barring exceptional circumstances, the Chairman's incentive bonus may vary from 50% to 110% of his base salary, while the incentive bonus paid to other members of the Managing Board may vary from 0 to 100% of their base salary. The incentive bonus, as determined by the Supervisory Board, will comprise 1) a portion based on the Group's consolidated operating margin, cash flow and return on capital employed, which will be shared among all of the Managing Board members, and 2) a portion based on the achievement of personal objectives assigned to each member, reflecting more specifically the areas under his or her direct responsibility. In all cases, these personal objectives will include quality performance targets.

Commitments given to Managing Board members

In line with Supervisory Board decisions, 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.

When Jean-Martin Folz and Claude Satinet left the Managing Board on February 6, 2007, their employment contract was reinstated, with compensation equal to their latest base salary decided by the Supervisory Board, plus the average of the last three years' incentive bonuses. Both of them retired effective March 1, 2007, in accordance with the terms of the collective bargaining agreement applicable to the metals industry, in light of their seniority.

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 and be employed by the Group when he or she retires.

No other commitments have been given to past or present Managing Board members concerning lump sum length of service awards to be paid when they cease to be a member.

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 Group's first-half consolidated earnings, without any discount. On August 23, 2006, the Managing Board used the authorization granted by the Annual Stockholders' Meeting of May 24, 2006 to issue 983,500 options to purchase existing shares of Peugeot S.A. stock for €41.14 per share. In July 2007, in accordance with the law, the Supervisory Board will determine the lock-up rules that will apply to shares acquired by corporate officers on exercise of stock options granted under any future plans.

Details of the options to purchase existing shares of Peugeot S.A. stock granted to Managing Board members in 2006 are presented on page 38.

Details of stock option plans in effect at December 31, 2006, the aggregate number of options granted to the eleven employees other than corporate officers receiving the largest number of stock options under the 2006 plan, and the number of options exercised in 2006 are presented on pages 38 and 259.

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 April 13, 2006, Faurecia granted 284,000 options to purchase new shares of company stock for €53.80 per share.

Internal and External Controls

Control is assured both internally, by the Supervisory Board and the internal auditors, and also externally by the statutory auditors and, in the case of Banque PSA Finance, by the French Banking Regulator (Commission Bancaire).

Internal Control

Internal control covers all the processes and procedures implemented throughout the organization to provide reasonable assurance that the following three objectives are met: effectiveness and efficiency of operations, reliability of financial reporting, compliance with applicable laws and regulations. Internal control also contributes to achieving performance and profitability targets. However, it does not offer absolute protection from human error. Based on the Group's operating structure, the overall organization of internal control mirrors the chains of command in the divisions and the cross-functional responsibilities of the corporate technology, manufacturing and finance departments.

The overall structure of delegations of authority down the chain of command reflects the Group's internal organization. Delegations of authority describe each individual's role and responsibilities, indicating the areas covered by the delegation, the terms of reference and, if necessary, the rules and regulations to be complied with and the practices to be followed.

In 2003, the Group issued a Code of Ethics setting out the standards of conduct and behavior to be met by all employees, who may consult it at any time on the Group Intranet. The Managing Board has appointed an Ethics Delegate to advise employees who have questions concerning the interpretation or practical application of the Code.

The Internal Audit department is part of the Legal Affairs, Institutional Relations and Audit department, which is overseen directly by the Chairman of the Managing Board. The Vice-President, Internal Audit has direct authority over the corporate-level internal auditors and has a dotted-line reporting relationship with the internal auditors working in various departments of the Automobile Division and the other Group companies. This organization enables the Vice-President, Internal Audit to ensure

that all of the Group's activities are covered in an efficient manner, to monitor the quality of internal audits and to track implementation of the action plans recommended by the internal auditors.

The Internal Audit department is responsible for:

- guaranteeing the implementation of internal controls;
- verifying compliance with mission-critical processes and methods and assessing their effectiveness;
- recommending improvements to enhance the performance of corporate departments and subsidiaries.

The annual internal audit program is submitted to the Executive Committee for approval. The Internal Audit reports to the Executive Committee twice a year on the department's activities and findings.

Internal control is based first and foremost on a series of financial and accounting procedures.

The consolidated financial statements are prepared by the consolidation department, which is also responsible for establishing and updating Group accounting policies.

Controls over management information are performed at the level of the Group, the divisions and the operating units.

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 information is audited or reviewed by the statutory auditors prior to being published.

Financing decisions and banking relations are managed at Group level, together with cash management transactions for Eurozone subsidiaries, foreign currency cash flows and related transactions on the currency markets, and financial market transactions related to interest rates. For entities outside the Eurozone, locally managed cash flows and cash balances are closely tracked at Group level.

The tax department is responsible for managing the Group's overall tax position, monitoring compliance with tax laws and regulations and identifying tax-planning opportunities. To this end, it manages the tax position of

all of the French entities, deals with the tax administration in connection with tax audits, and analyzes the tax implications of major projects such as acquisitions, disposals and reorganizations, as well as of cross-border transactions. It also supervises operations carried out locally.

The procedures put in place by the operating units and the related controls are designed to guarantee proper internal control of all Automobile Division functions.

In the area of research and development, a project-based management approach is used for the development of new vehicles and components, so as to clearly define the related return on investment and cost targets. Each project is tracked from start to finish by a dedicated team.

The purchasing department is responsible for defining and implementing global purchasing policies applicable to all the automobile operations. It is organized to encourage supplier participation in the design of products and processes, as well as to ensure that bought-in components, machinery and services comply with Group standards in terms of cost, quality and delivery times. The purchasing department's internal auditors are responsible for assessing the overall level of internal control, as well as the theoretical and practical effectiveness of control procedures, and proposing improvements.

Manufacturing operations are placed under the responsibility of a single, unified department, which manages, leads and oversees all of the Group's production plants worldwide, with a focus on ensuring that products are manufactured in the required quantities, in accordance with the applicable technical and quality standards, at the lowest cost and with an acceptable lead time. Internal control is based on a standard set of specific operating procedures. It is organized around operational management systems in each plant, real-time centralized reporting of physical indicators and a process that drives continuous improvement, as measured by a series of indicators calculated for all production sites.

The Peugeot and Citroën marques are responsible for defining and marketing their products and services throughout the world, enhancing their image and building market share. Each marque's system of internal control is based on a description of operating processes

and procedures at headquarters level, as well as at the levels of the importer subsidiaries and the dealerships. It is organized around the operational management structure, with the same top-down approach, control system and continuous improvement process.

The other divisions apply the same standards and principles as the Automobile Division, tailored to their specific organization structure.

Banque PSA Finance is also subject to banking regulations, with which it strictly complies.

As an independent company, Faurecia has its own system of internal control, described in the Company's registration document.

External Auditors

In accordance with French company law, the financial statements of Peugeot S.A. and the consolidated financial statements are audited by two firms of auditors. The two firms jointly audit all of the accounts and examine the processes used to prepare the financial statements, as well as the Group's internal control processes and procedures.

The two statutory auditors, PricewaterhouseCoopers Audit and Mazars & Guérard, were appointed by stockholders at the Annual Meeting on May 25, 2005, following a proposal process managed by the Finance Committee of the Supervisory Board. Their appointment expires at the Annual Stockholders' Meeting to be called in 2011 to approve the 2010 financial statements.

Through the members of their networks in all the countries where the Group operates, PricewaterhouseCoopers Audit and Mazars & Guérard act as contractual auditors of all the Group's fully consolidated subsidiaries, with the exception of the companies in the Faurecia sub-group. They therefore have access to the information required to audit the consolidated financial statements of the PSA Peugeot Citroën Group. Effective from 2003, they perform continuous audits of the main Automobile Division companies and finance companies in France, therefore improving the overall quality of their audit. PricewaterhouseCoopers Audit, as Group statutory auditor, also reviews the processes for the preparation of environmental and social information published on the Group's sustainable development website.

In the case of Faurecia, the two firms of auditors, PricewaterhouseCoopers Audit and Ernst & Young Audit, were appointed by stockholders at the Annual Meeting on June 1, 2001, for a period expiring at the Annual Meeting to be called to approve the 2006 accounts.

The auditors of joint ventures set up with other automakers, which are accounted for by the equity method, are appointed by the joint venture partners.

The total fees paid to the auditors in respect of 2006 amounted to €8.9 million for PricewaterhouseCoopers, €1.9 million for Mazars & Guérard and €1.9 million for Ernst & Young. None of these firms performed any non-audit work during the year.

New stricter rules have been established concerning non-audit work performed by the auditors, as required under the Financial Security Act.

Fees paid to the Statutory Auditors

	PricewaterhouseCoopers		Mazars & Guérard		Ernst & Young (Faurecia)	
<i>(in € millions)</i>	2006	2005	2006	2005	2006	2005
Audit						
Audit fees						
- Issuer	0.4	0.4	0.1	0.1	-	-
- Fully-consolidated subsidiaries	8.4	8.8	1.8	1.7	1.9	1.6
Other audit-related fees						
- Issuer	-	-	-	-	-	-
- Fully-consolidated subsidiaries	0.1	0.1	-	-	-	-
Sub-total	8.9	9.3	1.9	1.8	1.9	1.6
	100%	100%	99%	100%	100%	100%
Other services performed for fully consolidated subsidiaries						
Legal, tax and labor law advice	0.0	-	0.0	-	-	-
Other	-	-	-	-	-	-
Sub-total	0.0	-	0.0	-	-	-
	0%		0%			
Total	8.9	9.3	1.9	1.8	1.9	1.6
<i>Of which Faurecia</i>	3.1	3.5	-	-	1.9	1.6
<i>Excluding Faurecia</i>	5.8	5.8	1.9	1.8	-	-

The statutory auditors for PSA Peugeot Citroën are PricewaterhouseCoopers and Mazars & Guérard. Faurecia has its own statutory auditors, which are PricewaterhouseCoopers and Ernst & Young.

Management and Administration

Main functions and directorships held during 2006

SUPERVISORY BOARD

Thierry Peugeot

First elected to the Supervisory Board:
December 19, 2002
Current term ends: 2010

Born August 19, 1957

Chairman of the Supervisory Board
Chairman of the Compensation and
Appointments Committee
Member of the Strategy Committee

Office address:
PSA Peugeot Citroën
75, avenue de la Grande-Armée
75016 Paris
France

Chairman of the Supervisory Board of PSA Peugeot Citroën

Other directorships as of December 31, 2006:

Vice-Chairman of Établissements Peugeot Frères.

Director of Société Foncière, Financière et de Participations – FFP, La Française de Participations Financières – LFPPF, Société Anonyme de Participations – SAPAR, Immeubles et Participations de l'Est, Faurecia, Compagnie Industrielle de Delle, Air Liquide.

Permanent representative of Compagnie Industrielle de Delle on the Board of LISI.

Former directorships held 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 Officer of a number of automotive companies and has managed companies outside France.

Number of Peugeot S.A. shares owned at December 31, 2006: 900.

Jean Boillot

First elected to the Supervisory Board:
April 18, 1990
Current term ends: 2007

Born February 6, 1926

Vice-Chairman of the Supervisory Board
Member of the Strategy Committee

Office address:
PSA Peugeot Citroën
75, avenue de la Grande-Armée
75016 Paris
France

Vice-Chairman of the Supervisory Board of PSA Peugeot Citroën

No other directorships held as of December 31, 2006.

Former directorships held in the past five years:

Director of Peugeot Motor Company Plc.

Related expertise and professional experience:

Jean Boillot served as Chairman of Automobiles Peugeot until 1990.

Number of Peugeot S.A. shares owned at December 31, 2006: 150.

<p>Jean-Philippe Peugeot</p> <p>First elected to the Supervisory Board: May 16, 2001 Current term ends: 2007</p> <p>Born May 7, 1953</p> <p>Vice-Chairman of the Supervisory Board Chairman of the Strategy Committee</p> <p>Office address: Établissements Peugeot Frères 75, avenue de la Grande-Armée 75016 Paris France</p>	<p>Vice-Chairman of the Supervisory Board of PSA Peugeot Citroën Chairman of Établissements Peugeot Frères</p> <p>Other directorships as of December 31, 2006:</p> <p>Chairman of the Board of Nutrition et Communication SAS. Vice-Chairman of Société Foncière, Financière et de Participations – FFP. Director of La Française de Participations Financières – LFPP, Immeubles et Participations de l'Est.</p> <p>Former directorships held in the past five years: none.</p> <p>Related expertise and professional experience:</p> <p>M. Jean-Philippe has spent his entire career with Automobiles Peugeot, where, in particular he managed a marketing subsidiary for eight years and Peugeot Parc Alliance for four years.</p> <p>Number of Peugeot S.A. shares owned at December 31, 2006: 150.</p>
<p>Pierre Banzet</p> <p>First elected to the Supervisory Board: June 23, 1994 Current term ends: 2011</p> <p>Born July 18, 1929</p> <p>Member of the Supervisory Board</p> <p>Office address: 3, rue de la Montagne Sainte Geneviève 75005 Paris France</p>	<p>Honorary professor of medicine Member of the Académie de Médecine</p> <p>No other directorships held as of December 31, 2006.</p> <p>Former directorships held in the past five years: none.</p> <p>Related expertise and professional experience:</p> <p>Pierre Banzet has been a member of the Supervisory Board of PSA Peugeot Citroën since 1994.</p> <p>Number of Peugeot S.A. shares owned at December 31, 2006: 600.</p>

Jean-Louis Dumas

First elected to the Supervisory Board:
May 16, 2001

Resigned June 30, 2006

Born February 2, 1938

Member of the Supervisory Board
Member of the Strategy Committee

Office address:

Hermès International

24, rue Faubourg Saint-Honoré

75008 Paris

France

Legal Manager of Emile Hermès**Former Managing General Partner of Hermès International****Other directorships as of June 30, 2006:**

Chairman of the Board of Hermès Greater China, Hermès Japon, Hermès Retail (Malaysia).

Vice-Chairman and member of the Supervisory Board of Gaulme.

Legal Manager of Berfa, SCI Briand Villiers I, SCI Briand Villiers II, Société Immobilière du Faubourg Saint-Honoré - SIFAH.

Director of La Montre Hermès, Compagnie des Cristalleries de Saint-Louis, Hermès Grèce, Hermès de Paris.

Auxiliary member of the Board of Boissy Mexico.

Member of the Supervisory Board of Hermès Sellier.

Permanent representative of Hermès International

As Chairman of the Management Board of: Hermès Interactif, Motsch Georges V, Isamyol 8 (Hercia), Isamyol 9, Isamyol 10, Isamyol 11, Isamyol 12. Compagnie Hermès de Participations.

As Legal Manager of: SCI Auger Hoche, SCI Boissy les Mûriers, SCI Boissy Nontron, SCI Edouard VII, Immauger, SCI Les Capucines.

Former directorships held in the past five years:

Chairman and Chief Executive Officer of Castille Investissements, Compagnie Hermès de Participations, La Montre Hermès.

Chairman of the Board of Sport Soie, Hermès of Hawaii, Hermès of Paris, Hermtex, Hermès de Paris (Mexico), Hermès Canada, Hermès Suisse, Ex-Pili, Hermès Holdings US, Hermès Gestion Inc.

Chairman and member of the Management Committee of Holding Textile Hermès.

Chairman of the Management Board of Compagnie Hermès de Participations.

Chairman of the Supervisory Board of Hermès Prague.

Legal Manager of SCI Auger Hoche.

Director and Legal Representative of Hermès Korea, Hermès Korea Travel Retail.

Director of L'Oréal, Hermès Sellier, Gaumont, Hermès Ibérica, Hermès Italie, Hermès Benelux, Hermès GB, J.L. & Co, Herlee, Saint-Honoré Chile, Hermès South East Asia, Hermès Australia, John Lobb Japon, Boissy Mexico, Saint-Honoré (Bangkok).

Permanent representative of Hermès International

As Chairman of: Isamyol 7, Maroquinerie de Belley, Maroquinerie des Ardennes. As Member of the Board of: Financière Saint-Eloi, John Lobb, Tissages Perrin, Tissages Verel, Héraklion.

As Legal Manager of: SCI Boissy Belley, SCI Boissy Bogny, SCI Boissy Saint-Honoré, SCI Les Jonquilles Soleil, SCI Honossy.

Permanent Representative of Castille Investissements

On the Board of Directors of: Compagnie des Arts de la Table, Hermès Porcelaine Perigord.

On the Management Board of Compagnie des Arts de la Table.

Permanent Representative of Sport Soie:

On the Board of Directors of: Ateliers A.S., Ganterie de Saint-Julien, Sin Rejac, Soficuir International, Manufacture de Seloncourt.

On the Management Board of: Manufacture de Seloncourt, Ganterie de Saint-Julien.

Permanent Representative of Holding Textile Hermès on the Board of Directors of Société d'Impression sur Étoffes du Grand-Lemps.

Permanent Representative of Compagnie Hermès de Participations

On the Board of Directors of Bagages & Cuirs.

On the Management Board of Bagages & Cuirs.

Member of the Supervisory Board of Leica Camera AG.

Related expertise and professional experience:

After joining Hermès in 1964, Jean-Louis Dumas was appointed Chief Executive Officer in 1971 and Chairman in 1978. From 1995 to 2006, he was Managing General Partner of Hermès International and currently serves as Legal Manager of Emile Hermès.

Number of Peugeot S.A. shares owned at June 30, 2006: 300.

Marc Friedel

First elected to the Supervisory Board:
June 26, 1996
Current term ends: 2008

Born July 21, 1948

Member of the Supervisory Board
Chairman of the Finance Committee

Office address:
14, rue Edgar Faure
75015 Paris
France

Consultant

Other directorships as of December 31, 2006:

Permanent representative of Sofinaction (CIC Group) on the Board of Société Nancéienne Varin-Bernier (SNVB).

Former directorships held in the past five years:

Member of the Supervisory Board of Presses Universitaires de France.
Vice-Chairman of the Board of Librairie Ernest Flammarion.

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 at December 31, 2006: 150.

Jean-Louis Masurel

First elected to the Supervisory Board:
August 27, 1987
Current term ends: 2011

Born September 18, 1940

Member of the Supervisory Board
Member of the Finance Committee

Office address:
Arcos Investissement
10 A, rue de la Paix
75002 Paris
France

Chairman of Arcos Investissement

Other directorships as of December 31, 2006:

Chairman of the Board of Sogetel, a subsidiary of Société des Bains de Mer (Monaco).

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 subsidiary), Banque J. Safra (Monaco).

Member of the Supervisory Board of 21 Centrale Partners S.A.

Related expertise and professional experience:

From 1983 to 1989, Jean-Louis Masurel served as Vice-Chairman and Chief Executive Officer of Moët-Hennessy and later LVMH. Since 1995, he had 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, 2006: 600.

Jean-Paul Parayre

First elected to the Supervisory Board:
December 11, 1984

Current term ends: 2011

Born July 5, 1937

Member of the Supervisory Board
Member of the Strategy Committee

Office address:
203, avenue de Molière
1050 Bruxelles
Belgique

Chairman of the Supervisory Board of Vallourec

Other directorships as of December 31, 2006:

Chairman of the Supervisory Board of Stena Maritime.

Director of Bolloré Investissement, SNEF, Stena International Sarl.

Member of the Steering Committee of V&M do Brasil.

Former directorships held in the past five years:

Director of SDV Cameroun, Stena Line, Seabulk, Sea-invest France, Carillion Plc, Stena UK, SDV Congo, Stena International BV.

Member of Advisory Board of Candover.

Related expertise and professional experience:

Jean-Paul Parayre has held executive positions in a number of manufacturing and service companies, including Chairman of the Managing Board of PSA Peugeot Citroën (1977-1984), Chief Executive Officer and later 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 at December 31, 2006: 11,396.

Marie-Hélène Roncoroni

First elected to the Supervisory Board:
June 2, 1999

Current term ends: 2011

Born November 17, 1960

Member of the Supervisory Board
Member of the Finance Committee

Office address:
FFP
75, avenue de la Grande-Armée
75016 Paris
France

Vice-Chairman of Société Foncière, Financière et de Participations – FFP

Other directorships as of December 31, 2006:

Director of LFPF – La Française de Participations Financières, Société Anonyme de Participations – SAPAR, Établissements Peugeot Frères, Immeubles et Participations de l'Est.

Permanent representative of Société Anonyme de Participation – SAPAR on the Board of Société des Immeubles de Franche-Comté and of Immeubles de Franche-Comté on the Board of Société Anonyme Comtoise de Participations.

Former directorships held in the past five years:

Permanent representative of Comtoise de Participation on the Board of Sedim.

Related expertise and professional experience:

Marie-Hélène Roncoroni began her career in a British/American audit firm, before holding positions in the PSA Peugeot Citroën corporate finance department for seven years.

Number of Peugeot S.A. shares owned at December 31, 2006: 150.

<p>Ernest-Antoine Seillière</p> <p>First elected to the Supervisory Board: June 22, 1994 Current term ends: 2012</p> <p>Born December 20, 1937</p> <p>Member of the Supervisory Board Member of the Strategy Committee Member of the Compensation and Appointments Committee</p> <p>Office address: Wendel Investissement 89, rue Taitbout 75009 Paris France</p>	<p>Chairman of the Supervisory Board of Wendel Investissement</p> <p>Other directorships as of December 31, 2006: Chairman and Chief Executive Officer of Société Lorraine de Participations Sidérurgiques – SLPS. Chairman of the Supervisory Board of Oranje – Nassau Groep BV. Member of the Supervisory Board of Bureau Veritas, Eritis Holding, Gras-Savoie, Hermès International S.A. Director of Legrand et Sofisamc (Switzerland).</p> <p>Former directorships held in the past five years: Chairman and Chief Executive Officer of CGIP, Marine-Wendel, Legrand Holding. Vice-Chairman of the Board of Cap Gemini. Director of Eritis. Permanent representative of Sofiservice on the Board of Bureau Veritas.</p> <p>Related expertise and professional experience: Ernest-Antoine Seillière has held various positions as Chairman and Director.</p> <p>Number of Peugeot S.A. shares owned at December 31, 2006: 600.</p>
<p>Jean-Louis Silvant</p> <p>First elected to the Supervisory Board: May 24, 2006 Current term ends: 2012</p> <p>Born February 7, 1938</p> <p>Member of the Supervisory Board</p> <p>Office address: La Martinerie 35, rue de la Fontaine 37370 Neuvy le Roi France</p>	<p>Former member of the PSA Peugeot Citroën Executive Committee</p> <p>Other directorships as of December 31, 2006: Chairman of la Closerie des Tilleuls. Legal manager of Silvant-Invest. Director of Peugeot Suisse, Résidéal Santé.</p> <p>Former directorships held in the past five years: Chief Executive Officer, then Chief Operating Officer of Peugeot Citroën Automobiles. Chairman of the Board of Peugeot Suisse and Sevel SpA. Director of Peugeot Motocycles, Process Conception Ingénierie, Caffeau et Ruffin, Frest S.A.</p> <p>Related expertise and professional experience: Jean-Louis Silvant joined PSA Peugeot Citroën in 1961. He held a large number of executive positions, particularly in production and human resources management, 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.</p> <p>Number of Peugeot S.A. shares owned at December 31, 2006: 50.</p>

<p>Joseph F Toot Jr.</p> <p>First elected to the Supervisory Board: May 24, 2000 Current term ends: 2012 Born June 13, 1935</p> <p>Member of the Supervisory Board</p> <p>Office address: The Timken Company 1835 Dueber Ave. SW P.O. Box 6928 Canton, OH 44706-0926 United States</p>	<p>Former Chief Executive Officer of The Timken Company</p> <p>Other directorships as of December 31, 2006: Director of Rockwell Automation, Rockwell Collins, The Timken Company.</p> <p>Former directorships held in the past five years: none.</p> <p>Related expertise and professional experience: Former Chief Executive Officer of The Timken Company.</p> <p>Number of Peugeot S.A. shares owned at December 31, 2006: 150.</p>
<p>François Michelin</p> <p>First elected as advisor to the Supervisory Board: July 25, 2006 Current term ends: 2012 Born June 15, 1926</p> <p>Advisor to the Supervisory Board</p> <p>Office address: Pardevi 23, place des Carmes Déchaux 63040 Clermont-Ferrand France</p>	<p>Chairman of Participation et Développement Industriels S.A.- Pardevi</p> <p>Other directorships as of December 31, 2006: Managing General Partner of Compagnie Financière Michelin (Switzerland). Vice-Chairman of ANSA.</p> <p>Former directorships held in the past five years: Managing General Partner of Compagnie Générale des Établissements Michelin (CGEM), Manufacture Française des Pneumatiques Michelin (MFPM). Partner with unlimited responsibility of Michelin Reifenwerke (MRW).</p> <p>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.</p> <p>Number of Peugeot S.A. shares owned at December 31, 2006: 150.</p>

<p>Bertrand Peugeot</p> <p>First elected as advisor to the Supervisory Board: June 8, 1999 Current term ends: 2011</p> <p>Born October 30, 1923</p> <p>Advisor to the Supervisory Board</p> <p>Office address: PSA Peugeot Citroën 75, avenue de la Grande-Armée 75016 Paris France</p>	<p>Former Vice-Chairman of the Supervisory Board of PSA Peugeot Citroën</p> <p>Other directorships as of December 31, 2006: Director of Paris Loire.</p> <p>Former directorships held in the past five years: Director of Société Foncière, Financière et de Participations – FFP, Établissements Peugeot Frères, LFPF – La Française de Participations Financières.</p> <p>Related expertise and professional experience: Bertrand Peugeot has held various positions as Chairman or Director of PSA Peugeot Citroën member 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.</p> <p>Number of Peugeot S.A. shares owned at December 31, 2006: 492.</p>
<p>Roland Peugeot</p> <p>First elected as advisor to the Supervisory Board: May 16, 2001 Current term ends: 2007</p> <p>Born March 20, 1926</p> <p>Advisor to the Supervisory Board</p> <p>Office address: Établissements Peugeot Frères 75, avenue de la Grande-Armée 75016 Paris France</p>	<p>Honorary Chairman of Établissements Peugeot Frères</p> <p>Other directorships as of December 31, 2006: Honorary Chairman of Football Club Sochaux Montbéliard – FSCM. Permanent representative of Établissements Peugeot Frères on the Board of Directors of LFPF – La Française de Participations Financières.</p> <p>Former directorships held in the past five years: Director of Société Foncière, Financière et de Participations – FFP.</p> <p>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.</p> <p>Number of Peugeot S.A. shares owned at December 31, 2006: 20,041.</p>

MANAGING BOARD

Jean-Martin Folz

First appointed to the Managing Board:
May 15, 1997

Term ended February 6, 2007

Born January 11, 1947

Chairman of the Managing Board

Office address:

PSA Peugeot Citroën

75, avenue de la Grande-Armée

75016 Paris

France

Chairman of the Managing Board of PSA Peugeot Citroën**Other directorships as of December 31, 2006:**

Chairman of Automobiles Peugeot, Automobiles Citroën.

Director of Banque PSA Finance, Peugeot Citroën Automobiles, Faurecia, Saint-Gobain, Solvay (Belgium).

Former directorships held in the past five years:

Chairman of Banque PSA Finance, Peugeot Citroën Automobiles.

Chairman of the Supervisory Board of Sommer Allibert.

Related expertise and professional experience:

Before joining PSA Peugeot Citroën, Jean-Martin Folz held several management positions at Rhone-Poulenc and Jeumont-Schneider and served as Chief Executive Officer of Péchiney and later Eridania-Beghin-Say.

Number of Peugeot S.A. shares owned at December 31, 2006: 0.

Frédéric Saint-Geours

First appointed to the Managing Board:
July 1, 1998

Current term ends: 2011

Born April 20, 1950

Member of the Managing Board

Office address:

Automobiles Peugeot

75, avenue de la Grande-Armée

75016 Paris

France

Member of the Managing Board**Chief Executive Officer of Automobiles Peugeot****Other directorships as of December 31, 2006:**

Chairman of the Board of Peugeot Motor Company Plc.

Member of the Supervisory Board of Peugeot Deutschland GmbH.

Director of Casino Guichard-Perrachon, Peugeot España.

Permanent representative of Automobiles Peugeot on the Board of Gefco, Banque PSA Finance.

Former directorships held in the past five years: none.**Related expertise and professional experience:**

Frédéric Saint-Geours was Chief Financial Officer of PSA Peugeot Citroën and, since 1990, Chief Operating Officer, then Chief Executive Officer of Automobiles Peugeot

Number of Peugeot S.A. shares owned at December 31, 2006: 0.

Claude Satinet

First appointed to the Managing Board:
July 1, 1998

Term ended February 6, 2007

Born July 19, 1944

Member of the Managing Board

Office address:
Automobiles Citroën
Immeuble Colisée III
12, rue Fructidor
75017 Paris
France

Member of the Managing Board**Chief Executive Officer of Automobiles Citroën****Other directorships as of December 31, 2006:**

Chairman of Citer.

Chairman of the Board of Citroën Belux, Citroën Danmark A/S, Citroën Italia SpA, Citroën UK Ltd, Citroën (Suisse) S.A.

Chairman of the Supervisory Board of Citroën Nederland BV.

Member of the Supervisory Board of Citroën Deutschland AG.

Director of Automoviles Citroën España, Comercial Citroën S.A., Autotransporte Turístico Español S.A., Citroën Sverige AB.

Permanent representative of Automobiles Citroën in its capacity

As Chairman of the Board of Automoveis Citroën.

As Director of Gefco, Banque PSA Finance.

Former directorships held in the past five years: none.

Related expertise and professional experience:

Claude Satinet joined the PSA Peugeot Citroën Group in 1973 and served in a number of management positions in the Automobiles Citroën IT, finance and sales departments. He was appointed Chief Operating Officer of Automobiles Citroën in 1994 and has been Chief Executive Officer since 1998.

Number of Peugeot S.A. shares owned at December 31, 2006: 21,000.

Management and Administration

New Corporate Officers elected or appointed on February 6, 2007

SUPERVISORY BOARD

Robert Peugeot

First appointed to the Supervisory Board:
February 6, 2007

Current term ends: 2013 subject to ratification at the Annual Stockholders' Meeting on May 23, 2007

Born April 25, 1950

Member of the Supervisory Board

Office address:

FFP

75, avenue de la Grande-Armée

75016 Paris

France

Chairman of Société Foncière, Financière et de Participations – FFP
Former Member of the PSA Peugeot Citroën Executive Committee

Other directorships:

Chairman of the Board of Simante, SL.

Member of the Supervisory Board of Citroën Deutschland AG, Aviva France.

Director of Citroën Danemark A/S, B - 1998 SL, Fomentos de Construcciones y Contratas S.A. FCC, FCC Construcción S.A., Aviva Participations, Établissements Peugeot Frères, GIE de recherche et d'études PSA Renault, Imerys, Immeubles et Participations de l'Est, LFPF – La Française de Participations Financières, Citroën UK Ltd, Sanef.

Legal Manager of CHP Gestion, Rodom.

Permanent representative of FFP on the Supervisory Board of Zodiac.

Legal representative of FFP with Financière Guiraud.

Former directorships held in the past five years:

Member of the Supervisory Board of Groupe Taittinger.

Director of l'IFP (Institut Français du Pétrole), Société du Louvre, Peugeot Automobiles United Kingdom 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: 150.

MANAGING BOARD

Christian Streiff

First appointed to the Managing Board:
February 6, 2007

Current term ends: 2011

Born September 21, 1954

Chairman of the Managing Board

Office address:
PSA Peugeot Citroën
75, avenue de la Grande-Armée
75016 Paris
France

Chairman of the Managing Board of PSA Peugeot Citroën**Other directorships:**

Chairman of Automobiles Peugeot, Automobiles Citroën.

Director of Banque PSA Finance, Peugeot Citroën Automobiles, Faurecia, Thyssen-Krupp, Continental AG.

Managing Partner of Argos Conseil.

Former directorships held in the past five years:

Chairman and Chief Executive Officer of Airbus Holding, Saint-Gobain Advanced Ceramics Corp, Carborundum Ventures Inc.

Chief Operating Officer of Compagnie de Saint-Gobain.

Chairman of the Board of Société Européenne des Produits Réfractaires-SEPR, Saint-Gobain Ceramics & Plastics Inc., Saint-Gobain Performance Plastics Corp., Saint-Gobain Abrasivos S.A.

Director of PAM Colombia S.A., Grindwell Norton Ltd., Kure-Norton Ltd., Saint-Gobain Corporation, Saint-Gobain Pipe Systems Plc.

Managing Director of Saint-Gobain KK.

Related expertise and professional experience:

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: 0.

Gilles Michel

First appointed to the Managing Board:
February 6, 2007

Current term ends: 2011

Born January 10, 1956

Member of the Managing Board

Office address:
Automobiles Citroën
Immeuble Colisée III
12, rue Fructidor
75017 Paris
France

**Member of the Managing Board of PSA Peugeot Citroën
Chief Executive Officer of Automobiles Citroën****Other directorships:**

Chairman of Citer.

Chairman of the Board of Citroën Danmark A/S, Citroën Italia, Citroën UK Ltd, Citroën Belux, Citroën (Suisse) S.A.

Chairman of the Supervisory Board of Citroën Nederland BV.

Member of the Supervisory Board of Citroën Deutschland AG.

Director of Automoviles Citroën España, Autotransporte Turístico Español S.A., Citroën Sverige AB.

Permanent representative of Automobiles Citroën in its capacity:

As Chairman of the Board of Automoveis Citroën.

As Director of Gefco, Banque PSA Finance.

Former directorships held in the past five years:

Director of Peugeot Citroën Automobiles, 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, Engineering and Purchasing, he was a member of the Executive Committee from 2002 to 2007.

Number of Peugeot S.A. shares owned: 0.

<p>Grégoire Olivier</p> <p>First appointed to the Managing Board: February 6, 2007 Current term ends: 2011 Born October 19, 1960</p> <p>Member of the Managing Board</p> <p>Office address: PSA Peugeot Citroën ADN Route Nationale 118 78140 Vélizy-Villacoublay France</p>	<p>Member of the Managing Board of PSA Peugeot Citroën Executive Vice-President, Programs</p> <p>Other directorships: Director of Peugeot Citroën Automobiles, Imerys.</p> <p>Former directorships held in the past five years: Chairman and Chief Executive Officer of Faurecia, Sagem Communication. Chairman of the Managing Board of Sagem. Member of the Managing Board of Safran. Member of the Supervisory Board of Wendel Investissement. Vice Chairman of the Club Sagem Executive Committee. Director of Snecma, Sagem Défense et Sécurité.</p> <p>Related expertise and professional experience: Grégoire Olivier has held senior management positions in a number of manufacturing companies.</p> <p>Number of Peugeot S.A. shares owned: 0.</p>
<p>Roland Vardanega</p> <p>First appointed to the Managing Board: February 6, 2007 Current term ends: 2011 Born June 27, 1943</p> <p>Member of the Managing Board</p> <p>Office address: PSA Peugeot Citroën Centre technique Vélizy A Route de Gisy 78140 Vélizy-Villacoublay France</p>	<p>Member of the Managing Board of PSA Peugeot Citroën Executive Vice-President, Technical and Manufacturing</p> <p>Other directorships: 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, Résidéa Santé, 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, Peugeot Citroën Mécanique de l'Est. Legal Manager of Vardanega Invest.</p> <p>Former directorships held in the past five years: Chairman of Societa Europea Veicoli Leggeri-Sevel SpA, Peugeot Citroën Automobiles UK Ltd, la Closerie des Tilleuls. Director of Société Européenne de Véhicules Légers du Nord-Sevelnord.</p> <p>Related expertise and professional experience: Roland Vardanega joined PSA Peugeot Citroën in 1967. He has held a large number of executive positions, particularly in production and human resources management, and was a member of the Group's Executive Committee from 1998 to 2007.</p> <p>Number of Peugeot S.A. shares owned: 0.</p>

Management and Administration

Compensation of Corporate Officers and Executives in 2006

Total Compensation and Benefits paid in 2006

Total direct or indirect compensation and benefits paid in 2006 by Group companies to members of the Supervisory Board and the Advisors was as follows:

	Title	
Thierry Peugeot	Chairman of the Supervisory Board	€457,000
Jean Boillot	Vice-Chairman of the Supervisory Board	€44,860
Jean-Philippe Peugeot	Vice-Chairman of the Supervisory Board	€52,360
Pierre Banzet	Member of the Supervisory Board	€17,000
Jean-Louis Dumas	Member of the Supervisory Board	€11,000
Marc Friedel	Member of the Supervisory Board	€27,000
Jean-Louis Masurel	Member of the Supervisory Board	€22,000
Jean-Paul Parayre	Member of the Supervisory Board	€24,500
Marie-Hélène Roncoroni	Member of the Supervisory Board	€22,000
Ernest-Antoine Seillière	Member of the Supervisory Board	€27,000
Jean-Louis Silvant	Member of the Supervisory Board	€13,500
Joseph F. Toot Jr.	Member of the Supervisory Board	€17,000
Bertrand Peugeot	Advisor	€17,000
Roland Peugeot	Advisor	€17,000
François Michelin	Advisor	€22,000

In addition to the directors' fees paid to all members of the Supervisory Board, the above compensation and benefits, paid by Peugeot S.A., comprise specific compensation paid to the Board's Chairman and Vice-Chairmen, as well as to the Chairmen and members of the Strategy, Compensation and Appointments, and Finance Committees.

Thierry Peugeot has the use of a company car. He was paid €13,000 in compensation for his duties as director of Faurecia.

In addition, Thierry Peugeot, Jean-Philippe Peugeot and Marie-Hélène Roncoroni receive compensation for their duties as executives or officers of companies in the Peugeot family group, which is described in the management report of Foncière, Financière et Participations – FFP.

Total direct or indirect compensation and benefits paid in 2006 by Group companies to members of the Managing Board was as follows:

	Allocated in respect to the year 2006		Paid during the year 2006 (*)	
	Total compensation	Variable portion	Total compensation	Variable portion
Jean-Martin Folz, Chairman	€1,315,980	€335,000	€1,650,920	€669,940
Frédéric Saint-Geours	€630,980	€123,000	€752,640	€244,660
Claude Satinet	€651,980	€144,000	€795,820	€287,840

(*) The variable portion related to the results for a given year is paid in the following quarter.

The above compensation includes the monetary value of a company car assigned to each member of the Managing Board.

In addition, Jean-Martin Folz was paid €21,000 in compensation for his duties as director of Faurecia.

Transactions with Corporate Officers and Executives

As of the date of publication of this Reference Document, no transactions have been undertaken with corporate officers or executives or any stockholder owning more than 5% of the Company's capital stock. In particular, the Company has granted no loans or guarantees to members of the Supervisory Board or the Managing Board.

Trading in company securities by Corporate Officers in 2006

None.

Options to purchase existing Peugeot S.A. shares granted and exercised in 2006

Options to purchase existing Peugeot S.A. shares granted to and exercised by members of the Managing Board in 2006 were as follows:

	Plan	Options granted			Purchase price	Options exercised			
		Number	Expiry date			Plan	Number	Expiry date	Purchase price
Jean-Martin Folz, Chairman	Aug. 23, 2006	-	-		-	-	-	-	-
Frédéric Saint-Geours	Aug. 23, 2006	40,000	Aug. 22, 2014		€41.14	-	-	-	-
Claude Satinet	Aug. 23, 2006	40,000	Aug. 22, 2014		€41.14	-	-	-	-

Options to purchase existing Peugeot S.A. shares granted in 2006 by the eleven top employees other than corporate officers were as follows: :

Plan	Total options	Expiry date	Purchase price
August 23, 2006	450,000	August 22, 2014	€41.14

Options to purchase existing Peugeot S.A. shares granted in prior years and exercised in 2006 by the ten top employees other than corporate officers were as follows:

Plan	Total options	Expiry date	Purchase price	Number of employees
March 31, 1999	25,977	March 30, 2007	€20.83	13
October 5, 2000	86,500	October 4, 2008	€35.45	20
November 20, 2001	50,000	November 19, 2008	€46.86	8



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Business Review

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The Automobile **Division**

A global market up 3.2%

Slight increase in Western Europe.

Sustained growth in China.

Further gains in Latin America.

In 2006, the global automobile market expanded by 3.2% to 65.3 million passenger cars and light commercial vehicles.

The market in Western Europe grew 1.3% over the year to 16,708,700 cars and light commercial vehicles, with persistently aggressive competition in every national market. Demand contracted in the United Kingdom (by 3.3%), in France (by 1.9%) and, to a lesser extent, in Spain (by 0.4%). In Germany, a late-year surge in sales as car-buyers sought to beat the January 1, 2007 hike in the VAT rate helped to lift the market by 4.2%, while in Italy the market grew 3.8% despite a falloff in demand in December pending the 2007 introduction of tax incentives designed to take older vehicles off the road.

The Central and Eastern Europe market rose by 13.8% to 3.7 million vehicles overall, with a 2.2% gain in the six

main Central European countries (Poland, Hungary, the Czech Republic, Slovenia, Croatia and Slovakia). In Russia, economic growth and easier access to credit drove a 20.1% increase, with foreign carmaker sales climbing 65.8% and local carmakers experiencing a 9.6% downturn. The Romanian market expanded by 15.0% to 289,100 vehicles.

Markets in the Asia-Pacific region grew an aggregate 6.5% to 18.4 million units. The Chinese market remained extremely buoyant, with registrations up 32.2% to 4,200,000 vehicles.

Demand in the Africa-Middle East region rose 5.3% to 3.7 million vehicles. In Turkey, unfavorable exchange rates contributed to a 13.6% decline.

Automobile markets in Latin America rose 11.9% to 4,600,000 units, buoyed by the sustained recovery in demand. The Brazilian and Argentine markets rose 13.0% and 16.2% respectively, while demand in Mexico was virtually stable, edging up just 0.9%.

3,365,900 vehicles sold by the Group

Slight 0.7% decline in worldwide sales.

Contrasting performance between international markets and Western Europe.

Worldwide sales of PSA Peugeot Citroën assembled and CKD vehicles eased back 0.7% in 2006, to 3,365,900 units from 3,390,000 in 2005. Sales excluding CKD units were up 1.3% to 3,115,500 vehicles, representing the eleventh consecutive year of growth. The performance reflected

a strong 14.7% increase in international markets and a 2.7% decline in Western European sales, in an environment shaped by flat demand in Europe and very aggressive competition.

By quarter, worldwide sales were stable at 821,800 units in the first, rose 1.1% to 942,600 in the second, declined 6.6% to 700,000 in the third and recovered in the fourth, rising 1.7% to 901,500.

A decline in market share in Europe

A still challenging business environment.

Group registrations down.

Continued leadership in light commercial vehicles.

In a nearly flat Western European car and light commercial vehicle market, PSA Peugeot Citroën registrations declined by 1.7% to 2,311,200 units in 2006, of which 1,233,100 Peugeots and 1,078,100 Citroëns. In a challenging business environment, market share stood at 13.8% (7.4% for Peugeot and 6.4% for Citroën), compared with 14.3% in 2005. PSA Peugeot Citroën was market leader in France, Spain, Belgium and Portugal and ranked second in the Netherlands and Denmark.

In light commercial vehicles, the Group maintained its leadership in Western Europe with 368,400 registrations and a market share of 17.7%.

In France, where the Group is the market leader, car and light commercial vehicle registrations contracted 2.6% to 764,800 for a 31.3% market share. In the car segment alone, market share improved slightly to 30.7% from 30.6%.

In Spain, PSA Peugeot Citroën confirmed its position as the country's leading car and light commercial vehicle manufacturer, with a 19.7% market share. Citroën became the best selling marque in 2006, with 207,200 registrations and a 10.9% market share.

In the United Kingdom, car and light commercial vehicle registrations came to 280,900 units, lifting the Group's combined market share in the two segments by 0.3 points to 10.5% from 10.2%.

In Italy, registrations increased 0.4% to 241,800 units, representing a 9.5% market share.

The Group continued to expand in Germany, where registrations rose 3% to 207,900 units and market share remained stable at 5.7%.

Strong growth in sales outside Western Europe

More than one million units sold and over 30% of total sales for the second year in a row.

New gains in Latin America.

Continued strong growth in China.

Outside Western Europe, Group sales of assembled vehicles and CKD units exceeded one million for the second year in a row. In all, 734,900 Peugeots and 334,800 Citroëns were sold in international markets, for a total of 1,069,700. These markets represented 31.8% of worldwide sales for the year, versus 30.4% in 2005 and 28.2% in 2004.

Excluding CKD units, sales of assembled vehicles outside Western Europe rose by 14.7%, led by faster expansion in the Group's priority growth regions.

In Central and Eastern Europe, sales were up 14.5% to 179,600 units overall, with a 3.7% gain to 101,900 units in the six main Central European markets, representing a market share of 11.3%. Sales rose 78.0% to 29,400 units in Russia and 13.7% to 17,400 units in Romania.

In the Asia-Pacific region, the Group sold 241,000 vehicles, an increase of 36.8%. In China, the ramp-up of Peugeot sales and a solid sales performance by Citroën models enabled the Group to maintain strong momentum and meet its annual target, with sales gaining 43.7% to 202,500 units.

In Latin America, sales climbed 17.6% to 215,100 units. In Brazil, the rollout of models equipped with new flexfuel engines helped to lift sales by 23.9% to 101,500 units, representing a 5.2% market share. Sales in Argentina rose by 23.0% to 65,000 units, giving the Group a 14.5% share of the market. Peugeot and Citroën sales were stable in Chile at 17,700 units (up 0.5%), while in Mexico they were down 8.8% to 15,600 units.

In the Africa-Middle East region, sales stood at 156,000 vehicles versus 167,900 in 2005, while CKD sales to the Group's industrial partners in Iran contracted by 22.6% to 235,700 units from 304,300. In Turkey, sales came to 39,800 compared with 52,400 in 2005, in a sharply declining market. In North Africa, sales rose 2.7% in Morocco (to 16,400 units) and 17.5% in Tunisia (to 8,400), but declined 3.0% in Algeria (to 18,800).

Successful models

Successful launches of the Peugeot 207 and Citroën C4 Picasso.

Firm resilience of the Citroën Xsara Picasso.

The Peugeot 107

The Peugeot 107 ended the year on target, with total sales of 98,600 units.

The Peugeot 207

Introduced in France in April, the Peugeot 207 exceeded its first-year sales objective of 300,000 units, with total sales of 300,500, and is expected to meet its target of selling 500,000 units in 2007.

The Peugeot 206

The Peugeot 206, which sold 475,100 units, continued to expand outside Western Europe, with launches in China, Iran and Malaysia during the year.

Combined worldwide sales of the 206 and 207 came to 775,600 units, up 14.5% compared with the 206 alone in 2005. The two models together represented the best selling compact car in Europe, with sales rising 21.6% to 484,200 units.

The Peugeot 1007

The Peugeot 1007 sold 34,100 units after an adjustment in dealer inventories in the first half. The range is being extended with a 1.6-liter gasoline engine mated to a five-speed manual gearbox, introduced in spring 2006, and a new 1.6-liter HDi DPF diesel, scheduled for rollout in 2007.

The Peugeot 307

The Peugeot 307, which was launched in 2001, turned in a resilient performance in the increasingly competitive lower mid-range segment with 447,000 units sold, down 14.1%. June saw the start-up of manufacturing in Argentina of the 307 Sedan, which had been launched in China in 2005.

The Peugeot 407

Sustained by the introduction of the new 173 hp HDi twin-turbo diesel, the Peugeot 407 sold 181,500 units versus 241,400 in 2005. The new HDi engine represents an attractive alternative to V6 powerplants for high-performance drivers.

The Peugeot 607

Sales of the Peugeot 607 totaled 10,500 units, helped by the introduction of the new 173 hp HDi engine.

The Peugeot 807

Sales of the Peugeot 807 remained stable, with 24,200 units sold over the year compared with 27,500 in 2005.

The Citroën C1, C2, C3 and C3 Pluriel

Citroën's compact range enjoyed sustained growth, with unit sales gaining 4.0%. The C1 sold a total of 90,300 units, in line with objectives, while the C2 and C3/C3 Pluriel sold 103,900 and 286,700 units respectively. To make further inroads in China, a five-door compact sedan version of the C2 was developed especially for the local market.

The Citroën Grand C4 Picasso

For Citroën, the highlight of 2006 was the successful October launch of the Grand C4 Picasso, which sold more than 24,000 units in the final quarter. Introduced in 2000, the Citroën Xsara Picasso demonstrated firm resistance by selling 183,500 units (down 7.8%). In all, unit sales of Citroën mid-range MPVs rose by more than 11% in 2006.

The Citroën C4

Now available with a new six-speed electronic gearbox, the Citroën C4 went from strength to strength with 238,400 units sold worldwide in 2006 compared with 237,100 the previous year.

Sales of the C4 line were further boosted by the May rollout in China of the C-Triomphe, a notchback version of the C4 that proved highly popular during the year.

The Citroën C5

The Citroën C5 range, which now includes a new 173 hp HDi DPFS diesel engine, sold 73,200 units in 2006.

The Citroën C6

The Citroën C6 sold 7,100 units, a good performance considering that it was gradually introduced as from the end of May and was initially available only in the V6 versions, with the first four-cylinder engine not introduced until October.

The Citroën Berlingo and Peugeot Partner

With combined sales of 343,100 units, the Citroën Berlingo (up 14.9%) and Peugeot Partner (up 2.8%) continued to expand, delivering their best performance since their launch in 1996.

Light commercial vehicles

In all, light commercial vehicle sales declined 2.3% to 397,500 units, including 202,300 Peugeots (up 0.4%) and 195,200 Citroëns (down 5.0%). The Group confirmed its leadership of the European market, where it held a 17.7% share in 2006, with 89,400 Peugeot Boxers and Citroën Relays sold compared with 91,400 in 2005, and 66,900 Peugeot Experts and Citroën Dispatches versus 65,200. The second-half 2006 introduction of the new-generation Peugeot Boxer and Citroën Relay and the January 2007 launch of the Peugeot Expert and Citroën Dispatch will drive further market share gains in 2007.

A sustained commitment to reducing costs

Extending the use of platforms.

Leveraging the cooperation strategy.

The platform concept

Application of the platform concept is streamlining process engineering by supporting a high percentage of shared parts and sub-assemblies and the reuse of proven technological solutions. Since 2001, three platforms have been brought on stream, corresponding to compact, lower mid-range and upper-midrange/executive models. A new phase was entered in 2006, with the production launch of the Peugeot 207 on the compact platform.

To fuel expansion outside Western Europe, existing platforms are being used to develop models suitable for countries designated as priority growth regions, such as Argentina, Brazil, China and a number of Central European countries. In line with this strategy, the Group introduced a flex-fuel version of the Peugeot 307 Sedan in Argentina in July 2006, as well as three new models in China: the Citroën C-Triomphe in April, the Peugeot 206 in June and the Citroën C2 China in November.

The cooperation strategy

To drive faster growth while reducing costs, PSA Peugeot Citroën cooperates with other carmakers to jointly develop and produce mechanical assemblies or vehicles. These agreements help to share project costs and deliver the economies of scale required to remain competitive.

In June 2006, the commercial vehicle cooperation with Fiat was expanded with the production start-up of the next-generation Citroën Relay, Peugeot Boxer and Fiat Ducato. The new models have raised the bar in terms of product range, equipment and features, offering greater capacity, improved performance, enhanced comfort and lower operating costs. They are equipped with all-new engines designed especially for light commercial vehicles. The two partners also signed an agreement for the assembly of a PSA Peugeot Citroën gearbox at the Fiat Auto plant in Argentina starting in 2007, to equip Peugeot and Citroën vehicles sold in South America. The ten-year agreement calls for output of 140,000 units a year.

Between June and September the Peugeot 407, Peugeot 607, Citroën C5 and Citroën C6 were gradually fitted with the new 2.2-liter, twin-turbo, HDi DPF engine, which is produced at the Trémery plant. Lightweight, clean and highly energy-efficient, the new powerplant represents the fourth phase in the cooperation agreement with Ford Motor Company.

October saw the launch of the Peugeot 207 1.6-liter THP, the Group's first car to be fitted with the all-new engine designed in cooperation with BMW Group. Eventually, more than one million units of the engine,

which combines direct fuel injection and a turbocharger, will be produced every year at the Douvrin plant for PSA Peugeot Citroën and BMW.

In October, PSA Peugeot Citroën and Mitsubishi Motors Corporation unveiled the Group's two new SUVs, the Peugeot 4007 and the Citroën C-Crosser. The two highly fuel efficient models, which are powered by the 2.2-liter HDi DPF diesel, will be assembled at a Mitsubishi plant in Japan and rolled out in Western Europe beginning in July 2007. Full-year sales are expected to reach approximately 30,000 units.

In December, BMW Group and PSA Peugeot Citroën signed a letter of intent to extend their cooperation in four-cylinder gasoline engines. A joint feasibility study will be conducted to assess opportunities for developing a new family of engines equipped with advanced technologies and delivering optimal power, torque, fuel efficiency and CO₂ performance.

Discussions initiated in September 2006 with Malaysian carmaker Proton have been discontinued after analysis showed that the Malaysian market is in decline, other Southeast Asian car markets remain highly disparate with high barriers to entry, and Proton's manufacturing base is not suitable for low-cost production.

Capital expenditure

Capital expenditure held to €2.52 billion.

Preparing production start-ups.

Continuously improving manufacturing efficiency.

2006 capital expenditure

In 2006, the Group maintained its commitment to carefully managing the capital outlays required in its carmaking business, with gross capital expenditure in the Automobile Division totaling €2,150 million for the year, compared with €2,370 million in 2005.

Vehicle and mechanical sub-assembly production start-ups

Capital outlays in 2006 were primarily committed to launching production of the Citroën Grand C4 Picasso in Vigo and preparing the production start-ups of new models scheduled for rollout in 2007, such as the five-seat Citroën C4 Picasso, the Peugeot 207 CC assembled in Madrid, a new Peugeot model and two light commercial vehicles. Outside Western Europe, capital projects concerned the launch of the C-Triomphe in the Mercosur region.

Optimizing the manufacturing base

Capital expenditure was also committed to the ongoing program to improve manufacturing productivity by extending internal best practices across the organization, thereby enabling the Group to close the gap with industry best practices in the area of production costs. The Group is also investing to improve working conditions, ergonomics and safety performance. Lastly, increasingly wider use of the Hoshin Kanri process is driving major productivity gains by making operator tasks more efficient. The process uses a range of derivative tools to optimize flows by reducing lead times, eliminating in-process inventory, reducing non-productive time and evenly distributing tasks among workstations.

Investments in joint ventures

In 2006, PSA Peugeot Citroën invested €408 million in joint ventures accounted for by the equity method. Of this amount, €281 million was invested in Dongfeng

Peugeot Citroën Automobile, mainly to increase production capacity and to launch local production of the Peugeot 307 Sedan and the Citroën C-Triomphe ; an additional €130 million was invested in joint ventures with Fiat for the start-up of production of new light commercial vehicles in fall 2006 and early 2007.

A decline in capacity utilization

According to the Harbour index, which measures a plant's utilization based on hourly capacity, an average 16-hour workday, and 235 workdays a year, assembly capacity utilization in the Group's Western European plants was 92% in 2006.

This figure, which reflects changes in the Group's production schedules in Europe, was also impacted in 2006 by the forthcoming closing of the Ryton, UK plant, which moved from a double to a single shift in July, and by the launch and ramp-up of production at the Trnava, Slovakia plant beginning in June.

2007 sales outlook

Stable demand in the Western Europe.

Sustained growth trend outside Western Europe.

Renewing the model lineups.

Improving the product mix.

In 2007, the European market looks set to remain stable and the environment will continue to be shaped by rampant competition. For PSA Peugeot Citroën, the year will mark a new phase in the model renewal process, with the launch of the Peugeot Expert and Citroën Dispatch compact light commercial vehicles, the C4 Picasso, additions to the 207 range, and the new

Peugeot 4007 and Citroën C-Crosser SUVs. Combined with the ramp-up of the models introduced in 2006, such as the Peugeot 207 and the Citroën Grand C4 Picasso, these new models should drive a return to growth in the Group's European unit sales.

Outside Western Europe, the Group will sustain its growth momentum, led by the launch of new models by both marques.

In this environment, while Group sales are likely to be affected by a certain slowdown in demand for models that are due to be replaced, they will be boosted by the steadily increasing product dynamic over the year, leading to a gradual improvement in the product mix.

BANQUE PSA FINANCE

Banque PSA Finance experienced a significantly less favorable environment in 2006, with competitive pressure gradually increasing over the year as certain Eurozone lenders chose not to pass on to customers the full impact of rising interest rates.

Business performance

New retail financing was provided for 819,100 new and used vehicles, a decline of 3.4% compared with 2005. The volume of loan originations contracted 4.6% in Western Europe, where the Bank still conducts most of its business and where Peugeot and Citroën sales declined during the year. Outside Western Europe, on the other hand, origination volumes were up 14%, to 62,464 contracts.

In new car financing, the Bank's marketing performance varied from one country to another, leading to an average penetration rate among Peugeot and Citroën customers of 26.1% versus 27.1% in 2005.

In used vehicle financing, the Bank continued to actively support its dealers in meeting their growth objectives by further extending the range of point-of-sale and retail customer services.

In all, €8,771 million worth of retail financing was extended during the year, versus €9,152 million in 2005.

Wholesale financing volume rose 1.7% to 2,140,214 vehicles, while the value of new wholesale lending increased 2.3%, reflecting the expanded business base. Replacement parts financing edged up 0.6%.

Positions maintained in Europe

In Western Europe, the Bank held onto the positions acquired in its various host countries and sharply improved its performance in a number of them:

- The most significant improvement was in Portugal, where an effective marketing presence in the corporate

segment helped to raise the penetration rate to 32.0% from 28.2% in 2005;

- In France, Crédipar improved its performance, lifting its penetration rate to 30.6% from 30.1% in 2005;
- Market share widened in Austria following the introduction of a new variable rate offer that provided a new source of competitive advantage;
- Operations in Germany and the United Kingdom saw a decline in penetration rates in 2006, reflecting a reduction in the percentage of promotional campaigns organized with the marques;
- In Italy, market share declined slightly, but remained satisfactory, considering the very difficult local environment;
- In Spain, the decision to reduce the number of promotional offers resulted in a decline in the penetration rate.

Sustained growth outside Europe

During the year, the Bank continued to develop its operations in Central Europe and Latin America through its subsidiary network:

- In Brazil and Argentina, the Bank leveraged the rapid growth in registrations to drive a sharp increase in the number of new contracts;
- Penetration rates were also significantly improved in Poland and the Czech Republic, the Bank's two largest Central European markets. Gains were small in Slovakia and Hungary, where growth has always been held back by the specific characteristics of the local environment.

Banque PSA Finance also further extended its geographic reach during the year:

- June saw the start-up of operations of Dongfeng Peugeot Citroën Auto Finance Company, the finance company set up in partnership with the Bank of China and Dongfeng Peugeot Citroën Automobile. It will provide wholesale financing for Dongfeng Peugeot and Dongfeng Citroën dealers and retail financing solutions for Chinese carbuyers;
- A new marketing subsidiary was created in Turkey with the support of a local partner.

An effective marketing strategy

To preserve market share in an increasingly aggressive competitive environment, Banque PSA Finance stepped up its marketing drive in 2006, maintaining a constant focus on developing new products, actively supporting the marques in implementing their sales strategies and demonstrating a firm commitment to quality of service.

The year saw also further expansion in the services business, with a 3.3% rise in service contract volume, to 1,171,400, and a 9% increase in sales of financial services contracts (credit insurance and insurance against credit losses).

Improvement in credit losses

The credit loss ratio, corresponding to provisions for credit losses expressed as a percentage of average net loans, stood at 0.18% in 2006 (0.30% based on a comparable calculation method), attesting to the Bank's ability to reconcile the competing demands of business growth and control over asset quality.

Overall, credit losses in the various countries remained at a very satisfactory level, providing clear evidence of the quality of risk selection processes and the effectiveness of collection procedures tailored to the situation of each individual debtor.

Further growth in the loan book

Outstanding loans rose by 2.5% to €22,976 million. The retail loan book amounted to €17,249 million at the end of 2006, an increase of 2.3% over the year.

Outstanding wholesale financing at December 31, 2006 amounted to €5,727 million, an increase of 2.9%.

The extension of the Bank's geographic footprint beyond its traditional European markets helped to drive last year's growth in the loan book and should provide a sound base for future international expansion. The increase in outstandings was especially robust outside Western Europe, led by the development of Banque PSA Finance's business in Brazil.

Restrained growth in operating expenses

General operating expenses rose by a modest €17 million, or 5.7%, despite the substantial costs incurred for the Basel II project and for the necessary strengthening of control structures to keep pace with the Bank's rapid international expansion.

Basel II

During 2006, the Bank continued to actively integrate Basel II applications in its operating processes and risk management systems. The internal rating systems for retail and corporate loans are now up and running in France, Germany, Spain, the United Kingdom and Portugal, which together represent 80% of the total loan book, and they will be rolled out to Italy and Brazil in 2007.

The system is based on historical data structured within a central data warehouse and on models whose reliability is measured over significant periods, currently five years.

Gefco

Gefco continued to grow its business in 2006, driving an 8% increase in revenue to €3,245 million and widening operating margin to 4.7%.

Expansion was led by sustained implementation of a growth strategy focused on industrial supply chain integration and international development, aligned with Gefco's commitment to setting the market standard in logistics for manufacturers. By leveraging its end-to-end supply chain capabilities, from inbound supply to outbound distribution, the company serves international customers with a comprehensive range of solutions in three core competencies: vehicle logistics and transport (Automotive), overland freight transport (Network) and logistics and overseas (Supply).

Business in 2006 was shaped by the fast growth in international trade, especially between Asia, Europe, and North and South America, and by increasing demand from China and Russia. Economic growth slowed in Europe, where the transportation industry was affected by sporadic fuel shortages caused by volatile diesel prices.

Despite this unfavorable environment in Europe, Gefco made further progress in 2006, both in its contribution to PSA Peugeot Citroën's logistics performance and in its expansion in the global competitive marketplace.

An increasingly international revenue stream

Revenue from international operations rose sharply during the year, gaining 17% outside France and 62% outside Europe. 40% of the growth was generated in new geographic markets.

Revenue surged 83% in Central and Eastern Europe, where eight subsidiaries are now spearheading expansion. Highlights of the year included the ramp-up of sales from the General Motors contract in Russia and the opening of new overland, sea and air-freight hubs and agencies in Poland, Romania, the Czech Republic and Russia.

Operations on behalf of PSA Peugeot Citroën and Toyota were stepped up at the Trnava plant in Slovakia and, especially, at the TPCA plant in Kolín, Czech Republic, where post-production operations were expanded during the year.

Gefco is now one of the top ten logistics companies in the Mercosur region, ranking eighth in Brazil and third in Argentina. Regional revenue rose 34% in 2006, while the customer portfolio was broadened to new large accounts like Novartis and Ford. Inbound and outbound automobile logistics for PSA Peugeot Citroën accounts for most of Gefco's business in the region.

In China, the company began transporting Peugeot and Citroën cars and expanded the daily Shanghai to Wuhan line that supplies the Dongfeng Peugeot Citroën Automobile (DPCA) plant. In addition, the forward supplier facility transitioned to a cross-dock system.

Sharp growth in sales to companies outside the Group

With the market increasingly aware of Gefco's commitment to serving manufacturers, sales to manufacturing companies outside the Group rose for the third straight year, increasing nearly 10% to €1,272 million in 2006.

Expansion is being focused on the automotive industry (carmakers, OEMs and motorcycle and motorbike manufacturers), as well as the beauty care, high-tech and specialty retailing sectors. In 2006, the company increased market share among its strategic manufacturer customers. By combining its skills as logistics and transportation solutions architect, supply chain integrator and multi-modal transportation operator, Gefco can locally serve such leading international customers as L'Oréal, Toyota, General Motors, Yamaha, Triumph, KTM and Ikea.

As part of this process, the company expanded 1) its overland network, to 150 agencies linked by 600 lines, 2) its sea and air-freight network, particularly in Central Europe and China, and 3) its network of logistics hubs, opening nearly 100,000 square meters of additional capacity in Western and Eastern Europe in 2006.

Faurecia

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

Nevertheless, debt was maintained at close to 2005 levels and revenue rose 6.1% to €11,649 million, led by sales in North America and Asia.

Car seats

Car seat revenue totaled €4,813 million, a slight 0.2% decline at constant exchange rates. After contracting 3.9% in the first half, sales rose 4.0% in the last six months, lifted by the ramp-up of European production of the Peugeot 207, the Ford Galaxy, the Citroën C4 Picasso, the Audi Q7 and the Toyota Yaris and by start-up of production of the new BMW Mini. North American revenue grew 12.9%, spurred by sales to Chrysler and General Motors and the second-half launch of sales for the BMW X5. In Asia, growth was led by sales to the Volkswagen Group.

Sales to French carmakers were down 16.5% for the year.

Business expansion was supported by the start-up of new production plants, in Banbury, United Kingdom, to manufacture seats for the BMW Mini; in the Czech Republic, to produce seat frames in multi-customer facilities; in Slovakia, to make complete seat units for PSA Peugeot Citroën; in Sterling Heights, Michigan to manufacture seats and in Shelby, Michigan to produce seating foam and head rests; and lastly, in China, to make just-in-time seating.

Other Interior modules

Revenue from the sale of other interior modules came to €3,458 million, down 0.7% on a reported basis and 1.0%

at comparable exchange rates. In Europe, sales to French carmakers fell 8.9% despite the ramp-up of production of the Peugeot 207, while in North America higher sales to Chrysler contributed to a 21.6% increase.

A number of new production facilities for other interior modules also came on stream during the year, in the Czech Republic, to manufacture instrument panels and door panels for a variety of customers; in Russia, to produce instrument panels and door panels for the Renault Logan; and in North America and at the Chongqing plant in China.

Exhaust Systems

Exhaust System revenue continued to enjoy strong momentum, rising 35.6% to €2,659 million (14.4% excluding catalytic converter monolith sales and the currency effect). Growth remained sustained in North America, where revenue rose 21.8% on the back of expanding sales to Ford, and in Asia, where higher sales of exhaust systems to Hyundai-Kia in South Korea and to Ford, PSA Peugeot Citroën and Volkswagen in China drove a 48.3% increase.

New production facilities were opened during the year, in the Czech Republic to serve multiple customers, in Slovakia to supply PSA Peugeot Citroën and at the Toledo, Ohio plant.

Front-ends

Front-end revenue came to €719 million, down 2.9% at constant exchange rates. The start-up of sales to Chrysler in the United States and production ramp-up of the Peugeot 207 and the Renault Clio failed to offset lower deliveries over the year for other PSA Peugeot Citroën models and to Audi. Note, however, that revenue was up 2.0% in the second half.

The year saw the creation of a new bumper production facility in Russia.

Manufacturing efficiency

To enhance its competitiveness, Faurecia continued to redeploy its industrial footprint, starting up the above-mentioned production facilities, plus a plant in Iran dedicated to the Renault Logan.

Cost-reduction programs focused on improving industrial productivity and accelerating the transfer of production resources to low-cost countries.

Innovation

Gross research and development spending declined by 2.9% to €611 million and represented 5.2% of sales, versus 5.7% in 2005.

2006 saw a number of innovations. In partnership with Citroën, front and rear bumpers were developed for the Citroën C6 that integrate an innovative, high-performance front-end pedestrian protection system. In April, the new solution helped the C6 earn the maximum Euro NCAP rating for pedestrian protection. Faurecia also developed the first door module that integrates a rail-less window regulator, which will be fitted on the all-new 2007 Dodge Nitro. In May, Faurecia was named a General Motors Supplier of the Year for seats for its overall business performance in providing GM with world-class parts and services.

Outlook for 2007

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

Other Businesses

Peugeot Motorcycles

The European scooter market expanded by 8% in 2006, reflecting an 8.7% gain in under-50cc models and a 7% increase in the over-50cc segment.

Growth in the under-50cc category is being driven by the surge in low-cost (€650 to €1,000) Chinese imports, which accounted for 33% of the market in 2006. In the over-50cc category, 125cc models are enjoying strong demand in France and Spain, where they can be ridden with a car license.

Peugeot Motorcycles reported sales of 127,000 units, a 3% decline from the previous year. In the European under-50cc market, it retained its third place ranking, with 16% of the market, compared to 19% in 2005. The market share decline also affected the company's traditional competitors, who equally suffered from the Chinese onslaught. Peugeot Motorcycles' share of the over-50cc segment widened by 3%, thanks to the ramp-up of the Satelis/Geopolis lines.

As expected the Satelis line of large "grand touring" scooters got off to a good start in France, with the 125cc, 125cc Compressor and 250cc versions, while the Geopolis line of large "big wheel" scooters launched its first 250cc version designed for the Italian market. The Satelis 125 soon became the best selling motorbike in France, where its market share rose to around 9% from 6% in 2005, and in Germany, where its share widened to 6% from 4.5%. 2007 will see the launch of the

Satelis 400cc and 500cc versions and of the Geopolis 125cc and 400cc models.

To counter the Chinese invasion in the under-50cc segment, in September 2006, Peugeot Motorcycles formed a joint venture with Jiana Qingqi Motorcycle Co., which will produce the company's entry-level Vivacity and Speedfight lines beginning in 2008.

Peugeot Motorcycles ended the year with consolidated revenue of €226 million, up 10%.

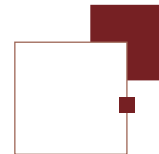
Process Conception Ingénierie (PCI)

Process Conception Ingénierie (PCI), which designs and manufactures industrial equipment for assembly, stamping, body-in-white and machining processes, reported revenue of €302 million in 2006, a decline of 18% from the previous year.

As part of the reorganization of the Group's Platforms, Technical Affairs and Purchasing department, PCI's operations have been merged into the Automobile Division, with the result that since January 1, 2007, all of PCI except for the SCEMM subsidiary has been managed by Peugeot Citroën Automobiles under a business lease.

The only unit still serving both Group and non-Group customers will therefore be SCEMM, a machining company whose service portfolio will be enhanced with PCI's grinding expertise.





5

Corporate Social **Responsibility**

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Employee Relations **Commitment**

PSA Peugeot Citroën's human resources policies play a critical role in driving the Group's growth and development.

Deployed across the world, these policies are designed to align business performance and personal growth by fostering a sense of community built on the strong values of solidarity, tolerance and commitment shared by our 210,000 employees. In practice, these values translate into respect for human rights, equal opportunity, workplace health and safety, employee skills development and compensation based on competitiveness and on individual and group performance.

The policies are shaped by a commitment to social dialogue, and lead to the signature of a large number of agreements in every host country, which help to revitalize the corporate community and drive changes in the Group's manufacturing facilities and processes, in its business, in its employee relations practices and in its host societies.

Aware of its social responsibilities in the global marketplace, PSA Peugeot Citroën has extended its employee relations commitments to its suppliers, sub-contractors, dealers and business partners. These commitments are expressed in the Global Framework Agreement, whose application is rigorously assessed on a regular basis.

Since 2000, these policies have resulted in a large number of achievements, which have been recognized by socially responsible rating agencies for their quality and innovative nature. According to the Vigeo socially responsible rating agency, PSA Peugeot Citroën ranks number one among the agency's rated manufacturing companies in the promotion of human rights. In 2006, the Group was also added to the FTSE4Good stock index, confirming its compliance with the FTSE Group's social responsibility and environmental criteria.

Social dialogue capable of driving lasting innovation

Freedom of association and employee representation in every host country

PSA Peugeot Citroën is committed to respecting the independence and pluralism of trade unions, and maintains active, ongoing social dialogue with union representatives in every host country.

Agreements on the exercise of union rights have been signed in France, Argentina, Spain and Slovakia to eliminate all forms of anti-union discrimination. They cover the full range of union activity, such as career management support for union representatives, training in employee representation skills, funding and resources for union operation, freedom of movement and access to information and company documents.

The Group's commitment to freedom of association and representation was reaffirmed in the Global Corporate Social Responsibility Agreement signed in March 2006.

Contractual commitments

In 2006, more than 50 agreements were signed in the various host countries, covering all of the major issues concerning the company and its employees, such as

international expansion and new workplace practices and organizations. Contractual commitments are also aligned with employee expectations about salaries, career development and other job-related concerns. And by addressing such social issues as gender equality and diversity, they are driving changes in the corporate culture.

To ensure compliance with commitments, procedures for monitoring implementation have been defined, with commissions meeting regularly to analyze results using precise, measurable indicators. As areas for improvement are identified, the agreements are extended with amendments.

In France, agreements were signed during the year on a variety of issues, including salaries, payment of short-time work, paternity leave and 2007 workplace organization.

In Brazil, agreements on salaries, profit-sharing bonuses and workplace organization were signed for the Porto Real and São Paulo plants.

In Slovakia, a three-year collective bargaining agreement was signed with the Oz Kovo union at the Trnava plant in January 2007. Designed for three years, the agreement defines the principles and guidelines for social dialogue, working hours, compensation, safety and working conditions, and health care and benefits.

In Italy, Banque PSA Finance signed an agreement to introduce more flexible work schedules.

Promoting social dialogue through the works council

European employees are represented by the European Works Council set up in 1996, which serves as the primary forum for dialogue and discussion of the Group's strategy, performance and outlook. Its membership was expanded to representatives from Argentina and Brazil as part of the Global Corporate Social Responsibility Agreement.

Fostering dialogue in the workplace

Management engages in social dialogue with employee representatives on a daily basis.

To facilitate team management and dialogue, production sites have been organized into Basic Production Units, whose operating procedures are based on employee participation.

Encouraged at every level and in every business, participatory management programs leverage employee skills

and initiatives to nurture a culture of continuous improvement. Front-line operators whose suggestions lead to improvements are financially rewarded through the Déclic system. In 2006, more than 200,000 suggestions were submitted.

Listening to and informing employees

Employees are kept constantly informed through newsletters, posters, intranet sites and other media. In early 2007, a new, expanded version of the human resources intranet was brought online, with more interactive features and a more appealing design.

In the Automobile Division in France, opinion surveys have been carried out every year since 2002 to gauge employee perception of the Group's human resources policies. Results have improved steadily over the years, with the 2007 survey confirming that employees are satisfied with their safety, working hours, benefits and job fulfillment.

Satisfaction surveys are also conducted in Argentina, Brazil, Spain, the United Kingdom, the Benelux countries, Poland, Portugal, the Czech Republic and Austria.

Global Social Responsibility

The Global Social Responsibility Agreement, which covers all of the Group's automobile, finance, and transportation and logistics subsidiaries, was signed on March 1, 2006 with the International Metalworkers' Federation (IMF), the European Metalworkers' Federation (EMF) and other unions in countries where the Group has more than 500 employees.

Aligned with the Group's Ethics Charter and its membership in the Global Compact since 2003, the Agreement offers the major advantage of formalizing commitments with employee representatives.

Compliance is monitored both locally and at the corporate level using a manual and assessment grids developed with the signing parties and by conducting on-site audits. This system enables the Works Council to review the Agreement's application across the Group.

In Brazil, the Group's social responsibility commitment was recognized by the Corporate Citizenship Prize, awarded by the Rio de Janeiro State Secretariat of Labor

Affairs, while in France, it received an award for the Best Global Social Responsibility Policy in February 2007.

Upholding fundamental human rights

The Global Corporate Social Responsibility Agreement expresses PSA Peugeot Citroën's commitment to fundamental human rights.

It covers support and respect for human rights, refusal to accept complicity in human rights abuses, freedom of association, the recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labor, the elimination of discrimination in hiring and career development, the fight against corrupt practices, the prevention of conflicts of interest and the abolition of child labor.

The Agreement stipulates that the minimum age for access to employment can in exceptional cases be set at 16 in countries or regions whose education systems have not achieved sufficient levels of development.

Extending best human resources management practices to all countries

The Agreement is also designed to apply and promote best human resources management practices in every host country, while respecting local cultural differences. These practices cover career management and skills development through training and equal opportunity, social protection, working conditions that comply with the highest international standards, and workplace health and safety programs. In addition, all employees are paid profit-shares based on the Group's financial performance.

Partnerships in host countries and communities

The Global Corporate Social Responsibility Agreement also covers PSA Peugeot Citroën's contribution to the economic and social development of host communities by using local human resources whenever possible.

To fulfill this commitment, a number of partnerships have been formed with national employment and vocational training agencies, as well as with social integration associations, notably in China, Brazil, Mexico, Slovakia, Algeria, Iran and Chile. In Poland, Gefco works closely with schools that offer specialized training in logistics.

Demanding contractor compliance with the Group's employee relations practices

Relations with suppliers are based on the Group's social responsibility commitments, which were strengthened in 2004 and again in 2006.

As part of this process, the Global Agreement principles have been integrated into the new social responsibility and environmental specifications for suppliers. Suppliers who fail to respect human rights, for example, are expected to respond with corrective action plans, while continued violations will lead to sanctions, including exclusion from the Group's list of approved suppliers. Audits will be conducted beginning in 2007.

Making gender equality a corporate strength

By expanding the range of skills and enabling a broader confrontation of ideas, a gender-balanced workforce is beneficial to the Group's performance.

In France, the Group's commitment to gender equality was recognized in January 2007, when the country's Ministry of Gender and Professional Equality renewed its "Equal Opportunity Employer" label. In 2005, PSA Peugeot Citroën was the first French company to receive this distinction.

Following the 2004 signature of an agreement to promote the hiring of women in the Automobile Division in France, affirmative action programs were extended to all of the subsidiaries. In 2006, agreements in this area were also signed by Banque PSA Finance France and by Peugeot sales subsidiaries.

The percentage of female employees continues to rise, reaching 43,600 across the Group, or 20.6% of the workforce, compared with 17.6% in 2002. These gains are being driven by affirmative action policies for women, who represented more than 28% of new hires in 2006.

Another fundamental principle of PSA Peugeot Citroën's human resources strategy is a commitment to equal pay and identical career paths for both men and women, so that raises are awarded and promotions are offered in the same proportions as the percentage of men and women in the workforce. In 2006, as in the previous years, the average monthly salary in every job category was the same for men and women with the same grade and job classification.

The Group is involved in a wide range of integration initiatives to encourage the hiring of women. Since 2002, for example, the plant in Metz, France has taken part in work/study programs for women who want to work in manufacturing, which have resulted in the hiring of 30 people under permanent contracts. In recognition, the plant was awarded the Continuing Education Grand Prize at France's Vocational Training Trade Show.

Ensuring equal opportunity

PSA Peugeot Citroën is committed to hire people from a variety of backgrounds, which reflect its host communities and environments. What's more, a diverse workforce promotes synergy and balance, while encouraging the exchange of ideas and improving business performance.

Diversity means bringing together and nurturing the brightest talent, regardless of culture, nationality, gender, religion, political opinion, labor 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.

In 2006, the Group continued to demonstrate its commitment to equal opportunity. In France and Argentina, all of the measures called for in the 2004 agreements on diversity and social cohesion were implemented, while similar agreements were signed in Spain and in manufacturing subsidiaries like La Française de Mécanique. The principle of non-discrimination was inserted into the procedures manuals of a number of units, such as Gefco subsidiaries in Turkey and Peugeot subsidiaries in Algeria, whose manuals now stipulate that hiring and career development are based solely on capability and merit. The impact of these policies can be seen in the Group's hiring record in France, where of the 629 engineers and managers hired during the year, 178 were women, 43 were non-French, 53 were visible minorities, 24 were from sensitive urban areas and 22 were more than 45 years old.

This performance was led by such initiatives as a new best practices guide for recruiters, the use of anonymous resumes and discrimination sensitivity training and awareness building courses. In particular, simulation-based hiring procedures – which enable recruiters to judge applicants on their abilities rather than on their diplomas or experience – have been used to hire nearly 5,000 people in France since 2004, of which almost 32% have been women. Introduced in France in partnership with the National Employment Agency, the practice has now been extended to Spain and Slovakia.

In France and Spain, joint labor-management diversity and equal opportunity oversight committees have been created to monitor effective application of the agreements. In France, the committee verifies that individual raises and promotions are awarded in the same proportions as the different categories tracked across the organization, such as non-French nationals and employees over 50.

Equal opportunity considerations have also been included in negotiations on hiring, motivating and maintaining the employability of older employees.

External audits are regularly conducted at the Group's request, for example by France's anti-discrimination oversight agency, whose testing of the hiring process

confirmed that the principles of non-discrimination were effectively applied.

To strengthen its commitment to equal opportunity and the hiring of people from a variety of backgrounds, PSA Peugeot Citroën takes part in a broad range of special integration programs. Carried out in partnership with public employment and training agencies, private businesses and associations that help the hard-to-employ, these initiatives are particularly focused on developing young people's marketable job skills and helping people excluded from the labor market to get back into the working world.

To enhance its equal opportunity commitment, the Group partnered with a number of sociologists in 2006 to conduct a research study on stereotypes in the workplace, whose findings will be used to identify new areas for improvement.

In December, PSA Peugeot Citroën was awarded the 2006 First Grand Prize for Diversity by France's Ministry for the Promotion of Equal Opportunity.

Offering the disabled fulfilling job opportunities

PSA Peugeot Citroën is committed to hiring and retaining disabled employees, whose number rose to 6,600 in 2006. To broaden this commitment, the Group has also helped to develop and launch hanploi.com, a French job search website for the disabled.

Signed in France in September 2005, the agreement on the social and professional integration of disabled persons has extended prior agreements that supported the development of policies to help disabled employees retain their jobs, prevent disabilities and enable the disabled to play a productive role in the workplace. The agreement supports other initiatives to promote equal opportunity within the organization.

In the Automobile Division in France, including sheltered workers under contract, nearly 8% of employees are classified as handicapped, using the new calculation system, compared with the 6% national rate that businesses are encouraged to reach.

These policies are being consistently and uniformly applied in every host country. In 2006, the Banque PSA Finance and Citer France subsidiaries signed their own agreements on the hiring of disabled persons.

Managing restructuring responsibly

When a decline or shift in business activity leads to restructuring or job redeployment, employee representatives are systematically informed and consulted.

In addition, PSA Peugeot Citroën is committed to supporting employees affected by any changes in business operations or job levels and to identifying an optimal solution for each person concerned so that no employee has to find a new job on his or her own.

The closing of the Ryton plant in the United Kingdom was carried out in accordance with these social responsibility principles, in line with the Group's commitments. Through a dedicated Resource Centre, more than 6,000 jobs were offered to the 2,050 employees concerned,

while the nine job forums organized on-site were attended by a large number of companies. These employee support initiatives proved so effective that the plant was able to close ahead of schedule, as many employees had already found other jobs or decided to pursue personal projects. The remaining employees were offered assistance in setting up their own business or opportunities for retraining, transfer or early retirement.

These and other programs meant that in the less than nine months between the announcement on April 18, 2006 and the plant's closing on January 8, 2007, all of the employees benefited from some form of support. With the dedication and commitment of the plant's executives and managers, the closing took place without any industrial action and in full compliance with the plant's quality, safety and production objectives.

A commitment to optimal safety and working conditions

Because progress is impossible unless people can work safely, PSA Peugeot Citroën believes that the only acceptable goal is an accident-free work environment. Moreover, this uncompromising focus on safety must be the same in every country and every business.

This is why the integrated Workplace Safety Management System has been extended to every site worldwide. The system is deployed by Safety Committees, whose members include employees, managers and employee representatives.

Meeting safety targets is also a criterion of determining executive bonuses, along with operating margin and quality performance.

Road safety is another major priority and a long-standing commitment to employees, with prevention programs set up on a number of sites. In Brazil, PSA Peugeot Citroën has joined with the municipality of Resende and the International Global Road Safety Partnership, a non-governmental organization, in a road safety and drivers' education program.

A significant improvement in results over the past four years

Since 2002, safety performance has improved significantly across all businesses and in every country. Since 2006, the workplace safety program has been extended to every business, including Peugeot and Citroën sales subsidiaries and Banque PSA Finance.

In the manufacturing, automotive innovation and research, and service operations, the lost-time incident frequency rate declined to 2.35 from 2.49 in 2005. For the second year in a row, the Buenos Aires plant turned in the best performance of all the automobile plants, with a lost-time frequency rate of 0.8.

The proprietary dealership networks also reported a sharp improvement in their safety performance during the year, led by safety audits conducted by the Human Resources Department and the marques. Peugeot, for example, audited its dealers in Spain, Portugal, Germany and Italy.

In all, the Group's consolidated worldwide lost-time incident frequency rate has declined to a record low of 3.41 in 2006, down from 7.95 in 2002 and exceeding the target for the year.

Compliance with labor and safety practices extended to outside contractors and temporary employment agencies

Workplace organization takes into account the 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 comply with labor and safety practices.

A Group-wide procedure clearly defines the applicable labor 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. Between 2003 and 2006, the number of workplace accidents occurring during the summer maintenance turnaround was reduced by half.

Important safety initiatives were also undertaken with temporary employment agencies in France, as part of the temporary employment charter.

Constantly improving working conditions

Designed to ensure that every employee works in an environment meeting the highest international standards, the working conditions improvement program is being applied both in new vehicle development projects and in manufacturing processes, with shopfloor input from ergonomics experts. It is being deployed under the agreement on improving working conditions signed in France in 2001.

In the Automobile Division, the focus is on reducing the number of workstations rated as "heavy." Between 1999 and year-end 2006, the percentage of "heavy" workstations declined from 35% to 15% of the total, while the percentage of "light" workstations that can be manned by any employee increased from 26% to 40% over the same period. Light workstations foster employability by enabling employees nearing retirement or with medical restrictions to remain on the job.

A number of innovative employee services have been introduced to assist employees in achieving a better work-life balance, such as flexible working hours, daycare centers and company concierge services.

In addition, in 2006, research projects were undertaken with occupational physicians to address moral harassment and stress issues.

An active commitment to health

Health in the workplace is a major challenge for both business and society as a whole. To meet it, in 2005, the Group implemented a Health Care Plan designed to help employees to stay healthy throughout their careers.

The plan's priority focus is on job-related diseases, such as back problems, which are covered by active prevention programs on every site. Other programs enable employees with health problems to be reassigned and retrained on more appropriate workstations.

The Group's medical teams are involved in preventing non-work related diseases or risk factors capable of negatively impacting employees' ability to carry out their jobs. These involve screening for glaucoma, certain types of cancer and hepatitis C, flu shots and support for employees who want to quit smoking. Peugeot's South African subsidiary built the first AIDS screening center in Orange Farm Township, in an area where there are no nearby medical centers. The initiative received a Best Contribution to Fighting HIV/AIDS award.

A broad-based campaign is also being conducted to raise awareness of the importance of nutrition and exercise, notably through the Santal + program introduced in France in 2006. In Brazil, employees are invited to attend conferences on a variety of quality-of-life and health-related issues, such as balanced nutrition and physical activity.

Since the end of January 2007, all the French sites have been entirely smoke-free, in compliance with new legislation.

Human resources planning and development

PSA Peugeot Citroën employs 210,000 people worldwide, of whom 57.3% are operators, 26.1% clerical staff, technicians and supervisors, and 16.6% managers. Employment policies encourage the redeployment of capabilities toward strategic skills clusters, in line with the organization's needs.

To support the Group's growth and international expansion, the workforce increased by 28% between 2000 and 2006. During the period, nearly 33,000 jobs were created, of which 28,000 outside France. In 2006, the Group hired nearly 22,000 people, including 13,400 in the automotive equipment and the transportation and logistics divisions.

The hiring process focuses on attracting highly talented individuals, in a broad range of skills sets, and on integrating people with diverse educational and career backgrounds, particularly from outside France.

In response to slower growth in unit sales, a temporary freeze on hiring in the Automobile Division was announced in June 2006.

Managing skills internationally

Today, nearly 90,000 employees work outside France, where PSA Peugeot Citroën is committed to leveraging local skills. Fully 86% of managers outside France are nationals, and some 110 nationalities are represented among the global workforce.

Expatriate assignments, which generally involve new model launches or plant openings, are made only if a person with the necessary skills to fill a given position cannot be found locally. High-potential managers are also given international assignments as part of their career development process.

In 2006, nearly 750 employees took up foreign postings and 1,200 had a long-term assignment outside their country of origin.

A structured approach to human resources planning

In December 2006, negotiations on human resources planning and development were initiated with labor unions, in a commitment to developing a process

to continuously assess the changes in the Group's skills clusters and capabilities. In this way, future training, retraining and mobility programs can be effectively designed and deployed, while the jobs impact of the Group's strategic vision and growth can be more accurately predicted.

In the same spirit, 22 global, cross-operations job tracks were introduced in 2005, enabling everyone to take control of their career itineraries. The new system lets managers not only plan for the future skills, training and staffing needs of their teams, but also provides them with more personalized career management and a clearer picture of their opportunities for advancement.

Career development for operators was the subject of agreements for production operators (2005) and other skilled workers (February 2007), which were signed by five out of six labor unions. Transparent and objective, the system is based on reference guidelines that define the skills and capabilities that must be mastered for each job and pay-grade. In the future, it will be broadened to include clerical staff, technicians and supervisors.

A range of career advancement opportunities

The vast array of jobs available within the Group provides a wide range of attractive paths to career advancement, and employees are encouraged to express their career aspirations during their annual performance review. In 2006, more than 5,500 managers changed jobs, embracing the opportunity to develop new capabilities and to move into new positions. Around 17% of employees are promoted or change job categories every year, while 30% of managers have come up through the ranks.

All employees can now access job openings posted on the intranet by the Employee Relations and Human Resources Department, and post their own resume online. Gefco has also set up a dedicated job mobility and career development service. By guaranteeing wider access to job information, the Group is supporting equal opportunity and opening new channels for personal advancement.

Promotions and certifications are based solely on the employee's on-the-job skills, practices and performance. The Group is making more extensive use of tools based

on objective skills assessment methods, thereby strengthening the efficacy of the promotion process while promoting equal opportunity within the organization. In 2006, role-playing techniques were again used in the Assessment Centers as part of the selection process for managers and technical experts.

Nurturing human capital through skills enhancement

In 2006, training programs were revamped to focus on enhancing employee employability. The training catalogue now offers nearly 4,000 courses organized by job track and skills cluster, as part of a broad-based program to develop every employee's job capabilities.

Each employee received an average of nearly 25 hours training in 2006.

The hiring of young people under work/study contracts is actively encouraged in every host country. In France, more than 2,600 people were hired under apprenticeship or special skills-acquisition contracts. Work/study programs encompass all levels of training, integrating young people with or without prior qualifications and emphasizing the formal recognition of skills through professional certification.

In France, this process is being deployed in accordance with the career-long training agreement signed in 2005.

Vocational training partnerships and three-party agreements have also been signed between PSA Peugeot Citroën, France's National Education Ministry and public education authorities in Slovakia, Latin American countries and many other countries.

Encouraging the transfer of knowledge

Continuously matching the Group's human resources to its changing business needs requires a serious commitment to job mobility. In particular, during transition periods, special attention is paid to ensuring that skills and knowledge are efficiently transferred. For example, such policies are being deployed to support the gradual rejuvenation of the Group's age pyramid over the next ten years.

In 2006, the Group undertook an extensive mapping of its professional skills that led to the designation of nearly

40 "Master Experts" and nearly 200 "Experts" based on their ability to deliver critical new skills and advantages in their respective areas of automotive expertise.

Improving both competitiveness and working conditions

Organizing working hours

In most countries, wherever the law allows, working hours are organized on a pluri-annual basis. In exchange for this flexibility, the Group guarantees stable compensation throughout the year, despite fluctuations in business activity.

Agreements on working hours and schedules are continuously improved and adjusted through collective bargaining and social dialogue processes. In France, a rider to the agreement on the reduction and organization of working hours, signed in late 2005, makes it easier for employees to regularly take the additional time off to which they are entitled under the original agreement.

At the Vigo plant in Spain, the third shift operates on a flexi-time basis whereby shifts may vary in length from four to six hours, making it easier to adjust to fluctuations in demand.

Responsibly managing fixed-term contracts

Fixed-term employment contracts are used to adjust the workforce to meet sudden peaks in demand, manage new product launches, reorganize production processes, replace employees taking unexpected leave and respond to logistical and quality issues.

Over the past five years, the Group has undertaken to adapt its use of temporary workers. It also applies the charter signed with seven temporary employment agencies that governs the hiring of temporary workers in France. Without taking on these agencies' legal responsibilities as employers, the Group pledges to provide temporary employees with working conditions that comply with its labor relations policies and exceed its own legal and regulatory obligations. In particular, the charter stipulates that temporary employees cannot work for more than 11 consecutive months in the Group, so that they can take vacation leave and have an idea of when their assignment will end.

Regular audits are carried out to ensure compliance with these measures.

Competitiveness and performance-based compensation policies

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. The Group is also committed to developing employee savings and strengthening health care and benefit coverage.

A large number of compensation 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.

In 2006, such agreements were signed in the United Kingdom, France, Brazil, Argentina and Spain, as well as with sales subsidiaries in Germany.

Guaranteeing equal treatment

Compensation policies are also shaped by PSA Peugeot Citroën's commitment to diversity and gender equality. The proportional distribution of individual raises is regularly monitored with employee representatives to identify and correct any inequalities.

The process of harmonizing compensation terms and conditions was pursued in 2006 with negotiations on shift premiums, which in January 2007 led to the signing of an agreement extending the alignment of workweek systems carried out in 2004 and 2005. Under the agreement, compensation levels will, at a minimum, be maintained and even increased for 10,000 of the employees concerned.

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 an incentive bonus based on operating margin.

Some €86 million with regard to 2006 earnings was allocated to employees under the different discretionary profit-sharing plans (excluding Faurecia).

In France, application of the Group agreement resulted in total allocations to employees of €65 million under dis-

cretionary and non-discretionary profit-sharing programs. In addition, executives are entitled to individual bonuses if their units meet priority objectives defined by senior management. In light of the Group's results, however, none of these bonuses will be paid with regard to 2006.

Offering diversified employee savings plans

To provide more effective support for employees' personal projects, a variety of savings plans have been put into place, offering employees a broad range of options in terms of investment horizon and risk profile.

To harmonize compensation policies around the world, employee savings schemes were extended to Spain in 2002, the United Kingdom and Germany in 2003, and Portugal in 2006.

Through these various plans, employee share ownership has risen steadily over the last six years, with the percentage of issued capital held by employees increasing to 2.67% at December 31, 2006 from 0.75% in 2000. In all, more than 51,000 employees are Peugeot S.A. shareholders.

Preparing satisfactory retirement benefits

Supplemental defined-contribution retirement plans are gradually being set up in every host country, and most recently in Slovakia, the Czech Republic, Germany and the Netherlands, following consultations with employee representatives.

In France, employees of the main French subsidiaries in the automobile, logistics and transportation and finance divisions are all covered by the retirement plan introduced in 2002, which is funded two-thirds by the Group and one-third by employees.

Since 2005, employees who are part of the plan 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.

These plans are managed or overseen by joint labor-management commissions, in line with local practices.

They 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 harmonize retirement benefits across subsidiaries in each country.

Providing a strong social safety net

In every host country, insurance plans have been gradually introduced to provide at least death and disability cover, plus supplemental healthcare coverage to reflect changes in compulsory healthcare systems. In each case, implementation is guided by an in-depth analysis of local practices.

In France, compulsory health care coverage has been introduced for management staff through an agreement signed by all the unions.

Employer-funded healthcare plans have also been put in place in several countries, such as Spain and the United Kingdom. In Brazil, all employees are covered by a compulsory plan, entirely funded by the Company, that offers full coverage of major medical care and maternity expenses. In Poland, all employees of the Peugeot subsidiary have free access to services at a private medical center.

In 2006, life insurance plans were introduced in the Czech Republic and Slovakia.

Employee benefits

Depending on national and local needs and conditions, all of the Group's 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, concierge services and day-care centers.

Worldwide, €185 million, or nearly 3% of consolidated payroll, was paid out in employee benefits in 2006.

This amount encompasses employer payments for housing, transportation, food services, health and social services, healthcare and personal protection insurance, as well as subsidies paid to works councils in France for employee welfare programs.

Employee Relations **Indicators**

PSA Peugeot Citroën's employee relations 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.

The following employee-relations indicators comply with French decree no. 2002-221 of February 20, 2002. With the exception of tables concerning employment,

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. A listed company 72%-owned by Peugeot S.A., Faurecia manages its business independently of the Group and therefore prepares and publishes its own indicators in its annual report.

Employees of the Peugeot S.A. holding company are included in data for the Automobile Division.

Human resources management and planning

Workforce

Number of employees by division

(as of December 31 of each year)

	2000	2001	2002	2003	2004	2005	2006
Automobile Division ⁽¹⁾	128,510	130,640	133,880	135,180	139,480	140,050	140,000
Banque PSA Finance	2,070	2,140	2,160	2,150	2,360	2,370	2,365
Gefco	7,490	7,680	8,050	8,360	8,840	9,370	9,900
Faurecia	31,870	49,690	52,230	51,860	54,430	54,960	57,810
Other businesses ⁽²⁾	2,500	2,300	2,280	2,360	2,140	1,750	1,675
Total	172,440	192,450	198,600	199,910	207,250	208,500	211,750

(1) Including Peugeot S.A. employees.

(2) SCEMM, PCI Argentina, PCI Brazil, PMTC France, PMTC Germany, PMTC Italy.

The scope of reporting does not include employees of joint-ventures with DongFeng (DPCA), Toyota (TCPA), Fiat (Sevelnord) and Renault (Française de Mécanique).

Number of employees in France, the rest of Europe and rest of the world

(as of December 31 of each year)

	2000	2001	2002	2003	2004	2005	2006
France	117,855	123,680	123,670	124,710	127,955	126,055	121,940
Rest of Europe	46,790	58,480	63,990	63,520	64,685	64,195	68,435
Rest of the world	7,795	10,290	10,940	11,680	14,610	18,250	21,375
Total worldwide	172,440	192,450	198,600	199,910	207,250	208,500	211,750

The Group's extended geographic reach has led to a steady rise in the international workforce, which increased by 65% from 2000 to 2006. Today, more than 42% of Group employees work outside France.

Number of employees by region*(as of December 31 of each year)*

	2000	2006	% change 2000/2006
France	117,855	121,940	3.5%
Western and Eastern Europe (excluding France)	44,420	54,685	23.1%
Central Europe	2,370	13,750	480.2%
Africa	65	1,315	1,923.1%
South America	4,425	9,225	108.5%
North and Central America	3,175	8,270	160.5%
Asia	130	2,565	1,873.1%
Total	172,440	211,750	22.8%

Number of employees by region and division*(as of December 31, 2006)*

	France	Rest of Europe	Rest of the world	Total
Automobile Division ⁽¹⁾	96,505	36,210	7,285	140,000
Banque PSA Finance	865	1,420	80	2,365
Gefco	5,440	3,900	560	9,900
Faurecia	17,550	26,860	13,400	57,810
Other businesses ⁽²⁾	1,580	45	50	1,675
Total	121,940	68,435	21,375	211,750

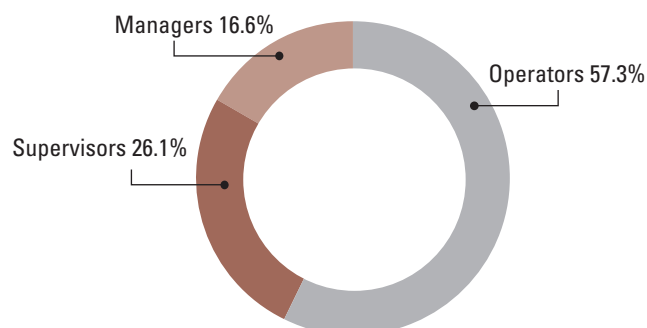
*(1) Including Peugeot S.A. employees.**(2) SCEMM, PCI Argentina, PCI Brazil, PMTC France, PMTC Germany, PMTC Italy.***Number of employees by category***(as of December 31, 2006)*

	France			Rest of Europe			Rest of the world			Total		
	Opera- tors	Super- visors	Mana- gers	Opera- tors	Super- visors	Mana- gers	Opera- tors	Super- visors	Mana- gers	Opera- tors	Super- visors	Mana- gers
Automobile Division	54,460	23,565	18,480	20,650	11,675	3,885	4,180	2,200	905	79,290	37,440	23,270
Banque PSA Finance	-	530	335	-	1,165	255	-	50	30	-	1,745	620
Gefco	2,015	2,555	875	1,135	2,520	240	200	330	30	3,350	5,405	1,145
Faurecia	10,490	3,340	3,720	18,295	4,960	3,610	8,920	1,865	2,610	37,705	10,165	9,940
Other businesses	895	455	225	-	35	10	5	40	10	900	530	245
Total	67,860	30,445	23,635	40,080	20,355	8,000	13,305	4,485	3,585	121,245	55,285	35,220

The "manager" category includes engineers and managers with a job description similar to managers in France. The "supervisors" category also includes clerical staff and technicians.

Employees by job category

(%, as of December 31, 2006)



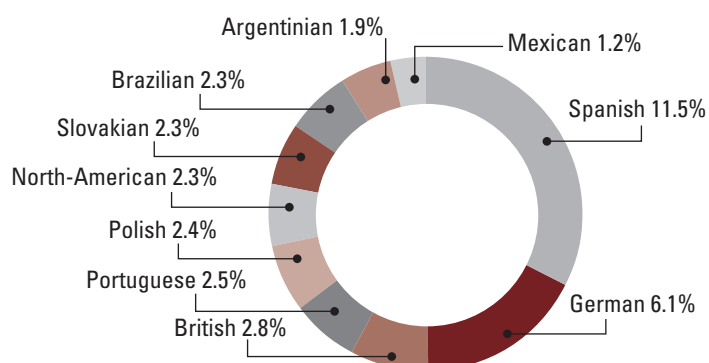
Total net jobs created Groupwide, 2000-2006

	Employees at Dec. 31, 1999	Balance of acquisitions/divestments	Net jobs created	Employees at Dec. 31, 2006
Europe (outside France)	45,590	8,520	14,325	68,435
Africa	-	520	795	1,315
North and Central America	1,170	1,630	5,475	8,270
South America	3,470	-	5,755	9,225
Asia	100	735	1,730	2,565
Total (excluding France)	50,330	11,405	28,080	89,810
France	115,465	1,800	4,675	121,940
World total	165,795	13,205	32,755	211,750

Over the last seven years, the Group created 32,755 jobs worldwide.

Top ten nationalities other than French represented in the Group

(percentage of total workforce)



More than 45% of the workforce, or 95,540 employees, is non-French, with a total of 110 nationalities represented.

International assignments - Worldwide, excluding Faurecia*(as of December 31 of each year)*

	2004	2005	2006
Automobile Division	600	695	667
Banque PSA Finance	5	5	24
Gefco	55	50	51
Other businesses	10	5	4
Total	670	755	746

Nearly 750 Group employees (excluding Faurecia) were on international assignment in 2006, of which about 670 in the Automobile Division.

Hiring**Employees hired under permanent contracts in 2006 and total hires 2000-2006***(as of December 31 of each year)*

	France	Rest of Europe	Rest of the world	Total	Total hires, 2000/2006
Automobile Division 2006	2,620	4,635	1,100	8,355	63,720
2005	4,080	2,585	785	7,450	
2004	6,770	2,270	730	9,770	
Banque PSA Finance 2006	35	150	10	195	1,515
2005	50	110	5	165	
2004	40	260	10	310	
Gefco 2006	520	825	190	1,535	8,830
2005	340	700	190	1,230	
2004	610	440	110	1,160	
Faurecia 2006	525	5,550	5,760	11,835	46,575
2005	980	2,205	3,630	6,815	
2004	1,640	2,860	2,710	7,210	
Other businesses 2006	15	10	10	35	520
2005	5	-	10	15	
2004	40	-	10	50	
Total 2006	3,715	11,170	7,070	21,955	121,160
2005	5,455	5,600	4,620	15,675	
2004	9,100	5,830	3,570	18,500	
Total hires, 2000/2006	53,990	42,940	24,230	121,160	

Employees hired under permanent contracts by category, worldwide (as of December 31, 2006)

	France			Rest of Europe			Rest of the world			Total		
	Opera- tors	Super- visors	Mana- gers	Opera- tors	Super- visors	Mana- gers	Opera- tors	Super- visors	Mana- gers	Opera- tors	Super- visors	Mana- gers
Automobile Division	965	970	685	3,225	1,220	190	540	440	120	4,730	2,630	995
Banque PSA Finance	-	30	5	-	130	20	-	10	-	-	170	25
Gefco	205	225	90	260	535	30	95	95	-	560	855	120
Faurecia	95	55	375	4,265	845	440	4,025	725	1,010	8,385	1,625	1,825
Other businesses	-	5	10	-	10	-	-	10	-	-	25	10
Total	1,265	1,285	1,165	7,750	2,740	680	4,660	1,280	1,130	13,675	5,305	2,975

Employees hired under permanent contract by region and country - Groupwide

	2000	2001	2002	2003	2004	2005	2006	Total hires, 2000/2006
France, of which in								
production facilities in:	8,980	10,550	8,125	8,065	9,095	5,455	3,715	53,985
- Greater Paris	2,705	2,545	2,050	2,385	2,075	1,740	1,160	14,660
- Eastern France	2,025	2,580	1,560	1,645	2,070	750	265	10,895
- Western France	455	335	205	130	1,025	375	15	2,540
- Northern France	405	385	55	195	155	110	85	1,390
Germany	1,250	860	1,580	990	1,155	875	670	7,380
Argentina	295	500	70	130	255	360	565	2,175
Austria	70	70	55	100	100	95	90	580
Brazil	575	950	1,115	890	1,150	985	930	6,595
Spain	1,105	1,015	925	1,655	1,165	895	1,240	8,000
Poland	560	430	225	560	375	310	2,330	4,790
Portugal	65	105	445	375	415	130	310	1,845
Czech Republic	10	275	430	245	370	545	840	2,715
United Kingdom	925	745	1,645	925	680	625	805	6,350
Slovakia	25	25	5	45	565	1,130	3,465	5,260

Employees hired by education

	Men	Women	Total
Unqualified	4,185	1,830	6,015
High school	6,975	2,505	9,480
One or two years of university	2,155	965	3,120
More than two years of university	2,455	885	3,340
Total	15,770	6,185	21,955

Employees hired under fixed-term contracts - worldwide, excluding Faurecia (as of December 31, 2006)

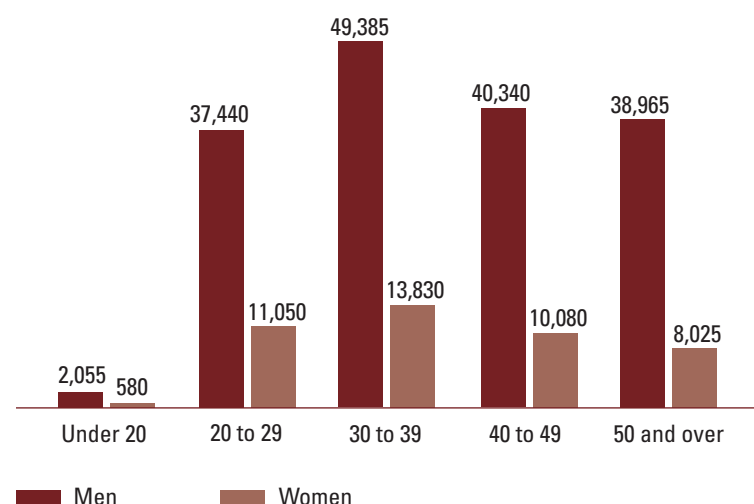
	France	Rest of Europe	Rest of the world	Total
Automobile Division ⁽¹⁾	2,825	900	35	3,760
Banque PSA Finance	80	190	-	270
Gefco	140	220	-	360
Other businesses ⁽²⁾	15	-	20	35
Total	3,060	1,310	55	4,425

(1) Including Peugeot S.A. employees.

(2) SCEMM, PCI Argentina, PCI Brazil, PMTC France, PMTC Germany, PMTC Italy.

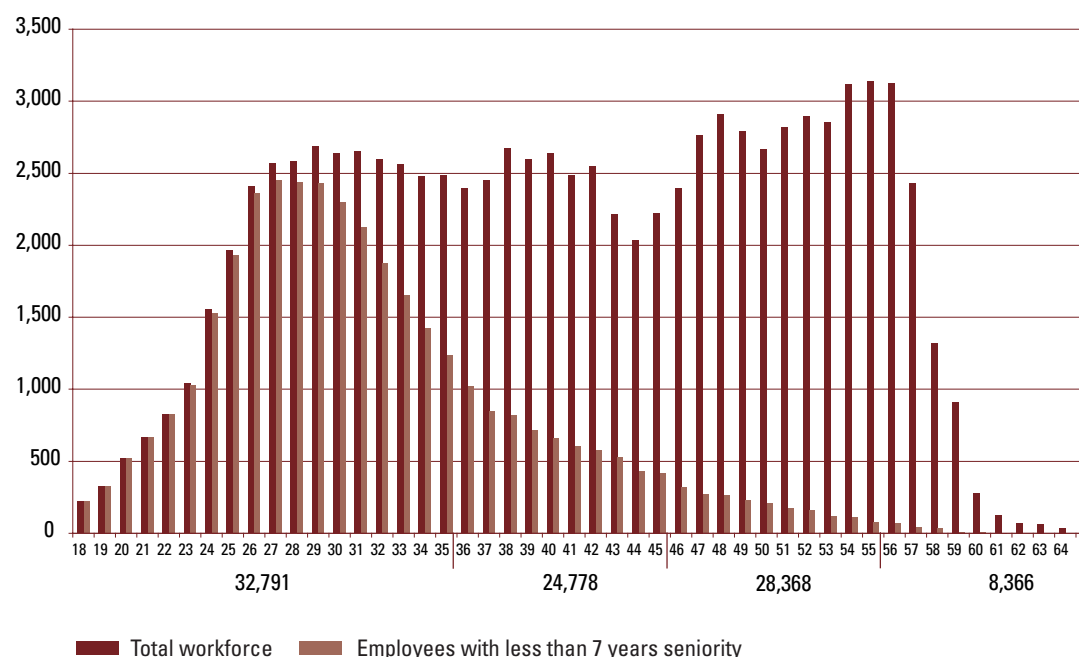
Refreshing the age pyramid

Employees by age group (as of December 31, 2006)



The large number of people hired since the late 1990s has refreshed the Group's age pyramid.

Age pyramid for the Automobile Division in France



Other employment indicators

Number of employees working under fixed-term contracts (annual average)

Worldwide, excluding Faurecia

	France	Rest of Europe	Rest of the world	Total
Automobile Division 2006	2,985	4,480	1,725	9,190
2005	4,425	3,700	1,075	9,200
2004	3,515	4,295	465	8,275
Banque PSA Finance 2006	15	150	-	165
2005	30	95	-	125
2004	15	105	-	120
Gefco 2006	140	285	-	425
2005	140	250	-	390
2004	135	180	-	315
Other businesses 2006	55	5	50	110
2005	40	-	85	125
2004	65	-	90	155
Total 2006	3,195	4,920	1,775	9,890
2005	4,635	4,045	1,160	9,840
2004	3,730	4,580	555	8,865

In addition, an annual average 5,320 people work for Faurecia under fixed-term contracts.

In 2006, nearly 1,740 employees (17%), excluding Faurecia, were hired under permanent contracts following a fixed-term assignment.

Number of temporary employees (annual average)

Worldwide, excluding Faurecia

	France	Rest of Europe	Rest of the world	Total
Automobile Division 2006	4,115	650	170	4,935
2005	6,700	325	120	7,145
2004	8,840	355	130	9,325
Banque PSA Finance 2006	20	40	-	60
2005	20	10	5	35
2004	25	35	-	60
Gefco 2006	930	745	80	1,755
2005	845	590	95	1,530
2004	900	390	60	1,350
Other businesses 2006	255	-	-	255
2005	225	-	40	265
2004	120	-	25	145
Total 2006	5,320	1,435	250	7,005
2005	7,790	925	260	8,975
2004	9,885	780	215	10,880

The above table does not include an annual average 8,160 temporary employees working for Faurecia.

The Group has undertaken to adapt the use of temporary workers.

In 2006, 546 people (5.4%) were hired under permanent contracts following a temporary assignment.

Resignations of employees under permanent contracts*Worldwide, excluding Faurecia*

	France	Rest of Europe	Rest of the world	Total
Automobile Division 2006	1,490	2,000	205	3,695
2005	1,270	865	175	2,310
2004	1,175	675	120	1,970
Banque PSA Finance 2006	20	95	-	115
2005	25	90	-	115
2004	20	80	5	105
Gefco 2006	145	355	70	570
2005	140	280	60	480
2004	125	265	25	415
Other businesses 2006	-	-	-	-
2005	15	5	-	20
2004	20	-	-	20
Total 2006	1,655	2,450	275	4,380
2005	1,450	1,240	235	2,925
2004	1,340	1,020	150	2,510

The number of resignations remained low in 2006, at 2.85% of total employees under permanent contract (excluding Faurecia), compared with 2% in 2005.

The above table does not include 3,290 resignations at Faurecia.

Dismissals of employees under permanent and fixed-term contracts

Worldwide, excluding Faurecia

	France	Rest of Europe	Rest of the world	Total
Automobile Division 2006	985	455	275	1,715
2005	825	570	300	1,695
2004	695	680	270	1,645
Banque PSA Finance 2006	5	10	-	15
2005	20	35	-	55
2004	10	15	5	30
Gefco 2006	125	90		215
2005	85	105	10	200
2004	105	95	20	220
Other businesses 2006	5	-	-	5
2005	50	5	-	55
2004	20	-	5	25
Total 2006	1,120	555	275	1,950
2005	980	715	310	2,005
2004	830	790	300	1,920

The above figures include all dismissals including premature termination of work contracts for incapacity and disability, and dismissals for personal reasons.

Their number was virtually unchanged compared with the previous two years. The 3,260 people who were prematurely terminated or dismissed at Faurecia during the year are not included in the above table.

Enhancing human capital through training

Hours of training by region

Worldwide, excluding Faurecia

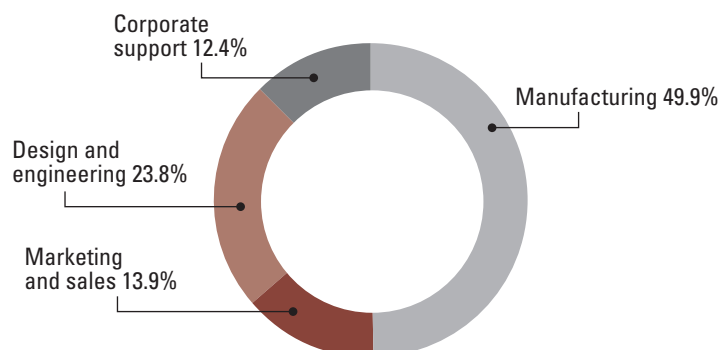
	Total hours of training (in thousands)			Average hours of training per employee		
	2004	2005	2006	2004	2005	2006
France	2,645	2,325	1,932	24.4	21.7	18.5
Rest of Europe	940	1,567	1,529	24.3	42.0	36.8
Outside Europe	295	510	375	51.2	69.7	47.0
Total	3,880	4,402	3,835	25.4	28.7	24.9

Each employee received an average of nearly 25 hours of training in 2006.

A total of 3.8 million hours of training were offered across the Group, representing a budget of €129 million for the year.

Training expenditures by business process

Worldwide, excluding Faurecia



During the year, more than 6,000 students served in Group units (excluding Faurecia) around the world under internship programs. Some 28% of them were women.

In addition, more than 2,560 students, 24% of whom were women, took part in work-study, certification and apprenticeship programs.

In France, women accounted for 31% of interns in certification programs and 20% of apprentices.

Global corporate Citizenship

Making gender equality a corporate strength

Women employees

Worldwide

(in number of employees)	2002	2003	2004	2005	2006	Increase 2002/2006 in %
Operators	16,235	16,295	19,105	19,060	21,065	29.8%
Supervisors	14,420	15,510	16,655	16,395	16,175	12.2%
Managers	4,245	4,580	5,325	5,945	6,320	48.9%
Total	34,900	36,385	41,085	41,400	43,560	24.8%

Percentage of female employees in the workforce over the last four years

Worldwide

(in %)	2002	2003	2004	2005	2006
	17.6	18.2	19.8	19.8	20.6

In 2006, women accounted for 28.1% of the total number of new employees hired by the various divisions worldwide.

The proportion was 17.9% for engineers and managers, 29.3% for supervisors and 17.4% for operators.

Developing management diversity (number of women managers by age group)

Worldwide

	Under 30	30 – 39	40 – 49	50 and over
Employees	1,475	2,845	1,265	745
Total	5,155	13,280	9,110	7,675
%	28.6%	21.4%	13.9%	9.7%

The Group Executive Committee has ten members, of whom three are women.

Employee recourse

In addition to contacting their managers and the Human Resources Department, employees have a variety of means of recourse in the event of a dispute. In every country, employees may file recourse with employee representative bodies, as well as third-party organizations in charge of settling labor disputes, where they exist.

Group employees may appeal to the Ethics Delegate if they have any questions concerning the interpretation

or practical application in a given situation of the action guidelines and standards of behavior described in the Code of Ethics.

Furthermore, as part of the deployment of the agreement on diversity and social cohesion, a Diversity Officer, reporting to Group Human Resources, has been appointed at corporate level. Employees may contact him or her in case of difficulties that cannot be resolved by conventional recourse.

Responsibly managing restructuring

Redundancies of employees under permanent and fixed-term contracts

Worldwide, excluding Faurecia

	France	Rest of Europe	Rest of the world	Total
Automobile Division 2006	5	1 175	-	1,180
2005	5	760	25	790
2004	30	520	45	595
Banque PSA Finance 2006	-	-	-	-
2005	-	-	-	-
2004	-	-	-	-
Gefco 2006	35	50	-	85
2005	5	40	-	45
2004	5	35	-	40
Other businesses 2006	-	-	-	-
2005	-	-	-	-
2004	-	-	-	-
Total 2006	40	1,225	-	1,265
2005	10	800	25	835
2004	35	555	45	635

The number of redundancies in Europe in 2006 stemmed primarily from the shutdown of operations at the Ryton, UK plant (see page 58).

The above table does not include 1,045 redundancies at Faurecia.

Sustainable innovations in employee relations practices

Contractual Commitments

More than 50 agreements were signed worldwide in 2006.

The global framework agreement on social responsibility was signed on March 2 in France, March 29 in Slovakia, March 31 in the United Kingdom, April 26 in Italy, May 5 in Germany, May 11 in Argentina, July 13 in Portugal, September 12 in Brazil and November 23 in Belgium.

Other examples include:

Argentina

- Agreement on working conditions, signed on January 30.
- Agreements on weekend shift work, signed on January 30 and June 9.
- Wage agreements, signed on January 30 and June 9.
- Agreement on the organization of work, signed on September 27, and extension of the agreement to employees under fixed-term contracts, signed on September 28.

Brazil

- Wage agreement for the Porto Real plant, signed on February 17.
- Agreement on the profit-sharing program for all PCA Brazil employees, signed on February 17.
- Agreement on job opportunities for the disabled, signed on September 12.
- Wage agreement for São Paulo, signed on December 15.

France

- 2006 wage agreement, signed on January 27.
- Agreement on additional compensation for paternal leave, signed on March 14.
- Amendment to the agreement of March 4, 1999 concerning compensation of short-time work for hourly employees, signed on October 4.
- A company agreement concerning effective working hours, the organization of working hours and vacation time, signed on November 29.
- Provisions concerning the application of the March 8, 2005 agreement on the career development of production operators, signed on December 20.

Germany

- Wage agreements for Citroën, signed in May, June, October and December.
- Agreement on the new retirement benefits plan for Citroën, signed in December.
- Wage agreements for Peugeot, signed in November.
- Agreement on organization for Peugeot, signed on November 28.
- Agreement on the definition of the PSAD organization, for PSA Services Deutschland, signed on November 1.

Slovakia

- Agreement on the social dialogue process, signed on January 18.
- Collective bargaining agreement, signed on January 19, 2007.

Spain

- Agreement on improving working conditions, signed on February 23.
- Agreement on diversity, signed on September 25.
- Agreement on diversity and domestic violence at the Madrid plant, signed on November 24.

United Kingdom

- Ryton Supplementary Agreement concerning manual employees and staff employees, signed on June 5.

Official employee representation on decision-making or management bodies, including for corporate governance issues

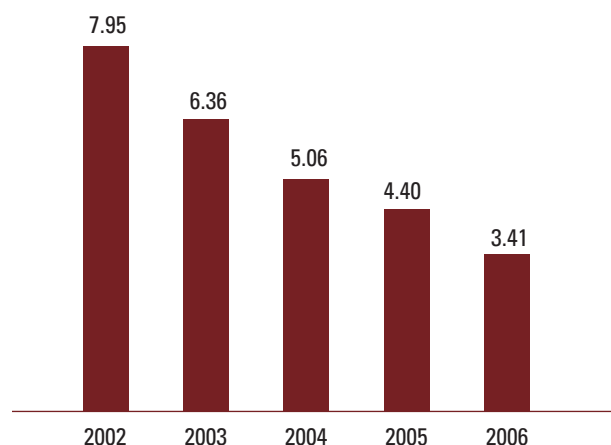
Since 1972, Peugeot S.A. has had a two-tier management structure, with a Supervisory Board and a Managing Board. The 12-member Supervisory Board is responsible for overseeing the Managing Board's management of the business. Supervisory Board meetings are attended by two members of the PSA Peugeot Citroën Works Council.

A total commitment to workplace safety

Workplace safety

Lost-time incident frequency rate

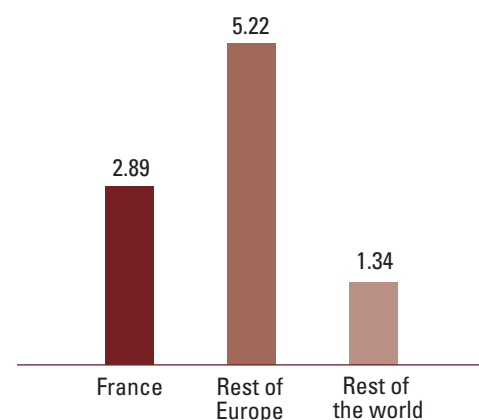
Manufacturing, office, R&D and marketing units world-wide, excluding Gefco and Faurecia



For the fourth year in a row, application of the Group's safety policies in every aspect of the business drove sustained improvement in the lost-time incident frequency rate, which fell to 3.41, exceeding the 2006 target of 3.7. The scope of reporting covers all of the manufacturing, service, R&D and marketing units worldwide. By way of comparison, the lost-time incident frequency rate for the French metals industry was 25.9, according the latest official statistics from 2004.

Lost-time incident frequency rate by region in 2006

Manufacturing, office, R&D and marketing units world-wide, excluding Gefco and Faurecia



Occupational illnesses

Worldwide (excluding Faurecia), 496 employees filed claims for occupational illnesses in 2006. In France, three-quarters of the claims concerned muscular-skeletal disorders.

Fatal accidents

	France	Rest of Europe	Rest of the world	Total
Automobile Division	2	-	-	2
Other businesses	-	-	-	-
Total	2	-	-	2

The two fatal accidents that occurred in France in the Automobile Division concerned an employee in a production plant and another who died in a car accident while on business.

Employee road safety

Accidents commuting to or from work

France, manufacturing and advanced research

	2004	2005	2006
Frequency	3.9	2.9	3.2

Joint labor/management health and safety committees

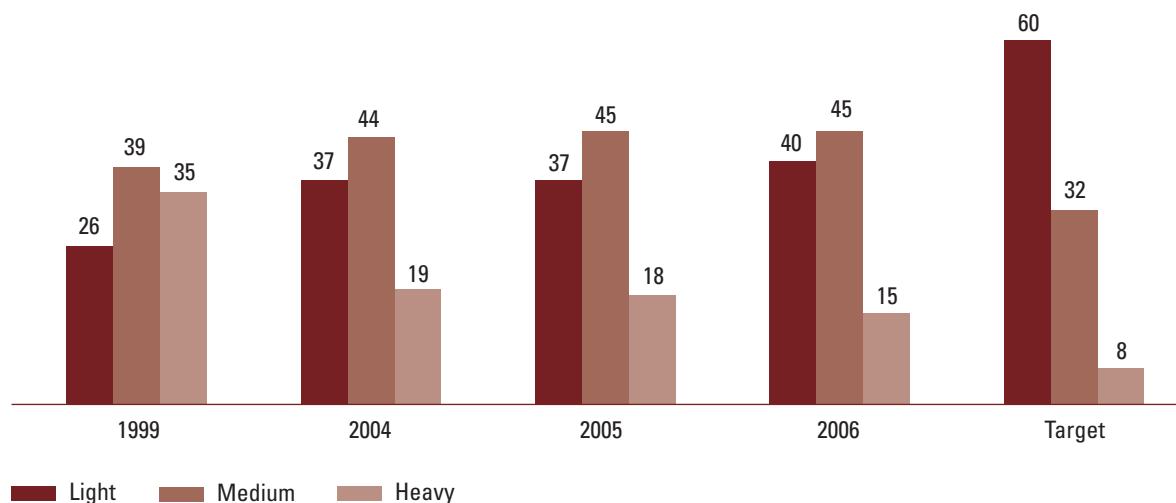
In most host countries, joint labor/management organizations are in charge of monitoring the application of employee health and safety practices. The following table provides examples in the countries where the Group has the most employees.

Country	Organization	Members
Argentina	Workplace Risk Prevention and Occupational Illness Committee	Employer representatives Representative of complementary insurance provider Government representative Employee representatives
Brazil	Internal Accident Prevention Committee	Employer representatives Employee representatives
France	Health, Safety and Working Conditions Committee	Employer representatives Safety manager Employee representatives Union representative Occupational physician Representative of the regional health insurance fund
Germany	Safety Committee	Employer representatives Safety manager Works council member Auditors
	Health and safety Committee	Employer representatives Safety manager Qualified safety officer Employee representative Occupational physician
Portugal	Health and Safety Committee	Employer representatives Employee representatives
Spain	Health and Safety Committee	Employer representatives Employee representatives
United Kingdom	Safety Committee	Employer representatives Employee representatives

PSA Peugeot Citroën complies with the recommendations of the International Labor Organization concerning workplace health and safety, and in every host country fulfils all of its obligations in this area.

Constantly improving working conditions

The changing proportion of “light”, “medium” and “heavy” workstations



The percentage of “heavy” workstations has been reduced by more than half since the ergonomics initiative was launched in 1999, while the number of “light” workstations that can be operated by any employee rose to 40% in 2006 from 26% in 1999.

This process will be pursued until light workstations account for 60% of the total.

Offering the disabled fulfilling job opportunities

Disabled employees

Worldwide, excluding Faurecia

	France	Rest of Europe	Rest of the world	Total
Automobile Division 2006	5,590	720	35	6,345
2005	5,395	645	35	6,075
2004	5,760	710	5	6,475
Banque PSA Finance 2006	5	15	-	20
2005	-	15	-	15
2004	-	15	-	15
Gefco 2006	105	40	-	145
2005	110	40	-	150
2004	115	40	-	155
Other businesses 2006	95	-	-	95
2005	45	-	-	45
2004	15	-	-	15
Total 2006	5,795	775	35	6,605
2005	5,550	700	35	6,285
2004	5,890	765	5	6,660

Worldwide, the Group directly employs 6,605 disabled people, as defined by local legislation.

Organization of working hours

In every host country, working hours are consistently equal to or less than the legal workweek or industry practices.

In France, working hours have complied with the country's 35-hour workweek legislation since 1999, while in other countries measures have been introduced to reduce working hours while making the Group more competitive.

Special work schedules

Worldwide, excluding Faurecia

		France			Rest of Europe			Rest of the world			Total		
		2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Automobile Division	Double shift	33,180	32,500	31,620	8,980	8,965	10,565	1,010	1,355	1,590	43,170	42,820	43,775
	Triple or night shifts	16,115	15,480	14,080	3,450	3,325	4,120	40	160	290	19,605	18,965	18,490
	Weekend*	2,670	1,920	170	925	55	65	35	30	100	3,630	2,005	335
Banque PSA Finance	Double shift	-	-	-	-	-	-	-	-	-	-	-	-
	Triple or night shifts	-	-	-	-	-	-	-	-	-	-	-	-
	Weekend*	-	-	-	-	-	-	-	-	-	-	-	-
Gefco	Double shift	1,300	1,165	830	240	310	415	45	20	35	1,585	1,495	1,280
	Triple or night shifts	110	235	415	310	285	290	-	40	35	420	560	740
	Weekend*	-	-	30	40	80	25	-	5	30	40	85	85
Other businesses	Double shift	745	620	600	-	-	-	-	-	-	745	620	600
	Triple or night shifts	15	20	25	-	-	-	-	-	-	15	20	25
	Weekend*	-	-	-	-	-	-	-	-	-	-	-	-
Total	Double shift	35,225	34,285	33,050	9,220	9,275	10,980	1,055	1,375	1,625	45,500	44,935	45,655
	Triple or night shifts	16,240	15,735	14,520	3,760	3,610	4,410	40	200	325	20,040	19,545	19,255
	Weekend*	2,670	1,920	200	965	135	90	35	35	130	3,670	2,090	420

* Weekend shifts (generally Friday, Saturday, Sunday) are shorter than regular shifts.

In several countries, the reorganization of production processes has resulted in the development of special work schedules, such as night shifts or shortened weekend hours (see page 61).

Overtime*Worldwide, excluding Faurecia*

	France	Rest of Europe	Rest of the world	Total
Automobile Division 2006	1,390,185	1,065,445	615,190	3,070,820
2005	2,121,525	484,170	423,180	3,028,875
2004	2,033,990	611,370	430,535	3,075,895
Banque PSA Finance 2006	2,520	17,855	-	20,375
2005	1,525	19,220	-	20,745
2004	20,890	21,405	-	42,295
Gefco 2006	390,835	189,650	55,125	635,610
2005	247,955	136,460	33,685	418,100
2004	374,920	82,695	30,700	488,315
Other businesses 2006	48,290	-	-	48,290
2005	12,770	320	3,675	16,765
2004	12,595	160	2,060	14,815
Total 2006	1,831,830	1,272,950	670,315	3,775,095
2005	2,383,775	640,170	460,540	3,484,485
2004	2,442,395	715,630	463,295	3,621,320

In most countries, working hours are determined on an annual or multi-annual basis.

Short-time working*Worldwide, excluding Faurecia*

	France	Rest of Europe	Rest of the world	Total
Automobile Division 2006	1,694,895	-	211,490	1,906,385
2005	948,000	217,395	-	1,165,395
2004	25	137,070	-	137,095
Banque PSA Finance 2006	-	-	-	-
2005	-	-	-	-
2004	-	-	-	-
Gefco 2006	-	1,825	-	1,825
2005	3,900	5,470	-	9,370
2004	1,745	7,590	-	9,335
Other businesses 2006	-	-	-	-
2005	-	-	-	-
2004	265	-	-	265
Total 2006	1,694,895	1,825	211,490	1,908,210
2005	951,900	222,865	-	1,174,765
2004	2,035	144,660	-	146,695

The 1,908,210 hours lost through short-time working correspond to the shortfall in annual hours not offset by collective overtime during the year.

In France, the March 8, 2005 agreement concerning payment of short-time work defines how working hours are determined on a multi-annual basis in order to maintain compensation levels.

Paid absences other than vacation*Worldwide, excluding Faurecia*

	France		Rest of Europe		Rest of the world		Total	
	Sick leave	Other absences	Sick leave	Other absences	Sick leave	Other absences	Sick leave	Other absences
Automobile Division 2006	4,053,610	869,370	1,901,775	778,805	218,645	68,560	6,174,030	1,716,735
2005	3,967,120	804,800	1,794,510	615,520	173,965	49,565	5,935,595	1,469,885
2004	3,977,570	452,785	1,470,860	588,170	142,685	417,550	5,591,115	1,458,505
Banque PSA Finance 2006	29,205	21,520	63,690	33,445	1,000	2,260	93,895	57,225
2005	26,650	56,010	62,675	43,195	-	1,385	89,325	100,590
2004	36,105	34,405	49,585	17,145	235	10	85,925	51,560
Gefco 2006	289,670	183,655	222,740	40,635	8,760	3,160	521,170	227,450
2005	265,335	98,150	238,780	30,595	1,775	2,035	505,890	130,780
2004	236,945	63,920	177,030	57,815	1,555	235	415,530	121,970
Other businesses 2006	84,860	16,450	675	2,190	-	-	85,535	18,640
2005	94,475	8,705	2,615	505	160	80	97,250	9,290
2004	123,980	10,965	3,780	8,025	560	120	128,320	19,110
Total 2006	4,457,345	1,090,995	2,188,880	855,075	228,405	73,980	6,874,630	2,020,050
2005	4,353,580	967,665	2,098,580	689,815	175,900	53,065	6,628,060	1,710,545
2004	4,374,600	562,075	1,701,255	671,155	145,035	417,915	6,220,890	1,651,145

Paid absences other than vacation totaled 8,894,680 hours, of which 6,874,630 for sick leave, 873,060 for maternity leave, 406,350 for accident-related absences and 740,640 for other reasons.

Based on just over 275 million hours worked, the overall absenteeism rate stood at around 3.2%.

Contractor employees working on Group sites*Worldwide, excluding Faurecia*

	France		Rest of Europe		Rest of the world		Total	
	Occasional	Permanent	Occasional	Permanent	Occasional	Permanent	Occasional	Permanent
Automobile Division 2006	12,705	7,085	1,575	2,500	1,280	1,630	15,560	11,215
2005	11,560	6,730	1,575	4,575	100	1,770	13,235	13,075
2004	10,440	6,780	870	1,990	200	905	11,510	9,675
Banque PSA Finance 2006	-	20	10	20	40	40	50	80
2005	-	25	5	20	-	5	5	50
2004	-	10	5	10	-	5	5	25
Gefco 2006	40	190	285	600	25	50	350	840
2005	40	315	260	115	-	5	300	435
2004	-	330	75	25	10	20	85	375
Other businesses 2006	5	40	-	-	-	-	5	40
2005	480	35	-	-	-	-	480	35
2004	220	55	-	-	-	-	220	55
Total 2006	12,750	7,335	1,870	3,120	1,345	1,720	15,965	12,175
2005	12,080	7,105	1,840	4,710	100	1,780	14,020	13,595
2004	10,660	7,175	950	2,025	210	930	11,820	10,130

Enhancing work-life balance

Number of part-time employees

Worldwide, excluding Faurecia

	France	Rest of Europe	Rest of the world	Total
Automobile Division 2006	2,255	4,760	25	7,040
2005	2,255	3,710	-	5,965
2004	2,300	3,100	-	5,400
Banque PSA Finance 2006	40	220	-	260
2005	40	210	-	250
2004	45	220	-	265
Gefco 2006	270	220	-	490
2005	205	220	-	425
2004	195	120	5	320
Other businesses 2006	10	-	-	10
2005	110	-	-	110
2004	115	5	-	120
Total 2006	2,575	5,200	25	7,800
2005	2,610	4,140	-	6,750
2004	2,655	3,445	5	6,105

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.

In 2006, nearly 7,800 employees worked part-time worldwide, of whom 44.4% were women and 55.6% were men.

Out of the 4,320 part-time employees in Spain, most are on "partial retirement", which explains the high proportion of men working part-time at Group level.

More than 2,000 part-time employees (nearly 26%) work half-time.

Compensation based on performance and competitiveness

Payroll

In 2006, total payroll costs (excluding Faurecia) came to €6,779,672,000 including wages and salaries of €4,865,614,000 and payroll taxes of €1,914,059,000.

(in thousands of euros)	France	Rest of Europe	Rest of the world	Total
2002	4,662,481	1,415,349	80,110	6,157,940
2003	4,824,888	1,462,711	66,401	6,354,000
2004	5,107,033	1,502,183	77,303	6,686,519
2005	5,181,133	1,505,043	104,379	6,790,555
2006	5,074,551	1,557,954	147,167	6,779,672

Aligning employees with group earnings

Profit-sharing and incentive bonuses

Worldwide, excluding Faurecia

<i>(rounded to the nearest million euros)</i>	2004	2005	2006
Total France - profit-sharing and incentive bonuses (Group agreement)	135	113	65
Profit-sharing or incentive bonuses for other French subsidiaries (excluding Faurecia)	10	9	7
Profit-sharing for foreign subsidiaries	21	19	14
Total	166	141	86

The 2006 figures for GEFCO and PMTC are estimates.

Diversified employee savings

Employee savings plans in France (PEAG, PED and PEP))

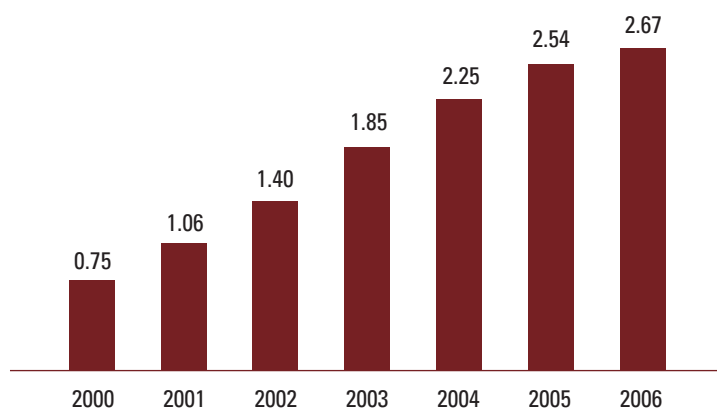
	Employee contributions Jan. 1 - Dec. 31 <i>(in € millions)</i>		Employee contributions Jan. 1 - Dec. 31 <i>(in € millions)</i>		Number of employees investing, Jan. 1 - Dec. 31*	
	2005	2006	2005	2006	2005	2006
Automobile Division	98.01	82.17	13.00	13.17	138,185	130,237
Banque PSA Finance	1.35	1.10	0.25	0.24	1,513	1,360
Gefco	1.74	1.48	0.66	0.59	1,766	1,606
Other businesses	0.55	0.40	0.05	0.09	675	503
Total	101.65	85.14	13.96	14.09	142,139	133,706

* Reinvestment of profit-shares, incentive bonuses and voluntary contributions.

The international employee savings plan

	Contributions <i>(in € millions)</i>		Matching company contribution <i>(in € millions)</i>		Number of participants	
	2005	2006	2005	2006	2005	2006
United Kingdom	1.49	2.02	0.50	0.66	1,527	1,527
Spain	0.66	0.72	0.24	0.25	2,379	1,993
Germany	0.63	0.61	0.20	0.19	791	1,344
Total	2.78	3.34	0.94	1.11	4,697	4,864

Share of capital held by employees through employee shareholding plans worldwide



Nearly 51,100 employees or former employees of the Group are Peugeot S.A. shareholders.

Pension plans to help employees provide for the future

Supplemental pension plans by region

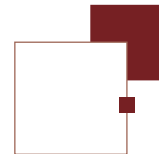
	Employer contributions Jan. 1 - Dec. 31 (in € millions)			Employee contributions Jan. 1 - Dec. 31 (in € millions)			Number of participating employees		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
France	23,839.4	25,932.8	26,688.6	11,908.2	12,935.9	13,908.2	42,760	51,468	51,055
Rest of Europe	11,976.1	17,245.9	16,981.5	3,522.2	3,640.0	2,695.8	9,255	10,012	12,135
Rest of the world	286.1	449.5	432.4	367.8	444.7	838.8	1,440	1,360	1,513
Total	36,101.6	43,628.2	44,102.5	15,798.2	17,020.6	17,442.9	53,455	62,840	64,703

Supplemental pension plans by division

	Employer contributions (in € millions)	Employee contributions (in € millions)	Number of employees
Automobile Division 2006	39,101.9	15,785.3	59,844
2005	38,282.1	15,377.2	58,861
2004	33,015.0	14,385.0	49,990
Banque PSA Finance 2006	1,686.5	465.0	989
2005	1,596.3	494.3	998
2004	1,570.0	611.0	1,070
Gefco 2006	3,053.3	1,058.6	2,889
2005	3,448.5	998.5	2,531
2004	1,300.0	694.0	2,070
Other businesses 2006	260.9	134.0	981
2005	301.3	150.6	450
2004	216.0	108.0	325
Total 2006	44,102.5	17,442.9	64,703
2005	43,628.2	17,020.6	62,840
2004	36,101.0	15,798.0	53,455

New defined contribution supplemental pension plans are gradually being set up in the Group worldwide. These plans supplement the benefits payable under State retirement (social security) systems, and offset the forecast decline in the replacement rate.





6

Corporate *Policies*

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Environmental Stewardship

Based on the principles of sustainable development, PSA Peugeot Citroën's ambitious environmental stewardship strategy focuses on producing cars that seamlessly interact with their environment. The strategy

also forms an integral part of the Group's manufacturing strategy, in a commitment to limiting the environmental impact of operations and to preserving the quality of life in host communities.

Cars and the environment

The constant challenge of reducing Greenhouse gas emissions

Having made considerable progress in reducing pollutant emissions, the Group has now set a priority objective of reducing the amount of CO₂ emitted by Peugeot and Citroën vehicles.

PSA Peugeot Citroën believes that automobiles should be harmoniously integrated into their environment, which is why it is helping to abate the greenhouse effect by developing new technologies that improve fuel efficiency and reduce emissions. The focus is on improving internal combustion engines and promoting the more widespread use of biofuels, natural gas and other alternative energy sources, while also exploring future-facing technologies like diesel-electric hybrids and hydrogen fuel cells. But to significantly reduce overall emissions of CO₂ – the only way to make a real impact on the environment—the Group is promoting technologies that can be deployed on mass-produced models. As part of its commitment to extending its research beyond the realm of cars, PSA Peugeot Citroën is also investing in major environmental and scientific initiatives, such as the Peugeot carbon sink project in Brazil created in partnership with France's national forest service ONF. While implementing this strategy, the Group is also actively integrating eco-design practices to make its cars highly recyclable.

Effective solutions for improving fuel efficiency and reducing emissions for everyone

One pathway to progress has been the development of new gasoline engine technology, as illustrated by the mid-size engines being produced in cooperation with BMW. The Group has also consolidated its leadership in diesel engines, which for equivalent performance use considerably less fuel than gasoline engines.

The Group's common-rail, direct-injection HDi diesels reduce CO₂ emissions by 20% compared with the previous generation diesel and by 30% compared with gasoline engines. In addition to their environmental benefits, HDi engines also deliver remarkable drivability and today rank among the most popular in Europe. In fact, the percentage of diesel-powered passenger cars in the European market almost doubled from 1998 to 2006, when they accounted for half of all cars sold during the year.

PSA Peugeot Citroën manufactured more than 1.4 million cars equipped with common-rail HDi powerplants in 2006, bringing total output to nearly 9.3 million units since 1998.

During the year, the Group also pursued its commitment to downsizing, to develop smaller, more fuel-efficient engines that deliver the same performance as the preceding larger models. This strategy has driven a 10% improvement in fuel efficiency while maintaining the same torque and power output. The Group sold more than 460,000 vehicles emitting less than 120 grams of CO₂ per kilometer in Europe in 2006 and has sold more than 1,500,000 since 2001. This means that in 2006, the Group accounted for 38% of all European sales of vehicles emitting less than 120 grams of CO₂ per kilometer and more than 62% of those emitting less than 110 grams of CO₂ per kilometer.

Promoting biofuels and natural gas

Another way to reduce vehicle CO₂ emissions is to develop the use of alternative energies and new propulsion technologies. A pioneer in the field, PSA Peugeot Citroën is strongly committed to promoting biofuels that can be used in diesel or gasoline engines. These include vegetable oil methylesters (VOMEs), which can be blended with automotive diesel fuel, and ethanol or its derivative, ethyl tertiary butyl ether (ETBE), which can be used in gasoline.

Ethanol is derived from cereals and sugar beets in Europe and sugar cane in Brazil. Biofuels can also be made from oilseeds such as rapeseed (fatty-acid methyl ester-FAME, used as 30% of a blend with 70% diesel fuel) and soybeans (B30 diesel). These fuels are exceptionally well suited to combating the greenhouse effect since the plants from which they are made trap atmospheric CO₂ through photosynthesis. Adding them to fossil fuels therefore reduces CO₂ emissions. The Group estimates that replacing one ton of diesel fuel with biofuels would reduce CO₂ emissions by 2.5 tons. Biofuels also curb the emission of other pollutants, such as particulates, which can be reduced by 20 to 30% with Diester® 30, a blend of 30% VOME and 70% diesel fuel.

The Group strongly encourages the use of biofuels, which can be blended in substantially high proportions in Peugeot or Citroën vehicles without any technical modifications. Its own service fleet, for example, is run on Diester® 30.

PSA Peugeot Citroën regularly shares its experience as a carmaker by taking part in discussions on the technical, business and political issues raised by biofuels. It also supports the development of biofuels by validating potential applications under local energy policies.

In France, for example, the Group is a member of the Diester Partners association, which encourages the use of Diester® in three ways:

- Forming a network to exchange information about using Diester® in higher percentages than the standard 5% (mainly in a 30% blend).
- Promoting Diester®'s technical and environmental benefits to captive fleet managers.
- Acting as a preferred interface with French and international authorities.

In Latin America, PSA Peugeot Citroën has also initiated a series of trials with Ladétel, a Brazilian clean technologies laboratory specialized in biofuels, to assess the performance of Brazil's B30 biodiesel. In the first phase, conducted between 2003 and 2006, a Peugeot 206 and a Citroën Xsara Picasso were driven more than 180,000 kilometers. The initial results were very encouraging, showing a decline in regulated emissions. The second phase was initiated in 2006, with the Group supplying six vehicles (Peugeot 206 with 1.9-liter diesel engines, Citroën Xsara Picassos with 2.0-liter HDi engines, two Peugeot Partners and two Citroën Berlingos) to be driven on endurance runs and submitted to trials on test benches.

These vehicles use biofuels derived from a variety of sources, including soybeans, palm oil and castor oil.

In Brazil, the world's largest producer of ethanol, the Group sells flex-fuel cars (the Peugeot 206 and 307, and the Citroën C3 and Xsara Picasso), whose engines automatically adjust to biofuel/gasoline blends in varying proportions. These engines will be introduced on selected models in Europe beginning in mid-2007.

As another alternative fuel solution, the Group is exploring the possibilities offered by compressed natural gas (CNG) which, in comparison to conventional fuels, is high calorific, reduces greenhouse gas and other emissions by 20% compared with an equivalent gasoline engine, and burns very quietly. The Group has signed the third CNG protocol aimed at developing this solution in France, where it already markets CNG commercial vehicles and a five-seater CNG Citroën C3 intended for the consumer market. The Group is also developing a multipurpose CNG engine adapted to the requirements of countries like Argentina and Iran, where gas is already a viable alternative to oil.

Putting Hybrid Diesel technology on the Road

When it comes to the environment, PSA Peugeot Citroën has always taken the same approach. It is based on the fact that in Europe, where diesel engines are very popular, the gasoline hybrid has little appeal, since it commands a much higher price for similar fuel efficiency and CO₂ performance.

Diesel hybrids, however, offer greater potential for real-world application. This was illustrated by the early 2006 presentation of the Citroën C4 and Peugeot 307 Hybrid HDi demonstrators, which showcased the Group's expertise in hybrid technology. The combination of the HDi diesel with a diesel-electric powertrain delivers truly breakthrough performance in terms of fuel efficiency and CO₂ emissions. The Hybrid HDi can also run in battery-only, zero-emissions mode. On a compact family car, consumption falls to a remarkably low 3.4 liters per 100 kilometers (combined cycle), for CO₂ emissions of just 90 grams per kilometer. Compared to the same vehicle fitted with an already very efficient HDi engine, the technology results in an almost 30% improvement in fuel economy.

A real-world approach to hybrid diesel powertrains

The development of the Hybrid HDi fits seamlessly with the Group's platform strategy. For example, it relies on extensive carry-over of existing components and sub-assemblies, in addition to deploying proven technological solutions optimized for hybrid applications. Nevertheless, hybrids remain intrinsically more expensive than any internal combustion solution, due to the addition of such cost drivers as high-voltage batteries, the electric motor/generator, the inverter and the regenerative braking system.

This extra cost must be reduced so as to narrow the price gap between a hybrid and a conventional diesel to a more affordable level, similar to the one currently existing between an HDi and a gasoline engine. By capitalizing on research being conducted in partnership with research laboratories and equipment suppliers, the Group plans to launch its first hybrid HDi cars in 2010.

Hydrogen fuel cells offer a longer-term solution for the environment

Over the longer term, another promising technology that will play a critical role in reducing auto emissions is the hydrogen fuel cell, whose many benefits include a reduction in CO₂ emissions and the elimination of local hydrocarbon (HC) and nitrogen oxide (NOx) 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 Center (CNRS) and Atomic Energy Commission (CEA). In January 2006, PSA Peugeot Citroën and the CEA unveiled one result of their research—the GENEPAC, a world-class 80kW modular fuel cell stack perfectly suited to automotive applications.

These research programs are aimed at making the development of automotive fuel cell technology both technically and financially feasible. The challenges involved – lowering fuel cell costs, integrating fuel cells into vehicles, and storing and distributing hydrogen – are often beyond the carmaker's control. As a result, the Group plans to gradually introduce the technology beginning around 2020.

Improving Air Quality

Over the past 30 years, new vehicle emissions have declined by 95%. The environmental performance of diesel engines has been further enhanced by the particulate filter, which eliminates emissions of particulate matter. Widely promoted by PSA Peugeot Citroën, this after-treatment system is playing an important role in improving the quality of air in urban environments. Introduced in May 2000, the highly popular particulate filter has already been installed on nearly 1,800,000 Peugeot and Citroën HDi diesel powertrains. It is now available on the Peugeot 1007, 207, 307, 407, 607 and 807 and the Citroën C3, C4, C4 Picasso, Xsara Picasso, C5, C6 and C8. It will be extended to all the other models in the medium-term future.

Today, the Group is already marketing the filter's third generation, which uses an entirely new filter medium architecture known as "octosquare" and is designed for service-free operation. First offered in 2004, it has been deployed across nearly the entire model range since the end of 2005.

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 forthcoming European Union directive stipulating that from 2008 a new car must be 95% recyclable to be homologated in the EU.

Today, materials used to make cars have to meet increasingly stringent criteria, such as:

- Reducing the variety of plastics in a car, to optimize the related recovery processes and ensure their profitability.
- Using a single family of plastics per major function, so that an entire sub-assembly can be recycled without prior dismantling.

- Marking plastic parts with standardized codes, to ensure identification, sorting and traceability.
- Incorporating a greater proportion of recycled materials into new cars, providing such reuse is cost effective and technically feasible.
- Eliminating four heavy metals (lead, cadmium, chromium and mercury) from every model introduced since July 1, 2003. This initiative, which avoids passing on toxic metals further downstream, is being carried out jointly with suppliers.

Since 2002, PSA Peugeot Citroën has asked suppliers to provide compliance certificates for all their deliveries or for each part supplied for forthcoming vehicles. As a participant in the International Dismantling Information System (IDIS) project, the Group provides scrap yard facilities with disassembly instructions for Peugeot and Citroën vehicles.

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

Automobile division production plants and the environment

An effective organization and strong principles

For many years, PSA Peugeot Citroën has been engaged in assertive environmental stewardship in its production facilities, in a commitment to ensuring that their operations comply not only with local regulations but also safeguard the neighboring 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 organization, a method structured around ISO 14001 certification, the allocation of significant funding and an effective reporting system known as the Industrial Environment Observatory. Deployed worldwide, this process efficiently manages the most significant environmental aspects of the Group's operations.

The corporate risk prevention and management department includes an environmental section, which coordinates general activities in this area and has its own capital budget. In addition, at each plant, an environmental manager is backed by a dedicated organization 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 2006, around 500 people were involved in managing the Group's industrial environment.

An active certification policy

Every production facility around the world has introduced an environmental management system based on ISO 14001 certification, the internationally recognized standard for environmental management and organization. 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 receives training in environmental skills or awareness tailored to his or her job and business.

In 2005, the 2004 version of ISO 14001 was deployed at the certified plants.

In 2006 a new procedure for identifying Significant Environmental Aspects was introduced, adding new aspects to the list and analyzing more closely the facilities' impact on host communities.

In line with certification requirements, the sites have been communicating more transparently with their host communities. Plant self-monitoring data are transmitted to the public authorities, for example, while requests for information from neighbors are systematically answered and, where necessary, corrective actions are taken.

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*	La Garenne
Sochaux	Trémery	Rennes	Caen	Mangualde			Vesoul**
	Madrid	Porto Real	Charleville				Trnava**
	Buenos Aires	Ryton	Sept Fons				
	Vigo		Valenciennes				

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

** Plant certification process underway.

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

Limiting Gaseous Releases

Reducing VOC emissions

In France, automobile plants account for less than 1% of total volatile organic compound (VOC) emissions produced by human activity.

The Group is leading a proactive, three-pronged policy in this area by:

1. Optimizing paint shops:
 - Introducing equipment with higher application efficiency to reduce the use of conventional paints and related solvents.
 - Selecting low-solvent paints.
 - Recycling used solvents.
2. Deploying clean technologies like water-based paints and powder primers in new facilities.
3. Installing air treatment equipment that incinerates VOCs.

Deployment of this ambitious action plan has reduced per-vehicle VOC emissions from the Group's paint shops by two-thirds in less than 20 years, from roughly 13 kilograms in 1988 to 4.88 kilograms in 2006.

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.

At any rate, it will meet the limits set for 2007 in the European Union directive on reducing VOC emissions.

A decline in other regulated emissions

By gradually substituting low-sulfur fuels for conventional high-sulfur fuel oil, worldwide sulfur dioxide (SO₂)

emissions from the Group's power plants have been reduced by more than 90% since 1995.

Worldwide nitrogen oxide (NO_x) emissions have declined by 30% since 1995, according to data from the Industrial Environment Observatory set up by the Group to track the environmental performance of its facilities.

Lowering energy consumption

All carmaking processes are energy intensive, whether foundry work, the cooling of machine tools, paint drying or heat treatment processes. The Group is committed to developing action plans to reduce energy consumption at all its plants. Among the most remarkable initiatives undertaken in recent years has been the installation of waste-to-energy units at three facilities.

Participation in the CO₂ emissions trading scheme

Seven plants in France and one in England that produce CO₂ from combustion installations rated over 20 MW have been covered since 2005 by the procedures for transposing the European Union Directive on greenhouse gas emissions trading for the period from 2005 to 2007. Two plants in Spain joined the scheme in 2006.

In France, the allowances for the first phase are calculated based on data for the 1996-2002 period.

Since 1996, despite a sharp increase in the number of vehicles produced at the plants concerned, the Group has succeeded not only in containing total CO₂ emissions but even in reducing them for installations rated over 20 MW.

This performance reflects the initiatives deployed since 1990 to reduce fossil fuel consumption.

Reducing water consumption and releases

Conserving water is a key objective at all plants, 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.

These measures helped to reduce water consumption per vehicle produced by 60% between 1995 and 2006.

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 organization 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 from automobile plants

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

Between 1995 and 2006, these programs (which do not cover metal waste) have reduced waste per vehicle produced by 28% and the proportion of landfilled waste to 12% from 31%. As a result, the recovery rate rose to 83.5% in 2006, with the remaining 4.5% incinerated

without energy recovery or, in the case of certain types of liquid or sludge waste, treated with physical-chemical processes.

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 around 94% of their process waste.

Understanding soils to improve protection

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 in France, in compliance with the procedure developed by France's Geological and Mining Research Bureau (BRGM).

After in-depth surveys, the experts concluded that 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.

In every case, strict procedures are in place to prevent soil pollution, in particular through the use of retention basins for liquid storage.

The other divisions and the environment

Faurecia

Faurecia is gradually deploying ISO 14001-compliant environmental management systems in all its plants. To date, 82 units have been certified, compared to 50 in 2003 and 17 in 2000, and nearly 15,000 people received training in environmental-related topics in 2006. The deployment of the ISO 14001 certification process and employee involvement has helped to improve the management of environmental risks and reduce the environmental impact of industrial operations.

Faurecia also installed a database and a common environmental reporting system for all its plants worldwide. The system enables data, which are reported twice a year, to be validated by plant, division or product family or at Group level.

Gefco

Through its programs pursued in recent years to reduce greenhouse gas emissions, Gefco has increased to 25% the proportion of freight carried by alternative modes to road transport. In particular, it has sharply increased the use of the most environmentally friendly modes, such as inland waterways, railway and maritime shipping. Maritime shipping, for example, now accounts for 14% of Gefco's transport purchasing, compared with a European industry average of 8%.

Rail corridors between France and the countries of Central and Eastern Europe are being developed based on the company's 4,345 car carriers, the second largest private fleet in Europe.

Gefco is also assuming its responsibilities as a freight forwarder, inserting a sustainable development clause in subcontracts that requires transport companies to meet environmental protection targets and comply with the Euro standard for its vehicles.

In its own operations, Gefco launched an ISO 14001-compliant environmental process in 2006, with the goal of deployment in 2008.

Environmental Indicators

Automobile fuel consumption and emissions

The following tables are not exhaustive. The models were selected on the basis of their sales and environmental performance.

For each model, the table shows data for the gasoline and diesel versions offering the lowest CO₂ emissions and fuel consumption.

Models in boldface are the best-selling gasoline or diesel version.

In certain cases, the best selling model is also the most fuel-efficient.

Peugeot (2006)

	Fuel	Displacement	Horsepower	Consumption			Emissions	Noise
				City	Highway	Combined		
	E/D	(cc)	(kW)	(l/100 km)	(l/100 km)	(l/100 km)	CO ₂ (g/km)	dB(a)
Peugeot 107								
1.0-liter								
w/manual gearboxe								
w/automated								
manual gearboxe	E	998	50	5.5	4.1	4.6	109	70/72
1.4-liters HDi	D	1,398	40	5.3	3.4	4.1	109	71.2
Peugeot 1007								
1.4-liters								
w/manual gearboxe	E	1,360	65	8.4	5.3	6.4	153	73.2
1.4-liters HDi	D	1,398	50	5.8	4.1	4.7	124	73.7
1.6-liters HDi								
w/particulate filter	D	1,560	80	6.0	4.1	4.8	125	73.7
Peugeot 206 (saloon)								
1.4-liters	E	1,360	55	8.8	5.0	6.4	152	73.3
1.4-liters HDi	D	1,398	50	5.4	3.7	4.3	112	70.9
Peugeot 207 (saloon)								
1.4-liters	E	1,360	55	8.4	5.0	6.3	150	73.6
1.6-liters HDi	D	1,569	66	5.8	3.8	4.5	120	73.6
Peugeot 307 (saloon)								
1.4-liters 16V	E	1,360	65	8.7	5.3	6.5	155	70.5
1.6-liters	E	1,587	80	10.0	5.8	7.4	174	72.4
1.6-liters HDi	D	1,560	66	6.1	4.3	4.9	129	72.4
Peugeot 407 (saloon)								
1.8-liters	E	1,749	92	10.5	6.0	7.7	183	73.7
1.6-liters HDi								
w/particulate filter	D	1,560	80	6.8	4.4	5.3	140	73.5
2.0-liter HDi								
w/manual gearboxe								
and particulate filter	D	1,997	100	7.7	4.9	5.9	155	74.3
Peugeot 407 Coupé								
2.2-liters								
w/manual gearboxe	E	2,230	120	13.1	6.9	9.2	219	74.0
2.7-liters HDi								
w/automatic gearboxe	D	2,720	150	11.9	6.5	8.5	226	71.6
Peugeot 607								
2.2-liters	E	2,230	120	13.0	7.0	9.2	219	73.9
2.2-liters HDi								
w/manual gearboxe								
w/particulate filter	D	1,997	100	8.1	5.0	6.1	162	74.6
2.7-liters HDi								
w/automatic gearboxe								
and particulate filter	D	2,720	150	11.6	6.6	8.4	223	72.0
Peugeot 807								
2.0-liter								
w/manual gearboxe	E	1,997	103	12.0	7.3	9.0	213	72.4
2.0-liter HDi	D	1,997	88	8.8	5.8	6.9	182	74.6
2.2-liters HDi								
w/particulate filter	D	1,997	100	9.0	6.0	7.1	188	73.3
Partner Combispace								
1.4-liters	E	1,360	55	9.6	6.2	7.4	175	72.4
1.6-liters HDi	D	1,560	55	6.7	4.7	5.4	143	73.7

Bold: the best-selling vehicle in its category (gasoline or diesel version).

Light: vehicle emitting the least CO₂ in its category (gasoline or diesel version).

Citroën (2006)

	Fuel	Displacement	Horsepower	Consumption			Emissions	Noise
	E/D	(cc)	(kW)	City (l/100 km)	Highway (l/100 km)	Combined (l/100 km)	CO ₂ (g/km)	dB(a)
Citroën C1								
1.0-liter	E	998	50	5.5	4.1	4.6	109	70/72
HDi 55 hp	D	1,398	40	5.3	3.4	4.1	109	71.2
Citroën C2								
1.1-liters	E	1,124	44	7.5	4.8	5.8	138	72.9
HDi 70 hp	D	1,398	50	5.3	3.7	4.3	113	73.8
HDi 70 hp								
w/SensoDrive gearboxe	D	1,398	50	4.9	3.8	4.2	111	72.7
Citroën C3								
1.4-liters 16V Stop&Start	E	1,360	65	6.9	4.9	5.7	135	70.8
1.4-liters	E	1,360	54	8.2	4.9	6.1	145	73.8
HDi 70 hp	D	1,398	50	5.3	3.8	4.4	115	73.8
HDi 70								
w/SensoDrive gearboxe	D	1,398	50	4.9	3.9	4.3	113	71.3
Citroën C3 Pluriel								
1.4-liters	E	1,360	54	9.1	5.4	6.8	163	73.8
1.6-liters 16V								
w/SensoDrive gearboxe	E	1,587	80	8.6	5.6	6.7	160	71.4
HDi 70 hp	D	1,398	50	5.7	4.2	4.7	125	72.6
Citroën Berlingo								
1.4-liters	E	1,360	55	9.6	6.2	7.4	175	72.4
HDi 92 hp	D	1,560	66	6.7	4.7	5.4	143	73.2
Citroën Xsara Picasso								
1.6-liters 16V	E	1,587	80	9.5	6.0	7.3	172	71.9
HDi 92 hp	D	1,560	66	6.5	4.3	5.1	135	73.7
Citroën C4								
1.4-liters 16V	E	1,360	65	8.7	5.2	6.4	153	71.6
1.6-liters 16V	E	1,587	80	9.5	5.7	7.1	169	73.1
HDi 110 hp								
w/particulate filter	D	1,560	80	6.0	4.0	4.7	125	72.6
HDi 110 FAP BMP6								
w/particulate filter and								
6-speed electronic gearboxe	D	1,560	80	5.8	3.8	4.5	120	73.2
Citroën Grand C4 Picasso								
1.8-liters 16V	E	1,749	92	11.3	6.1	8.0	190	73.4
HDi 110 hp								
w/particulate filter	D	1,560	80	7.3	5.1	5.9	155	74.2
HDi 110 hp								
w/particulate filter and								
6-speed electronic gearboxe	D	1,560	80	6.8	5.1	5.7	150	72.5
Citroën C5								
1.8-liters 16V	E	1,749	92	10.4	5.9	7.6	177	71.3
2.0-liter 16V	E	1,997	103	11.1	6.3	8.0	190	71.2
HDi 110 hp								
w/particulate filter	D	1,560	80	6.8	4.5	5.4	139	73.2
Citroën C6								
3.0-liter V6	E	2,946	155	16.3	8.2	11.2	266	72.2
V6 HDi 208								
w/particulate filter	D	2,720	150	12.0	6.8	8.7	230	70.2
HDi 173 hp								
w/particulate filter	D	2,179	125	8.7	5.4	6.6	175	75.0
Citroën C8								
2.0-liter 16V	E	1,997	103	12.0	7.3	9.0	213	72.4
HDi 138 hp								
w/particulate filter	D	1,997	100	9.0	6.0	7.1	188	73.3

Bold: the best-selling vehicle in its category (gasoline or diesel version).

Light: vehicle emitting the least CO₂ in its category (gasoline or diesel version).

Environmental **Indicators**

Production plant consumption and emissions

The following environmental indicators comply with French decree no. 2002-221 of February 20, 2002. The data concern the production plants, the main engineering and design sites and the logistics platforms of fully consolidated companies, except Faurecia, the Group's automotive equipment division. Faurecia, a listed company that is 72%-owned by Peugeot S.A., manages its business independently of the Group and therefore prepares and publishes its own indicators in its annual report.

PSA Peugeot Citroën consumes two main resources for the needs of its manufacturing operations and its employees:

- water, for 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 and electricity) 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 aluminium 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 2005 results have been restated to reflect more detailed data reported after last year's publication date. The restatements have been explained each time the difference with last year's published figure exceeded 1%.

Changes in the scope :

- SCMPL was sold at the end of 2004 and was therefore not included in 2005 data.
- Faurecia's production plant in Hérimoncourt was sold to PCA and has been aggregated with PCA data since 2005.
- PCA data also includes the Belchamp and Carrières technical facilities since 2005 and the Trnava and La Ferté Vidame sites since 2006.

2006 data for Gefco are based on the new environmental data consolidation procedure, which was adjusted to address issues raised by the Statutory Auditor concerning the 2005 report. This change of method explains any differences between the 2005 and 2006 results.

PCA: Peugeot Citroën Automobiles.

SCMPL: Société de Constructions Mécaniques Panhard et Levassor.

PCI: Process Conception Ingénierie.

PMTC: Peugeot Motorcycles.

Water Consumption

<i>(in cu.m)</i>		City water	Surface water	Underground water	Total
PCA	2006	3,270,583	5,128,452	5,997,363	14,396,398
	2005	3,488,832	7,128,167	9,407,372	20,024,371
	2004	3,811,089	7,172,250	10,336,343	21,319,682
SCMPL	2006	-	-	-	-
	2005	-	-	-	-
	2004	10,540	-	-	10,540
PCI	2006	20,307	-	-	20,307
	2005	25,304	-	-	25,304
	2004	21,767	-	-	21,767
PMTC	2006	12,553	24,610	-	37,163
	2005	15,699	54,081	-	69,780
	2004	13,809	32,047	-	45,856
Gefco	2006	185,655	20,398	2,564	208,617
	2005	217,702	29,569	6,540	253,811
	2004	264,134	34,250	5,490	303,874
Total	2006	3,489,098	5,173,460	5,999,927	14,662,485
	2005	3,747,537	7,211,817	9,413,912	20,373,266
	2004	4,121,339	7,238,547	10,341,833	21,701,719

Sustained implementation of recycling systems, in particular at the Mulhouse, Sochaux and La Garenne plants, helped drive a 28% decline in PCA's water consumption during the year.

The 47% decline at PMTC reflected the final shutdown of a cooling tower at the Mandeure plant in 2006.

Gross effluent discharges, ex-works

<i>(in kg/d)</i>		COD	BOD ₅	SM
PCA	2006	7,052	2,704	1,386
	2005	6,444	2,228	1,584
	2004	7,931	2,395	1,865
SCMPL	2006	-	-	-
	2005	-	-	-
	2004	1	-	0
PCI	2006	n.a.	n.a.	n.a.
	2005	n.a.	n.a.	n.a.
	2004	n.a.	n.a.	n.a.
PMTC	2006	3	1	0
	2005	3	1	0
	2004	2	1	0
Gefco	2006	n.a.	n.a.	n.a.
	2005	n.a.	n.a.	n.a.
	2004	n.a.	n.a.	n.a.
Total	2006	7,054	2,705	1,386
	2005	6,447	2,229	1,584
	2004	7,934	2,396	1,866

COD: Chemical oxygen demand; BOD₅: Biochemical oxygen demand after 5 days; SM: Suspended matter; n.a.: non applicable.

Around 90% of these discharges are further treated in a local plant before release into the environment.

Consumption of Energy

Consumption of fossil fuel

(in MWh ncv)		Heavy fuel oil	LSFO	VLSFO	HHO	Natural gas	Coal	Coke
PCA	2006	-	-	109,989	18,090	2,497,861	24,909	119,801
	2005	-	-	176,911	19,017	2,685,645	26,354	119,475
	2004	-	-	223,789	20,239	2,714,721	37,678	129,679
SCMPL	2006	-	-	-	-	-	-	-
	2005	-	-	-	-	-	-	-
	2004	-	-	-	-	11,014	-	-
PCI	2006	-	-	-	-	15,665	-	-
	2005	-	-	-	-	17,679	-	-
	2004	-	-	-	-	17,654	-	-
PMTc	2006	-	-	-	2	30,605	-	-
	2005	-	-	-	49	21,511	-	-
	2004	-	-	-	14	15,696	-	-
Gefco	2006	-	-	-	24,252	50,315	-	-
	2005	-	-	-	25,987	40,702	-	-
	2004	-	-	-	43,377	45,581	-	-
Total	2006	0	0	109,989	42,344	2,594,446	24,909	119,801
	2005	0	0	176,911	45,053	2,765,537	26,354	119,475
	2004	0	0	223,789	63,630	2,804,666	37,678	129,679

LSFO: Low-sulfur fuel oil; VLSFO: Very low-sulfur fuel oil; HHO: Home heating oil.

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

Consumption of electricity and steam

(in MWh)		Electricity	Steam
PCA	2006	2,824,947	332,686
	2005	2,875,489	319,266
	2004	2,962,212	401,738
SCMPL	2006	-	-
	2005	-	-
	2004	4,835	-
PCI	2006	13,574	-
	2005	15,474	-
	2004	14,914	-
PMTc	2006	17,392	-
	2005	16,236	6,593
	2004	15,169	10,157
Gefco	2006	52,872	-
	2005	54,030	-
	2004	51,600	-
Total	2006	2,908,785	332,686
	2005	2,961,229	325,859
	2004	3,048,730	411,895

PMTc Mandeure has not purchased any steam since the new heating plant came on line in late 2005.

Air emissions from combustion plants

Emissions are calculated on the basis of energy consumption in compliance with the ruling of July 28, 2005 in the case of carbon dioxide and the circular of April 15, 2002 for all other gases.

Greenhouse gas emissions

<i>(in tonnes)</i>		CO ₂	N ₂ O	CH ₄	Total CO ₂ equivalent
PCA	2006	597,012	23.6	38.6	605,123
	2005	655,041	25.7	42.1	663,886
	2004	675,004	26.3	43.6	684,083
SCMPL	2006	-	-	-	-
	2005	-	-	-	-
	2004	2,242	0.1	0.2	2,277
PCI	2006	3,220	0.1	0.2	3,268
	2005	3,634	0.2	0.3	3,689
	2004	3,594	0.2	0.3	3,649
PMTC	2006	6,291	0.3	0.4	6,388
	2005	4,435	0.2	0.3	4,500
	2004	3,199	0.1	0.2	3,247
Gefco	2006	16,740	0.6	0.9	16,938
	2005	15,248	0.5	0.7	15,421
	2004	20,899	0.6	0.9	21,117
Total	2006	623,263	24.6	40.1	631,716
	2005	678,357	26.5	43.4	687,496
	2004	704,939	27.4	45.2	714,372

CO₂: Carbon dioxide; N₂O: Nitrous oxide; CH₄: Methane.

Other gas emissions

<i>(in tonnes)</i>		SO ₂	NO ₂
PCA	2006	304.7	631.3
	2005	423.6	714.2
	2004	545.6	757.8
SCMPL	2006	-	-
	2005	-	-
	2004	0.0	2.4
PCI	2006	0.0	3.4
	2005	0.0	3.8
	2004	0.0	3.8
PMTC	2006	0.1	6.6
	2005	0.1	4.7
	2004	0.0	3.4
Gefco	2006	8.42	19.60
	2005	9.0	18.2
	2004	15.0	25.5
Total	2006	313.2	660.9
	2005	432.7	740.8
	2004	560.7	792.8

SO₂: Sulfur dioxide; NO₂: Nitrogen dioxide.

Paintshop VOC releases

		VOC releases (t)	Ratio (kg/veh)
PCA	2006	12,128	4.88
	2005	12,998	4.93
	2004	14,782	5.34
SCMPL	2006	-	-
	2005	-	-
	2004	1	-
PMTTC	2006	89	-
	2005	97	-
	2004	73	-
Total	2006	12,217	-
	2005	13,095	-
	2004	14,856	-

VOC: Volatile organic compounds.

Volumes of waste treated, by type and disposal

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

(in tonnes)		Landfill	Recovery	Onsite recycling	Other treatment	Total
Foundry waste	2006	9,651	73,549	111,755	82	195,037
	2005	14,342	83,468	111,455	381	209,647
	2004	15,722	93,884	111,219	387	221,212
Industrial waste	2006	21,217	89,921	5,001	438	116,578
	2005	21,543	92,036	6,282	1,297	121,159
	2004	26,103	96,639	5,660	972	129,374
Sludge + Effluent + Hazardous industrial waste	2006	13,406	33,404	75	17,985	64,869
	2005	10,961	39,464	131	19,900	70,455
	2004	10,343	36,356	153	29,267	76,119
Total	2006	44,273	196,874	116,831	18,505	376,483
	2005	46,846	214,968	117,868	21,579	401,261
	2004	52,168	226,879	117,032	30,626	426,705

PCI + PMTC + SCMPL

<i>(in tonnes)</i>		Landfill	Recovery	Other treatment	Total
Foundry waste	2006	-	-	217	217
	2005	-	-	238	238
	2004	-	-	242	242
Industrial waste	2006	523	1,895	83	2,500
	2005	643	1,969	43	2,655
	2004	632	1,436	100	2,168
Sludge + Effluent + Hazardous industrial waste	2006	8	234	870	1,112
	2005	12	225	918	1,154
	2004	31	189	1,118	1,338
Total	2006	531	2,128	1,170	3,828
	2005	654	2,194	1,199	4,047
	2004	662	1,625	1,460	3,748

Gefco

<i>(in tonnes)</i>		Landfill	Recovery	Other treatment	Total
Industrial waste	2006	6,988	6,456	320	13,765
	2005	7,661	2,338	1,070	11,068
	2004	8,585	1,593	467	10,645
Sludge + Effluent + Hazardous industrial waste	2006	218	1,330	255	1,803
	2005	570	319	112	1,001
	2004	430	40	237	707
Total	2006	7,206	7,786	576	15,568
	2005	8,230	2,657	1,182	12,069
	2004	9,015	1,633	704	11,353

Other environmental issues**Respecting the biological balance and managing odors and noise**

Measures required to preserve the natural environment, flora and fauna, as well as to ensure the tranquility of neighboring communities are assessed and defined during initial or supplemental environmental impact studies before the installation of any new plant facilities or equipment.

In compliance with legislation, these prior studies are submitted to public hearing and to the approval of administrative authorities.

Amount of penalties paid following a legal ruling concerning the environment

The Group did not have to pay any penalties in this regard in 2006.

Corporate **Citizenship**

PSA Peugeot Citroën is implementing an ambitious environmental strategy, with a deep commitment to enabling people to use their cars responsibly and to delivering the safety performance customers have a right to expect from the Peugeot and Citroën marques.

In addition, the Group is actively developing solutions to enable cars to interact harmoniously and seamlessly with the urban environment.

Building safer cars for everyone

PSA Peugeot Citroën's overriding concern is to ensure the safety of drivers and other road users. In 2006, nearly 10% of the Automobile Division's research and development budget was allocated to safety-related programs.

While assertively continuing to develop solutions that help to avoid accidents (primary or active safety) and to reduce their impact when they do occur (secondary or passive safety), the Group is also the European leader in tertiary, post-accident safety systems, with the emergency call system to guide rescue crews to accident victims.

The Group further addresses road safety by studying human factors, which play a decisive role in preventing accidents, and by offering efficient driver support systems. It also works closely with public authorities in charge of road infrastructure, proposing a variety of innovations that enhance safety.

For more than 35 years, the accidentology studies conducted by the joint PSA Peugeot Citroën/Renault Laboratory of Accidentology, Biomechanics and the Study of Human Behavior have been helping to improve understanding both of accident causes and outcomes and of how people respond in a crash. These studies show that nearly 40% of the victims of fatal accidents could not have been saved by secondary safety systems alone. This is why the Group's research focuses on primary safety and ways of avoiding accidents altogether.

Primary safety

Avoiding accidents

Capitalizing on its recognized expertise in suspensions, steering, braking and other chassis systems, PSA Peugeot Citroën designs cars that are naturally safe to drive, with technology that compensates, to the extent possible, for bad driving, faulty infrastructure and adverse weather conditions.

To attenuate the consequences of certain emergency situations, the Group continues to offer such driver assistance technologies as anti-blocking systems (ABS), which are now standard on every model, emergency braking assistance (EBA), and electronic stability programs (ESP), which help drivers maintain control even in a skid. ESP technology continued to be extended in 2006 and is now standard on all mid-sized and upper-range Peugeots and Citroëns. In addition, certain models come with such efficient, practical innovations as Xenon dual-function directional headlights or the Group's exclusive lane departure warning system, which alerts an inattentive driver by causing the seat to vibrate on the side the lane was crossed.

Improved knowledge of postural ergonomics is designed into new car projects, in a commitment to delivering exceptional accessibility, visibility and other comfort and safety features, regardless of occupant age or morphology.

Expertise in cognitive ergonomics (i.e. how drivers exchange information with their environment) makes certain that information provided by the vehicle is correctly interpreted by drivers under all conditions, allowing them to focus on safe driving.

Track tests

PSA Peugeot Citroën operates two test centers capable of reproducing every imaginable set of driving conditions and of subjecting cars to maximum constraints to ensure extremely high levels of safety. In all these areas, PSA Peugeot Citroën engineers enjoy world-class expertise and access to facilities, such as the Belchamp Test Center's multi-grip track and its roadhandling track, used to develop electronic stability program (ESP) and acceleration skid control (ASR) systems. These tracks can recreate all types of road conditions to validate ongoing vehicle improvements. Thanks to the Belchamp safety test field, which came on stream in 2004, the Group now has a wide range of efficient, compatible equipment and systems capable of reproducing, safely and under laboratory conditions, a full array of threatening situations and driver responses.

When an accident cannot be avoided, Peugeot and Citroën cars afford protection that is best-in-class worldwide.

Secondary safety: setting the standard worldwide

In crash tests, Euro NCAP has awarded the maximum five stars to ten Peugeot and Citroën models, placing the Group among the world's best in passive safety. The Citroën C4 Picasso and Peugeot 207 earned this rating in 2006.

Platforms and structures designed for protection

From the initial design of the shared platforms throughout the vehicle development process, passive safety is an absolute priority. This ensures that regardless of the type of collision – frontal, side, rear or even rollovers – structural components resist impact and absorb energy to provide a high degree of protection for occupants.

In this way, the passenger compartment acts as a survival cell, fitted with sophisticated restraint devices.

Efficient restraint systems to protect occupants

Vehicle occupants have to enjoy maximum protection, regardless of their age or where they are seated. Isofix attachment points allow easy and efficient installation of child seats, seatbelt load-limiting retractors are calibrated at 450 kg, and airbags with dual energy levels equip some models. Everything is calculated to maximize protection for everyone in the vehicle. Already fitted on front seatbelts, load-limiting retractors are now gradually being installed for back seats as well. These systems adjust occupant restraints while limiting pressure on the chest to reduce the frequency of thoracic and abdominal injuries. In particular, they provide better protection for elderly persons involved in serious accidents.

Accidentology data show that even today, nearly 20% of accident fatalities involve people who were not wearing seatbelts. Any means of encouraging people to fasten their seatbelts therefore leads to a real increase in safety. One system consists of driver reminders that a seatbelt is not fastened. If the driver's belt is unfastened, he or she is alerted by a warning sound and light for more than 90 seconds as soon as the vehicle reaches a certain speed. An unbuckled front passenger belt is signaled by a warning but only if someone is in the seat, to avoid bothering the driver when no passenger is aboard. Buckle-up reminders are gradually being installed for back seats as well. These systems play an important role in passenger safety and are now offered on a growing number of Peugeot and Citroën models.

The need to protect pedestrians is also built into each new vehicle project. While active safety systems – which help to avoid hitting a pedestrian – are obviously the most effective, each car's architecture and styling are carefully designed to attenuate the effects of such an impact. Hoods, bumpers and lower skirts are tested to make pedestrian contact as harmless as possible. This imposes considerable constraints on the development process, which must also take other potential types of collision into account. Thanks to its new active hood, which lifts up upon collision to cushion the impact of the pedestrian's head, the Citroën C6 was the first car in Europe to earn a record four stars in pedestrian protection tests conducted by Euro NCAP, an independent organization that assesses vehicle passenger protection. In 2006, the Peugeot 207 became the Group's first vehicle to be certified in compliance with the European directive on pedestrian protection.

Tertiary safety: leading the way in Europe

The emergency call system

The emergency call system is continuing to be deployed across the model lineup. In the event of a medical emergency or other threatening incident in the car, occupants can alert a dedicated assistance center simply by pressing the SOS button. In the case of a collision, the same alert is sent automatically. An operator then establishes contact with the car and, if necessary, alerts the emergency services. Thanks to the car's GPS system and onboard GSM mobile phone, assistance personnel

can pinpoint the car's location, even if the driver is unconscious. The system shortens response times, thereby considerably enhancing the effectiveness of emergency services. According to the European Commission, equipping every vehicle on the road with such a system would save 2,000 lives a year in Europe.

As of year-end 2006, nearly 300,000 Peugeot and Citroën vehicles equipped with the emergency call system were on the road in seven European countries (France, Germany, Italy, Spain, Belgium, Luxembourg and the Netherlands), to be joined by Portugal and Austria in 2007.

Promoting road safety

In recent years, PSA Peugeot Citroën has been actively involved in making roads safer, by devoting much of its research to improving its vehicles' primary, secondary and tertiary safety systems and performance. In addition to these technical advances, the Group also supports a variety of experimental programs designed to teach people safer, more responsible driving habits.

Supporting responsible driving initiatives

Working with schools to enhance young people's awareness of safe driving

In France, PSA Peugeot Citroën is partnering the Ministry of Education in a number of safe driving programs for young people, which are being implemented by the plants and by regional Peugeot and Citroën offices. In Argentina, a contest was organized in 2006 for the children of local plant employees, who submitted drawings illustrating safe driving practices. Other awareness-building initiatives are underway with schools located near the plants in Valenciennes, France, Tres de Febrero, Argentina and Resende, Brazil. The Aulnay plant helped create a go-kart driving school for local young people and the children of employees. A total of 320 teenagers have taken courses on road safety, mechanics and competition driving.

Helping young people understand the dangers of driving under the influence

Since 1999, PSA Peugeot Citroën has supported Voiture & Co., and association finds rides for party-goers with drivers who have first passed a breathalyzer test. If no drivers are available, people are taken home in cars provided by the Group as part of its sponsorship. In 2006, Voiture & Co. offered its services during some 150 parties or festivals. The Sochaux plant also provides vehicles for an association of volunteer drivers who take people home following student parties.

Changing driver behavior

PSA Peugeot Citroën regularly organizes road safety quizzes, contests, conferences and other awareness-building campaigns and events at its plants and offices in France, especially during the country's National Road Safety Week in October. Another priority time of the year is early summer, just before most people leave on vacation. Employees are also offered free basic car maintenance services, to check their headlights, windshield wipers and tire pressure, for example.

Another awareness-building initiative involves exercises conducted in partnership with local fire-fighters to learn how to free people trapped in vehicles after an accident. The cars used in the exercises, which were carried out in Vesoul, Valenciennes and Rennes, France and in Mangualde, Portugal, were supplied by the Group.

Fostering the acquisition of good driving practices

Improving driving skills with the safe driving program

In addition to awareness-building initiatives, several Group sites also organize employee safe driving classes as part of their Local Sponsorship and Social Responsibility Plans. In 2006, four plants offered safe driving courses, combining classroom study and practical experience in such areas as safe following distances, braking distances, safe curving speeds, collision avoidance, skids and vehicle dynamics. Other classes, like those at Vesoul that focus on staying alert at the wheel, are also offered as part of the local Departmental Road Safety Action Plan (PDASR). They may be attended by employees, their families and, depending on the location, people from the local community.

In Charleville, an initiative called "driving with a license" gives experienced drivers a chance to refresh their knowledge of French rules of the road. The Group also offers motorcycle classes and "good driving practices" programs, especially in Paris.

In all, more than 1,420 people attended a Group safe driving course in 2006.

During the year, an audit of these and other road safety initiatives by an outside corporate citizenship advocacy group found that participants were very positive about the courses, feeling that they had improved their driving skills.

Following on from symposia held in China, Argentina and Brazil, a number of road safety events were coordinated and organized in 2006. In China, for example, the Group organized two road safety discussion groups, participated in television shows, and posted practical advice on the corporate website. In Hubei Province, where the Wuhan plant is located, financial support was provided to help develop road safety classes.

In partnership with the Automobile Club of Argentina, the Tres de Febrero plant enabled nearly 4,000 local primary school students to attend courses in road risks, which were also open to children of consenting employees. In addition, Group-sponsored seminars on road safety were organized in eight Argentine provinces.

In Brazil, a brochure was published following the symposium to raise awareness of child passenger safety. In Resende, near the Porto Real plant, the Group teamed with the Global Road Safety Partnership to develop several initiatives to raise awareness of road safety, especially during periods such as Carnival or the beginning of the new school year.

Helping to enhance the quality of mobile life

In modern societies, economic growth and changes in transportation and lifestyles have made mobility a fundamental driver of development, as critically necessary as knowing how to read, write or count. Mobility is also a prerequisite for access to jobs, health-care and culture, especially in cities, where most of the world's population lives.

Supporting sustainable mobility

PSA Peugeot Citroën encourages sustainable mobility by designing sustainable development principles into environmentally sensitive cars, fitted with superior safety features. It also supports equal access to mobility, consistently seeks the right balance between different modes of transport and promotes technologies that facilitate the free flow of traffic. The partnership with Voiture & Co., for example, has enabled the Group to support long-term

trials of alternative transit solutions and car-pooling by providing technical expertise and equipment to implement new ways of using cars.

Logistical support for employee car-pooling

Group facilities in Sochaux, Tremery, Rennes 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.

A company travel plan for the Sochaux plant

Launched two years ago, the Sochaux Company Travel Plan ramped up in 2006, in a commitment to reducing single-driver car use by employees, decreasing the risk of on-site accidents and expressing the Group's sensitivity to environmental issues.

The plan includes a car-pooling system, shuttle services, on-site bike lanes and a system to optimize circulation of inbound and outbound deliveries, thereby helping to improve local public transit services. The process has been supported by France's Agency for Environment and Energy Management (ADEME), which facilitated collaboration with local stakeholders.

IVM, an innovation laboratory

The City on the Move Institute (IVM)

Since creating the City on the Move Institute (IVM) in 2000, PSA Peugeot Citroën has consistently demonstrated its corporate citizenship by encouraging research and trials aimed at enhancing mobility in urban environments. A non-profit organization, IVM brings together business people, researchers and academics, people involved in society and the arts and members of associations in a commitment to testing real-world solutions, enabling international comparisons and identifying the world's most innovative urban planning and architectural programs. Its scope of operation covers Asia, the Americas and Europe, enabling it to raise broad public awareness of mobility challenges in contemporary society.

IVM is focused on three priority issues: 1) facilitating mobility for people or social groups facing difficulties or with special needs; 2) enhancing travel facilities and time spent in transport through intermodal and multimodal solutions; and 3) improving our understanding of mobility, developing a culture of mobility and encouraging civic courtesy.

A number of public events were held in 2006:

- The international "Architecture on the Move!" exhibition traveled to Grenoble, Buenos Aires and Xian during the year. Launched in 2003 to promote architecture and design adapted to cities on the move by integrating the importance of mobility, its specific spaces and its wide range of forms, the exhibition has now been presented in 30 cities on four continents in French, English, Chinese, Portuguese and Spanish.
- In Paris, the UTLS coursecasting and public lecture association chose IVM as a partner to present its first series of lectures in 2006, on the outlook for urban mobility, given by six experts recommended by IVM.
- Through its China Program, IVM is continuing to support innovative thinking on the quality of urban life, in line with Chinese priorities. Two seminars were

organized in 2006, one in July on "new Chinese streets" and the other in December, addressing two issues: metropolitan transport management and regional integration and accessibility for people with reduced mobility.

- The ongoing program to support the mobility of the blind and visually impaired printed and distributed the Braille atlas of the Greater Paris public transit system, along with a procedure for distributing the document and training people in its use. IVM also developed an independent assessment procedure for the route planner maps in Paris metro stations.
- During the year, IVM took part in a number of symposia and seminars organized under the Mobilities for Integration program to address social and professional integration issues. The project is now focusing on analyzing access to jobs in today's cities, which is becoming increasingly difficult as cities expand and working hours become more flexible. In addition, the Evaluation and Monitoring Committee of the National Agency for Urban Renewal (ANRU) asked IVM to help prepare mobility standards to be applied when designing urban renewal projects. During the national meeting of urban development agencies in November, IVM was asked to organize a workshop on mobility as a prerequisite for social integration, in association with the Lille urban development agency.
- The IVM university chair, created to enhance understanding of urban mobility, organized a seminar on "buying or leasing consumer goods" that brought together social and human sciences researchers, marketing specialists and innovative thinkers from the service sector.
- In Latin America, IVM continued to develop scientific, technical and cultural programs addressing mobility issues related to the growth of cities. In Buenos Aires, for example, two days of roundtable discussions and the "Architecture on the Move!" exhibition brought together experts on the social aspects of mobility, intermodal transportation and urban governance. New IVM projects on "The Street" and "Taxis" were also discussed. At the same time, the Institute of Cinema and Audiovisual Arts at the University of Buenos Aires organized a video contest on the theme "Sharing, or a street fight as seen by Louis Lumière", as part of its contribution to "The Street" exhibition.
- The two major IVM events in 2007 will be "The Street Belongs to All of Us" exhibition and the "Taxis, an innovative solution for sustainable mobility" symposium.

Deepening roots in host communities

To nurture closer relations with its neighbors, PSA Peugeot Citroën undertakes a variety of social responsibility programs demonstrating its commitment and outreach to local stakeholders. In 2006, for example, the Group provided industrial organization consulting services for small and medium-sized enterprises located near its production sites in Rennes, Tremery, Sochaux and Mulhouse; participated in educational projects at primary and secondary schools in La Garenne Colombes, Valenciennes and Mulhouse; supported programs in Valenciennes and Buenos Aires to help bring persons in difficulty back into employment; supported the "Fondation de la 2^e Chance in Rennes"; donated mechanical parts (in Vesoul) and computer equipment (in Vesoul and Lieu-Saint-Amand); and helped build a primary school in Shanxi Province, China in partnership with the China Foundation for Poverty Alleviation.

Similar programs are also being carried out directly by Peugeot and Citroën subsidiaries, especially in countries where they have dealerships, such as South Africa.

Local Sponsorship and Social Responsibility Action 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 programs to preserve or restore natural sites, raise people's awareness or train them in environmental issues.
- Safe driving, with programs to inform people, raise their awareness and teach correct practices.
- Urban mobility, with programs to support safer, cleaner and more accessible mobility and to provide social assistance.
- Local development, with programs to fight against exclusion, to help the handicapped and provide emergency social services.

In 2006, a Best Practices Handbook was published to align the development of Local Sponsorship and Social Responsibility Plans and enhance their impact.

Solidarity Trophies

Developed as part of the Group's social responsibility process, the Solidarity Trophies are a competition that provides funding for employees who want to lead a personal or group project to support local or international solidarity in the following areas: Environment, Education, Integration, Mobility and Emergency/Topical. In 2006, 132 applications were submitted at nine sites (Rennes, PoissyTertiaire, Metz, Paris, Mulhouse, Aulnay, Valenciennes, Saint-Ouen and Sochaux). A total of 35 trophies were awarded, along with financial aid from PSA Peugeot Citroën to carry out the projects.

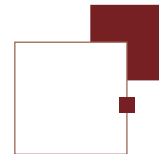
Partnership programs with the French Ministry of Education

PSA Peugeot Citroën has a long-standing partnership with France's Ministry of Education, under which it conducts a large number of plant visits, participates in information forums, donates equipment and invites teachers to plants and offices so they can learn about the latest technologies. These cooperative programs and events enable both teachers and students to broaden their knowledge and awareness of professions in the automobile industry. A national steering committee has also been set up with the Ministry to develop educational agreements between regional school boards and Group facilities in France. Similar partnerships have been developed in China, Brazil, Mexico and Slovakia.

Combating exclusion with the Paris emergency services agency and concerned associations

For the past six years, PSA Peugeot Citroën has supported the Paris emergency social services agency by donating and maintaining the organization's vehicle fleet. In addition, the Group has signed a formal agreement with the agency, joined its public interest grouping and has a seat on its Board. 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.

In addition, the Group has continued to donate vehicles to associations that use mobility to alleviate social and economic exclusion, or to improve the quality of life for the disabled.



7

Management's Discussion *and Analysis*

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Results

Net sales and revenue

Consolidated net sales and revenue break down as follows:

<i>(in millions of euros)</i>	2006	2005	2004
Automobile	44,566	45,071	45,239
Banque PSA Finance	1,761	1,656	1,601
Gefco	3,245	3,000	2,894
Faurecia	11,649	10,978	10,719
Other businesses	653	709	899
Eliminations	(5,280)	(5,147)	(5,247)
Total	56,594	56,267	56,105

Net sales and revenue rose 0.6% compared with 2005. Quarterly changes tracked those of Automobile Division unit sales. After rising 2.4% in the first three months, net sales and revenue contracted 1.6% in the second quarter and 1.8% in the third, before returning to growth in the fourth quarter (up 3.2%).

Automobile Division

Automobile Division sales eased 1.1% to €44,566 million. New vehicle sales contracted 2.7% to €32,978 million (2005: €33,903 million), reflecting (i) the 0.7% decline in unit sales of assembled vehicles, excluding China (operations in China are accounted for by the equity method), (ii) the 1.2% positive net price effect, (iii) the 1.6% negative effect of changes in the product mix,

which was primarily due to the volume impact of the first full year of sales of the Citroën C1 and Peugeot 107, combined with the ramp-up of the Peugeot 207 launched in April 2006, (iv) the 0.5% negative impact of changes in geographic mix, stemming from the relative decline in sales in Western Europe, and (v) the 0.2% favorable currency effect.

Banque PSA Finance

€8,771 million worth of retail financing was extended during the year (2005: €9,152 million).

As of December 31, 2006, outstanding retail loans stood at €17,249 million, up 2.3% (2005: 16,853 million).

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Outstanding loans, including securitized loans			
- Retail and lease financing	17,249	16,853	15,760
- Wholesale financing	5,727	5,564	5,421
Total Banque PSA Finance	22,976	22,417	21,181
Outstanding loans, including securitized loans			
- Western Europe	22,075	21,753	20,827
- Outside Western Europe	901	664	354
Total Banque PSA Finance	22,976	22,417	21,181

Banque PSA Finance reported revenue of €1,761 million in 2006, an increase of 6.3% over 2005.

The total comprises interest on loans, interest income earned on the standing cash reserve carried in the balance sheet as part of the Bank's financing strategy, and revenue from the sale of finance-related services such as maintenance and insurance (€133 million in 2006 versus €125 million the previous year). The number of new service contracts sold in 2006 rose 3.3% to 1,171,400. The increase was primarily attributable to strong 9% growth in sales of financial services contracts (loan insurance and insurance against credit losses).

Gefco

Gefco's revenue totaled €3,245 million, up 8.2% over 2005. Revenue from services performed for other Group companies rose 7.1% to €1,973 million – primarily reflecting the start-up of operations at the Automobile Division's Trnava plant in Slovakia and growth in the Division's sales outside Western Europe – while external revenue increased 9.9% to €1,272 million. International revenue rose by a very strong 15%, led by Central Europe, Russia and the Mercosur countries which reported sharp increases in both external and intragroup revenues. In France, Gefco's revenue was up 4%.

Automotive (new vehicle distribution) revenue rose 8.1% to €1,184 million, reflecting a 27% increase in external revenue led by strong performances in Gefco's new host countries: Russia, Turkey, the Czech Republic and Austria.

Network (part load and full transportation) revenue came to €1,639 million, an increase of 8.8% over 2005. External revenue was up 7.7%, with strong contributions from Central and Eastern Europe and Latin America (Argentina and Brazil). Revenue from deliveries to the Group's plants rose a sharp 10.2% in Central Europe, reflecting the start-up of the new Trnava plant in Slovakia and increased deliveries from suppliers in Poland and the Czech Republic, and also enjoyed strong growth in Argentina and Brazil.

Supply (logistics and sea and air freight) revenue rose 8.5% to €410 million, reflecting a 15% increase in external sea and air freight business which continued to be buoyed by expanding global trade.

Faurecia

In a very challenging environment shaped by significantly lower sales to French carmakers and persistently high raw materials costs, Faurecia reported 6.1% growth in sales to €11,649 million, led by strong performances in North America and Asia. Sales to other Group companies eased 0.7% to €2,450 million, while external sales were up 8.1% at €9,199 million. At constant exchange rates and excluding the price impact of precious metals used in catalytic converters, sales rose 0.9%.

Car Seat sales totaled €4,813 million, up 0.4% on a reported basis but down 0.2% at constant exchange rates. After declining 3.9% in the first half, sales expanded 4.0% in the last six months, thanks to production ramp-up in Europe of the Peugeot 207, the Ford Galaxy, the Citroën C4 Picasso, the Audi Q7 and the Toyota Yaris and start-up of production of the new BMW Mini. North American sales grew 12.9%, reflecting sales to Chrysler and General Motors and the second-half launch of sales for the BMW X5. In Asia, growth came to 10.3%, led by sales to the Volkswagen Group.

Sales of other Interior Modules came to €3,458 million, down 0.7% on a reported basis and 1.0% like-for-like. In Europe, sales to French carmakers contracted 8.9% despite production ramp-up of the Peugeot 207, while in North America higher sales to Chrysler contributed to a 21.6% increase.

Exhaust System sales continued to expand rapidly, rising 35.6% to €2,659 million. Excluding catalytic converters and the currency effect, the increase was 14.4%. The division enjoyed another year of sustained growth in North America, where sales rose 21.8% on the back of expanding deliveries to Ford, and in Asia, where higher sales of exhaust systems to Hyundai-Kia in South Korea and to Ford, Mazda, PSA Peugeot Citroën and Volkswagen in China drove a 48.3% increase.

Front-End sales came to €719 million, down 2.9% at constant exchange rates. The launch of sales to Chrysler in the United States and production ramp-up of the Peugeot 207 and the Renault Clio failed to offset lower deliveries over the year for other PSA Peugeot Citroën models and to Audi. Nonetheless, sales rose 2.0% in the second half.

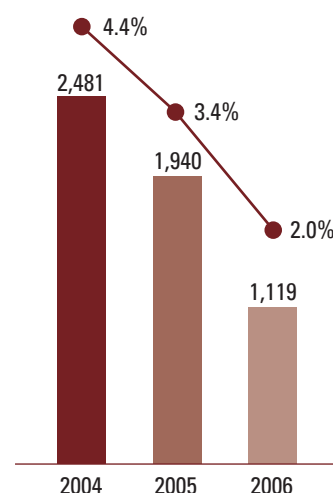
Operating margin

In February 2006, the Group announced an operating margin objective of around 2.8% of consolidated sales and revenue in the first half, with an improvement expected in the second half. The beginning of the year saw a further increase in raw materials prices, particularly for non-ferrous metals, and first-half operating margin came to €691 million, or 2.4% of consolidated sales and revenue. This led the Group to announce in July that it expected second-half operating margin to remain stable compared with the first half.

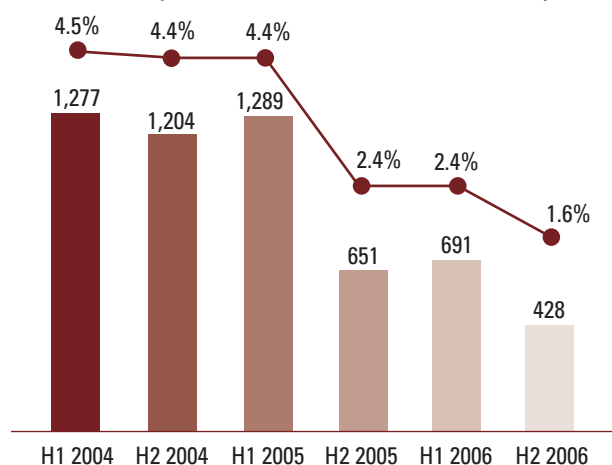
Operating margin for the year came to €1,119 million, representing 2.0% of sales and revenue (2005: €1,940 million and 3.4%).

Operating margin

(in millions of euros – as a % of sales and revenue)



Operating margin for the second half of the year amounted to €428 million, representing 1.6% of sales and revenue.

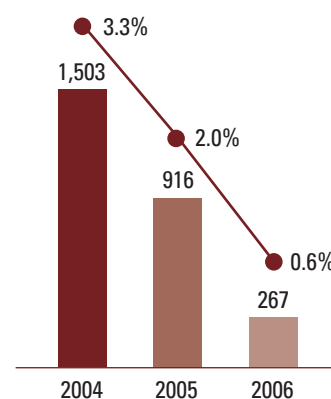


Automobile Division

Automobile Division operating margin amounted to €267 million, representing 0.6% of sales (2005: €916 million and 2.0%).

Automobile Division operating margin

(in millions of euros – as a % of sales)



Four developments had a severely negative impact on Peugeot and Citroën's operating margin in 2006:

- Assembled vehicle production – excluding China and joint ventures with other manufacturers, which are accounted for by the equity method – contracted 6.4% to 2,484,000 units (2005: 2,653,000 units), leading to a fall in capacity utilization to 92% (2005: 102%).

The lower vehicle output, which affected all mid-range and executive models, had an estimated €373 million negative impact on operating margin.

Unit sales excluding China were slightly down on 2005, trimming €3 million from operating margin. However, the decline in sales of CKD units to the Group's industrial partners, mainly in Iran, had only a limited impact. In all, lower volumes had a negative impact of €376 million.

- Changes in product mix reduced operating margin by €238 million, reflecting mainly the impact of a full year's worth of sales of the entry-level Peugeot 107 and Citroën C1 (with 188,900 units sold in 2006 compared with 61,800 in 2005).

Changes in geographic mix had a €130 million negative impact, attributable in part to Europe (due to lower sales in France and Spain) and in part to international growth, with margins outside Western Europe still below the European average.

In all, changes in mix had a total negative impact of €368 million.

- As expected, the Euro IV compliance project launched in 2005 and virtually completed by early 2006 added an estimated €188 million to production costs which could not be passed on directly to customers in the form of higher sticker prices. Over the two years 2005 and 2006, the aggregate impact of Euro IV on production costs is estimated at €285 million.

- Lastly, higher raw materials prices had a negative impact of €424 million. The increase in steel prices at the beginning of the year, which affected costs directly and also indirectly through the prices rises granted to suppliers, was followed in the first half by a rise in the price of aluminum, precious metals and other non-ferrous metals.

These negative developments were only partly offset by two positive factors:

- Sales price increases added around €67 million to operating margin, after taking into account promotional campaigns and upgrades of vehicle features and equipment. This reflects the initial benefits of the model renewal process and the Group's ongoing policy of protecting unit margins through selective marketing.

- Production costs excluding raw materials were reduced by €573 million. This was similar to the reductions achieved in prior years and was also in line with the Group's target of €600 million in cost savings per year.

The net impact of other opposing developments was neutral:

- The increase in personnel costs was limited to €101 million by the decision not to pay profit-related bonuses to the main Group executives due to the level of the results and to peg managers' pay rises to inflation (2% in France). In addition, profit-sharing and contractual incentive bonuses paid to all employees on the basis of the Group's underlying profit declined to €75 million from €129 million for the Automobile Division and to €96 million from €144 million for the Group as a whole.

- Warranty costs fell sharply in 2006, reflecting the significant advances in vehicle quality achieved in recent years.

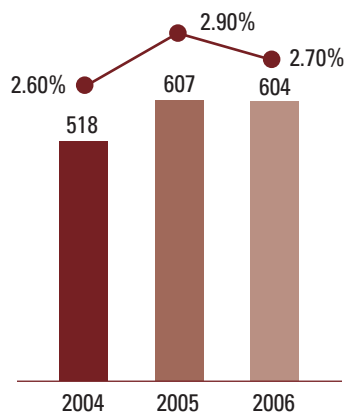
- Other developments, including changes in exchange rates, had only a limited impact on 2006 operating margin.

Banque PSA Finance

Banque PSA Finance's operating margin remained stable at €604 million, representing 2.7% of average loans (2005: €607 million and 2.9%).

Banque PSA Finance operating margin

(in millions of euros – as a % of average loans)



The main changes in 2006 were as follows:

- The 5.2% increase in average net loans had a €41 million positive impact. Margin on sales of maintenance and insurance service contracts rose €8 million to €133 million from €125 million. In all, the expanded loan book and higher sales of service contracts added €49 million to operating margin.

- Margins on average loans were slightly eroded by the impact of higher market interest rates on the Bank's refinancing costs. Existing loans were not affected, thanks to the Bank's standard policy of using financing techniques and derivative instruments to fix margins as soon as the loans are set up. However, for new retail loans granted during the year, only part of the higher interest costs could be passed on to borrowers due to increasingly rampant competition in the auto finance market. The impact on margins was nevertheless limited by the exercise of swaptions purchased in 2005 and early 2006 to cap refinancing costs on new lending.

When all these factors are taken into account, the erosion of lending margins trimmed just €22 million from the Bank's operating margin.

- General operating expenses rose by a modest €17 million, or 5.7%, despite the substantial costs incurred for the Basel II project and for the necessary strengthening of control structures to keep pace with the Bank's rapid international expansion.

- Charges to allowances for credit losses remained very low, at €67 million (2005: €52 million), representing 0.30% of average outstanding loans (2005: 0.25%). The detailed analysis of historical credit losses carried out in 2005 in connection with the Basel II project led to €27 million being reversed from allowances for credit losses in 2005 and €26 million in 2006. After taking into account these one-off reversals, charges to allowances for credit losses represented 0.18% of outstanding loans in 2006 (2005: 0.12%).

Gefco

Gefco's operating margin rose 4.1% to €151 million, representing 4.7% of sales (2005: €145 million and 4.8%).

Margin growth was achieved despite the impact on operating expenses of the sharp rise in fuel prices in the first half and truck shortages in the second, reflecting Gefco's success in passing on part of the higher costs to customers as well as the effects of internal cost-cutting plans.

Faurecia

Faurecia's operating margin stood at €69 million, representing 0.6% of sales (2005: €267 million and 2.4%).

Several developments explain the margin erosion:

- sales to French carmakers declined,
- margins were squeezed by a combination of lower sales prices and higher costs, in an environment shaped by rampant pricing pressure and increased raw materials and energy costs,
- significant start-up costs were incurred at new plants, particularly in the United States.

On the other hand, negotiations of new sales contracts, while sometimes difficult, are nevertheless moving ahead in line with Faurecia's objectives and there are signs of improvement in manufacturing performance.

Research and Development

Total research and development costs for 2006 came to €2,175 million, in line with the previous year's spend of €2,151 million. During the year, €882 million worth of development costs were capitalized, representing 40.6% of the total spend (2005: €856 million and 39.8%). Amortization of capitalized development costs came to €704 million (2005: €594 million). In all, R&D costs recognized in the income statement totaled €1,997 million in 2006 (2005: €1,889 million).

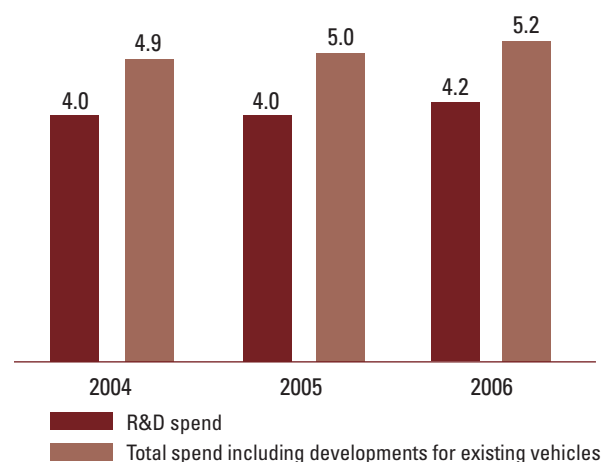
Automobile Division R&D spend stood at €1,854 million (2005: €1,816 million). Development costs capitalized

during the year amounted to €674 million, representing 36.4% of total R&D spend (2005: €640 million and 35.2%), while amortization of capitalized development costs came to €525 million (2005: €443 million). Total Automobile Division R&D costs recognized in the income statement amounted to €1,705 million in 2006 (2005: €1,619 million).

In all, the division committed the equivalent of 4.2% of sales to R&D (4.0% in 2005). Including development costs on existing vehicles – for new versions, new engines and restyles – reported under "cost of sales", aggregate R&D spend by the Automobile Division came to €2,304 million (2005: €2,271 million), representing the equivalent of 5.2% of sales (2005: 5.0%).

Automobile Division R&D spend

(as a % of sales)



Faurecia's gross R&D spend amounted to €611 million in 2006 (2005: €628 million), representing 5.2% of sales (2005: 5.7%). After deducting expenditure billed on to customers (€297 million), development costs capitalized during the year (€208 million) and amortization expense (€179 million), the net spend came to €285 million compared with €260 million, representing 2.4% of sales in both years.

Personnel costs

Group personnel costs came to €8,884 million in 2006 (2005: €8,792 million). The breakdown by division is as follows:

<i>(in millions of euros)</i>	2006	2005	2004
Automobile	6,147	6,162	5,970
Banque PSA Finance	123	120	119
Gefco	390	368	342
Faurecia	2,104	2,002	1,927
Other businesses	120	140	158
Total PSA Peugeot Citroën	8,884	8,792	8,516

The net increase reflects changes in employee numbers as well as individual pay rises and the effects of a shift in the geographic breakdown of the workforce. It also includes the significant reduction in profit-related bonuses.

Changes in the number of employees were as follows:

<i>(number of employees as of December 31)</i>	2006	2005	2004
Automobile	139,500	139,500	139,400
Banque PSA Finance	2,400	2,400	2,400
Gefco	9,900	9,400	8,800
Faurecia	57,800	55,000	54,400
Other businesses and holding company	2,100	2,200	2,600
Total PSA Peugeot Citroën	211,700	208,500	207,600

Although reported Automobile Division employee numbers were stable, this reflected the net impact of several developments. In the United Kingdom, closure of the Ryton plant which was announced in April and implemented in December, led to the elimination of 2,069 jobs. At the same time, production ramp-up at the Trnava plant in Slovakia, with the April launch of the Peugeot 207, generated an increase in employee numbers from 1,450 to 3,450 over the year. Employee numbers in the other countries remained stable, following the July 2006 decision to implement a hiring freeze. Lastly, the modest change in reported employee numbers does not take into account the sharp drop in the number of temporary staff used in France (around 1,700 people) following a reduction in the number of shifts at several plants designed to adjust production levels to demand in the automobile market.

The number of Faurecia employees grew by 5.2% (2005: 1.0%), reflecting a change in the geographic breakdown

of the workforce. Employee numbers contracted by 4.6% in Western Europe but increased significantly in the other regions, with rises of 32.4% in Central Europe, 28.4% in North America and 30.7% in Asia.

Employee numbers at Gefco rose 5.6% on the back of an 8.2% increase in revenue. The additional employees were taken on mainly to support the international growth of the business and the launch of new activities, particularly in Russia, Poland, Slovakia and the Mercosur countries.

Salaries grew at a much slower rate than in prior years. The pay rises awarded to managers in the Automobile Division and at Banque PSA Finance were pegged to inflation and no profit-related bonuses were paid in light of the Automobile Division's results. In addition, profit-sharing and contractual incentive bonuses paid to employees of both divisions were significantly lower than in prior years.

Consolidated profit for the year

Net profit attributable to equity holders of the parent fell to €176 million in 2006 from €1,029 million the previous year, representing 0.3% of sales and revenue versus 1.8%.

The decline reflects the erosion of operating margin and the significant restructuring provisions and impairment losses recorded under "Other income and expenses, net"

Basic earnings per share amounted to €0.77 compared with €4.47 in 2005. After taking into account potential ordinary shares represented by employee stock options, diluted earnings per share came to €0.77 versus €4.46. No dilutive instruments have been issued on the market.

During the year, Peugeot S.A. bought back 1,100,000 shares at an average price of €41.07, for allocation on

exercise of stock options granted under the August 2006 plan. These buybacks had the effect of reducing the average number of shares used to compute earnings per share to 230,746,746 in 2006 from 229,061,247 the previous year.

Other income and expenses, net

Other income and expenses, net represented an expense of €855 million in 2006 compared with an expense of €351 million the previous year. The main items reported under this caption are as follows:

- rationalization costs,
- impairment losses at Faurecia, in the Automobile Division and at Peugeot Motocycles,
- gains on disposal of real estate assets.

"Other income and expenses, net" mainly concerns the Automobile Division and Faurecia, as shown below:

<i>(in millions of euros)</i>	2006	2005
Automobile	(438)	(74)
Banque PSA Finance	(1)	1
Gefco	-	(1)
Faurecia	(399)	(328)
Other businesses and holding company	(17)	51
Total PSA Peugeot Citroën	(855)	(351)

Rationalization costs came to €429 million in 2006 compared with €160 million in 2005.

Automobile Division rationalization costs mainly concerned the decision to halt production at the Ryton plant in the United Kingdom at the end of 2006. Closure costs totaled €237 million, including €158 million in severance costs for 2,069 employees and €71 million in asset write-downs.

Rationalization costs at Faurecia related to the ongoing industrial restructuring plan, mainly in the Car Seat and Vehicle Interior divisions, involving plant closures and staff cut-backs in France, Germany and Spain. In 2006, the number of Faurecia employees in Western Europe was reduced by 3,346 persons under the plan.

Group rationalization costs break down as follows by division:

<i>(in millions of euros)</i>	2006	2005	2004
Automobile	245	21	19
Banque PSA Finance	-	-	-
Gefco	6	-	4
Faurecia	169	137	59
Other businesses and holding company	9	2	10
Total PSA Peugeot Citroën	429	160	92

Impairment losses recorded by the Group totaled €469 million in 2006 versus €180 million the previous year. The break-down by division is as follows:

<i>(in millions of euros)</i>	2006	2005	2004
Automobile	194	-	-
Banque PSA Finance	-	-	-
Gefco	-	-	-
Faurecia	234	180	-
Other businesses and holding company	41	-	-
Total PSA Peugeot Citroën	469	180	-

Impairment losses in the Automobile Division concerned assets related to two automobile programs (capitalized development costs of €108 million and special tools for €86 million) and resulted from a downward adjustment of the programs' unit sales forecasts.

At Faurecia, impairment losses mainly concerned certain Vehicle Interior assets for €198 million and assets acquired for a Car Seat program for €32 million. Impairment losses in the Vehicle Interior division resulted from the downward adjustment of the division's unit sales forecasts in Europe and from the difficulties encountered in passing on higher raw materials costs, mainly for plastics, to carmakers. Car Seat division impairment losses were due to industrial considerations that were specific to the program concerned. Of the total impairment loss recorded by the Vehicle Interior division, €125 million was deducted from the goodwill related to the Sommer Allibert automotive equipment businesses and €73 million from the businesses' non-current assets.

Impairment losses reported under "Other businesses" concerned Peugeot Motocycles, which develops, manufactures and sells scooters and motorcycles under the Peugeot brand. Faced with lackluster European

demand for these types of products and sharply increased competition from Asian manufacturers, Peugeot Motocycles launched a large-scale reorganization of its manufacturing facilities. As a result, sales volume and margin forecasts for the products that will continue to be manufactured in Europe were radically downgraded, and production assets were written down to reflect the revised outlook. The outlook is good, however, for the products to be manufactured as from 2007 by the Chinese company set up by Peugeot Motocycles in partnership with Jinan Quingqi, a Chinese motorcycle and scooter manufacturer.

The €93 million in gains on disposals of real estate concerned the Automobile Division and Faurecia. The Automobile Division realized a gain of €43 million on the sale of the Stoke/Coventry facility in the United Kingdom. The facility includes the offices of the Peugeot UK and Peugeot Citroën Automotive UK headquarters teams, who will continue to occupy part of the site once it has been redeveloped. In addition, the sale of a plot of land in Spain owned by the Automobile Division generated a €16 million gain. Faurecia recorded a €20 million gain on the sale of a plant in Madrid, Spain.

Interest income and finance costs, net

Finance costs, net of interest income from loans and cash and cash equivalents, amounted to €58 million in 2006 compared with €59 million the previous year.

Daily average cash equivalents amounted to €5,274 million. Invested mainly in the euro zone at an average interest rate of 2.97%, these investments generated interest income of €157 million over the year. Cash and cash equivalents consist mainly of units in money market funds managed by leading banks and money market securities rated investment grade. Internal rules concerning minimum credit ratings of issuers whose securities are held in the portfolio depend on the intended holding period. Interest on all cash equivalents is converted to variable rate through the use of appropriate derivative instruments. Rates are slightly above the interbank overnight rate.

Daily average borrowings amounted to €5,998 million. The average interest rate was 3.84%, leading to finance costs of €231 million over the year. Borrowings include PSA Peugeot Citroën Group bond issues due in 2011 and 2033 and financing raised by Faurecia at rates slightly above those for other debt.

Income tax expense

Current and deferred taxes for fully consolidated companies came to €156 million in 2006 compared with €485 million the previous year, representing 75.7% of profit before tax versus 31.7%.

The effective tax rate for 2006 was mainly affected by the non-deductibility of goodwill impairment losses in France and by the Group's decision not to recognize deferred tax assets on the tax loss carryforwards of entities – mainly Faurecia – that are not expected to generate sufficient profit in the near term to permit their utilization. Net deferred tax assets recognized on tax loss carryforwards contracted to €52 million as of December 31, 2006 from €129 million at end-2005.

Share in net earnings (loss) of companies at equity

In 2006, the combined contribution of companies at equity represented earnings of €13 million versus a loss of €55 million in 2005. The main entities concerned are the Group's subsidiary in China, Dongfeng Peugeot Citroën Automobile (DPCA), which is owned on a 50/50 basis by PSA Peugeot Citroën and China's Dong Feng Motors, and joint ventures with other carmakers (Fiat, Toyota and Renault) organized as separate entities.

After taking into account consolidation adjustments, DPCA made a positive contribution of €11 million to consolidated net profit compared with a negative €38 million in 2005. For DPCA, 2006 was another year of very strong business growth. The company sold 201,300 vehicles during the year, up from 140,300 in 2005. Its sales rose 46.3% to CNY 18,499 million from CNY 12,647 million. DPCA reported a positive operating margin of CNY 843 million, representing 4.6% of sales, versus a negative margin of CNY 593 million in 2005. The improvement in the company's operating performance observed in the second half of 2005 continued in 2006 despite rampant competition in the Chinese market. The swing to a positive operating margin was attributable to higher unit sales, a favorable shift in product mix with the launch of the Peugeot 206 and the Citroën C-Triomphe, and a reduction in unit costs achieved mainly by sourcing parts from local suppliers. After taking into account finance costs, the effect of changes in exchange rates on debt and income tax expense, DPCA ended the year with a profit of CNY 535 million as opposed to a CNY 397 million loss in 2005.

Toyota Peugeot Citroën Automobiles (TPCA) made a positive contribution of €13 million in 2006 as opposed to a negative €34 million in 2005. After the start-up period and production ramp-up, which generated non-recurring costs in 2004 and 2005, the Kolin assembly unit in the Czech Republic began operating at cruising speed in 2006, producing the Toyota Aygo, the Citroën C1 and the Peugeot 107.

Sevel Italy, the joint venture with Fiat, made a negative contribution of €21 million, due to the start-up costs of the X2/50 program, corresponding for Peugeot and Citroën to the Boxer and Relay light commercial vehicles.

Group Financing

Despite a disappointing year in terms of earnings, shaped by a steep decline in operating margin, net cash from operating activities of the manufacturing and sales companies rose slightly to €3,435 million in 2006 (2005: €3,389 million), covering almost all of the €3,472 million in net cash used by investing activities. This performance was led by tight control over working capital and the introduction of a revamped capital spending policy

that significantly reduced capital expenditure without compromising future product development or the steady improvement in manufacturing efficiency.

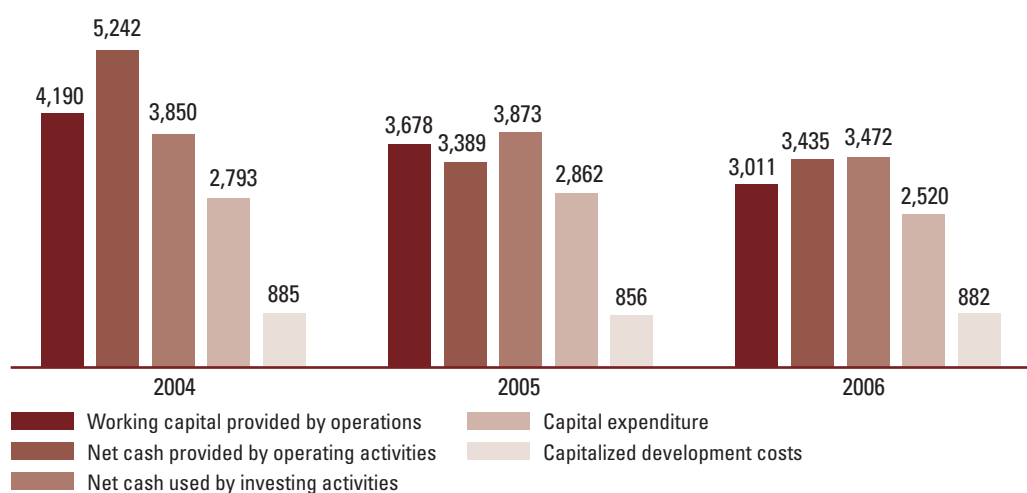
As of December 31, 2006, the manufacturing and sales companies had net cash of €116 million, an amount only slightly below the year-earlier figure of €381 million.

Analysis of cash flows

Cash flows from operating activities

Net cash from operating activities of the manufacturing and sales companies totaled €3,435 million in 2006 compared with €3,389 million the previous year.

Manufacturing and sales companies – Working capital provided by operations, net cash used by investing activities, capital expenditure and capitalized development costs
(in millions of euros)



In 2006, working capital provided by operations of the manufacturing and sales companies totaled €3,011 million, representing 5.4% of sales (2005: €3,678 million and 6.7%). The year-on-year change was mainly due to the decline in the manufacturing and sales companies' operating margin, to €515 million from €1,333 million.

Manufacturing and sales companies' working capital decreased by €424 million in 2006, reversing the previous year's €289 million increase.

Changes in inventory in 2006 led to a €16 million increase in working capital (2005: €194 million). Changes in Automobile Division inventory led to a €49 million reduction in working capital, as opposed to a €136 million increase in 2005. New vehicle inventories fell to 287,000 units as of December 31, 2006 from 304,800 at end-2005; however, the average vehicle price was higher due to the late-2006 model launches.

New vehicle inventories (excluding China)

<i>(in units)</i>	Manufacturer	Captive dealer network	Total
December 31, 2004	236,700	54,200	290,900
June 30, 2005	286,600	61,000	347,600
December 31, 2005	249,800	55,000	304,800
June 30, 2006	254,000	61,000	315,000
December 31, 2006	228,000	59,000	287,000

Supplier credit rose by €310 million in 2006 after declining by €618 million the previous year. The modest increase reflected rises of €70 million at Faurecia and €13 million at Gefco, in line with their business growth. Automobile Division supplier credit was €262 million higher. The level of supplier credit at the year-end is determined by production volumes for the fourth quarter. In 2006, fourth quarter production volumes of fully-consolidated companies (i.e. excluding the joint ventures with Toyota (TPCA) and Fiat (Sevel Nord and Sevel Sud) and

the 50%-owned subsidiary in China (DPCA)) increased by 3,400 units compared with the same period of 2005 when output reached an historic low.

Changes in short-term provisions and allowances mainly reflected restructuring provisions recorded by the Automobile Division, for the closure of the Ryton plant in the United Kingdom, and by Faurecia, for its industrial restructuring plan.

Cash flows from investing activities

Net cash used by investing activities of the manufacturing and sales companies totaled €3,472 million in 2006 compared with €3,873 million the previous year.

Cash flows from investing activities

<i>(in millions of euros)</i>	2006	2005
Automobile	2,887	3,259
Gefco	53	50
Faurecia	501	595
Other businesses	31	(31)
Total	3,472	3,873

Gross capital expenditure was reduced to €2,520 million in 2006 from €2,862 million the previous year. The Group has thus quickly met its new target of capping capital expenditure at €2,500 million per year, down from the previous target of €3,000 million.

Gross capital expenditure

<i>(in millions of euros)</i>	2006	2005	2004
Automobile	2,150	2,370	2,314
Gefco	49	49	75
Faurecia	301	423	390
Other businesses	20	20	14
Total	2,520	2,862	2,793

The reduction in Automobile Division capital expenditure was achieved by postponing all new investment in additional capacity, in light of the decline in the utilization rate of existing capacity to less than 100% in 2006. In particular, the Division decided to cancel its plans to build a new assembly plant in Trnava, preferring instead to raise capacity utilization at the existing plant. In addition, budgets for specific new product outlays were determined more conservatively and a more selective approach was taken to capital expenditure, based on more demanding criteria.

At Faurecia, capital expenditure peaked in 2005, following the program of plant openings implemented in prior years. In 2006, spending was reduced to €301 million from €423 million the previous year, through the adoption of a highly selective approach to new projects that gives priority to the least capital-intensive solutions.

Gefco maintained its policy of investing in projects with a short pay-back period offering a high return on capital employed. Application of these criteria helped to maintain capital expenditure unchanged from the sharply lower levels observed since 2004.

Proceeds from disposals of property, plant and equipment amounted to €155 million in 2006 (2005: €54 million). The main transactions concerned Peugeot Citroën Automobiles UK's sale of the Stoke/Coventry facility in the United Kingdom for €54 million, Faurecia's sale of a plot of land in Madrid for €39 million and Peugeot Citroën Automobiles Spain's sale of a plot of land in Madrid for €17 million.

Additions to intangible assets amounted to €937 million (2005: €939 million). The total included €882 million in product development costs capitalized in accordance with IAS 38 (see 3.5 – Research and Development above), compared with €856 million in 2005. Other additions to intangible assets mainly concerned computer software.

Capitalized development costs

<i>(in millions of euros)</i>	2006	2005	2004
Automobile Division	674	640	676
Faurecia	208	216	209
Total	882	856	885

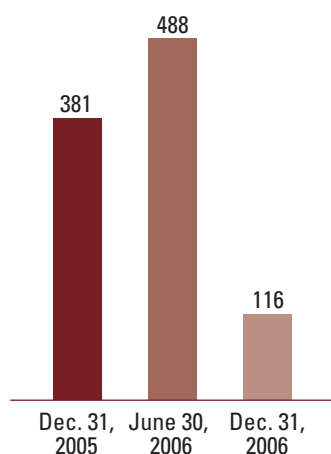
Consolidated financial position

Equity

Consolidated equity as of December 31, 2006 amounted to €14,062 million, after taking into account profit for the year, payment of the 2005 dividend and share buybacks. This was slightly below the end-2005 figure of €14,406 million.

Net assets per share stood at €61.65 versus €62.91 at end-2005, representing 1.23 times the Peugeot S.A. share price of €50.20 on December 31, 2006.

Net financial position



The net financial position of the manufacturing and sales companies corresponds to cash and cash equivalents, current financial assets and other non-current financial assets – consisting mainly of liquid marketable securities – less current and non-current financial liabilities. Details of the calculation are provided in note 36 to the consolidated financial statements.

As of December 31, 2006, the manufacturing and sales companies had net cash of €116 million (2005: €381 million). The year-on-year change was mainly due to:

- the €37 million shortfall in net cash provided by operating activities compared with net cash used in investing activities,
- dividend payments by Banque PSA Finance to Peugeot S.A. in the amount of €161 million,
- dividends of €309 million paid by Peugeot S.A. to its shareholders and share buybacks of €39 million, net of treasury shares allocated on exercise of stock options. The shares were bought back for allocation on exercise of Peugeot S.A. stock options granted under the 2006 plan.

Return on **Capital Employed (ROCE)**

Definition and methods

Return on capital employed (ROCE) has been selected as the standard indicator of the Group's overall financial performance.

Capital employed includes the value of all operating assets and liabilities used by the Group in its business operations. It corresponds to:

- all non-financial assets, net of non-financial liabilities, of the manufacturing and sales companies, and
- the net assets of Banque PSA Finance.

The economic profit used to calculate return on capital employed corresponds to consolidated net profit before:

- finance costs,
- interest income from loans and cash equivalents,
- net gains or losses on sales of marketable securities,
- tax on these items, estimated on the basis of the effective tax rate paid by the Group.

Capital employed

Capital employed declined slightly to €14,087 million as of December 31, 2006 from €14,123 million at end-2005, with the reduction in working capital offsetting a small rise in non-current assets.

Capital employed

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Automobile Division	8,054	7,854	6,489
Banque PSA Finance	2,652	2,419	2,098
Gefco	370	442	476
Faurecia	3,291	3,609	3,658
Other businesses and eliminations	(280)	(201)	(318)
Total PSA Peugeot Citroën	14,087	14,123	12,403

Return on Capital Employed

After-tax ROCE fell sharply in 2006 to 0.7% from 7.1% the previous year. This was entirely due to the decline in profit for the year, with capital employed unchanged from December 31, 2005.

Management of Financial and Operational Risks

Operational risks

PSA Peugeot Citroën has created an operational risk prevention and management organization charged 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 organizational dysfunctions.

The corporate Risk Prevention and Management 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 programs 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 centers, 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 computerized data, and damage to the Group's reputation.

Manufacturing risks

Systematic prevention programs deal, in particular, with fire risks, risks concerning the supply of components and the protection of vehicle inventories. The Group invests in data protection and back-up programs, data processing center security programs and training in data control techniques for employees. 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. The corporate Risk Management and Prevention 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 organization, comply with ISO 14001 environmental management standards. Worldwide, 24 of the main Automobile Division production plants were ISO-certified as of end-2006.

The ISO certification program 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.

Supplier risk

Manufacturing processes are dependent on bought-in parts and components that represent over 70% of vehicle production cost. 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.

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.

Procurement strategies are decided by the Executive Procurement Committee during monthly procurement policy meetings, based on the above criteria.

Insurance policy

To avoid any material impact on earnings, the Group transfers operational risks to the global insurance market while participating in their coverage through its captive reinsurance company.

With the support of insurance brokers specialized in insuring major risks, the Corporate insurance unit has set up worldwide insurance programs that are placed with companies that have a high insurer financial strength rating. The main programs concern property & casualty risks, liability risks, and risks associated with the transportation of vehicles and their storage on parking lots:

- the property & casualty program 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 program 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 a maximum deductible of €0.5 million per claim;
- the vehicle transportation and storage insurance program 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 program is €0.3 million per claim.

Some of the lead policies under these programs are reinsured by the Group's captive reinsurance company, with an annual cap on claims that is in line with the company's claims-paying ability.

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 2006, this policy, combined with assertive risk prevention programs, led to a reduction in the Group's insurance costs for the third year running.

Legal 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 in the areas of workplace hygiene and safety, the manufacturing environment, and industrial and intellectual property. Priority is also given to vehicle safety and the quality of the Group's products and services. The Automobile Division may become involved in claims and litigation arising from its dealings with the dealer network and customers. Motor vehicle distribution and after-sales services in Europe are subject to the new European Union Block Exemption Regulation 1400/02 dated July 31, 2002, which came into effect on October 1, 2003. To comply with the new regulations, the two marques have each abandoned their previous policy of selective distribution through dealers offering both sales and after-sales service, chosen according to quantitative criteria. Relations with the dealership network are now based on three separate contracts:

- a new vehicle sales contract signed with a fixed number of dealers in each country, selected on the basis of qualitative and quantitative criteria;
- an accredited vehicle repair shop contract and a replacement part sales contract, awarded based on qualitative criteria.

Relations with the networks have been governed by these three types of contract since October 1, 2003. To date, claims arising from their introduction and implementation have not been material.

As of December 31, 2006, other than as concerns the European Commission decision described below, no Group company was involved in any claims or litigation that had or were likely to have a material impact on the Group's accounts.

A provision of €50 million 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. However, the Commission withdrew its accusations regarding practices it had initially observed in Germany.

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.

Financial risks in connection with manufacturing and sales activities

In its automobile business and other manufacturing and selling activities, PSA Peugeot Citroën is exposed to financial risks arising from unfavorable changes in exchange rates for certain currencies. The introduction of the euro at the beginning of 1999 has had the effect of reducing these risks, which now primarily concern the British pound and, to a lesser extent, the Central European currencies, Latin American currencies, the Turkish pound and the Japanese yen.

Currency risks

Currency risks of the Automobile Division are managed primarily by having the manufacturing companies bill the sales companies in the sales companies' local currency, except in those rare cases where the sales company's local currency is not convertible. In such cases, the euro or the US dollar is used as the billing currency. Currency risks on these intercompany billings are systematically covered by hedges set up by PSA International (a specialized subsidiary based in Geneva) or on PSA International's instructions.

Currency risks on future sales are not hedged, with the result that future operating margin may vary depending on exchange rates. To limit the losses that may arise from changes in exchange rates for certain currencies, the Automobile Division holds British pound put options that guarantee a minimum exchange rate for its vehicle sales in the United Kingdom. British pound put options held as of December 31, 2006 were on a notional amount of GBP 1,466 million and covered 70% of forecast 2007 sales in the UK. The average strike price is GBP 0.70 per euro. Depending on market conditions, the Group may continue to purchase additional British pound put options in early 2007 to cover all of its forecast sales for the year. The Automobile Division has also purchased yen call options fixing minimum exchange rates for vehicle purchases to be made in 2007 and 2008 under the cooperation agreement with Mitsubishi. The options are on a total notional amount of JPY 49.4 billion and their average strike price is JPY 135 per euro.

On the basis of 2006 figures, the Group estimates that a 1% fluctuation in the euro against all of the Group's other currencies would have an impact of around €73 million on consolidated operating margin, while a 1% change in the pound-euro exchange rate would have an impact of around €26 million. These estimated sensitivities do not

take into account the effect of exercising the currency options described above.

Interest rate risk

The exposure of the Group's manufacturing and sales activities to changes in interest rates is not material.

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. Appropriate mechanisms have been set up to guarantee the security of payments from other Group customers. Intercompany settlements are systematically covered against political risks whenever necessary.

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 or precious metals used in the manufacture of the catalytic converters installed in exhaust systems, for which the transaction price is determined by direct reference to the prices quoted on the commodity market. Raw materials that have the greatest impact on production costs are, in declining order: steel, aluminum and other non-ferrous metals, plastics and precious metals. The Group does not use financial instruments to manage its future exposure to changes in the price of these raw materials.

Risks associated with the activities of the finance companies

Banque PSA Finance provides financing for dealer vehicle and replacement parts inventories and offers a wide range of loans and lease financing solutions to customers, together with related services.

As a result, it is exposed to credit risks. Wholesale financing credit risks are spread across a large number of dealers and are managed internally by Credit Committees set up in each country as well as by a Group Credit Committee, based on clearly defined, closely monitored

credit limits. Retail financing credit risks, which are spread across an even larger number of customers, are managed using credit-scoring procedures. In addition, significant individual credit risks are managed using procedures similar to those applied to manage wholesale financing credit risks.

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

Banque PSA Finance's policy consists of neutralizing the impact of changes in interest rates and exchange rates on the finance companies' operating margin by using appropriate financial instruments to match interest rates and currencies between assets and liabilities.

Concerning assets, interest rate swaps are purchased on the market as soon as new retail financing is granted to convert interest on the loans to a variable rate based on a 3-month benchmark. In practice, the swaps are purchased at ten-day intervals, covering pools of loans with the same maturity granted in the previous ten days. Wholesale financing is granted at rates based on short-term market rates, while the liquidity reserve is invested at the same rates. This means that all of the bank's interest-bearing assets are at short-term rates.

Concerning liabilities, all new debt is converted into the same currency as the underlying assets using appropriate financial instruments. In addition, debt paying interest at a fixed rate for more than six months is converted to a rate based on a three-month benchmark.

For operations in emerging countries without a liquid swap market, assets are maintained at fixed rates and are matched by fixed rate financing with the same maturities.

These management techniques serve to neutralize interest rate risks on the bank's balance sheet.

In order to cap the refinancing cost of new retail financing in euros to be granted in 2007, Banque PSA Finance has purchased swaptions (options on interest rate swaps) covering the entire year, on a total notional amount of €5,163 million. The maturities of the underlying swaps (which range from one to five years) match the forecast maturities of new retail financing expected to be originated in the same periods.

The Group is exposed to counterparty risks on financial market transactions carried out in connection with the management of currency and interest rate risks, payment flows and cash and cash equivalents. These risks are kept to a minimum through internal control procedures that require all transactions to be carried out solely with leading counterparties and set exposure limits for each counterparty that guarantee a broad diversification of risks.

Liquidity risk

Manufacturing and sales companies

The Group's financing strategy for manufacturing and sales companies consists of generating a steady stream of net cash from operating activities in amounts that cover the net cash used by these businesses' investing activities.

In addition to maintaining a net cash position, the strategy is designed to provide the companies with substantial cash reserves to enable them to respond to opportunities or events. To this end, the Group raises long-term borrowings, whenever this can be done on attractive terms, either on the financial markets or from national or supranational lending institutions dedicated to financing investments of the type made by the Group. Reflecting this strategy, the manufacturing and sales companies had cash and cash equivalents, net of bank overdrafts, of €3,488 million as of December 31, 2006.

To top up these cash reserves as needed, Peugeot S.A. also has unused confirmed lines of credit, which are regularly renewed and are available for use by the Company and by GIE PSA Trésorerie. As of December 31, 2006, these lines amounted to €2,400 million, expiring in March 2011. Faurecia has additional sources of financing, in the form of €1,600 million worth of confirmed lines of credit expiring in November 2009, of which only €700 million had been used at end-2006.

Banque PSA Finance

Banque PSA Finance's strategy is also designed to ensure that the Bank has sufficient financial resources to pursue its business in all circumstances, whatever the conditions on the financial markets. These resources consist primarily of liquidity reserves representing at all times more than €2,250 million, to cover the Bank's short-term liquidity risk. As of December 31, 2006, these reserves stood at €2,631 million. Financing strategies also focus on ensuring that retail loans and the related financing

are matched in terms of maturities. The Bank maintains, at all times and across all maturities, financial resources in excess of the assets to be financed, thereby covering its longer-term liquidity risk. Lastly, as of December 31, 2006, Banque PSA Finance had undrawn syndicated confirmed lines of credit totaling €6,000 million, of which €3,300 million expire in July 2010 and €2,700 million in June 2008, as well as bilateral lines of credit of which €1,980 million was undrawn as of end-2006.

The Bank's strategy also focuses on achieving the broadest possible spread of financing sources, including the interbank, commercial paper, certificate of deposit, bond and medium-term notes markets. Considerable emphasis is also placed on diversifying the investor base. Since early 2001, the Bank has increased the volume of financing raised on the European asset-backed securities market. This market is now highly liquid and spreads are comparable to those obtained from other financing sources.

Lastly, the Bank's regulatory capital is kept at a high level, with €2,657 million at December 31, 2006 versus €2,430 million at end-2005. The European capital adequacy ratio stood at 9.62% versus 9.30% at December 31, 2005.

Financial covenants

To safeguard all the sources of financing available to Banque PSA Finance, PSA Peugeot Citroën and Faurecia, including undrawn facilities, 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 required to insist on this type of protection.

None of the loan agreements signed by Peugeot S.A. or GIE PSA Trésorerie contain any financial covenants.

Faurecia's confirmed line of credit also includes an acceleration clause, which would be triggered if adjusted net debt exceeds 3.5 times EBITDA and if net interest cover falls below 4.5x. As of December 31, 2006, these two ratios stood at, respectively 2.97x and 6.78x. 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. Such a failure would not constitute an event of default by Peugeot S.A.

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.

Rating

Peugeot S.A. and Banque PSA Finance have obtained ratings from Standard & Poor's and Moody's Investor Service for their short- and long-term debt issuance programs and the debt issuance programs of subsidiaries backed by their guarantees.

On January 9, 2007, Moody's Investor Service downgraded Peugeot S.A.'s long-term rating to Baa1 with a negative outlook and affirmed its P-1 short-term rating. On January 10, 2007, Moody's Investor Service affirmed Banque PSA Finance's A2 long-term rating and P-1 short-term rating, with a negative outlook, and its C+ issuer financial strength rating with a stable outlook.

On February 8, 2007, Standard & Poor's affirmed Peugeot S.A.'s BBB+ long-term rating and A-2 short-term rating and downgraded the outlook from stable to negative. On the same day, it affirmed Banque PSA Finance's A- long-term rating and A-2 short-term rating, and downgraded the outlook from stable to negative.

Pension and other post-retirement benefit obligations

PSA Peugeot Citroën Group employees in certain countries are entitled to supplementary pension benefits, payable annually, or lump sum length of service awards paid at the time of retirement.

Some of these plans are defined benefit plans, under which benefit payments are determined based on a range of criteria including the employee's years of service, salary level and benefit entitlements under the social security system.

The main countries where the Group has defined benefit obligations are France, the United Kingdom and, to a lesser extent, Germany.

In France, since the 2002 and 2003 restructuring of defined benefit plans, the only remaining defined benefit plans are closed to new entrants and mainly benefit retired employees. New rights under these plans are therefore very limited.

Employees in France are also entitled to statutory termination benefits on retirement, based on their years of service with the Group, with a cap of six months' salary. The Group's total benefit obligation in France as of December 31, 2006 amounted to €1,838 million, including €1,000 million for pensions and €838 million for length-of-service awards.

The defined benefit plan set up for employees in the United Kingdom has been closed to new entrants since May 2002 and replaced by a defined contribution plan. The Group's benefit obligation under the former defined benefit plan amounted to €1,891 million as of December 31, 2006.

A defined benefit plan has also been set up for employees in Germany. The Group's benefit obligation under this plan amounted to €280 million as of December 31, 2006. The Group's total defined benefit obligation came to €4,232 million as of December 31, 2006 compared with €4,135 million at the previous year-end. A total of €284 million was added to the obligation during the year for the service cost and interest cost. An amount of €220 million was deducted in respect of benefits paid during the year. Recognition of actuarial gains and losses added a further €20 million, mainly as a result of changes in the UK inflation rate (to 2.80% from 2.50%), for €60 million, and a change in the mortality table used in France, for €141 million, partly offset by changes to the discount rates

applied to euro zone plans (to 4.50% from 4.00%) and to UK plans (to 5.10% from 5.00%) for €138 million. Lastly, changes in exchange rates had the effect of increasing the total obligation, after conversion into euros, by €28 million.

The obligations are funded by contributions to external institutions responsible for managing the funds set up to finance future benefit payments. The type of institution depends on the applicable legislation in each country concerned. Provisions have been booked in the consolidated balance sheet to cover any funding shortfall.

External funds used to finance benefit payments rose to €3,212 million as of December 31, 2006 from €3,037 million at the previous year-end, reflecting the return on the funds (€244 million), contributions for the year (€108 million) and benefit payments for the year (€203 million), as well as translation adjustments of €21 million.

As of December 31, 2006, provisions for pensions carried in the consolidated balance sheet amounted to €1,063 million versus €1,106 million one year earlier. Under the defined benefit plans in France, the Group's obligation is limited to paying benefits when they fall due. It has no obligation to pay additional contributions to external funds. Outside France, the main contributions concern plans in the United Kingdom where, in accordance with local regulations, the Group will be required to pay €58 million in 2007 based on the projected benefit obligation, the value of the assets held in the plans and the minimum funding requirement.



8

Statistics

PSA Peugeot Citroën Group – Worldwide sales

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

PSA Peugeot Citroën Group – Worldwide sales by model

<i>(passenger cars and light commercial vehicles)</i>	2006	2005	2004
Peugeot Marque			
107	98,600	31,700	-
1007	34,100	53,800	1,000
206	475,100	676,500	798,800
207	300,500	800	-
307	447,000	520,400	581,200
405	158,200	196,400	191,100
406	3,300	4,300	32,200
407	181,500	241,400	148,600
607	10,500	19,100	17,100
807	24,200	27,500	32,100
Expert	33,100	32,700	32,500
Partner	148,500	144,500	142,000
J9	600	2,500	3,600
Boxer	44,600	43,300	45,300
Others	-	600	1,700
Total	1,959,800	1,995,500	2,027,200
of which diesel-powered versions	914,400	953,300	954,200
of which passenger cars	1,757,500	1,793,900	1,798,600
of which light commercial vehicles	202,300	201,600	228,600
Citroën Marque			
C1	90,300	30,100	-
C2	103,900	126,100	155,700
C3	286,700	306,300	362,400
ZX	92,900	93,000	71,300
C4	262,400	237,100	37,600
Xsara	183,500	198,900	306,000
C5	73,200	88,800	97,900
Xantia	11,300	14,200	11,600
C6	7,100	400	-
C8	20,300	23,500	25,400
Dispatch	33,800	32,500	31,200
C15	1,300	26,100	25,300
Berlingo	194,600	169,400	177,300
Relay	44,800	48,100	45,700
Others	-	-	700
Total	1,406,100	1,394,500	1,348,100
of which diesel-powered versions	759,200	757,300	773,400
of which passenger cars	1,210,900	1,189,000	1,142,900
of which light commercial vehicles	195,200	205,500	205,200
Total PSA Peugeot Citroën	3,365,900	3,390,000	3,375,300
of which diesel-powered versions	1,673,600	1,710,600	1,727,600
of which passenger cars	2,968,400	2,982,900	2,941,500
of which light commercial vehicles	397,500	407,100	433,800

Passenger car registrations in Western Europe by country

	2006	2005	2004
France	2,000,600	2,067,800	2,013,700
Austria	308,600	307,900	311,300
Belgium-Luxemburg	576,000	528,600	533,000
Denmark	153,700	146,900	121,500
Finland	145,700	148,000	142,400
Germany	3,468,000	3,319,300	3,266,800
Greece	267,700	269,700	289,700
Iceland	17,100	18,100	12,000
Ireland	178,800	171,700	154,100
Italy	2,321,100	2,237,400	2,264,700
Netherlands	483,900	465,200	483,700
Norway	109,100	109,900	115,700
Portugal	194,700	196,700	197,600
Spain	1,499,000	1,528,900	1,517,300
Sweden	282,800	274,300	264,200
Switzerland	269,900	264,900	269,400
United Kingdom	2,344,900	2,439,700	2,567,300
Total Western Europe (18 countries)	14,621,600	14,495,000	14,524,400

Source: C.C.F.A.

Light commercial vehicle registrations in Western Europe by country

	2006	2005	2004
France	440,000	420,100	408,500
Austria	30,700	28,900	29,000
Belgium-Luxemburg	64,000	65,700	62,200
Denmark	64,700	58,100	46,300
Finland	17,300	16,200	18,400
Germany	201,500	202,300	195,100
Greece	24,100	23,400	23,000
Iceland	2,600	2,400	1,800
Ireland	40,900	37,100	30,300
Italy	220,400	210,100	215,300
Netherlands	64,600	66,200	87,200
Norway	43,800	37,000	33,900
Portugal	64,600	64,700	71,200
Spain	410,200	387,200	334,300
Sweden	39,900	35,100	31,400
Switzerland	23,800	22,400	21,500
United Kingdom	334,100	330,400	336,000
Total Western Europe (18 countries)	2,087,200	2,007,300	1,945,400

Source: C.C.F.A.

Passenger car and light commercial vehicle registrations in Western Europe by manufacturer

	2006		2005		2004	
	Units	Market share (%)	Units	Market share (%)	Units	Market share (%)
Peugeot Marque	1,233,100	7.4	1,253,400	7.6	1,318,000	8.0
Citroën Marque	1,078,100	6.4	1,098,300	6.7	1,086,500	6.6
PSA Peugeot Citroën Group	2,311,200	13.8	2,351,700	14.3	2,404,500	14.6
Volkswagen Group	3,124,900	18.7	2,935,400	17.8	2,786,500	16.9
Ford Group	1,820,800	10.9	1,821,500	11.0	1,861,900	11.3
General Motors Group	1,680,100	10.1	1,709,000	10.4	1,685,100	10.2
Renault	1,565,400	9.4	1,713,800	10.4	1,779,700	10.8
Fiat Group	1,384,400	8.3	1,207,500	7.3	1,308,800	8.0
Daimler-Chrysler	1,073,000	6.4	1,061,300	6.4	1,074,700	6.5
Toyota Group	947,400	5.7	861,100	5.2	817,900	5.0
BMW	784,900	4.7	772,900	4.7	705,400	4.3
Hyundai	540,400	3.2	578,800	3.5	501,500	3.1
Other Japanese marques	1,372,800	8.2	1,355,100	8.2	1,346,800	8.2
Others	103,400	0.6	134,200	0.8	197,000	1.2

Source: C.C.F.A.

PSA Peugeot Citroën Group – Passenger car registrations in Western Europe by country

	2006		2005		2004	
	Units	Market share (%)	Units	Market share (%)	Units	Market share (%)
France	614,800	30.7	633,500	30.6	620,000	30.8
Austria	26,600	8.6	29,200	9.5	28,300	9.1
Belgium-Luxemburg	114,700	19.9	108,100	20.5	108,600	20.4
Denmark	28,900	18.8	26,600	18.1	24,600	20.3
Finland	13,500	9.3	15,500	10.5	16,700	11.7
Germany	194,600	5.6	189,300	5.7	181,000	5.5
Greece	25,500	9.5	24,500	9.1	31,700	10.9
Iceland	600	3.8	800	4.3	500	3.9
Ireland	10,900	6.1	13,200	7.7	11,800	7.6
Italy	226,700	9.8	225,300	10.1	252,700	11.2
Netherlands	60,200	12.5	62,200	13.4	68,900	14.2
Norway	8,300	7.6	9,600	8.7	11,000	9.6
Portugal	32,900	16.9	33,700	17.2	35,300	17.9
Spain	296,400	19.8	313,100	20.5	318,200	21.0
Sweden	24,900	8.8	29,200	10.7	27,900	10.6
Switzerland	23,600	8.8	25,000	9.5	25,900	9.6
United Kingdom	239,700	10.2	243,900	10.0	273,400	10.7
Total Western Europe (18 countries)	1,942,800	13.3	1,982,700	13.7	2,036,500	14.0

PSA Peugeot Citroën Group – Light commercial vehicle registration in Western Europe by country

	2006		2005		2004	
	Units	Market share (%)	Units	Market share (%)	Units	Market share (%)
France	150,100	34.1	151,500	36.1	152,100	37.2
Austria	3,200	10.6	2,900	10.1	2,900	10.0
Belgium-Luxemburg	16,400	25.7	14,800	22.5	14,000	22.5
Denmark	7,300	11.3	7,300	12.6	7,300	15.8
Finland	1,900	10.9	2,200	13.7	2,400	13.3
Germany	13,300	6.6	12,600	6.2	12,000	6.2
Greece	900	3.6	900	3.7	1,300	5.9
Iceland	100	4.6	200	5.7	200	9.3
Ireland	3,800	9.3	4,200	11.4	3,800	12.7
Italy	15,200	6.9	15,500	7.4	18,000	8.3
Netherlands	6,300	9.7	7,200	10.8	11,500	13.2
Norway	5,300	12.3	5,000	13.6	4,800	14.0
Portugal	14,400	22.3	14,700	22.7	16,400	23.0
Spain	79,400	19.4	81,300	21.0	73,800	22.1
Sweden	6,600	16.6	6,100	17.5	5,500	17.6
Switzerland	3,000	12.6	3,100	14.0	2,900	13.3
United Kingdom	41,200	12.3	39,400	11.9	39,100	11.7
Total Western Europe (18 countries)	368,400	17.7	368,900	18.4	368,000	18.9

PSA Peugeot Citroën Group – Passenger car and light commercial vehicle registrations in Western Europe by country

	2006		2005		2004	
	Units	Market share (%)	Units	Market share (%)	Units	Market share (%)
France	764,800	31.3	785,000	31.6	772,100	31.9
Austria	29,900	8.8	32,100	9.5	31,200	9.2
Belgium-Luxemburg	131,100	20.5	122,900	20.7	122,500	20.6
Denmark	36,200	16.6	33,900	16.5	32,000	19.1
Finland	15,400	9.5	17,700	10.8	19,100	11.9
Germany	207,900	5.7	201,800	5.7	193,000	5.6
Greece	26,400	9.0	25,400	8.7	33,000	10.6
Iceland	800	3.9	900	4.5	600	4.6
Ireland	14,600	6.7	17,500	8.4	15,600	8.5
Italy	241,800	9.5	240,800	9.8	270,700	10.9
Netherlands	66,500	12.1	69,300	13.0	80,400	14.1
Norway	13,700	9.0	14,600	9.9	15,800	10.6
Portugal	47,300	18.2	48,400	18.5	51,700	19.2
Spain	375,800	19.7	394,400	20.6	392,000	21.2
Sweden	31,500	9.8	35,400	11.4	33,400	11.3
Switzerland	26,600	9.1	28,200	9.8	28,800	9.9
United Kingdom	280,900	10.5	283,300	10.2	312,600	10.8
Total Western Europe (18 countries)	2,311,200	13.8	2,351,600	14.3	2,404,500	14.6

Peugeot Marque – Passenger car and light commercial vehicle registrations in Western Europe by country

	2006		2005		2004	
	Units	Market share (%)	Units	Market share (%)	Units	Market share (%)
France	432,100	17.7	436,000	17.5	440,200	18.2
Austria	16,600	4.9	18,100	5.4	19,200	5.7
Belgium-Luxemburg	62,500	9.8	63,300	10.7	63,200	10.6
Denmark	20,900	9.6	18,200	8.9	18,200	10.9
Finland	8,800	5.4	9,700	5.9	11,000	6.8
Germany	116,000	3.2	122,100	3.5	126,400	3.7
Greece	13,600	4.7	11,500	3.9	15,700	5.0
Iceland	300	1.8	400	1.9	300	1.9
Ireland	9,200	4.2	10,900	5.2	10,200	5.5
Italy	111,700	4.4	104,000	4.3	115,100	4.6
Netherlands	41,800	7.6	43,900	8.3	51,500	9.0
Norway	9,200	6.0	9,200	6.3	10,400	6.9
Portugal	26,500	10.2	27,500	10.5	29,000	10.8
Spain	168,600	8.8	181,400	9.5	186,900	10.1
Sweden	19,900	6.8	21,000	6.8	21,100	7.2
Switzerland	14,200	4.8	14,900	5.2	16,100	5.5
United Kingdom	161,100	6.0	161,300	5.8	183,500	6.3
Total Western Europe (18 countries)	1,233,000	7.4	1,253,400	7.6	1,318,000	8.0

Citroën Marque - Passenger car and light commercial vehicle registrations in Western Europe by country

	2006		2005		2004	
	Units	Market share (%)	Units	Market share (%)	Units	Market share (%)
France	332,700	13.6	349,000	14.0	331,900	13.7
Austria	13,300	3.9	14,000	4.2	12,000	3.5
Belgium-Luxemburg	68,600	10.7	59,600	10.0	59,400	10.0
Denmark	15,300	7.0	15,700	7.7	13,700	8.2
Finland	6,600	4.0	8,000	4.8	8,100	5.1
Germany	91,900	2.5	79,700	2.3	66,600	1.9
Greece	12,800	4.4	13,900	4.7	17,300	5.5
Iceland	400	2.1	500	2.6	400	2.7
Ireland	5,400	2.5	6,600	3.2	5,400	3.0
Italy	130,100	5.1	136,800	5.6	155,600	6.3
Netherlands	24,700	4.5	25,400	4.8	28,800	5.1
Norway	4,500	3.0	5,400	3.7	5,400	3.7
Portugal	20,800	8.0	21,000	8.0	22,700	8.4
Spain	207,200	10.9	213,000	11.1	205,100	11.1
Sweden	11,600	3.6	14,400	4.6	12,300	4.2
Switzerland	12,400	4.2	13,300	4.6	12,700	4.3
United Kingdom	119,800	4.5	122,000	4.4	129,100	4.5
Total Western Europe (18 countries)	1,078,100	6.4	1,098,300	6.7	1,086,500	6.6

PSA Peugeot Citroën Group – Worldwide sales outside Western Europe

<i>(passenger cars and light commercial vehicles)</i>	2006	2005	2004
Central & Eastern Europe	179,600	156,900	160,800
Poland	33,200	32,500	36,700
Russia	29,400	16,500	14,700
Romania	17,400	15,300	10,700
Czech Republic	17,100	14,300	15,500
Hungary	16,800	17,400	24,800
Croatia	13,700	13,100	13,700
Slovenia	11,200	10,800	12,600
Slovakia	10,000	10,100	9,100
Others	30,800	26,900	23,000
Africa & Middle East	391,700	472,200	475,600
Iran	235,700	304,300	292,500
Turkey	39,800	52,400	59,300
Algeria	18,800	19,400	27,800
Morocco	16,400	15,900	18,000
South Africa	14,000	16,000	14,700
Others	67,000	64,200	63,300
The Americas	226,600	194,500	154,000
Brazil	101,500	81,900	64,500
Argentina	65,000	52,800	35,800
Chile	17,700	17,700	16,000
Mexico	15,600	17,100	16,200
Others	26,800	25,000	21,500
Asia - Pacific	241,000	176,100	129,300
China	202,500	141,000	89,700
Japan	12,500	12,300	14,700
Australia	11,500	10,400	10,000
Others	14,500	12,400	14,900

Workforce

	2006	2005	2004
Automobile Division	139,500	139,500	139,400
Of which:			
- France	96,000	99,000	100,400
- Other countries	43,500	40,500	38,900
Banque PSA Finance	2,400	2,400	2,400
Gefco	9,900	9,400	8,800
Faurecia	57,800	55,000	54,400
Other businesses and holding company	2,100	2,200	2,600
Total PSA Peugeot Citroën	211,700	208,500	207,600
Of which:			
- France	121,900	126,100	128,300
- Other countries	89,800	82,400	79,300

PSA Peugeot Citroën Group – Production by model

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

PSA Peugeot Citroën Group – Manufacturing facilities

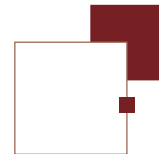
Assembly plant	Models produced as of January 1, 2007	2006 output
Manufacturing centers		
Aulnay (France)	C2, C3	299,600
Madrid (Spain)	207, 207 CC, C3 Pluriel	150,700
Mangualde (Portugal)	Berlingo, Partner	57,300
Mulhouse (France)	206, 307, C4	340,900
Palomar (Argentina)	206, 307, 307 Sedan, Berlingo, Partner	96,800
Poissy (France)	206, 207, 1007	291,200
Porto Real (Brazil)	206, 206 SW, C3, Xsara Picasso	89,900
Rennes (France)	C5, C5 Estate, C6, 407, 407 SW, 407 Coupé	240,800
Sochaux (France)	307, 307 Estate, 307 SW, 307 CC, 607	330,500
Trnava (Slovakia)	207	52,000
Vigo (Spain)	Xsara Picasso, Grand C4 Picasso, C4 Picasso, Berlingo, Partner	472,400
Mechanical component plants and foundries		
Asnières (France)	Free-cutting, hydraulic systems	-
Caen (France)	Wheels, axles suspension systems, transmissions	-
Charleville (France)	Aluminum and iron castings	-
Melun-Sénart (France)	Replacement parts	-
Metz (France)	Gear boxes	1,501,200
Saint-Ouen (France)	Stamping	-
Sept-Fons (France)	Iron castings	-
Trémery (France)	EW gasoline engines and DV, DW diesel engines	1,744,900
Valenciennes (France)	Gear boxes	1,382,100
Vesoul (France)	CKD shipments, replacement parts	-

Joint plants with other manufacturers

(as of December 31, 2006)

Facility	Production	2006 output
France		
Française de Mécanique		
50% Peugeot Citroën Automobiles	Iron castings	
50% Renault	Engines: - TU + TUF	811,900
	- DV	535,200
	- D (Renault)	286,600
	- ES/L	6,900
	- EP	7,300
Sevelnord		
50% Peugeot Citroën Automobiles	Peugeot 807	24,000
50% Fiat	Peugeot Expert	34,700
	Citroën C8	20,000
	Citroën Dispatch	36,900
	Fiat Ulysse	-
	Fiat Scudo	-
	Lancia Phedra	-
	Total output	146,500
Other countries		
Società Europea Veicoli Leggeri (Italy)		
50% Peugeot Citroën Automobiles	Peugeot Boxer	43,900
50% Fiat	Citroën Relay	44,200
	Fiat Ducato	-
	Total output	198,600
Dongfeng Peugeot Citroën Automobile (China)		
50% Peugeot Citroën Automobiles	Peugeot 307 Sedan	50,700
50% DongFeng Motors	Peugeot 206	31,600
	Citroën C-Triomphe	24,200
	Citroën Fukang, Citroën Elysée	90,100
	Citroën Xsara Picasso	-
	Citroën C2 China	5,300
	Total output	201,900
Toyota Peugeot Citroën Automobiles - TPCA		
(Czech Republic)		
50% Peugeot Citroën Automobiles	Peugeot 107	101,700
50% Toyota Motor Corporation	Citroën C1	91,500
	Toyota Aygo	-
	Total output	293,600





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Consolidated **Financial Statements**

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Consolidated **Statements of Income**

	2006			
	Manufacturing and sales companies	Finance companies	Eliminations	Total
<i>(in millions of euros)</i>				
Sales and revenue (note 4)	55,198	1,761	(365)	56,594
Cost of goods and services sold	(44,774)	(836)	365	(45,245)
Selling, general and administrative expenses	(7,912)	(321)	-	(8,233)
Research and development costs (note 7)	(1,997)	-	-	(1,997)
Operating margin	515	604	-	1,119
Other income and (expenses), net (note 8)	(854)	(1)	-	(855)
Interest income, net (note 9)	370	-	-	370
Finance costs (note 10)	(428)	-	-	(428)
Income before tax of fully consolidated companies	(397)	603	-	206
Current taxes	(101)	(178)	-	(279)
Deferred taxes	150	(27)	-	123
Income taxes (note 11)	49	(205)	-	(156)
Share in net earnings (losses) of companies at equity (note 15)	13	-	-	13
Consolidated profit (loss) for the year	(335)	398	-	63
Attributable to equity holders of the parent	(218)	394	-	176
Attributable to minority interests	(117)	4	-	(113)
<i>(in euros)</i>				
Basic earnings per €1 par value share (note 12)				0.77
Diluted earnings per €1 par value share (note 12)				0.77

The notes on pages 153 to 223 are an integral part of the consolidated financial statements.

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

Consolidated Balance Sheets – Assets

	December 31, 2006			
	Manufacturing and sales companies	Finance companies	Eliminations	Total
<i>(in millions of euros)</i>				
Goodwill (note 13)	1,547	75	-	1,622
Intangible assets (note 13)	3,947	87	-	4,034
Property, plant and equipment (note 14)	15,221	47	-	15,268
Investments in companies at equity (note 15)	584	12	-	596
Investments in non-consolidated companies (note 16)	53	-	-	53
Other non-current financial assets (note 17)	1,321	47	-	1,368
Other non-current assets (note 18)	96	1	-	97
Deferred tax assets (note 11)	499	36	-	535
Total non-current assets	23,268	305	-	23,573
Operating assets				
Loans and receivables - finance companies (note 19)	-	22,879	(176)	22,703
Short-term investments - finance companies (note 20)	-	2,818	-	2,818
Inventories (note 21)	6,826	-	-	6,826
Trade receivables - manufacturing and sales companies (note 22)	3,043	-	(193)	2,850
Current taxes (note 11)	210	29	(26)	213
Other receivables (note 23)	1,719	617	(68)	2,268
	11,798	26,343	(463)	37,678
Current financial assets (note 24)	1,132	-	-	1,132
Cash and cash equivalents (note 25)	6,339	620	(292)	6,667
Total current assets	19,269	26,963	(755)	45,477
Total assets	42,537	27,268	(755)	69,050

Consolidated Balance Sheets – Equity and Liabilities

	December 31, 2006			
	Manufacturing and sales companies	Finance companies	Eliminations	Total
<i>(in millions of euros)</i>				
Equity (note 26)				
Share capital				235
Treasury stock				(261)
Retained earnings and other accumulated equity, excluding minority interests				13,700
Minority interests				388
Total equity				14,062
Non-current financial liabilities (note 29)	4,125	-	-	4,125
Other non-current liabilities (note 30)	2,759	-	-	2,759
Non-current provisions (note 27)	1,383	23	-	1,406
Deferred tax liabilities (note 11)	1,854	329	-	2,183
Total non-current liabilities	10,121	352	-	10,473
Operating liabilities				
Financing liabilities (note 31)	-	23,336	(292)	23,044
Current provisions (note 27)	1,747	38	-	1,785
Current trade payables	10,481	-	(25)	10,456
Current taxes (note 11)	152	43	(26)	169
Other payables (note 32)	4,075	847	(261)	4,661
	16,455	24,264	(604)	40,115
Current financial liabilities (note 29)	4,551	-	(151)	4,400
Total current liabilities	21,006	24,264	(755)	44,515
Total equity and liabilities				69,050

The notes on pages 153 to 223 are an integral part of the consolidated financial statements.

December 31, 2005				December 31, 2004			
Manufacturing and sales companies	Finance companies	Eliminations	Total	Manufacturing and sales companies	Finance companies	Eliminations	Total
1,677	75	-	1,752	1,798	75	-	1,873
3,886	78	-	3,964	3,602	62	-	3,664
14,909	48	-	14,957	14,168	50	-	14,218
596	-	-	596	614	-	-	614
45	1	-	46	65	1	-	66
1,940	46	-	1,986	2,329	49	-	2,378
95	-	-	95	96	2	-	98
579	31	-	610	502	30	-	532
23,727	279	-	24,006	23,174	269	-	23,443
-	22,400	(162)	22,238	-	21,243	(199)	21,044
-	2,709	-	2,709	-	2,717	-	2,717
6,889	-	-	6,889	6,546	-	-	6,546
3,097	-	(166)	2,931	3,296	-	(242)	3,054
180	18	(42)	156	110	35	(17)	128
1,694	642	(60)	2,276	1,756	655	(49)	2,362
11,860	25,769	(430)	37,199	11,708	24,650	(507)	35,851
1,214	-	-	1,214	712	-	-	712
6,351	635	(230)	6,756	5,158	610	(205)	5,563
19,425	26,404	(660)	45,169	17,578	25,260	(712)	42,126
43,152	26,683	(660)	69,175	40,752	25,529	(712)	65,569

December 31, 2005				December 31, 2004			
Manufacturing and sales companies	Finance companies	Eliminations	Total	Manufacturing and sales companies	Finance companies	Eliminations	Total
			235				243
			(220)				(431)
			13,849				13,306
			542				585
			14,406				13,703
3,826	-	-	3,826	3,791	-	-	3,791
2,352	2	-	2,354	2,279	7	-	2,286
1,527	17	-	1,544	1,750	19	-	1,769
2,086	281	-	2,367	1,968	250	-	2,218
9,791	300	-	10,091	9,788	276	-	10,064
-	22,987	(230)	22,757	-	22,070	(205)	21,865
1,582	53	-	1,635	1,343	54	-	1,397
10,240	-	(30)	10,210	10,773	-	(41)	10,732
100	79	(42)	137	114	39	(17)	136
4,155	844	(226)	4,773	4,068	992	(291)	4,769
16,077	23,963	(528)	39,512	16,298	23,155	(554)	38,899
5,298	-	(132)	5,166	3,061	-	(158)	2,903
21,375	23,963	(660)	44,678	19,359	23,155	(712)	41,802
			69,175				65,569

Consolidated Statements of Cash Flows

	2006			
	Manufacturing and sales companies	Finance companies	Eliminations	Total
<i>(in millions of euros)</i>				
Consolidated profit (loss) for the year	(335)	398	-	63
Adjustments for:				
- Depreciation, amortization and impairment	3,686	12	-	3,698
- Non-current provisions	(148)	(1)	-	(149)
- Changes in deferred tax	(139)	29	-	(110)
- (Gains) losses on disposals and other	(54)	2	-	(52)
Share in net earnings (losses) of companies at equity, net of dividends received	(10)	-	-	(10)
Revaluation adjustments taken to equity and hedges of debt	11	4	-	15
Working capital provided by operations	3,011	444	-	3,455
Changes in operating assets and liabilities (note 33.2)	424	(234)	(37)	153
Net cash from (used in) operating activities	3,435	210	(37)	3,608
Proceeds from disposals of shares in consolidated companies	2	-	-	2
Proceeds from disposals of investments in non-consolidated companies	-	-	-	-
Acquisitions of shares in consolidated companies	(1)	-	-	(1)
Investments in non-consolidated companies	(19)	(13)	-	(32)
Proceeds from disposals of property, plant and equipment	155	6	-	161
Proceeds from disposals of intangible assets	3	-	-	3
Investments in property, plant and equipment	(2,520)	(11)	-	(2,531)
Investments in intangible assets	(937)	(16)	-	(953)
Change in amounts payable on fixed assets	(101)	-	-	(101)
Other	(54)	-	-	(54)
Net cash from (used in) investing activities	(3,472)	(34)	-	(3,506)
Dividends paid:				
- To Peugeot S.A. shareholders	(309)	-	-	(309)
- Intragroup	161	(161)	-	-
- To minority shareholders of subsidiaries	(6)	(32)	-	(38)
Purchases of treasury stock	(39)	-	-	(39)
Changes in other financial assets and liabilities (note 33.4)	205	-	(23)	182
Other	-	-	-	-
Net cash from (used in) financing activities	12	(193)	(23)	(204)
Effect of changes in exchange rates	45	2	(2)	45
Net increase (decrease) in cash and cash equivalents	20	(15)	(62)	(57)
Net cash and cash equivalents at beginning of year	4,288	635	(230)	4,693
Net cash and cash equivalents at end of year (note 33.1)	4,308	620	(292)	4,636

The notes on pages 153 to 223 are an integral part of the consolidated financial statements.

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

Consolidated Statements of Changes in Equity

(in millions of euros)	Equity	Minority interests	Share capital	Treasury stock	Retained earnings and other accumulated equity, excluding minority interests	Revaluations – excluding minority interests			
						Retained earnings, excluding minority interests	Cash flow hedges	“Available-for-sale” securities	Translation adjustment
At January 1, 2004	12,826	599	243	(149)	12,133	11,831	49	253	-
Consolidated profit for the year	1,680	34	-	-	1,646	1,646	-	-	-
Revaluations taken to profit or loss	(184)	-	-	-	(184)	-	(39)	(145)	-
Revaluations taken to equity	25	-	-	-	25	-	19	19	(13)
Stock options	7	-	-	-	7	7	-	-	-
Comprehensive income*					1,494				
Effect of changes in scope of consolidation	(9)	(9)	-	-	-	-	-	-	-
Treasury stock (note 26.3)	(282)	-	-	(282)	-	-	-	-	-
Dividends paid (€1.35 per €1 par value share)	(360)	(39)	-	-	(321)	(321)	-	-	-
At December 31, 2004	13,703	585	243	(431)	13,306	13,163	29	127	(13)
Consolidated profit for the year	990	(39)	-	-	1,029	1,029	-	-	-
Revaluations taken to profit or loss	(59)	-	-	-	(59)	-	(29)	(30)	-
Revaluations taken to equity	292	20	-	-	272	-	5	77	190
Stock options	12	-	-	-	12	12	-	-	-
Comprehensive income*					1,254				
Effect of changes in scope of consolidation	-	-	-	-	-	-	-	-	-
Treasury stock (note 26.3)	(198)	-	(8)	211	(401)	(401)	-	-	-
Dividends paid (€1.35 per €1 par value share)	(334)	(24)	-	-	(310)	(310)	-	-	-
At December 31, 2005	14,406	542	235	(220)	13,849	13,493	5	174	177
Consolidated profit for the year	63	(113)	-	-	176	176	-	-	-
Revaluations taken to profit or loss	(25)	-	-	-	(25)	-	(6)	(19)	-
Revaluations taken to equity	(11)	(6)	-	-	(5)	2	33	64	(104)
Stock options	12	-	-	-	12	12	-	-	-
Comprehensive income*					158				
Effect of changes in scope of consolidation	3	3	-	-	-	-	-	-	-
Treasury stock (note 26.3)	(39)	-	-	(41)	2	2	-	-	-
Dividends paid (€1.35 per €1 par value share)	(347)	(38)	-	-	(309)	(309)	-	-	-
At December 31, 2006	14,062	388	235	(261)	13,700	13,376	32	219	73

* Comprehensive income includes all changes in equity resulting from transactions with non-shareholder third parties.

The notes on pages 153 to 223 are an integral part of the consolidated financial statements.

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Context

The consolidated financial statements for 2006 including explanatory notes were approved for issue by the Managing Board of Peugeot S.A. on January 31, 2007.

Note 1 ■ Accounting policies

The Group's consolidated financial statements for 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union.

International Financial Reporting Standards include standards "IFRS" and "IAS" (International Accounting Standards) and the related interpretations as prepared by the International Financial Reporting Interpretations Committee (IFRIC).

The Group has applied all new standards, interpretations and amendments published by the IASB whose application is mandatory within the European Union as of January 1, 2006. As the impact of the application of the new standards, interpretations and amendments is not material, the data for 2004 and 2005 have not been restated. The new standards and interpretations applicable to the Group are as follows:

- **IAS 19 – Employee Benefits:** amendment concerning the accounting treatment of actuarial gains and losses, multi-employer plans and disclosures.
At December 31, 2006, the Group elected not to recognize actuarial gains and losses on post-employment benefits directly in equity. The Group already complied with the new disclosure requirements in the notes to its 2005 financial statements.
- **IAS 39 – Financial Instruments:** amendment to the fair value option.
At December 31, 2005, the Group elected to early adopt the option to measure certain financial liabilities at fair value.
- **IFRIC 4 – Determining Whether an Arrangement Contains a Lease:** the adoption of this standard did not have a material impact on the Group's financial statements.

At December 31, 2006, the Group chose not to early adopt standards and interpretations endorsed by the European Union and due to come into force in 2007 and beyond. The main impacts of these standards on the Group's financial statements are expected to be as follows:

- **IFRS 7 – Financial Instruments: Disclosures.** The Group has not early adopted all of the provisions set out in IFRS 7, but its disclosures at December 31, 2006 already include most of the new requirements (e.g., financial instruments summary table, disclosures concerning the impact of financial

instruments on profit and equity, and exposure to risk arising from financial instruments).

- **IAS 1 – Presentation of Financial Statements – Capital Disclosures as amended:** the Group Management Report already includes most of the mandatory disclosures.

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 that Peugeot S.A. directly or indirectly controls 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: €50 million,
- Total assets: €20 million,
- Net debt: €5 million.

Investments in these companies are recorded under "Investments in non-consolidated companies". 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 functional currency of most 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 adjustment". 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 recognized directly in profit or loss.

1.3. Translation of transactions in foreign currencies

Transactions in foreign currencies are measured and recognized 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 recognized in profit or loss, as follows:

- in operating margin, 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 recognized 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 recognized 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 recognized as follows:

- in operating margin, for hedges of commercial transactions carried out by all Group companies and of financing transactions carried out by the Banque PSA Finance group;
- in interest income or finance costs for hedges of financial transactions carried out by the manufacturing and sales companies;

- in equity, for hedges of future transactions (for the effective portion of the gain or loss on the hedging instrument). The amount recognized in equity is reclassified into profit or loss when the hedged item affects profit or loss. The ineffective portion of the gain or loss is recognized in the income statement under "Other income and expenses, net".

1.4. Use of estimates and assumptions

The preparation of financial statements in accordance with IAS/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.

Management considers that the estimates and assumptions used are 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 any changes are recognized immediately.

Estimates and assumptions have a particularly important bearing on the following items:

- pension obligations;
- provisions – notably as regards new vehicle warranty obligations, restructuring costs 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 recognized on the date the risks and rewards of

ownership are transferred. This corresponds generally to the date when the vehicles are made available to non-group dealers or the delivery date, in the case of direct sales.

Sales of new vehicles with a buyback commitment are not recognized 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;
- to both direct sales and sales financed by Banque PSA Finance and its subsidiaries.

The difference between the sale price and the buyback price is recognized as rental revenue on a straight-line basis over the duration of the buyback commitment. The vehicle is initially recognized 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 recognized in the period in which the vehicle is sold on the used car market. If the total 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 toolings 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. Development work cannot be considered as having being sold under such circumstances. The development costs are recognized in intangible assets (see note 1.11.A) and toolings in property, plant and equipment (see note 1.12.A).

If the contract includes a payment guarantee, the development costs are recognized in inventories and work-in-progress. The corresponding revenue is recognized when the customer signs off on each technical phase.

B. Finance companies

The activity of the Group's finance companies is to provide wholesale financing to Group dealer networks and to finance sales of vehicles 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

recognized 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 per country, and charged against profit for the period in which the corresponding sales were recognized. 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 recognized at the time of the sale.

1.7. 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 recognized over the period during which the service is provided.

1.8. Research and development expenditure

Under IAS 38 – Intangible Assets, research expenditure is recognized as an expense, while development expenditure is recognized 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 those described in note 1.11.A are recognized as an expense for the period in which they are incurred.

1.9. Operating margin

Operating margin, which represents the main performance indicator used by the Group, corresponds to profit before:

- other income and expenses, which consist mainly of:
 - restructuring and early-termination plan costs,
 - interest cost related to pension obligations and the return on the related external funds,
 - the ineffective portion of the change in fair value on currency hedges of forecast commercial transactions to be carried out by the manufacturing and sales companies,
 - profits and losses and movements on provisions covering highly unusual events.

- interest income including the impact of interest rate and currency hedges;
- finance costs including the impact of interest rate and currency hedges;
- 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 amortized but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment tests are based on the recoverable amount of the corresponding cash generating unit (CGU), 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 method used to measure the recoverable amount of CGUs is described in note 1.13. Impairment losses are deducted from consolidated profit for the year.

1.11. Intangible assets

A. Research and development expenditure

Under IAS 38 – Intangible Assets, development expenditure is recognized 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 parts (engines and gearboxes) incurred between the styling decision (project launch for mechanical parts) and the start-up of pre-series production is recognized in intangible assets. It is amortized from the Start of Production date over their useful lives: up to a maximum of seven years for vehicles and a period of ten years for mechanical parts. The capitalized amount includes payroll costs of personnel directly assigned to the project, the cost of prototypes and the cost of external services related to the project. These costs do not include any overhead or indirect expense such as rent,

building depreciation and information system utilization costs. The capitalized costs also include the portion of qualifying development expenditure incurred by PSA Peugeot Citroën under cooperation agreements that is not billed to the partner. All development expenditure billed to PSA Peugeot Citroën by its partners under cooperation agreements 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 recognized in intangible assets. The intangible asset is amortized based on the quantity of parts delivered to the customer, provided that accumulated amortization at each year-end does not represent less than the amount that would be recognized if the asset were amortized on a straight-line basis over five years. If the contract includes a payment guarantee, the development costs are recognized in inventories and work-in-progress.

Other research and development expenditure is recognized 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 of software for internal use that corresponds to directly attributable internal or external costs necessary to create the software or improve its performance is recognized as an intangible asset when it is probable that these costs will generate future economic benefits. The capitalized costs are amortized 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 amortized 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, and are not revalued.

Investment grants are recognized 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 recognized according to the method described in note 1.5.A.

Assets acquired under finance leases, as defined in IAS 17 – Leases, are recognized at an amount equal to the present value of the minimum lease payments, or, if lower to the fair value of the leased property. A financial liability is recognized 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:

(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 toolings

In the Automobile Division, specific toolings are depreciated over the estimated lives of the corresponding models, which are generally shorter than the useful lives of the toolings concerned, due to the frequency of model changes. In the Automotive Equipment Division, specific toolings are 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 recognized 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 part.

1.13. Impairment of long-lived assets

In accordance with IAS 36 – Impairment of Assets, property, plant and equipment and intangible assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets with indefinite useful lives must be tested for impairment at least once a year. Goodwill is the only indefinite-lived asset carried in the Group accounts.

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 net carrying amount, an impairment loss is included in income. The impairment loss is first recorded as an adjustment to the carrying amount of any goodwill allocated to the CGU and the remainder of the loss is allocated to the other assets of the unit.

The Automobile Division comprises a number of Vehicle CGUs, each corresponding to a vehicle model. The assets included in a Vehicle CGU consist of toolings and other specific plant and equipment used to manufacture the model, as well as capitalized model development costs (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 two CGUs: Automotive and Logistics Integration.

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 16), other non-current financial assets (note 17), loans and receivables – finance companies (note 19), short-term investments – finance companies (note 20), trade receivables – manufacturing and sales companies (note 22), current financial assets (note 24), and cash and cash equivalents (note 25).

The Group does not use the “held-to-maturity” asset category.

Financial liabilities as defined by IAS 39 comprise financial liabilities at amortized 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 29), financing liabilities (note 31) 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 financial assets and liabilities are reported as current.

Financial assets and liabilities are recognized and measured in accordance with IAS 39, which was endorsed in part by the European Commission on November 19, 2004. EC regulation 1864/2005 published on November 16, 2005 allows certain financial liabilities to be recorded at fair value, with early application from January 1, 2005 and for the 2004 comparative financial statements).

The PSA Peugeot Citroën Group is not affected by the provisions of IAS 39 dealing with hedges of customer demand deposits held in the accounts of retail banks, which have been rejected in their present form by the European Commission.

B. Recognition and measurement of financial assets

(a) Investments in non-consolidated companies

These represent the Group’s shares in non-consolidated companies, shown on the balance sheet at historical cost which the Group considers to be representative of the fair value in the absence of an active market for the shares. An impairment loss is recognized when there is objective evidence of a prolonged 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 the underlying net assets and earnings outlook.

(b) Loans and receivables

Loans and receivables include advances to non-consolidated companies, loans under the French government

housing scheme, and other loans and receivables. They are stated at amortized cost, measured by the effective interest method. Their carrying value includes the outstanding principal plus unamortized 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) Investments

Investments are classified as available-for-sale or as accounted for using the fair value option.

(c1) Investments classified as “available-for-sale”

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 recognized directly in equity. Only impairment losses stemming from a prolonged decline in value are recognized in the income statement.

(c2) 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 recognized 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 value includes the outstanding principal and accrued interest plus the following items (before the effect of hedge accounting):

- commissions paid to referral agents, which are added to the outstanding principal;
- contributions received from the marques, which are deducted from the outstanding principal;
- unamortized 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.

Finance loans and receivables are generally hedged against interest rate risks. The hedged portion of the loan is remeasured at fair value in accordance with hedge accounting principles. The gains and losses arising from remeasurement at fair value are recognized in profit or loss and are offset by the effective portion of the symmetrical loss or gain arising from remeasurement at fair value of the hedging instrument (see note 1.14.D – Derivative instruments).

Finance 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 receivables' net book value to the present value of estimated future cash flows discounted at the effective interest rate.

For retail finance receivables:

- an impairment loss is recognized 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 rate;
- impairment losses on non-performing loans are determined based on the discounted average loss rate, which is used to calculate provisions for credit losses on non-performing and doubtful loans.

For wholesale finance receivables, 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 convertible into cash at very short notice and are not exposed to any material risk of impairment 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 amortized cost

Borrowings and other financial liabilities are generally stated at amortized cost measured using the effective interest method. Items hedged by interest rate swaps are accounted for using fair value hedge accounting, i.e. the hedged portion of the financial liability is remeasured at fair value, with changes in fair value due to fluctuations in interest rates 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 recognized in profit or loss.

(b) Hedging instruments

Derivative instruments may be designated 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.

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 recognized in the balance sheet and measured at fair value. Gains and losses arising from remeasurement at fair value are recognized 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 recognized in equity, since the gain or loss arising from remeasurement at fair value of the hedged portion of the hedged item is not recognized in the balance sheet; the ineffective portion is recognized in other income and (expenses), net. The cumulative gains and losses recognized in equity are included in profit or loss when the hedged item affects profit or loss.

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 a normal level of activity.

The cost of inventories does not include any borrowing costs.

The Automotive Equipment Division performs development work and manufactures or purchases specific toolings to produce parts or modules for programs covered by specific customer orders. When the contract includes a payment guarantee, the development costs are recognized in inventories and work-in-progress and the corresponding revenue is recognized when the customer signs off on each technical phase.

1.16. 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 recognized, while deferred tax assets are only recognized when there is a reasonable expectation that they will materialize.

A deferred tax liability is recognized 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 recognized 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 recognized 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 canceled by recognizing deferred tax liabilities, except when the difference is considered to be temporary, e.g., when the Group plans to divest the subsidiary.

Deferred tax assets and liabilities are not discounted.

1.17. Provisions

In accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, a provision is recognized 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 recognized only when the restructuring has been announced and the Group has drawn up or has started to implement a detailed formal plan. Discounting adjustments are only recognized when material.

1.18. 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 28.1). These benefits are paid under defined contribution and defined benefit plans.

The payments made under defined contribution plans are of full discharge of the Group's liability and are recognized as an expense for the period.

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 where 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 the previous actuarial assumptions and what has actually occurred – give rise to actuarial gains and losses. These gains and losses are recognized in the income

statement by the corridor method, which consists of recognizing a specified portion of the 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 recognized 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 recognized portion of the projected benefit obligation, leading to the recognition of an asset in "Other non-current assets" in an amount not exceeding the sum of net actuarial losses and unrecognized past service costs.

Other employee benefit obligations recognized in the balance sheet concern:

- long-service awards payable by French and foreign subsidiaries (see note 30.2);
- healthcare costs paid by certain subsidiaries in the United States of America (see note 30.3).

1.19. Options to purchase existing or newly issued shares at an agreed price

Stock options are granted to Group Management and certain employees. These options are measured at the

grant date 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 lock-up period for tax purposes. The compensation expense corresponding to the options' fair value is recognized 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 recognized directly in equity.

In accordance with IFRS 2, all stock options granted after November 7, 2002 but that had not yet vested at January 1, 2005, are measured and recognized in personnel costs. No compensation expense has therefore been recognized for stock options granted prior to November 7, 2002.

1.20. 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 . Scope of consolidation

2.1. Number of consolidated companies

A. Number of companies consolidated at year-end

	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Subsidiaries			
Manufacturing and sales companies	288	310	307
Finance companies	34	33	33
	322	343	340
Companies at equity			
Manufacturing and sales companies	33	32	31
Finance companies	1	-	-
	34	32	31
Consolidated companies at December 31	356	375	371

B. Changes during the year

	2006
Consolidated companies at January 1	375
Newly consolidated companies	
- Automotive equipment companies	3
- Other manufacturing and sales companies	3
- Finance companies	3
Deconsolidated companies	(4)
Merged companies and other	(24)
Consolidated companies at December 31	356

2.2. Main changes in the scope of consolidation in 2006

In 2006, the Group sold 43% of the capital of Siemens Automotiv Hydraulics to Siemens AG, retaining a 5% interest. Siemens Automotiv Hydraulics was previously accounted for at equity until November 1, 2006.

The "Merged companies and other" line concerns in particular 16 French subsidiaries from the Automobiles Peugeot dealer network, which were merged into a single entity.

2.3. Impact of changes in scope of consolidation on consolidated data

The impact of changes in the scope of consolidation on consolidated data is not material.

Note 3 ■ Segment information

In accordance with IAS 14 – Segment Information, the Group's primary reporting format is organized by business segment, in line with its organizational and management structure.

3.1. 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 marques;
- the Automotive Equipment Division, corresponding to the Faurecia group, which specializes in the Vehicle Interiors, Automobile Seating, Front Ends and Exhaust Systems businesses;
- the Transportation and Logistics Division, corresponding to the Gefco group, which specializes in logistics and vehicle and goods transportation;

- the Finance Division, corresponding to the Banque PSA Finance group, which provides retail financing to the customers of the Peugeot and Citroën marques and wholesale financing to the two marques' dealer networks;
- Other businesses, which include the activities of the holding company, Peugeot S.A., Peugeot Motorcycles and Process Conception Ingénierie, a plant and equipment design specialist.

Balances for each segment, as shown in the table below, are on a stand-alone basis. All intersegment balance sheet items and transactions are eliminated under the heading "Eliminations".

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.

2006 <i>(in millions of euros)</i>	Automobile	Automotive Equipment	Transportation and Logistics	Finance companies	Other	Eliminations	Total
Sales and revenue							
- third parties	44,444	9,199	1,272	1,396	283	-	56,594
- intragroup, intersegment	122	2,450	1,973	365	370	(5,280)	-
Total	44,566	11,649	3,245	1,761	653	(5,280)	56,594
Operating margin	267	69	151	604	17	11	1,119
Segment profit (loss)	(130)	(317)	154	603	(33)	11	288
Share in net earnings of companies at equity	9	4	-	-	-	-	13
Other financial income and (expenses), net	-	-	-	-	-	-	(24)
Net financial income (expense)	-	-	-	-	-	-	(58)
Income taxes	-	-	-	-	-	-	(156)
Profit							63
Segment assets at end of year	25,842	6,505	1,140	26,570	209	(1,733)	58,533
Investments in companies at equity	541	40	3	12	-	-	596
Investments in non-consolidated companies	-	-	-	-	-	-	53
Financial assets	-	-	-	-	-	-	9,120
Tax assets	-	-	-	-	-	-	748
Total segment assets at end of year							69,050
Segment equity and liabilities at end of year	17,363	3,279	757	24,244	342	(1,874)	44,111
Long-term debt	-	-	-	-	-	-	8,525
Tax liabilities	-	-	-	-	-	-	2,352
Equity	-	-	-	-	-	-	14,062
Total segment equity and liabilities at end of year							69,050
Capital expenditure (excluding sales with a buyback commitment)	2,852	515	70	27	20	-	3,484
Depreciation and amortization	(2,547)	(530)	(54)	(12)	(15)	-	(3,158)
Impairment losses	(265)	(234)	-	-	(41)	-	(540)
Capital employed at end of year	8,054	3,291	370	2,652	(421)	141	14,087

2005 (in millions of euros)	Automobile	Automotive Equipment	Transportation and Logistics	Finance companies	Other	Eliminations	Total
Sales and revenue							
- third parties	44,940	8,510	1,157	1,380	280	-	56,267
- intragroup, intersegment	131	2,468	1,843	276	429	(5,147)	-
Total	45,071	10,978	3,000	1,656	709	(5,147)	56,267
Operating margin	916	267	145	607	1	4	1,940
Segment profit (loss)	911	(47)	148	609	(17)	3	1,607
Share in net earnings of companies at equity	(61)	6	-	-	-	-	(55)
Other financial income and (expenses), net	-	-	-	-	-	-	(18)
Net financial income (expense)	-	-	-	-	-	-	(59)
Income taxes	-	-	-	-	-	-	(485)
Profit							990
Segment assets at end of year	25,360	6,694	1,182	25,998	297	(1,674)	57,857
Investments in companies at equity	558	35	3	-	-	-	596
Investments in non-consolidated companies	-	-	-	-	-	-	46
Financial assets	-	-	-	-	-	-	9,910
Tax assets	-	-	-	-	-	-	766
Total segment assets at end of year							69,175
Segment equity and liabilities at end of year	16,873	3,146	741	23,904	381	(1,772)	43,273
Long-term debt	-	-	-	-	-	-	8,992
Tax liabilities	-	-	-	-	-	-	2,504
Equity	-	-	-	-	-	-	14,406
Total segment equity and liabilities at end of year							69,175
Capital expenditure (excluding sales with a buyback commitment)	3,061	656	63	31	21		3,832
Depreciation and amortization	(2,422)	(504)	(51)	(12)	(17)		(3,006)
Impairment losses	-	(180)	-	-	(13)		(193)
Capital employed at end of year	7,854	3,609	442	2,419	(299)	98	14,123

2004 (in millions of euros)	Automobile	Automotive Equipment	Transportation and Logistics	Finance companies	Other	Eliminations	Total
Sales and revenue							
- third parties	44,999	8,157	1,064	1,360	525	-	56,105
- intragroup, intersegment	240	2,562	1,830	241	374	(5,247)	-
Total	45,239	10,719	2,894	1,601	899	(5,247)	56,105
Operating margin	1,503	283	158	518	26	(7)	2,481
Segment profit (loss)	1,505	223	154	514	16	(7)	2,405
Share in net earnings of companies at equity	5	8	-	-	-	-	13
Other financial income and (expenses), net	-	-	-	-	-	-	104
Net financial income (expense)	-	-	-	-	-	-	(70)
Income taxes	-	-	-	-	-	-	(772)
Profit							1,680
Segment assets at end of year	24,495	6,574	1,120	24,853	514	(1,931)	55,625
Investments in companies at equity	581	33	-	-	-	-	614
Investments in non-consolidated companies	-	-	-	-	-	-	66
Financial assets	-	-	-	-	-	-	8,604
Tax assets	-	-	-	-	-	-	660
Total segment assets at end of year							65,569
Segment equity and liabilities at end of year	17,407	2,996	654	23,142	596	(1,977)	42,818
Long-term debt	-	-	-	-	-	-	6,694
Tax liabilities	-	-	-	-	-	-	2,354
Equity	-	-	-	-	-	-	13,703
Total segment equity and liabilities at end of year							65,569
Capital expenditure (excluding sales with a buyback commitment)	3,126	538	91	36	15	-	3,806
Depreciation and amortization	(2,356)	(617)	(55)	(12)	(21)	-	(3,061)
Impairment losses	-	-	-	-	(7)	-	(7)
Capital employed at end of year	6,489	3,658	476	2,098	(364)	46	12,403

3.2. Geographical segments

In the table below, sales and revenue are presented by destination of products sold and investments by geographic location of the subsidiary concerned.

2006 (in millions of euros)	Western Europe	Rest of Europe	Latin America	Rest of world	Total
Sales and revenue	45,087	2,844	2,758	5,905	56,594
Capital expenditure (intangible assets and property, plant and equipment)	2,966	242	145	131	3,484
2005 (in millions of euros)	Western Europe	Rest of Europe	Latin America	Rest of world	Total
Sales and revenue	46,083	2,300	2,150	5,734	56,267
Capital expenditure (intangible assets and property, plant and equipment)	3,105	484	83	160	3,832
2004 (in millions of euros)	Western Europe	Rest of Europe	Latin America	Rest of world	Total
Sales and revenue	46,529	2,151	1,409	6,016	56,105
Capital expenditure (intangible assets and property, plant and equipment)	3,407	255	83	61	3,806

In order to align the sales and revenue breakdown with the presentation of sales volumes by geographical area, sales and revenue realized by the Group in Turkey for the past three years are now included in "Rest of world" instead of in "Rest of Europe", as was previously the case.

Note 4 ■ Sales and revenue

<i>(in millions of euros)</i>	2006	2005	2004
Vehicles and other goods	51,550	51,278	51,131
Services	3,648	3,609	3,614
Finance companies' revenue	1,396	1,380	1,360
Total	56,594	56,267	56,105

Note 5 ■ Personnel costs

Group personnel costs are as follows:

<i>(in millions of euros)</i>	2006	2005	2004
Automobile Division	(6,147)	(6,162)	(5,970)
Automotive Equipment Division	(2,104)	(2,002)	(1,927)
Transportation and Logistics Division	(390)	(368)	(342)
Finance companies	(123)	(120)	(119)
Other businesses	(120)	(140)	(158)
Total	(8,884)	(8,792)	(8,516)

Details of stock option expenses are provided in note 26.2.D, and pension expenses are detailed in note 28.1.F.

Note 6 ■ Depreciation and amortization expense

Depreciation and amortization expense included in operating expenses breaks down as follows:

<i>(in millions of euros)</i>	2006	2005	2004
Capitalized development expenditure	(704)	(594)	(504)
Other intangible assets	(70)	(65)	(187)
Specific toolings	(748)	(670)	(615)
Other property, plant and equipment	(1,636)	(1,677)	(1,755)
Total	(3,158)	(3,006)	(3,061)

Note 7 ■ Research and development expenditure

7.1. Impact of capitalization on the statement of income

<i>(in millions of euros)</i>	2006	2005	2004
Total expenditure	(2,175)	(2,151)	(2,183)
Capitalized development expenditure (note 13.1)	882	856	885
Non-capitalized expenditure	(1,293)	(1,295)	(1,298)
Amortization of capitalized development expenditure (note 13.1)	(704)	(594)	(504)
Total	(1,997)	(1,889)	(1,802)

Impairment losses on capitalized development expenditure are disclosed in note 8.

7.2. Impact of capitalization on the statement of cash flows

<i>(in millions of euros)</i>	2006	2005	2004
Impact on profit	178	262	381
Impact on amortization	(704)	(594)	(504)
Impact on working capital provided by operations	882	856	885
Impact on net cash used in investing activities	(882)	(856)	(885)
Total	0	0	0

Note 8 ■ Other income and (expenses), net

Other income and expenses include the following amounts:

<i>(in millions of euros)</i>	2006	2005	2004
Impairment loss taken on Faurecia group CGUs (note 8.1)	(198)	(180)	-
Other impairment losses taken on Faurecia group assets (note 8.2)	(36)	-	-
Impairment loss taken on Automobile CGUs (note 8.3)	(194)	-	-
Impairment loss taken on CGUs from other businesses (note 8.4)	(41)	-	-
Restructuring costs (note 8.5)	(429)	(160)	(92)
Interest cost on pension obligations (note 28.1.E)	(186)	(187)	(184)
Expected return on external pension funds (note 28.1.E)	188	168	149
Change in the ineffective portion of foreign currency options	(43)	(40)	(28)
Net gains on disposals of available-for-sale securities and investments in non-consolidated companies	24	51	188
Net gains from disposals of property (note 8.6)	93	6	6
Other financial income and (expense)	(13)	(6)	(7)
Other	(20)	(3)	(4)
Total	(855)	(351)	28

8.1. Impairment loss taken on Faurecia group CGUs

In accordance with the principle set out in note 1.13, the book value of each group of assets was compared with its 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 management's latest projections for each cash-generating unit (2007-2010 Medium-Term Plan).

The calculation was performed by extrapolating to perpetuity projected cash flows for the last year of the Medium-Term Plan (2010) 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 2005.

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 12 companies from the automotive equipment sector (six European companies and six US-based companies). Using these parameters and a risk premium of 5%, the average cost of capital used to discount future cash flows was set at 7.9%, unchanged since 2004.

At end-2005, the impairment tests led to the recognition of a €180 million write-down in "Other income and (expenses), net", including €42 million on property, plant and equipment and €138 million on the goodwill generated in 2001 at the time of the purchase of the Sommer Allibert group's Vehicle Interiors business.

At end-2006, the impairment tests led to the recognition of a €198 million additional write-down in "Other income and (expenses), net", including €73 million on assets and €125 million on the goodwill generated on the Vehicle Interiors business.

This write-down reflects a fall since end-2005 in the operating profitability of the Vehicle Interiors business, timing discrepancies regarding the profitability improvement plan, and the impact on forecast sales and revenue of a more selective commercial policy.

The sensitivity of the impairment test to changes in the assumptions used to determine the value in use of the Vehicle Interiors business is illustrated in the table below:

(in millions of euros)	Sensitivity	
	+ 1%	- 1%
Discount rate	(146)	200
Perpetuity growth rate	166	(121)

8.2. Other impairment losses taken on Faurecia group assets

These impairment losses concern fixed assets of the Automotive Seating (€32 million) and Front Ends businesses (€4 million).

8.3. Impairment loss taken 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 its 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 2007-2009 Medium-Term Plan and the 10-year strategic plan for vehicles under development.

The discount rate was calculated using a weighted average cost of capital of 8% determined by an independent expert.

At end-2006, these impairment tests led to the recognition of an impairment loss on two vehicle CGUs amounting to €194 million, essentially attributable to a decline in volumes sold for these models.

Impairment losses were first allocated against capitalized development expenditure (€108 million), and then against specific toolings in proportion to their net carrying amount (€86 million).

8.4. Impairment loss taken on CGUs from other businesses

In 2006, a €41 million impairment loss was also recorded against property, plant and equipment belonging to Peugeot Motorcycles based on recent estimates of the company's future activity.

The calculation was performed on the basis of value in use, defined as the present value of estimated future cash flows expected to be generated by the assets based on the latest projections from the 2007-2009 Medium-Term Plan, extrapolated to perpetuity using a zero growth rate. The discount rate was calculated using a weighted average cost of capital of 9.7% as determined by an independent expert.

8.5. Restructuring costs

A. Analysis by type

(in millions of euros)	2006	2005	2004
Early-termination plan costs ⁽¹⁾	(5)	4	(24)
Workforce reductions	(347)	(152)	(66)
Discontinued production operations	(77)	(12)	(2)
Total	(429)	(160)	(92)

⁽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 2006 year-end, 7,035 employees were concerned by the plans, including 358 Faurecia group employees.

In 2006, restructuring costs include:

- €237 million in connection with the discontinuation of production at the PSA Peugeot Citroën site at Ryton, UK.

On April 18, 2006, the Group announced it was to scale back production at its Ryton site in the UK with effect from July 2006, in view of the plant's closure in 2007. This led to the recognition of restructuring costs totaling €237 million in the Group's consolidated financial statements for the year ended December 31, 2006. This amount includes:

- the impact of the redundancy package covering 2,069 employees (severance pay and employment assistance), for €158 million;

- the reduction in the carrying amount of the site's property, plant and equipment, for €71 million;
- other impacts, including the onsite resources to implement and administer the redundancy package, partially offset by a €14 million provision write-back in respect of pension obligations.

- €169 million in connection with the restructuring of the Faurecia group.

In 2005, restructuring costs include Faurecia workforce reductions in an amount of €124 million, and the costs of phasing out the third team at the Ryton plant, in an amount of €26 million.

B. Employees affected

<i>(number of employees)</i>	2006	2005	2004
France	1,820	1,111	460
United Kingdom	2,266	932	710
Germany	617	689	505
Spain	169	245	15
Rest of Europe	194	253	36
Rest of world (excluding Europe)	88	258	149
Total	5,154	3,488	1,875

8.6. Net gains on disposals of property

Net gains on disposals of property include €80 million from (i) the sale of a site in Coventry (UK) and (ii) two sites in Madrid (Spain).

Note 9 ■ Interest income, net

Interest income on loans relates to interest accrued according to the method set out in note 1.14.B (b).

<i>(in millions of euros)</i>	2006	2005	2004
Interest income on loans	28	28	17
Interest income on cash equivalents	342	324	303
Remeasurement of investments accounted for using the fair value option	(2)	(1)	5
Net gain (loss) on interest rate instruments designated as hedges of investments	2	4	(6)
Total	370	355	319

Note 10 ■ Finance costs

<i>(in millions of euros)</i>	2006	2005	2004
Interest on other borrowings	(228)	(206)	(214)
Interest on bank overdrafts	(184)	(175)	(147)
Interest on finance lease liabilities	(14)	(8)	(9)
Foreign exchange gain (loss) on financial transactions	3	(3)	(5)
Net gain (loss) on hedges of borrowings ⁽¹⁾	11	(5)	1
Other	(16)	(17)	(15)
Total	(428)	(414)	(389)

(1) Net gains (losses) on hedges of borrowings relate to the remeasurement of loan linked to interest rate changes to the remeasurement of hedging instruments at fair value, as described in note 1.14.C (a).

Note 11 ■ Income taxes

11.1. Change in balance sheet items

2006 <i>(in millions of euros)</i>	At January 1	Expense	Equity	Payment	Translation adjustment and other changes	At Dec. 31
Current taxes						
Assets	156					213
Liabilities	(137)					(169)
Total	19	(279)	-	300	4	44
Deferred taxes						
Assets	610					535
Liabilities	(2,367)					(2,183)
Total	(1,757)	123	2	-	(16)	(1,648)
2005 <i>(in millions of euros)</i>	At January 1	Expense	Equity	Payment	Translation adjustment and other changes	At Dec. 31
Current taxes						
Assets	128					156
Liabilities	(136)					(137)
Total	(8)	(367)	-	395	(1)	19
Deferred taxes						
Assets	532					610
Liabilities	(2,218)					(2,367)
Total	(1,686)	(118)	29	-	18	(1,757)
2004 <i>(in millions of euros)</i>	At January 1	Expense	Equity	Payment	Translation adjustment and other changes	At Dec. 31
Current taxes						
Assets	161					128
Liabilities	(116)					(136)
Total	45	(467)	-	418	(4)	(8)
Deferred taxes						
Assets	573					532
Liabilities	(1,985)					(2,218)
Total	(1,412)	(305)	45	-	(14)	(1,686)

11.2. Income taxes of fully consolidated companies

<i>(in millions of euros)</i>	2006	2005	2004
Current taxes (note 11.2. A)			
Corporate income taxes	(276)	(362)	(459)
Tax on intragroup dividends	(3)	(5)	(8)
Deferred taxes			
Deferred taxes arising in the period	342	(75)	(289)
Unrecognized deferred tax assets and impairment losses	(219)	(75)	(31)
Effect of change in the French tax rate (note 11.2.B)	-	32	15
Total	(156)	(485)	(772)

A. Current taxes

Current tax expenses 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 according to Article 223 A of the French Tax Code.

B. Deferred taxes

Deferred taxes are determined as described in note 1.16.

The French statutory income tax rate is 33.33%.

Act no. 99-1140 of December 29, 1999 dealing with the financing of the social security system 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 December 30, 2004 Finance Act (Act no. 2004-1484) provided for the phasing out of the contribution additionnelle surtax, applicable at a rate of 3% of the corporate income tax liability of French companies since 2002. This surtax was reduced to 1.5% from January 1, 2005 and was abolished in 2006.

The December 30, 2004 Amended Finance Act (Act no. 2004-1485) provided for:

- a reduction in the tax rate on all long-term capital gains from 19% to 15% as of 2005;
- the gradual phasing out of taxation of capital gains realized on the sale of long-term equity investments. This tax was reduced to 8% in 2006 and is abolished as from 2007.

Deferred tax assets and liabilities have been reduced to take into account these new tax rates.

In accordance with the Amended Finance Act, the Group had to transfer €200 million from the special long-term capital gains reserve to an ordinary reserve account in 2005. No additional tax is now due if the reserve is distributed, following payment of an exit tax of 2.5%. A corresponding €6 million tax charge was recorded in the 2004 consolidated financial statements for all Group entities.

11.3. Relationship between tax expense and income before tax

<i>(in millions of euros)</i>	2006	2005	2004
Income before tax of fully consolidated companies	206	1,530	2,439
<i>French current income tax rate</i>	<i>34.4%</i>	<i>34.9%</i>	<i>35.4%</i>
Theoretical tax expense based on French current income tax rate	(71)	(534)	(863)
Change in French tax rates	-	32	15
Permanent differences	(6)	(31)	(5)
Income taxable at reduced rates	52	28	49
Tax credits	76	38	24
Effect of differences in foreign tax rates and other	12	57	39
Unrecognized deferred tax assets and impairment loss	(219)	(75)	(31)
Income taxes	(156)	(485)	(772)

In 2005 and 2006, the "Effect of differences in foreign tax rates and other" line includes the impairment loss taken on goodwill relating to Faurecia group CGUs, which has no impact on taxes. Unrecognized deferred tax assets and impairment loss essentially concern the Faurecia group.

11.4. Deferred tax assets and liabilities

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Tax credits	21	25	12
Deferred tax assets on tax loss carryforwards			
Gross value	621	507	458
Impairment	(83)	(70)	(62)
Unrecognized deferred tax assets	(486)	(308)	(231)
Total	52	129	165
Other deferred tax assets	462	456	355
Deferred tax assets	535	610	532
Deferred tax liabilities	(2,183)	(2,367)	(2,218)

Note 12 ■ 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:

	2006	2005	2004
Average number of €1 par value shares outstanding	228,662,232	230,211,537	236,093,169
Dilutive effect of stock options, calculated using the "treasury stock" method (note 26.2)	399,015	535,209	336,191
Diluted average number of shares	229,061,247	230,746,746	236,429,360

In view of the characteristics of the stock option plans (note 26.2) and Peugeot S.A.'s average share price, only plans implemented from 1999 through 2003 have a dilutive impact in 2006 (as in 2005). In 2004, only the 1999 and 2000 plans were dilutive.

Note 13 ■ Goodwill and intangible assets

13.1. Change in carrying amount

2006			Software and other intangible assets	
	Goodwill	Development expenditure		Intangible assets
<i>(in millions of euros)</i>				
Cost				
At January 1	1,890	5,824	1,265	7,089
Additions	-	882	102	984
Disposals	-	(8)	(8)	(16)
Change in scope of consolidation and other	-	(34)	27	(7)
Translation adjustment	(5)	(13)	(4)	(17)
At December 31	1,885	6,651	1,382	8,033
Amortization 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	1,752	3,651	313	3,964
Carrying amount at December 31	1,622	3,672	362	4,034

2005		Development expenditure	Software and other intangible assets	Intangible assets
<i>(in millions of euros)</i>				
	Goodwill			
Cost				
At January 1	1,873	4,965	1,158	6,123
Additions	7	856	104	960
Disposals	-	-	(5)	(5)
Change in scope of consolidation and other	-	-	3	3
Translation adjustment	10	3	5	8
At December 31	1,890	5 824	1,265	7,089
Amortization and impairment				
At January 1	-	(1,572)	(887)	(2,459)
Charge for the year	N/A	(594)	(65)	(659)
Impairment losses	(138)	-	-	-
Disposals	N/A	-	3	3
Change in scope of consolidation and other	-	-	(1)	(1)
Translation adjustment	-	(7)	(2)	(9)
At December 31	(138)	(2,173)	(952)	(3,125)
Carrying amount at January 1	1,873	3,393	271	3,664
Carrying amount at December 31	1,752	3,651	313	3,964

2004		Development expenditure	Software and other intangible assets	Intangible assets
<i>(in millions of euros)</i>				
	Goodwill			
Cost				
At January 1	1,818	4,072	1,054	5,126
Additions	72	885	117	1,002
Disposals	-	-	(14)	(14)
Change in scope of consolidation and other	-	(1)	2	1
Translation adjustment	(17)	9	(1)	8
At December 31	1,873	4,965	1,158	6,123
Amortization and impairment				
At January 1	-	(1,073)	(710)	(1,783)
Charge for the year	N/A	(504)	(187)	(691)
Disposals	N/A	-	10	10
Change in scope of consolidation and other	-	4	-	4
Translation adjustment	-	1	-	1
At December 31	-	(1,572)	(887)	(2,459)
Carrying amount at January 1	1,818	2,999	344	3,343
Carrying amount at December 31	1,873	3,393	271	3,664

13.2. Breakdown of goodwill

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Net			
Faurecia	187	187	187
Faurecia businesses:			
- Automotive Seating	793	793	792
- Vehicle Interiors	239	364	503
- Front Ends	96	96	96
- Exhaust Systems	161	162	155
Dongfeng Peugeot Citroën Automobile	59	63	53
Peugeot Automotiv Pazarlama AS (Popas)	12	12	12
Crédipar	75	75	75
Total	1,622	1,752	1,873

Note 14 ■ Property, plant and equipment

2006	Land and buildings	Plant and equipment	Leased vehicles ⁽²⁾	Vehicles and handling equipment	Fixtures, fittings and other	Assets under construction	Total
<i>(in millions of euros)</i>							
Cost							
At January 1	6,098	23,457	2,309	377	963	2,393	35,597
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)
Charge for the year	(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) The change in "Other" under "Leased vehicles" includes the net change for the year (i.e., additions less disposals) since those changes as they have no cash impact.

2005	Land and buildings	Plant and equipment	Leased vehicles ⁽²⁾	Vehicles and handling equipment	Fixtures, fittings and other	Assets under construction	Total
<i>(in millions of euros)</i>							
Cost							
At January 1	5,618	22,668	2,254	494	966	1,556	33,556
Additions ⁽¹⁾	329	1,356	-	42	67	1,133	2,927
Disposals	(137)	(937)	-	(27)	(32)	-	(1,133)
Change in scope of consolidation and other	228	208	55	(134)	(49)	(314)	(6)
Translation adjustment	60	162	-	2	11	18	253
At December 31	6,098	23,457	2,309	377	963	2,393	35,597
Depreciation and impairment							
At January 1	(2,601)	(15,462)	(305)	(371)	(599)	-	(19,338)
Additions	(239)	(1,929)	(60)	(33)	(86)	-	(2,347)
Impairment losses	-	(55)	-	-	-	-	(55)
Disposals	127	902	-	18	30	-	1,077
Change in scope of consolidation and other	(187)	65	68	133	54	-	133
Translation adjustment	(14)	(89)	-	(1)	(6)	-	(110)
At December 31	(2,914)	(16,568)	(297)	(254)	(607)	-	(20,640)
Carrying amount at January 1	3,017	7,206	1,949	123	367	1,556	14,218
Carrying amount at December 31	3,184	6,889	2,012	123	356	2,393	14,957

2004	Land and buildings	Plant and equipment	Leased vehicles ⁽²⁾	Vehicles and handling equipment	Fixtures, fittings and other	Assets under construction	Total
<i>(in millions of euros)</i>							
Cost							
At January 1	5,125	21,301	2,232	501	878	1,983	32,020
Additions ⁽¹⁾	560	2,555	-	49	142	(473)	2,833
Disposals	(71)	(1,157)	-	(54)	(44)	-	(1,326)
Change in scope of consolidation and other	2	(22)	22	(2)	(10)	35	25
Translation adjustment	2	(9)	-	-	-	11	4
At December 31	5,618	22,668	2,254	494	966	1,556	33,556
Depreciation and impairment							
At January 1	(2,405)	(14,719)	(311)	(363)	(552)	-	(18,350)
Additions	(264)	(1,895)	(57)	(57)	(97)	-	(2,370)
Impairment losses	-	(7)	-	-	-	-	(7)
Disposals	63	1,140	-	47	41	-	1,291
Change in scope of consolidation and other	2	14	63	2	10	-	91
Translation adjustment	3	5	-	-	(1)	-	7
At December 31	(2,601)	(15,462)	(305)	(371)	(599)	-	(19,338)
Carrying amount at January 1	2,720	6,582	1,921	138	326	1,983	13,670
Carrying amount at December 31	3,017	7,206	1,949	123	367	1,556	14,218

(1) Including property, plant and equipment acquired under finance leases.

(2) The change in "Other" under "Leased vehicles" includes the net change for the year (i.e., additions less disposals) since those changes as they have no cash impact.

Leased vehicles include those leased under short-term leases to retail customers by the Group's leasing companies and vehicles sold with a buyback commitment, which are recognized according to the method described in note 1.5.A.

They can be analyzed as follows:

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Vehicles subject to a buyback commitment	2,174	1,800	1,741
Vehicles under short-term leases	250	212	208
Total, net	2,424	2,012	1,949

Note 15 ■ 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.

15.1. Changes in the carrying value of investments in companies at equity

<i>(in millions of euros)</i>	2006	2005	2004
At January 1	596	614	548
Dividends and profit transfers	(3)	(4)	(6)
Share of net earnings	13	(55)	13
Newly consolidated companies:			
- Dongfeng Peugeot Citroën Automobile Finance Company	12	-	-
- Faurecia group companies	3	-	3
- Stafim	-	-	5
- Gefco China	-	2	-
Buyout of minority interests in Dongfeng Peugeot Citroën Automobile	-	-	79
Capital increase	1	-	-
Disposals	(3)	-	(20)
Translation adjustment	(23)	39	(8)
At December 31	596	596	614

15.2. Share in net assets

<i>(in millions of euros)</i>	Latest % interest	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Renault cooperation agreement				
Française de Mécanique	50%	49	58	68
Société de Transmissions Automatiques	20%	3	3	3
Fiat cooperation agreement				
Sevelnord	50%	62	62	63
Giesevel	50%	15	12	11
Sevelind	50%	16	6	(19)
Sevel SpA	50%	86	107	111
Toyota cooperation agreement				
Toyota Peugeot Citroën Automobiles	50%	118	113	142
Dongfeng cooperation agreement				
Dongfeng Peugeot Citroën Automobile	50%	185	190	194
Dongfeng Peugeot Citroën Automobile Finance Company	25%	12	-	-
Other				
Siemens Automotiv Hydraulics	5%	-	2	3
Stafim	34%	7	6	5
Gefco Tunisia	50%	-	-	-
Gefco China	50%	3	2	-
Faurecia group companies		40	35	33
Total		596	596	614

15.3. Share in net earnings

<i>(in millions of euros)</i>	Latest % interest	2006	2005	2004
Renault cooperation agreement				
Française de Mécanique	50%	(9)	(10)	(4)
Société de Transmissions Automatiques	20%	-	-	-
Fiat cooperation agreement				
Sevelnord	50%	-	(1)	16
Giesevel	50%	3	1	3
Sevelind	50%	10	25	22
Sevel SpA	50%	(21)	(4)	5
Toyota cooperation agreement				
Toyota Peugeot Citroën Automobiles	50%	13	(34)	(11)
Dongfeng cooperation agreement				
Dongfeng Peugeot Citroën Automobile	50%	11	(38)	(26)
Dongfeng Peugeot Citroën Automobile Finance Company	25%	-	-	-
Other				
Siemens Automotiv Hydraulics	5%	1	(1)	-
Stafim	34%	1	1	1
Gefco Tunisia	50%	-	-	-
Gefco China	50%	-	-	-
Faurecia group companies		4	6	7
Total		13	(55)	13

15.4. Key financial data

A. Aggregate data

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Capital employed			
Property, plant and equipment	1,531	1,500	1,160
Working capital	(28)	(42)	287
Other capital employed ⁽¹⁾	40	3	(4)
Total	1,543	1,461	1,443
Capital expenditure	408	365	233
Net financial position			
Long and medium term debt	(625)	(644)	(592)
Other financial items	(322)	(221)	(237)
Total	(947)	(865)	(829)

(1) The main balance sheet items included in other capital employed at December 31, 2006 relate to provisions (€89 million), intangible assets (€84 million), and deferred tax assets net of deferred tax liabilities (€26 million, of which €22 million concern Toyota Peugeot Citroën Automobiles).

B. Key financial data by company

(a) Total capital employed

<i>(in millions of euros)</i>	Latest % interest	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Renault cooperation agreement				
Française de Mécanique	50%	141	153	182
Société de Transmissions Automatiques	20%	9	8	9
Fiat cooperation agreement				
Sevelnord	50%	164	144	121
Giesevel	50%	25	32	37
Sevelind	50%	14	29	34
Sevel SpA	50%	366	237	200
Toyota cooperation agreement				
Toyota Peugeot Citroën Automobiles	50%	234	294	311
Dongfeng cooperation agreement				
Dongfeng Peugeot Citroën Automobile	50%	525	490	475
Dongfeng Peugeot Citroën Automobile Finance Company	25%	12	-	-
Other				
Siemens Automotiv Hydraulics	5%	-	5	6
Stafim	34%	-	(2)	(1)
Gefco Tunisia	50%	-	-	-
Gefco China	50%	2	2	-
Faurecia group companies		51	69	69
Total		1,543	1,461	1,443

(b) Net financial position

<i>(in millions of euros)</i>	Latest % interest	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Renault cooperation agreement				
Française de Mécanique	50%	(92)	(95)	(114)
Société de Transmissions Automatiques	20%	(6)	(5)	(6)
Fiat cooperation agreement				
Sevelnord	50%	(102)	(82)	(58)
Giesevel	50%	(10)	(20)	(26)
Sevelind	50%	2	(23)	(53)
Sevel SpA	50%	(280)	(131)	(90)
Toyota cooperation agreement				
Toyota Peugeot Citroën Automobiles	50%	(116)	(181)	(169)
Dongfeng cooperation agreement				
Dongfeng Peugeot Citroën Automobile	50%	(340)	(300)	(280)
Dongfeng Peugeot Citroën Automobile Finance Company	25%	-	-	-
Other				
Siemens Automotiv Hydraulics	5%	-	(3)	(3)
Stafim	34%	7	8	6
Gefco Tunisia	50%	-	-	-
Gefco China	50%	1	1	-
Faurecia group companies		(11)	(34)	(36)
Total		(947)	(865)	(829)

Note 16 ■ 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).

16.1. Analysis by company

<i>(in millions of euros)</i>	Latest % interest	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Football Club de Sochaux Montbéliard	100%	14	14	14
Peugeot Citroën Automotiv China	100%	2	-	-
Peugeot Automobile Nigeria	40%	8	8	8
Peugeot Rus Avto (consolidated as from January 1, 2005)		-	-	5
Non-consolidated dealers		12	13	14
Gefco Hong Kong	100%	2	-	-
Jinan Qingqi Peugeot Motorcycles Co Ltd	50%	7	-	-
Faurecia group portfolio		1	2	1
Other		7	9	24
Total		53	46	66

16.2. Movements for the year

<i>(in millions of euros)</i>	2006	2005	2004
Cost			
At January 1	88	109	119
Acquisitions	31	2	13
Disposals	(1)	(4)	(5)
Change in scope of consolidation and other	(40)	(19)	(17)
Translation adjustment	-	-	(1)
At December 31	78	88	109
Allowances			
At January 1	(42)	(43)	(43)
Charges	(6)	(1)	(3)
Disposals	1	3	2
Change in scope of consolidation and other	22	-	1
Translation adjustment	-	(1)	-
At December 31	(25)	(42)	(43)
Carrying amount at January 1	46	66	76
Carrying amount at December 31	53	46	66

Note 17 . 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, (c1) for investments classified as available for sale, (c2) for investments accounted for using the fair value option, and note 1.14.D for derivatives.

<i>(in millions of euros)</i>	Loans and receivables	Investments		Derivative instruments	Total
		Classified as "available for sale"	"Accounted for using the fair value option"		
2006					
Cost					
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

The book value of available-for-sale securities includes an unrealized gain of €221 million at December 31, 2006 (€172 million at January 1, 2006).

⁽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.

2005	Investments				Total
	Loans and receivables	Classified as "available for sale"	"Accounted for using the fair value option"	Derivative instruments	
<i>(in millions of euros)</i>					
Cost					
At January 1	237	204	1,699	322	2,462
Purchases/additions	21	5	435	-	461
Disposals	(13)	-	(25)	-	(38)
Remeasurement	-	54	(71)	88	71
Transfers to current financial assets ⁽¹⁾	(18)	-	(863)	-	(881)
Translation adjustment and changes in scope of consolidation	(7)	-	(1)	-	(8)
At December 31	220	263	1,174	410	2,067
Allowances					
At January 1	(84)	-	-	-	(84)
Net charge for the year	3	-	-	-	3
At December 31	(81)	-	-	-	(81)
Carrying amount at January 1	153	204	1,699	322	2,378
Carrying amount at December 31	139	263	1,174	410	1,986

The book value of available-for-sale securities includes an unrealized gain of €172 million at December 31, 2005 (€117 million at January 1, 2005).

(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, 2005.

2004	Investments				Total
	Loans and receivables	Classified as "available for sale"	"Accounted for using the fair value option"	Derivative instruments	
<i>(in millions of euros)</i>					
Cost					
At January 1	234	191	408	183	1,016
Purchases/additions	27	1	1,344	-	1,372
Disposals	(9)	-	(54)	-	(63)
Remeasurement	-	12	1	139	152
Transfers to current financial assets	(15)	-	-	-	(15)
Translation adjustment and changes in scope of consolidation	-	-	-	-	-
At December 31	237	204	1,699	322	2,462
Allowances					
At January 1	(82)	-	-	-	(82)
Net charge for the year	(2)	-	-	-	(2)
At December 31	(84)	-	-	-	(84)
Carrying amount at January 1	152	191	408	183	934
Carrying amount at December 31	153	204	1,699	322	2,378

Note 18 ■ Other non-current assets

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Excess of payments to external funds over pension obligations (note 28)	3	3	7
Guarantee deposits and other	94	92	91
Total	97	95	98

Note 19 ■ Loans and receivables - finance companies

The recognition and measurement principles for loans and receivables relating to finance companies are defined in note 1.14.B (d).

19.1. Analysis

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Retail and lease finance receivables	19,460	18,840	17,782
Wholesale finance receivables	5,740	5,582	5,458
Other customer loans	116	115	83
Remeasurement at fair value of the hedged portion of finance receivables	(97)	(19)	44
Total	25,219	24,518	23,367
Deferred revenues	(1,990)	(1,790)	(1,791)
Allowances for credit losses	(300)	(277)	(277)
Allowances for sound loans	(50)	(51)	(56)
Total	22,879	22,400	21,243
Eliminations	(176)	(162)	(199)
Total	22,703	22,238	21,044

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 €2,311 million in securitized finance receivables that are still carried on the balance sheet at the year-end (€1,655 million at December 31, 2005 and €2,416 million at December 31,

2004). The Banque PSA Finance group carried out several securitization transactions through the Auto ABS umbrella fund that was set up in June 2001.

The compartments of the fund qualify as special purpose entities and are fully consolidated as the revenues attributable to the subsidiaries of the Banque PSA Finance group represent substantially all of the risks (essentially the credit risk) and rewards of ownership (the operating margin generated by the special purpose entities).

Liabilities corresponding to securities issued by securitization funds are shown in note 31.

19.2. Financing costs borne by the Automobile Division

The Automobile Division bears the financing costs on the following amounts due by its dealer networks, which have been transferred to the Group finance companies:

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
	3,318	3,345	3,198

The corresponding financing costs are included in "Cost of goods and services sold" in the accounts of the manufacturing and sales companies, as follows:

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
	(182)	(149)	(132)

19.3. Maturities of finance receivables

Dec. 31, 2006				Subsequent	
<i>(in millions of euros)</i>	2007	2008	2009	years	Total
Retail and lease finance receivables	7,884	5,375	3,784	2,417	19,460
Wholesale finance receivables	5,740	-	-	-	5,740
Other customer loans	116				116
Total	13,740	5,375	3,784	2,417	25,316

Dec. 31, 2005				Subsequent	
<i>(in millions of euros)</i>	2006	2007	2008	years	Total
Retail and lease finance receivables	7,603	4,923	3,862	2,452	18,840
Wholesale finance receivables	5,582	-	-	-	5,582
Other customer loans	115	-	-	-	115
Total	13,300	4,923	3,862	2,452	24,537

Dec. 31, 2004				Subsequent	
<i>(in millions of euros)</i>	2005	2006	2007	years	Total
Retail and lease finance receivables	6,554	5,975	2,927	2,326	17,782
Wholesale finance receivables	5,405	26	15	12	5,458
Other customer loans	83	-	-	-	83
Total	12,042	6,001	2,942	2,338	23,323

19.4. Allowances for credit losses

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Retail and lease finance receivables			
Doubtful receivables - gross	480	429	393
Allowances	(287)	(264)	(264)
Net	193	165	129
Wholesale finance receivables			
Doubtful receivables - gross	34	21	23
Allowances	(13)	(13)	(13)
Net	21	8	10
All finance receivables			
Doubtful receivables - gross	514	450	416
Allowances	(300)	(277)	(277)
Net	214	173	139
Additions	(77)	(71)	(101)
Releases	54	71	67

Note 20 ■ 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).

This item includes standby reserves held by the Banque PSA Finance group in connection with its financing strategy. The reserves are invested in mutual funds and money market securities.

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Banque PSA Finance standby reserves	2,352	2,262	2,260
Other	466	447	457
Total	2,818	2,709	2,717

Note 21 ■ Inventories

	Dec. 31, 2006			Dec. 31, 2005			Dec. 31, 2004		
<i>(in millions of euros)</i>	Cost	Allowance	Net	Cost	Allowance	Net	Cost	Allowance	Net
Raw materials and supplies	936	(158)	778	876	(142)	734	883	(146)	737
Semi-finished products and work-in-progress	793	(47)	746	752	(34)	718	821	(55)	766
Goods for resale and used vehicles	1,476	(137)	1,339	1,401	(121)	1,280	1,378	(116)	1,262
Finished products and replacement parts	4,123	(160)	3,963	4,315	(158)	4,157	3,943	(162)	3,781
Total	7,328	(502)	6,826	7,344	(455)	6,889	7,025	(479)	6,546

Changes in inventories are analyzed in note 33.

Note 22 ■ Trade receivables - manufacturing and sales companies

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Trade receivables	3,172	3,218	3,412
Allowances	(129)	(121)	(116)
Total - manufacturing and sales companies	3,043	3,097	3,296
Elimination of transactions with the finance companies	(193)	(166)	(242)
Total	2,850	2,931	3,054

Changes in this item are analyzed in note 33.

This item does not include receivables from dealers transferred to the finance companies, which are reported in the consolidated balance sheet under "Loans and receivables - finance companies" (note 19.2).

In December 2002, Faurecia entered into an agreement to sell commercial 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 December 2007. Outstanding receivables sold under this agreement and still carried on the balance sheet amount to €188 million at December 31, 2006 (€148 million at December 31, 2005). The subordinated deposit recognized as a deduction of Faurecia's financial debt totaled €79 million at December 31, 2006 (€86 million at December 31, 2005).

Note 23 ■ Other receivables

23.1. Manufacturing and sales companies

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Prepaid and recoverable taxes other than income tax	1,038	1,017	981
Employee-related receivables	103	128	135
Due from suppliers	194	177	132
Derivative instruments ⁽¹⁾	13	29	114
Prepaid expenses	82	86	92
Miscellaneous other receivables	289	257	302
Total	1,719	1,694	1,756

(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 35, "Management of market risks".

23.2. Finance companies

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Prepaid and recoverable taxes other than income tax	32	75	70
Derivative instruments ⁽¹⁾	236	194	238
Prepaid expenses	87	156	168
Miscellaneous other receivables	262	217	179
Total	617	642	655

(1) This item mainly 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 35, "Management of market risks".

Note 24 ■ 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, (c1) for investments classified as available for sale, (c2) for investments accounted for using the fair value option, and note 1.14.D for derivatives.

2006		Investments classified as "available for sale"	Investments "accounted for using the fair value option"	Derivative instruments	Total
<i>(in millions of euros)</i>	Loans				
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 ⁽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.

2005		Investments classified as "available for sale"	Investments "accounted for using the fair value option"	Derivative instruments	Total
<i>(in millions of euros)</i>	Loans				
At January 1	240	103	358	11	712
Purchases/additions	18	-	149	-	167
Disposals	(94)	(39)	(405)	-	(538)
Remeasurement at fair value	-	(23)	6	16	(1)
Transfers ⁽¹⁾	18	-	863	-	881
Translation adjustment and changes in scope of consolidation	(6)	-	-	(1)	(7)
At December 31	176	41	971	26	1,214

(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, 2005.

2004		Investments classified as "available for sale"	Investments "accounted for using the fair value option"	Derivative instruments	Total
<i>(in millions of euros)</i>	Loans				
At January 1	301	346	655	8	1,310
Purchases/additions	241	-	-	-	241
Disposals	(314)	(256)	(294)	-	(864)
Remeasurement at fair value	-	13	(3)	3	13
Transfers	12	-	-	-	12
Translation adjustment and changes in scope of consolidation	-	-	-	-	-
At December 31	240	103	358	11	712

Note 25 ■ Cash and cash equivalents

Cash and cash equivalents are defined in note 1.14.B (e) and include:

25.1. Manufacturing and sales companies

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Mutual fund units and money market securities	5,197	5,164	4,363
Cash and current account balances	1,142	1,187	795
Total - manufacturing and sales companies	6,339	6,351	5,158
<i>Of which deposits with finance companies</i>	<i>(292)</i>	<i>(230)</i>	<i>(205)</i>
Total	6,047	6,121	4,953

25.2. Finance companies

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Due from credit institutions	578	625	530
Central bank current account balances and items received for collection	42	10	80
Total	620	635	610

Note 26 ■ Equity

26.1. Share capital

In accordance with the authorizations granted by the Shareholders' Meeting of May 25, 2005, the Managing Board of Peugeot S.A. held on November 17, 2005 decided to cancel 8,490,880 shares.

At December 31, 2006, the Group's share capital amounted to €234,618,266, represented by 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).

26.2. 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:

	2006 Plan	2005 Plan	2004 Plan	2003 Plan	2002 Plan	2001 Plan	2000 Plan	1999 Plan
Date of Managing Board decision	08/23/06	08/23/05	08/24/04	08/21/03	08/20/02	11/20/01	10/05/00	03/31/99
Vesting date	08/23/09	08/23/08	08/24/07	08/21/06	08/20/05	11/20/04	10/05/02	03/31/01
Last exercise date	08/22/14	08/22/13	08/23/12	08/20/11	08/20/09	11/19/08	10/04/08	03/31/07
Number of initial grantees	92	169	182	184	178	147	154	97
Exercise price (in euros)	41.14	52.37	47.59	39.09	46.28	46.86	35.46	20.83
Number of options granted	983,500	953,000	1,004,000	996,500	860,100	798,600	709,200	462,900

B. Changes in the number of options outstanding

Changes in the number of options outstanding under these plans (exercisable for €1 par value shares) are shown below:

<i>(number of options)</i>	2006	2005	2004
Total at January 1	5,274,725	4,615,753	3,763,200
Options distributed	983,500	953,000	1,004,000
Options exercised	(178,218)	(257,028)	(151,447)
Options cancelled	(2,000)	(37,000)	-
Total at December 31	6,078,007	5,274,725	4,615,753
Of which options exercisable	3,146,507	2,334,225	1,755,153

Options outstanding at year-end are as follows:

<i>(number of options)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
1999 Plan	114,930	144,247	272,415
2000 Plan	463,077	561,978	684,138
2001 Plan	726,900	776,900	798,600
2002 Plan	849,100	851,100	860,100
2003 Plan	992,500	992,500	996,500
2004 Plan	995,000	995,000	1,004,000
2005 Plan	953,000	953,000	-
2006 Plan	983,500	-	-

C. Average weighted value of options and underlying shares

	2006	
<i>(in euros)</i>	Exercise price	Share price
Value at January 1	44.5	
Options distributed	41.1	41.7
Options exercised	36.3	49.9
Options cancelled	46.3	48.0
Value at December 31	44.2	

D. Valuation

In accordance with the principles described in note 1.19, stock options granted after November 7, 2002 have been valued as follows:

<i>(in millions of euros)</i>	2006 Plan	2005 Plan	2004 Plan	2003 Plan	2002 Plan	Total
Valuation at grant date						
Peugeot S.A.	9	9	14	12	-	44
Faurecia	3	4	5	-	4	16
Total	12	13	19	12	4	60
Charge for 2006						
Peugeot S.A.	1	3	5	3	-	12
Faurecia	-	1	-	-	1	2
Total	1	4	5	3	1	14
Assumptions						
Peugeot S.A.						
Share price at the grant date (in euros)	42.92	51.80	48.70	41.60	-	-
Volatility	27%	25%	39%	39%	-	-
Interest rate (zero coupon bonds)	3.75%	2.76%	3.12%	3.12%	-	-
Exercise price (in euros)	41.14	52.37	47.59	39.09	-	-
Life of the options ⁽¹⁾	4	4	4	4	-	-
Dividend payout rate	3.15%	2.75%	2.75%	2.75%	-	-
Faurecia						
Share price at the grant date (in euros)	53.15	62.05	58.45	-	41.82	-
Volatility	30%	40%	40%	-	40%	-
Interest rate (zero coupon bonds)	3.50%	2.93%	3.33%	-	3.57%	-
Exercise price (in euros)	53.80	63.70	58.18	-	41.71	-
Life of the options ⁽¹⁾	4	4	4	-	4	-
Dividend payout rate	1.50%	2.00%	2.00%	-	2.00%	-

⁽¹⁾ Tax lock-up period.

26.3. Treasury stock

Transactions under shareholder-approved buyback programs are analyzed as follows:

A. Number of shares held

(number of shares)	Authorizations	Transactions		
		2006	2005	2004
At January 1		5,612,693	10,230,439	4,086,884
Share buybacks				
AGM of May 28, 2003	25,000,000	-	-	1,615,000
AGM of May 26, 2004	24,000,000	-	2,957,895	4,680,002
AGM of May 25, 2005	24,000,000	-	1,172,267	-
AGM of May 24, 2006	23,000,000	1,100,000	-	-
Share cancellations				
AGM of May 25, 2005	10% of capital	-	(8,490,880)	-
Share sales				
On exercise of stock options		(178,218)	(257,028)	(151,447)
At December 31		6,534,475	5,612,693	10,230,439
Shares held for allocation on exercise of stock options		6,078,007	5,274,725	4,615,753
Shares held for cancellation		456,468	337,968	5,614,686

B. Change in value

(in millions of euros)	2006	2005	2004
At January 1	(220)	(431)	(149)
Acquired	(45)	(198)	(287)
Cancelled	-	401	-
Exercised	4	8	5
At December 31	(261)	(220)	(431)

26.4. Retained earnings and other accumulated equity, excluding minority interests

This item can be analyzed as follows:

(in millions of euros)	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Peugeot S.A. legal reserve	28	28	28
Other Peugeot S.A. statutory reserves and retained earnings	6,689	6,250	6,051
Retained earnings and other accumulated equity of consolidated companies, excluding minority interests	6,983	7,571	7,227
Total	13,700	13,849	13,306

Other Peugeot S.A. statutory reserves and retained earnings are as follows:

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Reserves available for distribution			
Tax-exempt	5,621	5,182	2,033
Subject to exit tax ⁽¹⁾	-	-	200
Subject to payment of additional tax ⁽²⁾	1,068	1,068	1,068
Subject to payment of a 25% surtax ⁽³⁾	-	-	2,750
Total	6,689	6,250	6,051
Taxes payable on distributions (excluding the <i>précompte</i> equalization tax)	169	169	213

(1) As indicated in note 11.2.B, in 2005 an amount of €200 million was transferred from the special long-term capital gains reserve to an ordinary distributable reserve account, subject to payment of a 2.5% exit tax. A €5 million tax charge was recorded in the 2004 financial statements relating to Peugeot S.A.

(2) Corresponding to the portion of the long-term capital gains reserve that the Group has decided not to transfer to an ordinary reserve account before December 31, 2006, that remains subject to an additional tax liability.

*(3) In the 2004 Finance Act, the *précompte* equalization tax provided for in Article 223 sexies of the French Tax Code was abolished and a temporary 25% surtax was introduced on dividends paid in 2005 (the surtax is deductible in three equal installments from income taxes payable in the next three years).*

26.5. Minority interests

Minority interests essentially concern shareholders of Faurecia and of some of its subsidiaries.

Note 27 ■ Current and non-current provisions

27.1. Non-current provisions

A. Analysis by type

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Pensions (note 28.1)	1,063	1,106	1,235
Early-termination plan	152	233	345
Other employee benefit obligations	126	143	128
End-of-life vehicles	59	55	53
Other	6	7	8
Total	1,406	1,544	1,769

B. Movements for the year

<i>(in millions of euros)</i>	2006	2005	2004
At January 1	1,544	1,769	2,020
Movements taken to profit or loss			
Charges	121	152	168
Releases (utilizations)	(227)	(244)	(413)
Releases (surplus provisions)	(37)	(150)	(6)
	(143)	(242)	(251)
Other movements			
Translation adjustment	7	23	(1)
Change in scope of consolidation and other	(2)	(6)	1
At December 31	1,406	1,544	1,769

Provisions released in 2005 – mainly relating to pensions and other post-employment benefits – reflect the impact of the operations described in note 28.1.F. In 2006, they include the impact of the discontinuation of production at the Ryton site for €14 million (note 8.5).

27.2. Current provisions

A. Analysis by type

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Warranties ⁽¹⁾	1,093	1,073	896
Claims and litigation	103	98	105
Restructuring plans	265	93	67
Long-term contract losses	16	29	26
Sales subject to a buyback commitment	26	32	18
Other	282	310	285
Total	1,785	1,635	1,397

(1) The provision for warranty cost mainly concerns sales of new vehicle, where the contractual obligations generally cover two years. The provision for warranty costs corresponds to the expected cost of warranty claims. The amount expected to be recovered from suppliers is recognized as an asset, under "Miscellaneous other receivables" (see note 23).

B. Movements for the year

<i>(in millions of euros)</i>	2006	2005	2004
At January 1	1,635	1,397	1,386
Movements taken to profit or loss			
Charges	683	719	397
Releases (utilizations)	(460)	(436)	(329)
Releases (surplus provisions)	(51)	(63)	(60)
	172	220	8
Other movements			
Translation adjustment	(6)	21	(1)
Change in scope of consolidation and other	(16)	(3)	4
At December 31	1,785	1,635	1,397

Note 28 ■ Pensions and other post-employment benefits

28.1. 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. The payments made under defined contribution plans are in full discharge of the Group's liability and are recognized as an expense for the year. 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 executive 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 last salary (300 serving employees and 2,700 beneficiaries), and the pension plan set up by the former subsidiary of the Chrysler group in France (Talbot), which was closed in 1981 and covers 4,000 serving employees and 14,900 beneficiaries at end-2006. Members of management bodies who have sat on the Managing Board, Executive Committee or other senior management body for more than five years are also entitled

to supplementary pension benefits, providing that they end their career with the Group. This plan guarantees a defined level of pension benefit for all plans (statutory and supplementary) equal to 50% of a benchmark salary, taken as the three highest annual salaries received over the last five years of employment. Under this plan, benefits may be paid over to the employee's spouse.

Four defined benefit plans are managed in the United Kingdom as part of trusts. These plans are not open to employees recruited after May 2002. At December 31, 2006, 26,000 people were eligible for these plans: 2,000 serving employees, 13,000 former employees and 11,000 other beneficiaries. The plans guarantee a defined level of pension benefit representing up to 66% of the employee's last salary.

B. Assumptions

The assumptions used to calculate the Group's projected benefit obligation are as follows for the last three years:

	Euro zone	United Kingdom
Discount rate		
2006	4.50%	5.10%
2005	4.00%	5.00%
2004	4.50%	5.00%
Inflation rate		
2006	2.00%	2.80%
2005	2.00%	2.50%
2004	2.00%	2.25%
Expected return on external funds ⁽¹⁾		
2006	6.00%	7.00%
2005	6.00%	7.00%
2004	6.00%	7.00%

(1) Normative rate used to calculate the pension expenses for the years presented.

The assumptions regarding future salary increases take into account inflation and forecast pay rises in each country. The assumption for French plans is an increase in inflation plus 0.9% in 2007, and inflation plus 0.5% for subsequent years. The assumption for UK plans is based on an increase in 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 4.1% for UK plans.

The expected return is estimated based on asset allocation, the period remaining before the benefits become payable and experience-based yield projections that take into account discount rate assumptions.

C. External funds

External funds intended to cover these obligations break down as follows:

	Dec. 31, 2006		Dec. 31, 2005		Dec. 31, 2004	
	Equities	Bonds	Equities	Bonds	Equities	Bonds
France	37%	63%	30%	70%	16%	84%
United Kingdom	65%	35%	65%	35%	63%	37%

The actual return on external funds in 2006 was 6.5% for French plans and 8% for UK plans.

At December 31, 2006, the PSA Peugeot Citroën Group had not decided the amount of contributions to be made to external funds in 2007 on top of the Minimum Funding Requirement existing in the United Kingdom, in respect of which the Group will have to pay €58 million in 2007.

D. Reconciliation of pension assets and liabilities shown in the balance sheet

	Dec. 31, 2006				Dec. 31, 2005				Dec. 31, 2004			
(in millions of euros)	France	United Kingdom	Other	Total	France	United Kingdom	Other	Total	France	United Kingdom	Other	Total
Present value of projected benefit obligation	(1,838)	(1,891)	(503)	(4,232)	(1,821)	(1,785)	(529)	(4,135)	(1,882)	(1,543)	(451)	(3,876)
Fair value of external funds	1,509	1,474	229	3,212	1,502	1,319	216	3,037	1,502	1,084	195	2,781
Funding surplus or (shortfall)	(329)	(417)	(274)	(1,020)	(319)	(466)	(313)	(1,098)	(380)	(459)	(256)	(1,095)
Unrecognized net actuarial (gains) and losses	54	(113)	19	(40)	48	(125)	72	(5)	(1)	(153)	21	(133)
Net (provision) asset recognized	(275)	(530)	(255)	(1,060)	(271)	(591)	(241)	(1,103)	(381)	(612)	(235)	(1,228)
o/w provisions	(276)	(530)	(257)	(1,063)	(272)	(591)	(243)	(1,106)	(385)	(612)	(238)	(1,235)
o/w assets	1	-	2	3	1	-	2	3	4	-	3	7

At December 31, 2006, pension obligations under unfunded plans represent 2% of the Group's total pension obligations.

The present value of the projected benefit obligation of French companies reflects commitments entered into with members of the managing bodies (described in note 41), in an amount of €33 million.

The 2007 social security law forbids forced retirement before the age of 65 with effect from 2010. Between 2010 and 2014, companies having concluded labor agreements under the terms of the "Fillon" law may negotiate retirements before the age of 65.

Taking account of the differences in calculation between early retirement and voluntary redundancy as well as the structure of the target population, the impact of the law will only be a €17 million increase in the obligation. This increase had not been recognized at December 31, 2006.

This increase in the obligation represents an actuarial loss and will be amortized as from 2007 over the remaining service lives of the beneficiaries in excess of the limits of the corridor method, in accordance with the Group's current policy for recognizing actuarial gains and losses.

E. Movement for the year

	2006				2005				2004			
(in millions of 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	(1,821)	(1,785)	(529)	(4,135)	(1,882)	(1,543)	(451)	(3,876)	(1,808)	(1,586)	(413)	(3,807)
Service cost	(48)	(33)	(17)	(98)	(45)	(33)	(13)	(91)	(41)	(42)	(12)	(95)
Interest cost	(74)	(90)	(22)	(186)	(84)	(81)	(22)	(187)	(82)	(83)	(19)	(184)
Benefit payments for the year	139	59	22	220	124	47	15	186	74	42	17	133
Actuarial gains and (losses):												
- amount	(42)	(18)	40	(20)	20	(130)	(44)	(154)	(38)	127	(25)	64
- as a % of projected benefit obligation	2.3%	1.0%	7.6%	0.5%	1.1%	8.4%	9.8%	4.0%	2.1%	8.0%	6.1%	1.7%
Translation adjustment	-	(37)	9	(28)	-	(44)	(5)	(49)	-	(1)	3	2
Effect of changes in scope of consolidation and other	-	-	(20)	(20)	2	-	-	2	3	-	(2)	1
Effect of curtailments and settlements	8	13	14	35	44	(1)	(9)	34	10	-	-	10
At December 31	(1,838)	(1,891)	(503)	(4,232)	(1,821)	(1,785)	(529)	(4,135)	(1,882)	(1,543)	(451)	(3,876)
External funds												
At January 1	1,502	1,319	216	3,037	1,502	1,084	195	2,781	1,240	972	183	2,395
Expected return on external funds	85	94	9	188	78	79	11	168	69	70	10	149
Actuarial gains and (losses):												
- amount	36	13	7	56	27	112	(3)	136	36	32	2	70
- as a % of assets	2.4%	1.0%	3.2%	1.8%	1.8%	10.3%	1.5%	4.9%	2.9%	3.3%	1.1%	2.9%
Translation adjustment	-	29	(8)	21	-	31	6	37	-	(5)	(1)	(6)
Employer contributions	15	78	15	108	17	60	11	88	219	57	8	284
Benefit payments for the year	(129)	(59)	(15)	(203)	(122)	(47)	(9)	(178)	(62)	(42)	(7)	(111)
Effect of changes in scope of consolidation and other	-	-	8	8	-	-	-	-	-	-	-	-
Effect of curtailments and settlements	-	-	(3)	(3)	-	-	5	5	-	-	-	-
At December 31	1,509	1,474	229	3,212	1,502	1,319	216	3,037	1,502	1,084	195	2,781
Deferred items												
At January 1	48	(125)	72	(5)	(1)	(153)	21	(133)	-	-	-	-
New deferred items	6	5	(47)	(36)	45	18	48	111	2	(159)	22	(135)
Amortization of deferred items	1	10	(3)	8	(2)	9	-	7	-	-	-	-
Translation adjustment and other	-	(4)	(3)	(7)	-	(5)	2	(3)	-	6	(1)	5
Effect of curtailments and settlements	(1)	1	-	-	6	6	1	13	(3)	-	-	(3)
At December 31	54	(113)	19	(40)	48	(125)	72	(5)	(1)	(153)	21	(133)

F. Pension expense recognized in the income statement

These expenses are recorded as follows:

- under "Selling, general and administrative expenses" for the service cost, amortization of deferred items, and the gain generated by the amendment to the insurance contract described below;
- under "Other income and (expenses), net" for the interest cost and the expected return on external funds.

Pension expense breaks down as follows:

	2006				2005				2004			
(in millions of euros)	France	United Kingdom	Other	Total	France	United Kingdom	Other	Total	France	United Kingdom	Other	Total
Service cost	(48)	(33)	(17)	(98)	(45)	(33)	(13)	(91)	(41)	(42)	(12)	(95)
Amortization of deferred items	1	10	(3)	8	(2)	9	-	7	-	-	-	-
Interest cost	(74)	(90)	(22)	(186)	(84)	(81)	(22)	(187)	(82)	(83)	(19)	(184)
Expected return on external funds	85	94	9	188	78	79	11	168	69	70	10	149
Amendment to AGF insurance contract ⁽¹⁾	-	-	-	-	92	-	-	92	-	-	-	-
Effect of curtailments and settlements ⁽²⁾	7	14	11	32	52	5	(3)	54	7	-	-	7
Total	(29)	(5)	(22)	(56)	91	(21)	(27)	43	(47)	(55)	(21)	(123)

(1) Pension obligations relating to former employees of Chrysler in France (Talbot) are covered by an insurance contract taken out with AGF. At December 31, 2004, the amount of the provisions raised under this contract were in excess of the pension obligation calculated in accordance with IAS 19. However, pursuant to the contract, these surplus funds could not be used.

Under the terms of a supplemental agreement signed in early 2005 between PSA Peugeot Citroën and AGF, these surplus funds have become available to pay pension benefits to employees on retirement. The surplus, for which the associated payment had been recognized in expenses in previous accounting periods, gave rise to a gain of €92 million in 2005.

(2) The defined benefit plan for executives (cadres) and "ETAM" status employees (administrative and technical supervisory staff) of certain companies in the Faurecia group in France has been abolished and a new supplementary pension scheme introduced for all Faurecia group executives in France. The new scheme comprises:

- a defined contribution plan for salary bands A and B, for which the contribution rate varies according to the seniority of the employee within Faurecia;
- a defined benefit plan for salary band C.

Executives over 53 years of age and with more than 10 years' service at December 31, 2005 and qualifying "ETAM" employees remain eligible for the previous pension plan. These adjustments lead to a significant curtailment and/or reduction in future pension entitlement. The fall in the pension liability (€17 million), together with the immediate recognition of the corresponding actuarial gains and losses (€23 million) gave rise to a gain of €40 million in 2005, which was posted to operating margin in accordance with IAS 19.

G. Projected 2007 benefit payments

Pension benefits payable in 2007 are estimated at €206 million.

28.2. Long-service awards

The Group estimates its liability for long-service awards payable to employees who fulfil certain seniority criteria. The calculations are performed using the same method and assumptions as for supplementary pension benefits and retirement bonuses (note 28.1.A). The estimated liability is provided for in full in the consolidated financial statements and amounts to:

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
French companies	46	44	39
Foreign companies	16	16	13
Total	62	60	52

28.3. Healthcare benefits

In addition to the retirement 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 and amounts to:

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
	28	31	25

Note 29 ■ 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.

<i>(in millions of euros)</i>	Dec. 31, 2006		Dec. 31, 2005		Dec. 31, 2004	
	At amortized cost or fair value		At amortized cost or fair value		At amortized cost or fair value	
	Non-current	Current	Non-current	Current	Non-current	Current
Bonds	2,573	-	2,719	144	2,486	-
Employee profit-sharing fund	73	41	108	30	131	20
Finance lease liabilities	318	48	230	49	253	27
Other long-term debt	1,147	283	752	70	920	73
Other short-term financing and overdraft facilities	-	4,024	-	4,858	-	2,754
Derivative instruments	14	4	17	15	1	29
Total financial liabilities	4,125	4,400	3,826	5,166	3,791	2,903

29.1. Non-current financial liabilities

<i>(in millions of euros)</i>	Dec. 31, 2006	Nominal amount	Maturities (nominal amount)	
	At amortized cost or fair value		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	-	-	-

<i>(in millions of euros)</i>	Dec. 31, 2005	Nominal amount	Maturities (nominal amount)	
	At amortized cost or fair value		1 to 5 years	Beyond 5 years
Bonds	2,719	2,392	300	2,092
Long-term employee profit-sharing fund	108	108	108	-
Long-term finance lease liabilities	230	230	150	80
Other long-term debt	752	745	598	147
Derivative instruments ⁽¹⁾	17	-	-	-
Total non-current financial liabilities	3,826	-	-	-

<i>(in millions of euros)</i>	Dec. 31, 2004	Nominal amount	Maturities (nominal amount)	
	At amortized cost or fair value		1 to 5 years	Beyond 5 years
Bonds	2,486	2,160	69	2,091
Long-term employee profit-sharing fund	131	131	126	5
Long-term finance lease liabilities	253	253	212	41
Other long-term debt	920	925	791	134
Derivative instruments ⁽¹⁾	1	-	-	-
Total non-current financial liabilities	3,791	-	-	-

(1) Maturities and notional amounts of derivative instruments are provided in note 35.

29.2. Characteristics of bonds and other borrowings

(in millions of euros)	Dec. 31, 2006		Issuing currency	Due	Effective interest rate	Hedging rate
	Non-current	Current				
GIE PSA Trésorerie						
2001 bond issue	1,590	-	EUR	2011	5.88%	Eonia + 7 bp
2003 bond issue	683	-	EUR	2033	6.00%	Eonia + 9,8 bp
Faurecia						
2005 bond issue ⁽¹⁾	300	-	EUR	2010	3.63%	3.63%
Total	2,573	-				
Peugeot Citroën Automobiles						
BEI loan – GBP 73 million	119	-	GBP	2009	Libor 3M	Eonia + 9.25 bp
BEI loan – GBP 120 million	-	178	GBP	2007	6.14%	Eonia + 6 bp
BEI loan – €125 million	125	-	EUR	2011	Euribor 3M	Eonia + 8.95 bp
FDES zero coupon debt	24	-	EUR	2020		
Other borrowings	38	-				
Faurecia						
Syndicated loan	700	-	EUR	2009	Euribor 1M + 3.75 bp	3.08%
Confirmed credit line	-	40	EUR	2007	Euribor 1M + 3.5 bp	3.08%
Confirmed credit line	-	18	USD	2007	Libor 3/6/9M + 8 bp	4.40%
Other borrowings	25	16	EUR/USD	>2011	Variable/Fixed	Variable/Fixed
Peugeot Citroën do Brasil Automoveis	51	27	BRL	2009	Variable	Variable
Other companies	65	4				
Total	1,147	283				

(1) This contract contains covenants based on financial ratios. At December 31, 2006, the Group complied with all of these ratios.

29.3. Characteristics of other short-term financing and overdraft facilities

(in millions of euros)	Issuing currency	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Commercial paper	EUR	484	850	850
Short-term loans	N/A	689	1,225	1,203
Bank overdrafts	N/A	820	720	701
Payments issued ⁽¹⁾	N/A	2,031	2,063	-
Total		4,024	4,858	2,754

(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.

29.4. Finance lease liabilities

The present value of future payments under finance leases reported in “Other borrowings” is analyzed as follows by maturity:

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
2005	-	-	27
2006	-	68	57
2007	94	59	48
2008	82	54	33
2009	83	50	33
2010	76	49	-
Subsequent years	83	30	117
	418	310	315
Less interest portion	(52)	(31)	(35)
Present value of future lease payments	366	279	280

Note 30 ■ Other non-current liabilities

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Liabilities related to vehicles subject to a buyback commitment	2,743	2,335	2,262
Other	16	19	24
Total	2,759	2,354	2,286

Note 31 ■ Financing liabilities – finance companies

Financing liabilities are accounted for as described in note 1.14.C.

31.1. Analysis by type

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Securities issued by securitization funds (note 19)	2,537	1,846	2,714
Other bond debt	413	91	91
Other debt securities	12,996	12,876	11,685
Bank borrowings	6,895	7,778	7,150
	22,841	22,591	21,640
Customer deposits	495	396	430
	23,336	22,987	22,070
<i>Amounts due to Group manufacturing and sales companies</i>	<i>(292)</i>	<i>(230)</i>	<i>(205)</i>
Total	23,044	22,757	21,865

31.2. Analysis by maturity

Dec. 31, 2006 <i>(in millions of euros)</i>	Securities issued by securitization 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	1,616	-	5,864	2,475	9,955
Beyond 5 years	284	413	66	-	763
Total	2,537	413	12,996	6,895	22,841

Dec. 31, 2005 <i>(in millions of euros)</i>	Securities issued by securitization funds	Other bond debt	Other debt securities	Bank borrowings	Total
Less than 3 months	167	-	3,523	4,267	7,957
3 months to 1 year	476	91	2,670	1,536	4,773
1 to 5 years	1,203	-	6,574	1,975	9,752
Beyond 5 years	-	-	109	-	109
Total	1,846	91	12,876	7,778	22,591

Dec. 31, 2004 <i>(in millions of euros)</i>	Securities issued by securitization funds	Other bond debt	Other debt securities	Bank borrowings	Total
Less than 3 months	242	-	4,140	3,937	8,319
3 months to 1 year	640	-	2,090	994	3,724
1 to 5 years	1,832	91	5,155	1,994	9,072
Beyond 5 years	-	-	300	225	525
Total	2,714	91	11,685	7,150	21,640

31.3. Analysis by repayment currency

All bonds and securities issued by securitization funds are repayable in euros. Other debt can be analyzed as follows by repayment currency:

	Dec. 31, 2006		Dec. 31, 2005		Dec. 31, 2004	
<i>(in millions of euros)</i>	Other debt securities	Bank borrowings	Other debt securities	Bank borrowings	Other debt securities	Bank borrowings
EUR	12,495	6,022	12,335	6,192	11,053	5,796
GBP	246	385	277	1,210	234	1,151
USD	-	-	17	-	162	-
JPY	168	-	161	-	175	-
BRL	40	256	24	190	2	78
CHF	-	47	-	50	-	49
CZK	47	85	62	74	59	52
Other	-	100	-	62	-	24
Total	12,996	6,895	12,876	7,778	11,685	7,150

Note 32 ■ Other payables

32.1. Manufacturing and sales companies

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Taxes payable (other than income taxes)	934	938	942
Personnel costs	996	1,063	1,045
Payroll taxes	590	608	545
Payable on fixed assets purchases	426	529	639
Customer prepayments	370	370	345
Derivative instruments ⁽¹⁾	2	7	16
Deferred income	335	320	282
Miscellaneous other payables	422	320	254
Total	4,075	4,155	4,068

(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 35, "Management of market risks."

32.2. Finance companies

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Personnel costs and payroll taxes	52	73	76
Derivative instruments ⁽¹⁾	211	175	285
Deferred income and accrued expenses – Finance companies	313	382	356
Miscellaneous other payables	271	214	275
Total	847	844	992

(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 35, "Management of market risks."

Note 33 ■ Notes to the consolidated statements of cash flows

33.1. Analysis of net cash and cash equivalents as reported in the statement of cash flows

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Cash and cash equivalents (note 25.1)	6,339	6,351	5,158
Issued payments (note 29.3)	(2,031)	(2,063)	-
Cash and cash equivalents – manufacturing and sales companies	4,308	4,288	5,158
Cash and cash equivalents – finance companies (note 25.2)	620	635	610
<i>Elimination of intragroup transactions ⁽¹⁾</i>	<i>(292)</i>	<i>(230)</i>	<i>(205)</i>
Total	4,636	4,693	5,563

(1) The elimination of intragroup transactions concerns the transfer of receivables of the Automobile Division to the finance companies on the last day of the month. The corresponding cash flows are recognized on the day of the sale by the assignor, and on the following day by the finance company.

33.2. Change in operating assets and liabilities as reported in the consolidated statements of cash flows

A. Manufacturing and sales companies

<i>(in millions of euros)</i>	2006	2005	2004
(Increase) decrease in inventories	(16)	(194)	(336)
(Increase) decrease in trade receivables	2	241	161
Increase (decrease) in trade payables	310	(618)	803
Change in current allowances and provisions	185	225	11
Change in income taxes	25	(85)	44
Other changes ⁽¹⁾	(82)	142	369
	424	(289)	1,052
<i>Net flows with Group finance companies</i>	<i>(5)</i>	<i>(24)</i>	<i>47</i>
Total	419	(313)	1,099

(1) Changes in amounts due to suppliers of fixed assets were reclassified within cash flows from/used in investing activities for the negative amount of €111 million in 2005 and a positive amount of €68 million in 2004.

B. Finance companies

<i>(in millions of euros)</i>	2006	2005	2004
Increase in finance receivables	(464)	(1,136)	(1,554)
Increase in short-term investments	(53)	(353)	(219)
Increase in financing liabilities	368	1,293	1,475
Change in current allowances and provisions	(12)	(1)	11
Change in income taxes	(46)	56	24
Other changes	(27)	(7)	(202)
	(234)	(148)	(465)
<i>Net flows with Group manufacturing and sales companies</i>	<i>(32)</i>	<i>(24)</i>	<i>(11)</i>
Total	(266)	(172)	(476)

33.3. Detailed analysis of change in operating assets and liabilities – manufacturing and sales companies

2006		Cash flows from operating activities	Change in scope of consolidation and other	Translation adjustment	Revaluations taken to equity	At Dec. 31
<i>(in millions of euros)</i>	At January 1					
Inventories	(6,889)	(16)	6	73	-	(6,826)
Trade receivables	(3,097)	2	(4)	56	-	(3,043)
Trade payables	10,240	310	(13)	(56)	-	10,481
Income taxes	(80)	25	2	(5)	-	(58)
Current provisions	1,582	185	(12)	(8)	-	1,747
Other receivables	(1,694)	(47)	4	18		(1,719)
Other payables	4,155	(74)	17	(23)	-	4,075
	4,217	385	-	55	-	4,657
<i>Net flows with Group finance companies</i>	137	(5)	-	-	-	132
Total	4,354	380	-	55	-	4,789

2005		Cash flows from operating activities	Change in scope of consolidation and other	Translation adjustment	Revaluations taken to equity	At Dec. 31
<i>(in millions of euros)</i>	At January 1					
Inventories	(6,546)	(194)	(14)	(135)	-	(6,889)
Trade receivables	(3,296)	241	34	(76)	-	(3,097)
Trade payables	10,773	(618)	(16)	101	-	10,240
Income taxes	4	(85)	(1)	2	-	(80)
Current provisions	1,343	225	-	14	-	1,582
Other receivables	(1,756)	53	7	(41)	43	(1,694)
Other payables	4,068	36	(11)	62	-	4,155
	4,590	(342)	(1)	(73)	43	4,217
<i>Net flows with Group finance companies</i>	160	(22)	(2)	1	-	137
Total	4,750	(364)	(3)	(72)	43	4,354

33.4. Change in other financial assets and liabilities – manufacturing and sales companies

<i>(in millions of euros)</i>	2006	2005	2004
Increase in borrowings	705	410	491
Repayment of borrowings and conversion of bonds	(238)	(389)	(907)
(Increase) decrease in other non-current financial assets	(318)	(271)	(1,241)
(Increase) decrease in current financial assets	855	327	551
Increase (decrease) in current financial liabilities	(799)	(66)	392
	205	11	(714)
<i>Net flows with Group finance companies</i>	(23)	25	(36)
Total	182	36	(750)

33.5. Change in other financial assets and liabilities – finance companies

This item corresponds to the repayment of subordinated debt.

Note 34 ■ Financial instruments

A. Financial instruments reported in the balance sheet

<i>(in millions of euros)</i>	Dec. 31, 2006		Analysis by category of instrument ⁽¹⁾				
	Carrying amount	Fair value	Fair value through profit or loss ⁽²⁾	"Available-for-sale" assets	Loans and receivables	Borrowings at amortized 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	2,276	-	-	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	39,693	11,200	336	27,866	-	457
Non-current financial liabilities	4,125	4,262	-	-	-	4,111	14
Financing liabilities – finance companies ⁽³⁾	23,044	23,056	152	-	-	22,892	-
Current trade payables	10,456	10,456	-	-	10,456	-	-
Other payables	4,661	4,661	-	-	4,448	-	213
Current financial liabilities	4,400	4,403	-	-	-	4,396	4
Liabilities	46,686	46,837	152	-	14,904	31,399	231

(in millions of euros)	Dec. 31, 2005		Analysis by category of instrument ⁽¹⁾				
	Carrying amount	Fair value	Fair value through profit or loss ⁽²⁾	"Available-for-sale" assets	Loans and receivables	Borrowings at amortized cost	Derivative instruments
Investments in non-consolidated companies	46	46	-	46	-	-	-
Other non-current financial assets	1,986	1,986	1,174	263	139	-	410
Loans and receivables – finance companies	22,238	22,391	-	-	22,238	-	-
Short-term investments – finance companies	2,709	2,709	2,709	-	-	-	-
Trade receivables – manufacturing and sales companies	2,931	2,931	-	-	2,931	-	-
Other receivables	2,276	2,276	-	-	2,053	-	223
Current financial assets	1,214	1,214	971	41	176	-	26
Cash equivalents	5,164	5,164	5,164	-	-	-	-
Cash	1,592	1,592	1,592	-	-	-	-
Assets	40,156	40,309	11,610	350	27,537	-	659
Non-current financial liabilities	3,826	4,005	-	-	-	3,809	17
Financing liabilities – finance companies ⁽³⁾	22,757	22,778	158	-	-	22,599	-
Current trade payables	10,210	10,210	-	-	10,210	-	-
Other payables	4,773	4,773	-	-	4,591	-	182
Current financial liabilities	5,166	5,166	-	-	-	5,151	15
Liabilities	46,732	46,932	158	-	14,801	31,559	214

(1) No financial instruments were reclassified in 2005 or 2006.

(2) All the financial instruments in this category are financial assets and liabilities designated at fair value through profit or loss at inception in accordance with the criteria set out in note 1.14.

(3) The Group has decided to recognize the item 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 recognized during the year is not material. The fair value of financial instruments held by the Group is calculated whenever it can be estimated reliably on the basis of market data 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 recognized at fair value through profit or loss and derivative hedging instruments are measured by applying a valuation technique which benchmarks inter-bank market rates (Euribor, etc.) and daily foreign exchange rates set by the European Central Bank. Investments in non-consolidated companies and investments are stated at fair value in the balance sheet, in accordance with IAS 39 (note 1.14.B (a) and (c)).

Loans and other finance receivables are stated at amortized cost measured using the effective interest method, and are generally hedged against interest rate risks. The hedged portion is remeasured at fair value in accordance

with hedge accounting principles. This means that the margin on loans and receivables outstanding 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 generally stated at amortized cost, determined by the effective interest method. The financial liabilities hedged by interest rate swaps qualify for hedge accounting. They are remeasured at the fair value of the liability taking into account changes in interest rates.

The fair value presented above is estimated taking account of PSA Peugeot Citroën Group's credit risk. Exceptionally, some financial liabilities are accounted for using the fair value option; their carrying amount therefore reflects credit risk.

The fair value of the manufacturing and sales companies' trade receivables and payables is considered as being equivalent to carrying value, due to their very short maturities.

B. Impact of financial instruments on income

	2006	Analysis by category of instrument				
(in millions of euros)	Impact	Fair value through profit or loss	"Available-for-sale" assets	Loans and receivables	Borrowings at amortized cost	Derivative instruments
Manufacturing and sales companies						
Total interest income	28	-	-	28	-	-
Total interest expense	(426)	-	-	-	(426)	-
Remeasurement	290	340	-	-	3	(53)
Income on disposal	24		24			
Net impairment	(15)	-	-	(15)	-	-
Total - manufacturing and sales companies	(99)	340	24	13	(423)	(53)
Finance companies						
Total interest income	1,462	-	-	1,462	-	-
Total interest expense	(757)	-	-	-	(757)	-
Remeasurement	94	70	-	(78)	68	34
Net impairment	(41)	-	-	(41)	-	-
Total - finance companies	758	70	-	1,343	(689)	34
Net gain (loss)	659	410	24	1,356	(1,112)	(19)

	2005	Analysis by category of instrument				
(in millions of euros)	Impact	Fair value through profit or loss	"Available-for-sale" assets	Loans and receivables	Borrowings at amortized cost	Derivative instruments
Manufacturing and sales companies						
Total interest income	28	-	-	28	-	-
Total interest expense	(389)	-	-	-	(389)	-
Remeasurement	265	323	-	-	(65)	7
Income on disposal	51		51			
Net impairment	3	-	-	3	-	-
Total - manufacturing and sales companies	(42)	323	51	31	(454)	7
Finance companies						
Total interest income	1,384	-	-	1,384	-	-
Total interest expense	(593)	-	-	-	(593)	-
Remeasurement	1	46	-	(63)	41	(23)
Net impairment	(25)	-	-	(25)	-	-
Total - finance companies	767	46	-	1,296	(552)	(23)
Net gain (loss)	725	369	51	1,327	(1,006)	(16)

All income generated by the finance companies on financial assets and liabilities within the meaning of IAS 39 is recorded in operating margin.

Note 35 ■ Management of market risks

35.1. Risk management policy

A. Currency risk

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. These risks primarily concern the Automobile Division. Automobile Division positions are managed primarily by entering into forward currency contracts, as soon as the foreign currency invoice is accounted for, through the PSA Peugeot Citroën Group's specialized company, PSA International S.A. (PSAI). PSAI also hedges currency risks on planned transactions to be carried out by the Automobile Division in Japanese yen and pounds sterling.

PSAI also carries out proprietary transactions involving currency instruments. These transactions, which are subject to very strict exposure limits, 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.

Faurecia manages the currency risks incurred by its subsidiaries on commercial transactions, principally by forward purchase and sale contracts and options, and foreign currency financing. Subsidiaries located outside the euro zone are granted intragroup loans in their functional currency. As such loans are refinanced in euros, exchange rate risk is hedged through swaps.

The net position of the manufacturing and sales companies in the main foreign currencies is as follows:

Dec. 31, 2006 (in millions of euros)	GBP	YEN	USD	PLN	CHF	BRL	Other
Total assets	215	68	345	131	27	33	465
Total liabilities	(471)	(28)	-	-	-	(10)	(120)
Net position before hedging	(256)	40	345	131	27	23	345
Financial derivative instruments	259	(40)	(340)	(97)	(27)	(21)	(345)
Net position after hedging	3	-	5	34	-	2	-

Dec. 31, 2005 (in millions of euros)	GBP	YEN	USD	PLN	CHF	BRL	Other
Total assets	83	111	429	95	26	14	567
Total liabilities	(534)	-	-	(3)	-	(8)	(126)
Net position before hedging	(451)	111	429	92	26	6	441
Financial derivative instruments	463	(127)	(422)	(95)	(26)	(7)	(431)
Net position after hedging	12	(16)	7	(3)	-	(1)	10

The net position of the finance companies in the main foreign currencies is as follows:

Dec. 31, 2006 (in millions of euros)	GBP	YEN	USD	CHF	Other
Total assets	1,933	-	-	267	210
Total liabilities	(246)	(168)	(19)	-	(167)
Net position before hedging	1,687	(168)	(19)	267	43
Financial derivative instruments	(1,687)	168	19	(267)	(43)
Net position after hedging	-	-	-	-	-

Dec. 31, 2005 <i>(in millions of euros)</i>	GBP	YEN	USD	CHF	Other
Total assets	765	-	-	289	179
Total liabilities	-	(161)	(51)	-	(111)
Net position before hedging	765	(161)	(51)	289	68
Financial derivative instruments	(765)	161	51	(289)	(68)
Net position after hedging	-	-	-	-	-

The above table shows the Group position arising from all operations recognized in the balance sheet at December 31, 2006 and 2005.

The sensitivity of earnings to changes in foreign exchange rates is not material due to the Group's policy of systematically hedging foreign currency receivables and payables.

B. Interest rate risk

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, mainly 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 entire debt is converted to variable rate by means of derivatives, in order to match interest rates on cash surpluses.

Faurecia has fixed-rate borrowings of €4 million with initial maturities of more than one year that have been swapped for variable-rate debt with the same maturity. Faurecia also uses caps and other options in euros and US dollars to hedge interest rates on borrowings payable between January 2007 and December 2009, and has taken out variable/fixed-rate swaps in euros and US dollars to hedge interest payable over the same period. Floors have been acquired in order to benefit from any decline in medium-term interest rates on fixed-rate debt.

Banque PSA Finance, which grants fixed-rate loans to customers of the Automobile Division, mainly refinances these loans through adjustable borrowing rates. The impact of changes in interest rates is hedged by entering into swaps that match interest rates on outstanding loans and the related refinancing.

Since 2004, Banque PSA Finance purchases interest rate swaptions to cap the cost of refinancing future fixed-rate lending in euros (note 35.3).

The tables below analyze borrowings and financial assets before and after hedging at year-end. The maturity of adjustable-rate borrowings and assets is considered to be the next rate adjustment date.

The net interest rate position of manufacturing and sales companies is as follows:

Dec. 31, 2006 <i>(in millions of euros)</i>	Intraday to 1 year	1 to 5 years	Beyond 5 years	Total
Total assets	7,899	100	75	8,074
Total liabilities	(5,276)	(2,282)	(755)	(8,313)
Net position before hedging	2,623	(2,182)	(680)	(239)
Financial derivative instruments	(2,517)	1,834	683	-
Net position after hedging	106	(348)	3	(239)

Dec. 31, 2005 <i>(in millions of euros)</i>	Intraday to 1 year	1 to 5 years	Beyond 5 years	Total
Total assets	8,552	85	76	8,713
Total liabilities	(5,693)	(699)	(2,446)	(8,838)
Net position before hedging	2,859	(614)	(2,370)	(125)
Financial derivative instruments	(2,604)	185	2,419	-
Net position after hedging	255	(429)	49	(125)

A 1% fall in interest rates would lead to a €0.4 million shortfall with respect to the position for 2006 (as for 2005).

Fixed-rate debt maturing in more than one year relates primarily to the Faurecia bond maturing in 2010, and to employee profit-sharing.

The net interest rate position of finance companies is as follows:

Dec. 31, 2006 <i>(in millions of euros)</i>	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
Financial derivative instruments	2,981	(4,297)	1,316	-
Net position after hedging	466	2,950	-	3,416

Dec. 31, 2005 <i>(in millions of euros)</i>	Intraday to 1 year	1 to 5 years	Beyond 5 years	Total
Total assets	16,407	9,347	-	25,754
Total liabilities	(19,721)	(2,585)	(261)	(22,567)
Net position before hedging	(3,314)	6,762	(261)	3,187
Financial derivative instruments	4,271	(4,532)	261	-
Net position after hedging	957	2,230	-	3,187

A 1% fall in interest rates would lead to a €1.6 million shortfall with respect to the position for 2006 (€2.4 million with regard to the position for 2005).

The net position after hedging with maturities of one to five years corresponds to the net assets covered by Banque PSA Finance equity.

C. Equity risk

Equity risk corresponds to the price risk arising from a 10% unfavorable change in the price of equities held by the Group.

Dec. 31, 2006 <i>(in millions of euros)</i>	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

Dec. 31, 2005 <i>(in millions of euros)</i>	Investments classified as "available-for-sale"	Investments "accounted for using the fair value option"
Balance sheet position	275	49
Sensitivity of earnings	-	(5)
Sensitivity of equity	(27)	N/A

D. Other risks

Credit and liquidity risk are analyzed in the "Management of market risks" section of the Management Report.

35.2. Hedging instruments – manufacturing and sales companies

The different types of hedges and their accounting treatment are described in note 1.14. D (b).

The Group has not hedged any net investments in foreign operations.

A. Details of balance sheet values of hedging instruments and notional amounts hedged

Dec. 31, 2006 <i>(in millions of euros)</i>	Carrying amount		Notional amount	Within 1 year	Maturities 1 to 5 years	Beyond 5 years
	Assets	Liabilities				
Currency risk						
Fair value hedges:						
- Currency forward 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	-

Dec. 31, 2005 (in millions of euros)	Carrying amount		Notional amount	Within 1 year	Maturities 1 to 5 years	Beyond 5 years
	Assets	Liabilities				
Currency risk						
Fair value hedges:						
- Currency forward contracts	6	-	378	378	-	-
- Currency options	7	-	187	187	-	-
- Currency swaps	20	(17)	470	-	470	-
Cash flow hedges:						
- Currency options	16	-	1,727	1,727	-	-
Trading instruments ⁽¹⁾	-	(7)	1,237	1,141	96	-
Total	49	(24)	3,999	3,433	566	-
Interest rate risk						
Fair value hedges:						
- Fair value hedges:	392	(11)	2,582	256	175	2,151
Trading instruments ⁽²⁾	24	(4)	11,998	6,478	5,520	-
Total	416	(15)	14,580	6,734	5,695	2,151
Total fair value hedges	425	(28)	3,617	821	645	2,151
Total cash flow hedges	16	-	1,727	1,727	-	-

(1) Trading instruments: derivative instruments not qualifying as hedges within the meaning of IAS 39. In accordance with IAS 21, payables and receivables denominated in foreign currencies must be systematically remeasured at the closing exchange rate with any gains or losses taken to income. The Group has elected not to designate these payables and receivables as hedges, although their impact on income is the same.

(2) Trading instruments: derivative instruments not qualifying as hedges within the meaning of IAS 39 and corresponding to the fair value of forward financial instruments acting as economic hedges of debt or investments.

B. Details of the impact of hedging instruments on income and equity

Impact of cash flow hedges

(in millions of euros)	2006	2005
Fair value at January 1	16	98
Change in the effective portion in equity	3	(62)
Change in the ineffective portion in income	(46)	(55)
Purchased options	33	35
Derecognition following exercise or disposal	-	-
Fair value at December 31	6	16
Recognition of intrinsic value due to exercise	-	-
Recognition of intrinsic value in income due to disqualification	-	-
Pre-tax impact on income	(46)	(55)
Pre-tax impact on equity	3	(62)

Cash flow hedges relating to manufacturing and sales companies are currency options concerning forecast vehicle sales on the UK market in 2007. The Group has also purchased yen call options to cap exchange rates on planned vehicle purchases in 2007 and 2008 within the scope of the Mitsubishi cooperation agreement.

Changes in the time value are recorded in other income and expenses (see note 8). Amounts recycled through income on realization of sales and revenue are recorded in operating margin. Amounts recycled through income when hedges no longer qualify for hedge accounting are recorded in other income and expenses (see note 8).

Impact of fair value hedges

<i>(in millions of euros)</i>	2006	2005
Remeasurement through income of hedged loans	147	(62)
Remeasurement through income of hedging instruments	(145)	58
Net impact on income	2	(4)

Net gain (loss) on interest rate derivative instruments (see note 10) also includes the change in value of derivatives acting as economic hedges which do not qualify for hedging accounting under IAS 39.

35.3. Hedging instruments – Finance companies

The different types of hedges and the corresponding accounting treatment are described in note 1.14.D (b).

The Group does not hedge net investments in foreign operations.

A. Details of balance sheet values of hedging instruments and notional amounts hedged

Dec. 31, 2006			Notional amount	Maturities		
(in millions of euros)	Carrying amount			Within 1 year	1 to 5 years	Beyond 5 years
	Assets	Liabilities				
Currency risk						
Fair value hedges:						
- Currency swaps	4	(31)	2,422	2,004	418	-
Interest rate risk						
Fair value hedges:						
- Swaps hedging borrowings	-	(3)	2,654	2,577	20	57
- Swaps hedging EMTN and BMTN	1	(38)	3,111	808	2,294	9
- Swaps hedging bonds	3	(3)	1,250	-	-	1,250
- Swaps hedging outstanding retail and lease receivables	107	-	13,063	6,300	6,763	-
- Accrued income/expenses on swaps designated as hedges	69	(104)	-	-	-	-
Cash flow hedges:						
- Swaptions	21	-	5,163	5,163	-	-
Trading instruments ⁽¹⁾	31	(32)	7,228	2,552	3,426	1,250
Total	236	(211)	34,891	19,404	12,921	2,566
Total fair value hedges	184	(179)	22,500	11,689	9,495	1,316
Total cash flow hedges	21	-	5,163	5,163	-	-

Dec. 31, 2005			Notional amount	Maturities		
(in millions of euros)				Within 1 year	1 to 5 years	Beyond 5 years
Carrying amount						
Assets	Liabilities					
Currency risk						
Fair value hedges:						
- Currency swaps	9	(5)	1,458	1,002	456	-
Interest rate risk						
Fair value hedges:						
- Swaps hedging borrowings	1	(3)	3,443	3,288	155	-
- Swaps hedging EMTN and BMTN	39	(19)	3,224	603	2,512	109
- Swaps hedging bonds	37	-	91	91	-	-
- Swaps hedging outstanding retail and lease receivables	35	(12)	13,322	6,123	7,199	-
- Accrued income/expenses on swaps designated as hedges	29	(110)	-	-	-	-
Cash flow hedges:						
- Swaptions	11	-	3,768	3,768	-	-
Trading instruments ⁽¹⁾	33	(26)	7,460	2,852	2,206	2,402
Total	194	(175)	32,766	17,727	12,528	2,511
Total fair value hedges	150	(149)	21,538	11,107	10,322	109
Total cash flow hedges	11	-	3,768	3,768	-	-

(1) Trading instruments: derivative instruments not qualifying as hedges under IAS 39, and corresponding to the fair value of forward financial instruments acting as economic hedges of debt or short-term investments accounted for using the fair value option. Swaps classified as trading instruments are netted against each other within portfolios presenting similar characteristics and primarily concern symmetrical swaps arranged at the time of securitization transactions. These swaps do not generate material gains or losses.

B. Details of the impact of hedging instruments on income and equity

Impact of cash flow hedges

(in millions of euros)	2006	2005
Fair value at January 1	11	7
Change in the effective portion in equity	50	5
Change in the ineffective portion in income	(20)	(9)
Purchased options	24	8
Derecognition following exercise or disposal	(44)	-
Fair value at December 31	21	11
Recognition of intrinsic value due to exercise	10	-
Recognition of intrinsic value in income due to disqualification	-	-
Pre-tax impact on income	(10)	(9)
Pre-tax impact on equity	50	5

Cash flow hedges relating to finance companies are interest rate swaptions maturing on a quarterly basis in 2007. These hedges are designed to cap refinancing costs for new euro-denominated retail and lease receivables expected to be originated during the year. The notional amounts and maturities of swaps (from one to five years) underlying these options correspond to the maturities of the forecast outstandings for the period.

Impact of fair value hedges

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Change in fair value	Ineffective portion recycled through profit or loss
Remeasurement of outstanding customer loans				
Credit sales	(65)	(10)		
Leases subject to buyback commitments	(11)	(2)		
Long-term leases	(21)	(7)		
Total, net	(97)	(19)	(78)	-
Derivative instruments hedging outstanding retail loans				
Assets	107	35		
Liabilities	-	(12)		
Total, net	107	23	84	-
Ineffective portion	10	4	-	6
Remeasurement of hedged borrowings				
Net	3	2		
Total, net	3	2	1	
Derivative instruments hedging borrowings				
Assets	-	1		
Liabilities	(3)	(3)		
Total, net	(3)	(2)	(1)	-
Ineffective portion	-	-	-	-
Remeasurement of hedged EMTN and BMTN				
Net	37	(20)		
Total, net	37	(20)	57	-
Derivative instruments hedging EMTN and BMTN				
Assets	1	39		
Liabilities	(38)	(19)		
Total, net	(37)	20	(57)	
Ineffective portion	-	-	-	-
Remeasurement of hedged bonds				
Net	-	(37)		
Total, net	-	(37)	37	-
Derivative instruments hedging bonds				
Assets	3	37		
Liabilities	(3)	-		
Total, net	-	37	(37)	-
Ineffective portion	-	-	-	-

Note 36 ■ Net financial position of manufacturing and sales companies

36.1. Analysis

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Financial assets and liabilities of manufacturing and sales companies			
Cash and cash equivalents	6,339	6,351	5,158
Other non-current financial assets	1,321	1,940	2,329
Current financial assets	1,132	1,214	712
Non-current financial liabilities	(4,125)	(3,826)	(3,791)
Current financial liabilities	(4,551)	(5,298)	(3,061)
Net financial position of manufacturing and sales companies	116	381	1,347
o/w external loans and borrowings	(25)	283	1,300
o/w financial assets and liabilities with finance companies	141	98	47

36.2. Lines of credit

The PSA Peugeot Citroën Group has access to revolving lines of credit expiring at various dates through 2010. The amounts available under these lines of credit are as follows:

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Peugeot S.A. and GIE PSA Trésorerie	2,400	2,400	2,400
Faurecia	1,600	1,600	1,778
Banque PSA Finance group	6,000	6,000	6,000
Confirmed credit lines	10,000	10,000	10,178

Peugeot S.A., GIE PSA Trésorerie and Banque PSA Finance group have not drawn down these lines of credit.

Faurecia has drawn down the following amounts:

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Faurecia drawdowns	700	200	447

This contract contains covenants based on financial ratios. At December 31, 2006, the Group complied with all of these ratios.

Note 37 ■ Return on capital employed

37.1. 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:

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Goodwill	1,547	1,677	1,798
Intangible assets	3,947	3,886	3,602
Property, plant and equipment	15,221	14,909	14,168
Investments in companies at equity	584	596	614
Investments in non-consolidated companies	53	45	65
Other non-current assets	96	95	96
Deferred tax assets	499	579	502
Inventories	6,826	6,889	6,546
Trade receivables – manufacturing and sales companies	3,043	3,097	3,296
Current tax assets	210	180	110
Other receivables	1,719	1,694	1,756
Other non-current liabilities	(2,759)	(2,352)	(2,279)
Non-current provisions	(1,383)	(1,527)	(1,750)
Deferred tax liabilities	(1,854)	(2,086)	(1,968)
Current provisions	(1,747)	(1,582)	(1,343)
Current trade payables	(10,481)	(10,240)	(10,773)
Current taxes payable	(152)	(100)	(114)
Other payables	(4,075)	(4,155)	(4,068)
Net assets of the finance companies	2,652	2,420	2,098
Accounts between the manufacturing and sales companies and the finance companies	141	98	47
Total	14,087	14,123	12,403

37.2. Economic profit

Economic profit consists of profit before finance costs, interest income, net gains and losses on disposals of investments and tax.

A tax rate corresponding to the Group's effective rate 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:

<i>(in millions of euros)</i>	2006	2005	2004
Consolidated profit for the year	63	990	1,680
Interest income, net	(370)	(355)	(319)
Finance costs	428	414	389
Net gains on disposals of investments	(26)	(33)	(188)
Tax on interest income and finance costs	9	(8)	37
Economic profit after tax	104	1,008	1,599

37.3. Return on capital employed

The immediate return on capital employed, corresponding to economic profit expressed as a percentage of total capital employed at December 31, is as follows:

	2006	2005	2004
	0.7%	7.1%	12.9%

Note 38 ■ Off-balance sheet commitments

38.1. Specific commitments

Off-balance sheet pension obligations concern deferred actuarial gains and losses not recognized during the year (see note 28.1.E) in accordance with the corridor method (see note 1.18).

38.2. Routine commitments

Routine commitments at December 31, 2006 represented the following amounts:

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Manufacturing and sales companies			
Capital commitments for the acquisition of property, plant and equipment	1,245	1,729	2,059
Orders for research and development work	9	7	27
Non-cancellable lease commitments	878	836	636
	2,132	2,572	2,722
Finance companies			
Financing commitments to customers	1,306	1,020	899
Guarantees given on behalf of customers and financial institutions	111	127	122
	1,417	1,147	1,021
Other guarantees given	580	551	559
Pledged or mortgaged assets	251	236	426

The PSA Peugeot Citroën Group has also given and received commitments as part of its industrial cooperation policy with its partners.

38.3. Pledged or mortgaged assets

Pledged and mortgaged assets are analyzed as follows by maturity

<i>(in millions of euros)</i>	Maturity	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Property, plant and equipment	Indefinite	17	20	23
Non-current financial assets				
	2005	-	-	31
	2006	-	9	4
	2007	56	48	125
	2008	49	70	73
	2009	84	76	78
	2010	11		
	>2010	34	13	92
		234	216	403
	Total	251	236	426
Total assets		69,050	69,175	65,569
	Percent	0.4%	0.3%	0.6%

Note 39 ■ Contingent liabilities

39.1. Individual right to training for employees

In accordance with Act no. 2004-391 of May 4, 2004 relating to professional training in France, all Group subsidiaries operating in France offer their employees an individual training allowance set at a minimum of 20 training hours per annum. These hours can be accumulated over a maximum of six years, at the end of which the total entitlement is capped at 120 hours.

On April 15, 2005, Peugeot Citroën Automobiles entered into a lifelong professional training agreement with all of the trade unions represented in the Group. In accordance with the law, each employee is entitled to 20 training hours per annum. Training rights vested

since 1999 under previous training schemes have been maintained and the cumulative total capped at 150 hours. Employees may use their entitlement during working hours, as and when appropriate. These training credits are used as part of the Group's professional training program. In order for training requests to fall within the scope of the individual right to training, they must demonstrably be for the purpose of the professional development of the employee within the Group's businesses. No provision has therefore been raised in this respect.

The number of hours accruing at the balance sheet date amounted to 7.3 million hours, corresponding to an average utilization rate for training rights of 1.12% over the past two years.

Note 40 ■ Related party transactions

40.1. Companies at equity

These are companies that are between 20%- and 50%-owned, over which PSA Peugeot Citroën exercises significant influence. They are accounted for by the equity method. 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:

<i>(in millions of euros)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Loans - long-term portion	9	16	26
Loans - current portion	-	48	57
Trade receivables	304	319	318
Trade payables	(1,159)	(1,116)	(1,121)
Short-term loans	(114)	(320)	(241)

Sale and purchase transactions carried out by the consolidated Group with companies at equity are as follows:

<i>(in millions of euros)</i>	2006	2005	2004
Purchases	(5,309)	(4,425)	(4,166)
Sales	1,690	1,289	1,347

40.2. 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 41 ■ Key management compensation

<i>(in millions of euros)</i>	2006	2005	2004
Compensation allocated to:			
- members of the management bodies	6.4	8.4	8.2
- members of the Supervisory Board	0.8	0.8	0.8
Total	7.2	9.2	9.0

Members of management bodies include members of the Managing Board, the Executive Committee and Senior Management.

The variable portion of the compensation shown in the table above is subject to the approval of the Supervisory Board at its meeting to be held on February 6, 2007.

Options to purchase Peugeot S.A. shares granted to members of the Group's management bodies under the plans set up since 1999 are as follows:

<i>(number of options)</i>	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2002
Stock options	2,609,000	2,144,000	1,764,500	1,373,600	977,600

Members of the Group's management bodies are eligible for the supplementary pension plan described in note 28.

Note 42 ■ Subsequent events

No events have occurred since December 31, 2006 that could have a material impact on the 2006 consolidated financial statements.

Consolidated Companies as at December 31, 2006

Company	F/E	Percent controlled	Percent consolidated
HOLDING COMPANY AND OTHER			
Peugeot S.A. Paris - France		-	-
Grande Armée Participations Paris - France	F	100	100
PSA International S.A. Geneva - Switzerland	F	100	100
G.I.E. PSA Trésorerie Paris - France	F	100	100
Financière Pergolèse Paris - France	F	100	100
D.J. 06 Paris - France	F	100	100
Pergolèse International Paris - France	F	100	100
Société Anonyme de Réassurance Luxembourgeoise - Saral Luxemburg - Luxemburg	F	100	100
Process Conception Ingénierie S.A. Meudon - France	F	100	100
PCI do Brasil Ltda Rio de Janeiro - Brazil	F	100	100
PCI Argentina S.A. Buenos Aires - Argentina	F	100	100
Société de Construction d'Équipements de Mécanisations et de Machines - SCEMM Saint-Étienne - France	F	100	100
Peugeot Motocycles Mandeure - France	F	100	100
Peugeot Motocycles Italia S.p.A. Milan - Italy	F	100	100
Peugeot Motocycles Deutschland GmbH Morfelden - Germany	F	100	100

Company	F/E	Percent controlled	Percent consolidated
AUTOMOBILE DIVISION			
Peugeot Citroën Automobiles S.A. Vélizy-Villacoublay - France	F	100	100
Peugeot Citroën Sochaux S.N.C. Sochaux - France	F	100	100
Peugeot Citroën Mulhouse S.N.C. Sausheim - France	F	100	100
Peugeot Citroën Aulnay S.N.C. Aulnay-sous-Bois - France	F	100	100
Peugeot Citroën Rennes S.N.C. Chartres-de-Bretagne - France	F	100	100
Peugeot Citroën Poissy S.N.C. Poissy - France	F	100	100
Peugeot Citroën Mécanique du Nord-Ouest S.N.C. Paris - France	F	100	100
Peugeot Citroën Mécanique du Grand Est S.N.C. Paris - France	F	100	100
Société Mécanique Automobile de l'Est Trémery - France	F	100	100
Mécanique et Environnement Hérimoncourt - France	F	100	100
Société Européenne de Véhicules Légers du Nord - Sevelnord Paris - France	E	50	50
Societa Europea Veicoli Leggeri - Sevel S.p.A. Atessa - Italy	E	50	50
SNC PC.PR Paris - France	F	100	100
G.I.E. PSA Peugeot Citroën Paris - France	F	100	100
Gisevel Paris - France	E	50	50

F: Fully consolidated - E: Accounted for by the equity method.

Company	F/E	Percent controlled	Percent consolidated
Sevelind	E	50	50
Paris - France			
Française de Mécanique	E	50	50
Douvrin - France			
Société de Transmissions Automatiques	E	20	20
Barlin - France			
Peugeot Citroën Logistic Deutschland GmbH	F	100	100
Saarbrücken - Germany			
Peugeot Citroën Automobiles UK	F	100	100
Coventry - United Kingdom			
Peugeot Citroën Automoviles España S.A.	F	100	100
Pontevedra - Spain			
Peugeot Citroën Automoveis	F	98	98
Mangualde - Portugal			
Toyota Peugeot Citroën Automobiles Czech s.r.o.	E	50	50
Kolin - Czech Republic			
PCA Logistika CZ	F	100	100
Kolin - Czech Republic			
PCA Slovakia s.r.o.	F	100	100
Trnava - Slovakia			
Peugeot Citroën Trnava s.r.o.	F	100	100
Trnava - Slovakia			
Peugeot Citroën do Brasil Automoveis Ltda	F	100	100
Rio de Janeiro - Brazil			
Peugeot Citroën Comercial Exportadora	F	100	100
Rio de Janeiro - Brazil			
Peugeot Citroën Argentina S.A.	F	100	100
Buenos Aires - Argentina			
Cociar S.A.	F	100	100
Buenos Aires - Argentina			
Aupe S.A.	F	100	100
Buenos Aires - Argentina			
CISA	F	100	100
Buenos Aires - Argentina			

F: Fully consolidated - E: Accounted for by the equity method.

Company	F/E	Percent controlled	Percent consolidated
Est. Mecanicos Jeppener	F	100	100
Buenos Aires - Argentina			
Dongfeng Peugeot Citroën Automobiles CY Ltd	E	50	50
Wuhan - China			
Wuhan Shelong Hongtai Automotive KO Ltd	E	20	20
Wuhan - China			
Automobiles Peugeot	F	100	100
Paris - France			
Peugeot Motor Company Plc	F	100	100
Coventry - United Kingdom			
Société Commerciale Automobile	F	100	100
Paris - France			
Seine-et-Marne Automobile	F	100	100
Cesson - France			
Société Industrielle Automobile de Champagne-Ardenne	F	100	100
Cormontreuil - France			
Société Industrielle Automobile du Havre	F	100	100
Le Havre - France			
Peugeot Moteur et Systèmes	F	100	100
Paris - France			
Société Industrielle Automobile de Normandie	F	100	100
Rouen - France			
Société Industrielle Automobile de l'Ouest	F	100	100
Orvault - France			
Société Industrielle Automobile de Provence	F	100	100
Marseille - France			
Grands Garages du Limousin	F	100	100
Limoges - France			
Peugeot Belgique Luxembourg S.A.	F	100	100
Nivelles - Belgium			
S.A. Peugeot Distribution Service N.V.	F	100	100
Schaerbeek - Belgium			

Company	F/E	Percent controlled	Percent consolidated
Peugeot Nederland N.V.	F	100	100
Utrecht - Netherlands			
Peugeot Deutschland GmbH	F	100	100
Saarbrücken - Germany			
Peugeot Bayern GmbH	F	100	100
München - Germany			
Peugeot Berlin Brandenburg GmbH	F	100	100
Berlin - Germany			
Peugeot Westfalen GmbH	F	100	100
Dortmund - Germany			
Peugeot Niederrhein GmbH	F	100	100
Düsseldorf - Germany			
Peugeot Main / Taunus GmbH	F	100	100
Frankfurt - Germany			
Peugeot Sudbaden GmbH	F	100	100
Saarbrücken - Germany			
Peugeot Hanse GmbH	F	100	100
Hamburg - Germany			
Peugeot Nordhessen GmbH	F	100	100
Lohfendel - Germany			
Peugeot Hannover GmbH	F	100	100
Hanover - Germany			
Peugeot Rheinland GmbH	F	100	100
Cologne - Germany			
Peugeot Rein-Neckar GmbH	F	100	100
Rein-Neckar - Germany			
Peugeot Saartal GmbH	F	100	100
Saarbrücken - Germany			
Peugeot Sachsen GmbH	F	100	100
Dresden - Germany			
Peugeot Schwaben GmbH	F	100	100
Stuttgart - Germany			
Peugeot Weser-Ems GmbH	F	100	100
Bremen - Germany			
Peugeot Mainz Wiesbaden GmbH	F	100	100
Wiesbaden - Germany			
Peugeot Automobili Italia S.p.A.	F	100	100
Milan - Italy			

Company	F/E	Percent controlled	Percent consolidated
Peugeot Milan	F	100	100
Milan - Italy			
Peugeot Gianicolo S.p.A.	F	100	100
Rome - Italy			
Proptal UK	F	100	100
Coventry - United Kingdom			
Talbot Exports Ltd	F	98	98
Coventry - United Kingdom			
Robins and Day Ltd	F	100	100
Coventry - United Kingdom			
Realtal UK Ltd	F	100	100
Coventry - United Kingdom			
Robins and Day Investments Ltd	F	98	98
Coventry - United Kingdom			
Boomcrite Ltd	F	100	100
Coventry - United Kingdom			
Aston Line Motors Ltd	F	100	100
Coventry - United Kingdom			
Bishopbriggs Motors Ltd	F	100	100
Coventry - United Kingdom			
Warwick Wright Motors Chiswick Ltd	F	100	100
Coventry - United Kingdom			
Rootes Ltd	F	100	100
Coventry - United Kingdom			
Peugeot España S.A.	F	100	100
Madrid - Spain			
Hispanomocion S.A.	F	100	100
Madrid - Spain			
Peugeot Portugal Automoveis S.A.	F	100	100
Lisbon - Portugal			
Peugeot Portugal Automoveis Distribucao	F	99	99
Lisbon - Portugal			
Peugeot (Suisse) S.A.	F	100	100
Bern - Switzerland			
Lowen Garage AG	F	97	97
Bern - Switzerland			

F: Fully consolidated - E: Accounted for by the equity method.

Company	F/E	Percent controlled	Percent consolidated
Peugeot Austria GmbH	F	100	100
Vienna - Austria			
Peugeot Autohaus GmbH	F	100	100
Vienna - Austria			
Peugeot Russie Avto	F	100	100
Moscow - Russia			
Peugeot Polska S.p.z.o.o.	F	100	100
Warszawa- Poland			
Peugeot Ceska Republica s.r.o.	F	100	100
Prague - Czech Republic			
Peugeot Slovakia s.r.o.	F	100	100
Bratislava - Slovakia			
Peugeot Hungaria Kft	F	100	100
Budapest - Hungary			
Peugeot Slovenija d.o.o. P.Z.D.A.	F	100	100
Ljubljana - Slovenia			
Peugeot Hrvatska d.o.o.	F	100	100
Zagreb - Croatia			
Peugeot Otomotiv Pazarlama AS - Popas	F	100	100
Istanbul - Turkey			
Tekoto Motorlu Taslar Istanbul	F	100	100
Istanbul - Turkey			
Tekoto Motorlu Taslar Ankara	F	100	100
Ankara - Turkey			
Tekoto Motorlu Taslar Bursa	F	100	100
Bursa - Turkey			
Tekoto Motorlu Taslar Antalya	F	100	100
Antalya - Turkey			
Peugeot Algérie S.p.A.	F	100	100
Alger - Algeria			
Stafim	E	34	34
Tunis - Tunisia			
Stafim - Gros	E	34	34
Tunis - Tunisia			
Peugeot Égypte S.A.E.	F	90	90
Cairo - Egypt			
Peugeot Motors of America	F	100	100
Little Falls - United States			

F: Fully consolidated - E: Accounted for by the equity method.

Company	F/E	Percent controlled	Percent consolidated
Peugeot Chile	F	97	97
Santiago of Chile - Chile			
Automotores Franco Chilena S.A.	F	100	100
Santiago of Chile - Chile			
Peugeot Mexico S.A. de CV	F	100	100
Mexico - Mexico			
Servicios Auto. Franco Mexicana	F	100	100
Mexico - Mexico			
Peugeot Japan KK Co Ltd	F	100	100
Tokyo - Japan			
Peugeot Tokyo	F	100	100
Tokyo - Japan			
Peugeot Motors South Africa Ltd	F	100	100
Johannesburg - South Africa			
Automobiles Citroën	F	100	100
Paris - France			
Société Commerciale Citroën	F	100	100
Paris - France			
Citroën Champ de Mars	F	100	100
Paris - France			
Citroën Dunkerque	F	100	100
Paris - France			
Citer	F	98	98
Paris - France			
Société Nouvelle Armand Escalier	F	100	100
Antibes - France			
LM2B	F	100	100
Sarcelles - France			
Citroën Pau	F	100	100
Bizanos - France			
Centrauto	F	100	100
Sarcelles - France			
Prince S.A.	F	100	100
Aulnay-sous-Bois - France			
Citroën Argenteuil	F	100	100
Bois-Colombes - France			
Citroën Orléans	F	100	100
Olivet-la-Source - France			

Company	F/E	Percent controlled	Percent consolidated
Cie Picarde de Logistique Automobile	F	98	98
Beauvais - France			
Citroën Belux S.A. - NV	F	100	100
Brussels - Belgium			
Citroën Nederland B.V.	F	100	100
Amsterdam - Netherlands			
Citroën Deutschland AG	F	100	100
Cologne - Germany			
Citroën Frankfurt GmbH	F	100	100
Frankfurt - Germany			
Citroën Commerce GmbH	F	100	100
Cologne - Germany			
Citroën Italia S.p.A.	F	100	100
Milan - Italy			
Citroën U.K. Ltd	F	100	100
Coventry - United Kingdom			
Citroën Sverige AB	F	100	100
Vallingby - Sweden			
Citroën Danmark A/S	F	100	100
Copenhague - Denmark			
Citroën Norge A/S	F	100	100
Skaarer - Norway			
Citroën (Suisse) S.A.	F	100	100
Geneva - Switzerland			
Citroën Österreich GmbH	F	100	100
Vienna - Austria			
Automoveis Citroën S.A.	F	100	100
Lisbon - Portugal			
Automoviles Citroën España	F	100	100
Madrid - Spain			
Comercial Citroën S.A.	F	100	97
Madrid - Spain			
Autotransporte Turístico Español S.A. (Atesa)	F	100	99
Madrid - Spain			
Garaje Eloy Granollers S.A.	F	100	99
Granollers - Spain			

F: Fully consolidated - E: Accounted for by the equity method.

Company	F/E	Percent controlled	Percent consolidated
Motor Talavera	F	100	100
Talavera - Spain			
Rafael Ferriol S.A.	F	100	99
Alboraya - Spain			
Citroën Hungaria Kft	F	100	100
Budapest - Hungary			
Citroën Polska S.p.z.o.o.	F	100	100
Warszawa - Poland			
Citroën Slovenija d.o.o	F	100	100
Komer - Slovenia			
Citroën - Hrvatska d.o.o	F	100	100
Zagreb - Croatia			
Citroën Slovakia s.r.o.	F	100	100
Bratislava - Slovakia			
Citroën Ceska Republica s.r.o.	F	100	100
Prague - Czech Republic			
Citroën do Brasil	F	51	51
São Paulo - Brazil			
Citroën Japon	F	100	100
Tokyo - Japan			
AUTOMOTIVE EQUIPMENT			
Faurecia	F	71	71
Boulogne-Billancourt - France			
Faurecia Investments	F	100	71
Boulogne-Billancourt - France			
Financière Faurecia	F	100	71
Boulogne-Billancourt - France			
Société Foncière pour l'Équipement Automobile SFEA	F	100	71
Boulogne-Billancourt - France			
Faurecia Sièges d'Automobile SAS	F	100	71
Boulogne-Billancourt - France			
Faurecia Systèmes d'Échappement	F	100	71
Boulogne-Billancourt - France			
Blériot Investissements	F	100	71
Boulogne-Billancourt - France			
Faurecia Services Groupe	F	100	71
Boulogne-Billancourt - France			

Company	F/E	Percent controlled	Percent consolidated
Faurecia Global Purchasing Boulogne-Billancourt - France	F	100	71
Faurecia Cooling System Boulogne-Billancourt - France	F	100	71
Siemar Sandouville - France	F	100	71
Faurecia Industries Boulogne-Billancourt - France	F	100	71
Trecia Étupes - France	F	100	71
Siebert Redon - France	F	100	71
Sielest Pulversheim - France	F	100	71
Siedoubs Montbéliard - France	F	100	71
Sienor Lieu-Saint-Amand - France	F	100	71
Sieval Boulogne-Billancourt - France	F	100	71
Sieto Somain - France	F	100	71
Société de Textile de l'Ostrevant Sotexo Somain - France	F	100	71
Ecsa - Études et Construction de Sièges pour l'Automobile Crévin - France	F	100	71
EAK - Composants pour l'Automobile S.A.S Valentigney - France	F	51	36
EAK - Composants pour l'Automobile SNC Valentigney - France	F	51	36
Faurecia Automotive Holdings Nanterre - France	F	100	71
Faurecia Bloc Avant Nanterre - France	F	100	71

F: Fully consolidated - E: Accounted for by the equity method.

Company	F/E	Percent controlled	Percent consolidated
Faurecia Intérieur Industrie SNC Nanterre - France	F	100	71
Faurecia Exhaust International Nanterre - France	F	100	71
Faurecia Automotive Industrie SNC Nanterre - France	F	100	71
Automotive Sandouville Nanterre - France	F	100	71
Cockpit Automotive Systems Douai Douai - France	E	50	36
SAS Automotive France Nanterre - France	E	50	36
Sté Automobile du Cuir de Vesoul Vesoul - France	F	100	71
Société Internationale de Participations S.I.P. Brussels - Belgium	F	100	71
Faurecia Industrie NV Gent - Belgium	F	100	71
Faurecia Ast Luxembourg S.A. Eselborn - Luxembourg	F	100	71
Faurecia Autositze GmbH & Co KG Stadthagen - Germany	F	100	71
Faurecia Kunststoffe Automobilsysteme GmbH Ingolstadt - Germany	F	100	71
Faurecia Abgastechnik GmbH Furth - Germany	F	100	71
Leistritz Abgastechnik Stollberg GmbH Pfaffenhain - Germany	F	100	71
Faurecia Deutschland Holding GmbH & Co KG Stadthagen - Germany	F	100	71
Faurecia Verwaltungs GmbH Stadthagen - Germany	F	100	71
Faurecia Automotive GmbH Frankfurt - Germany	F	100	71

Company	F/E	Percent controlled	Percent consolidated
Faurecia Innenraum Systeme GmbH	F	100	71
Hagenbach - Germany			
Industriepark Sassenburg GmbH	F	100	71
Sassenburg - Germany			
SAS Autosystemtechnik GmbH & Co KG	E	50	36
Karlsruhe - Germany			
SAS Autosystemtechnik Verwaltung GmbH	E	50	36
Karlsruhe - Germany			
Faurecia Netherlands Holding BV	F	100	71
Roermond - Netherlands			
Faurecia Automotive Seating BV	F	100	71
Roermond - Netherlands			
Faurecia Exhaust Systems AB	F	100	71
Torsas - Sweden			
Faurecia Interior Systems Sweden AB	F	100	71
Torsas - Sweden			
United Parts Exhaust Systems AB	F	100	71
Torsas - Sweden			
Faurecia Asientos Para Automovil España S.A.	F	100	71
Madrid - Spain			
Asientos de Castilla Leon S.A.	F	100	71
Madrid - Spain			
Asientos de Galicia SL	F	100	71
Vigo - Spain			
Asientos del Norte S.A.	F	100	71
Vitoria - Spain			
Industrias Cousin Frères SL	F	50	36
Burlada - Spain			
Tecnoconfort	F	50	36
Pamplona - Spain			
Faurecia Sistemas de Escape España S.A.	F	100	71
Vigo - Spain			
Faurecia Automotive España SL	F	100	71
Madrid - Spain			

F: Fully consolidated - E: Accounted for by the equity method.

Company	F/E	Percent controlled	Percent consolidated
Faurecia Interior Systems España S.A.	F	100	71
Valencia - Spain			
Faurecia Interior Systems Salc España SL	F	100	71
Valencia - Spain			
Cartera e Inversiones Enrich S.A.	F	100	71
Madrid - Spain			
Componentes de Vehiculos de Galicia	E	50	36
Porrino - Spain			
Copo Iberica	E	50	36
Vigo - Spain			
SAS Autosystemtechnik S.A.	E	50	36
Pamplona - Spain			
Valencia Modulos de Puerta SL	F	100	71
Valencia - Spain			
Faurecia Assentos de Automovel Limitada	F	100	71
São Jao de Madeira - Portugal			
Faurecia Sistemas de Escape Portugal LDA	F	100	71
Concelho De Braganca - Portugal			
SASAL	F	100	71
Saint-Jean-de-Madère - Portugal			
Vanpro Assentos Limitada Lda	E	50	36
Palmela - Portugal			
Faurecia Sistemas de Interior Portugal Componentes Para Automovel S.A.	F	100	71
Palmela - Portugal			
Sas Autosystemtechnik de Portugal Unipessoal Ltda	E	50	36
Palmela - Portugal			
EDA - Estofagem de Assentos Lda	F	100	71
Palmela - Portugal			
Faurecia Automotiv Seating UK Ltd	F	100	71
Coventry - United Kingdom			
Faurecia Midlands Ltd	F	100	71
Coventry - United Kingdom			

Company	F/E	Percent controlled	Percent consolidated
SAI Automotive Telford Ltd	F	100	71
Telford - United Kingdom			
SAI Automotive Fradley Ltd	F	100	71
Fradley - United Kingdom			
SAI Automotive Washington Ltd	F	100	71
Washington - United Kingdom			
Faurecia Fotele Samachodowe Sp.z.o.o.	F	100	71
Grojec - Poland			
Faurecia Walbrzych Sp.z.o.o.	F	100	71
Walbrzych - Poland			
Faurecia Gorzow Sp.z.o.o.	F	100	71
Gorzow - Poland			
Faurecia Legnica Sp.z.o.o.	F	100	71
Legnica - Poland			
Faurecia Systemy Kierownicze Sp.z.o.o.	F	100	71
Walbrzych - Poland			
Faurecia Seating Talmaciu s.r.o.	F	100	71
Romania			
Arced d.o.o	E	50	36
Novo Mesto - Slovenia			
Faurecia Interior Systems Bratislava s.r.o.	F	100	71
Bratislava - Slovakia			
Faurecia Slovakia s.r.o.	F	100	71
Bratislava - Slovakia			
Faurecia Leather Kosice s.r.o.	F	100	71
Bratislava - Slovakia			
Faurecia Magyarorszag Kipufogo - Rendszer Kft	F	100	71
Vasvar - Hungary			
Faurecia Exhaust Systems s.r.o.	F	100	71
Bakov - Czech Republic			
Faurecia Lecotex AS	F	100	71
Tabor - Czech Republic			
Faurecia Interior Systems Bohemia s.r.o.	F	100	71
Mlada Boleslav - Czech Republic			

F: Fully consolidated - E: Accounted for by the equity method.

Company	F/E	Percent controlled	Percent consolidated
Sas Autosystemtechnik s.r.o.	E	50	36
Mlada Boleslav - Czech Republic			
Faurecia Components Pisek	F	100	71
Mlada Boleslav - Czech Republic			
Faurecia Automotive Czech Republic	F	100	71
Mlada Boleslav - Czech Republic			
Teknik Malzeme Ticaret Ve Sanayi A.S.	E	50	36
Bursa - Turkey			
Faurecia Polifleks Otomotiv Sanayi Ve Ticaret A.S.	F	100	71
Istanbul - Turkey			
Société Tunisienne d'Équipements Automobiles	F	100	71
Ben Arous - Tunisia			
Faurecia Automotive Seating Canada Ltd	F	100	71
Mississauga - Canada			
Faurecia Canada Investment Company	F	100	71
Montreal - Canada			
WBF Technologies	E	50	36
Mississauga - Canada			
Faurecia USA Holdings Inc.	F	100	71
Wilmington - United States			
Faurecia Automotive Seating Inc.	F	100	71
Troy - United States			
Faurecia Exhaust Systems Inc.	F	100	71
Wilmington - United States			
Faurecia Interior Systems USA Detroit Inc.	F	100	71
Detroit - United States			
Faurecia Automotive do Brasil Ltda	F	100	71
Quatro-Barras - Brazil			
Faurecia Sistemas de Escapament do Brasil Ltda	F	100	71
São Paulo - Brazil			
Sas Automotive do Brasil Ltda	E	50	36
São Jose dos Pinhais PR - Brazil			

Company	F/E	Percent controlled	Percent consolidated
Faurecia Sistemas de Escape Argentina S.A.	F	100	71
Buenos Aires - Argentina			
Bertrand Faure Argentina S.A.	E	50	36
Buenos Aires - Argentina			
Pab S.A.	E	50	36
Buenos Aires - Argentina			
SAS Automotriz Argentina S.A.	E	50	36
Buenos Aires - Argentina			
Faurecia Duroplast Mexico S.A. de CV	F	50	36
Puebla - Mexico			
Servicios Corporativos de Personal Especializado S.A. de CV	F	50	36
Puebla - Mexico			
Faurecia Interior Systems Mexico S.A. de CV	F	100	71
Mexico - Mexico			
Faurecia Exhaust Mexicana S.A. de CV	F	100	71
Mexico - Mexico			
Exhaust Servicios Mexicana S.A. de CV	F	100	71
Mexico - Mexico			
Faurecia Japon KK	F	100	71
Tokyo - Japan			
Faurecia NHK Co Ltd	E	50	36
Tokyo - Japan			
Faurecia NHK Kyushu Ltd	E	50	36
Tokyo - Japan			
CFXAS - Changchun Faurecia Xuyang Automotive Seating Co Ltd	F	60	43
Changchun - China			
SCHEESC - Shanghai Honghu Ecia Exhaust Systems Company Ltd	F	51	36
Shanghai - China			

Company	F/E	Percent controlled	Percent consolidated
Faurecia Tongda Exhaust System (Wuhan) Co Ltd	F	50	36
Wuhan - China			
Faurecia Exhaust Systems Changchun	F	51	36
Changchun - China			
Faurecia (Wuxi) Seating Components Co Ltd	F	100	71
Wuxi - China			
Faurecia GSK (Wuhan) Automotive Seating Co Ltd	F	51	36
Wuhan - China			
Faurecia (Changchun) Automotive Systems Co Ltd	F	100	71
Changchun - China			
Faurecia (Shanghai) Management Cy Ltd	F	100	71
Shanghai - China			
Faurecia Shanghai Business Consulting Cy	F	100	71
Shanghai - China			
Daeki Faurecia Corp	F	100	71
Shiheung City - Korea			
Kwang Jing Faurecia	E	50	36
Shiheung City - Korea			
FESK - Faurecia Exhaust System Korea	F	100	71
Shiheung City - Korea			
Faurecia Automotive Seating India Private Ltd	F	100	71
Bangalore - India			
Faurecia Exhaust Systems South Africa (Pty) Ltd	F	100	71
Johannesburg - South Africa			
Faurecia Autoplastic South Africa (Pty) Ltd	F	100	71
Port Elisabeth - South Africa			

F: Fully consolidated - E: Accounted for by the equity method.

Company	F/E	Percent controlled	Percent consolidated
TRANSPORTATION AND LOGISTICS			
Gefco	F	100	100
Courbevoie - France			
Gefco Benelux S.A.	F	100	100
Ath - Belgium			
Gefco Deutschland GmbH	F	100	100
Morfelden - Germany			
Gefco Suisse S.A.	F	99	99
Fahy - Switzerland			
Gefco Österreich GmbH	F	100	100
Vienna - Austria			
Gefco Italia S.p.A.	F	100	100
Milan - Italy			
Gefco U.K. Ltd	F	100	100
London - United Kingdom			
Gefco España S.A.	F	100	100
Madrid - Spain			
Gefco Portugal Transitarios Ltd	F	100	100
Lisbon - Portugal			
LLC Gefco (CIS)	F	100	100
Moscow - Russia			
Gefco Polska Sp. z.o.o.	F	100	100
Warszawa- Poland			
Gefco Ceska Republica s.r.o.	F	100	100
Prague - Czech Republic			
Gefco Slovakia s.r.o.	F	100	100
Bratislava - Slovakia			
Gefco Tasimacilik Ve Lojistik AS	F	100	100
Istanbul - Turkey			
Gefco Tunisie	E	50	50
Tunis - Tunisia			
Gefco Maroc	F	100	100
Casablanca - Morocco			
Gefco Participacoes Ltda	F	100	100
Rio de Janeiro - Brazil			
Gefco do Brasil Ltda	F	100	100
Rio de Janeiro - Brazil			

F: Fully consolidated - E: Accounted for by the equity method.

Company	F/E	Percent controlled	Percent consolidated
Gefco Argentina S.A.	F	100	100
Buenos Aires - Argentina			
Gefco DTW Logistics Co. Ltd	E	50	50
Beijin - China			
FINANCE COMPANY			
Banque PSA Finance	F	100	100
Paris - France			
Société Financière de Banque - Sofib	F	100	100
Levallois-Perret - France			
Sofira - Société de Financement des Réseaux Automobiles	F	100	100
Levallois-Perret - France			
Société Nouvelle de Développement Automobile - SNDA	F	100	100
Paris - France			
Compagnie Générale de Crédit aux Particuliers - Crédipar	F	100	100
Levallois-Perret - France			
GIE Foncier Crédipar	F	100	100
Levallois-Perret - France			
Dicoma Gestion	F	100	100
Levallois-Perret - France			
Loca-Din	F	100	100
Levallois-Perret - France			
Compagnie pour la Location de Véhicules - CLV	F	100	100
Levallois-Perret - France			
FCC Auto ABS - Compartiment 2002.01	F	100	100
Levallois-Perret - France			
PSA Finance Belux	F	100	100
Brussels - Belgium			
PSA Finance SCS	F	100	100
Luxemburg - Luxembourg			
PSA Finance Nederland B.V.	F	100	100
Rotterdam - Netherlands			
PSA Financial Holding B.V.	F	100	100
Rotterdam - Netherlands			

Consolidated Financial Statements

Consolidated Companies as at December 31, 2006

Company	F/E	Percent controlled	Percent consolidated
Peugeot Finance International N.V.	F	100	100
Rotterdam - Netherlands			
Peugeot Commercial Paper GmbH	F	100	100
Frankfurt - Germany			
FCC Auto ABS - Compartment 2004.01	F	100	100
Frankfurt - Germany			
FCC Auto ABS - Compartment Locatif	F	100	100
Frankfurt - Germany			
PSA Factor Italia S.p.A.	F	100	100
Milan - Italy			
PSA Wholesale Ltd	F	100	100
London - United Kingdom			
Arche Investments Ltd	F	100	100
London - United Kingdom			
PSA Finance Plc	F	50	50
London - United Kingdom			
Vernon Wholesale Investments Co Ltd	F	100	100
London - United Kingdom			
PSA Finance Suisse S.A.	F	100	100
Ostermudigen - Switzerland			
PSA Finance Austria Bank AG	F	100	100
Vienna - Austria			

Company	F/E	Percent controlled	Percent consolidated
PSA Gestao Comercio e Aluger de Veiculos	F	97	97
Lisbon - Portugal			
PSA Finance Polska	F	100	100
Warszawa- Poland			
PSA Finance Hungaria Rt	F	100	100
Budapest - Hungary			
PSA Finance Ceska Republika s.r.o.	F	100	100
Prague - Czech Republic			
PSA Finance Slovakia s.r.o.	F	100	100
Bratislava - Slovakia			
Banco PSA Finance Brasil S.A.	F	100	100
São Paulo - Brazil			
PSA Finance Arrendamiento Comercial	F	100	100
São Paulo - Brazil			
PSA Finance Argentina S.A.	F	50	50
Buenos Aires - Argentina			
BPF Mexico S.A. de CV	F	100	100
Mexico - Mexique			
Dongfeng Peugeot Citroën Automobile Finance Company	E	50	50
Wuhan - China			

F: Fully consolidated - E: Accounted for by the equity method.



Subsidiaries and Affiliates as of December 31, 2006

(in thousands of euros or in thousands of national currency)

COMPANIES OR GROUPS	Capital	Retained earnings before income appropriation	Percent interest
I - Detailed information about investments with carrying value in excess of 1% of the Company's capital stock			
A - Subsidiaries (at least 50%-owned)			
Peugeot Citroën Automobiles route de Gisy, 78943 Vélizy (Yvelines, France)	294,816	3,871,710	100.00
Faurecia 2, rue Hennape , 92000 Nanterre (Hauts-de-Seine, France)	169,815	220,228	71.25
Grande Armée Participations 75, avenue de la Grande-Armée, 75116 Paris (France)	60,435	346,060	100.00
Banque PSA Finance 75, avenue de la Grande-Armée, 75116 Paris (France)	177,408	1,446,142	74.93
Automobiles Citroën 12, rue Fructidor, 75017 Paris (France)	16,000	69,069	100.00
Automobiles Peugeot 75, avenue de la Grande-Armée, 75116 Paris (France)	171,285	75,706	100.00
Process Conception Ingénierie 9, avenue du Maréchal Juin, 92048 Meudon-la-Forêt (Hauts-de-Seine, France)	22,954	73,314	84.54
Peugeot Motocycles 103, rue du 17 Novembre, 25350 Mandeure (Doubs, France)	7,142	(69,893)	100.00
Gefco 77 à 81, rue des Lilas d'Espagne, 92400 Courbevoie (Hauts-de-Seine, France)	8,000	230,893	99.94
PSA International S.A. 62, quai Gustave Ador, 1207 Genève (Switzerland)	CHF 5,979 EUR 3,720	214,004 133,178	- 99.92
Société Anonyme de Réassurance Luxembourgeoise 6 B, Route de Trèves, L2633 Senningerberg (Luxemburg)	4,500	22	100.00

B - Affiliates (10% to 50 %-owned)

II - Aggregate information about investments with carrying value corresponding to less than 1% of the Company's capital stock

A - Subsidiaries not listed above

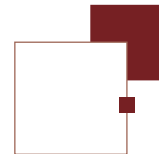
- French subsidiaries (aggregate data)
- Foreign subsidiaries (aggregate data)

B - Affiliates not listed above

- French subsidiaries (aggregate data)
- Foreign subsidiaries (aggregate data)

Book value of shares		Outstandings loans and advances from the Company	Guarantees given by the Company	Last published net sales	Last published net income (loss)	Dividends received by the Company during the year	Comments
Cost	Net						
2,610,622	2,610,415	-	437,472	61,584,817	(46,028)	146,434	
1,262,691	1,262,283	-	-	87,108	(165,225)		
408,923	408,923	-	-	-	31,029	74,955	
380,084	380,084	-	-	nm	194,708	120,466	
257,653	257,653	-	-	7,777,195	65,234	75,850	
180,798	180,745	-	-	13,813,446	44,776	113,425	
170,304	68,639	-	-	257,478	(2,573)	15,997	
106,811	-	72,000	-	215,011	(75,937)	-	Advance depreciated of 51,000 thousands euros
32,197	32,197	-	-	2,005,548	78,591	61,962	
-	-	-	-	nm	32,473		1 EUR = 1.6069 CHF
6,843	6,843	-	-		20,208	17,471	
5,267	5,267	-	-	nm	-	-	
243	95	-	2,100,000			120	
10	10	-	-			-	
-	-	-	-			-	
219	219	-	-			3	





10

Annual Stockholder's Meeting

■ Presentation of the Resolutions	240
■ Financial Authorizations in effect	246
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Presentation of the Resolutions

Stockholders have been asked to approve nine resolutions submitted to the Annual Meeting and eight resolutions submitted to the Extraordinary Meeting.

Ordinary resolutions

The **first resolution** invites stockholders to approve the annual financial statements for the year ended December 31, 2006, showing net profit of €747,728,147.82.

The **second resolution** invites stockholders to approve the 2006 consolidated financial statements of PSA Peugeot Citroën, showing net profit attributable to equity holders of the parent of €176 million.

The **third resolution** concerns the appropriation of income for the year and the payment of a dividend. Despite the sharp decline in net profit in 2006, the Board is recommending a dividend of €1.35 per share. If approved by stockholders, the recommended dividend will be paid on May 30, 2007. Based on the

number of shares outstanding at December 31, 2006, the recommended dividend represents a total payout of €317 million for the year.

The **fourth resolution** concerns the ratification of related party agreements that have been approved by the Supervisory Board.

The **fifth resolution** concerns the term of Jean-Philippe Peugeot, which ends at the Annual Meeting called to approve the 2006 financial statements. Stockholders are invited to re-elect him for a new six-year term, to end at the Annual Meeting to be called in 2013 to approve the 2012 financial statements.

Jean-Philippe Peugeot

First elected to the Supervisory Board:
May 16, 2001

Born May 7, 1953

Vice-Chairman of the Supervisory Board
Chairman of the Strategy Committee

Office 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 directorships held

Chairman of the Board of Nutrition et Communication SAS.

Vice-Chairman of Société Foncière, Financière et de Participations – FFP.

Director of La Française de Participations Financières – LFPF and Immeubles et Participations de l'Est.

Former directorships held in the past five years: none.

Related expertise and professional experience:

Jean-Philippe Peugeot has spent his entire career with Automobiles Peugeot, where, in particular, he managed a marketing subsidiary for eight years and Peugeot Parc Alliance for four years.

Number of Peugeot S.A. shares owned: 150.

The **sixth resolution** invites stockholders to ratify the appointment by the Supervisory Board on February 6, 2007 of Robert Peugeot to replace Jean-Louis Dumas, and to re-elect Robert Peugeot as member of the Supervisory Board for a six-year term ending at the Annual Meeting to be called in 2013 to approve the 2012 financial statements.

<p>Robert Peugeot</p> <p>First appointed to the Supervisory Board: February 6, 2007</p> <p>Born April 25, 1950</p> <p>Member of the Supervisory Board</p> <p>Office address: FFP 75, avenue de la Grande-Armée 75016 Paris France</p>	<p>Chairman of Société Foncière, Financière et de Participations – FFP Former Member of the PSA Peugeot Citroën Executive Committee</p> <p>Other directorships held: Chairman of the Board of Simante, SL. Member of the Supervisory Board of Citroën Deutschland Aktiengesellschaft, Aviva France. Director of Citroën Denmark A/S, B-1998 SL, Fomentos de Construcciones y Contratas S.A. FCC, FCC Construcción S.A., Aviva Participations, Établissements Peugeot Frères, GIE de recherche et d'études PSA Renault, Imerys, Immeubles et Participations de l'Est, LFPF – La Française de Participations Financières, Citroën UK Ltd, Sanef. Legal Manager of CHP Gestion, Rodom. Permanent representative of FFP on the Supervisory Board of Zodiac. Legal representative of FFP with Financière Guiraud.</p> <p>Former directorships held in the past five years: Member of the Supervisory Board of Groupe Taittinger. Director of IFP (Institut Français du Pétrole), Société du Louvre, Peugeot Automobiles United Kingdom Ltd.</p> <p>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.</p> <p>Number of Peugeot S.A. shares owned: 150.</p>
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The **seventh resolution** invites stockholders to elect Henri Philippe Reichstul to replace Jean Boillot for a six-year term, to end at the Annual Meeting to be called in 2013 to approve the 2012 financial statements.

<p>Henri Philippe Reichstul</p> <p>Born April 12, 1949</p> <p>Office address: Rua Sampaio Vidal 270 01443 - 000 São Paulo, SP Brazil</p>	<p>Chairman and Chief Executive Officer of Brenco – Companhia Brasileira de Energia Renovavel</p> <p>Other directorships held: Director of Prisma Energy International, TAM – Linhas Aéreas S.A., Holdings/Vivo, Pao de Açucar Group, RepsolYPF S.A.</p> <p>Former directorships held in the past five years: none.</p> <p>Related expertise and professional experience: Trained as an economist at the University of São Paulo and Oxford University, Henri Philippe Reichstul began his career as a university professor and went on to hold various positions in the Brazilian civil service before serving as Chairman and Director for a number of companies, including Petrobras (1999-2001).</p> <p>Number of Peugeot S.A. shares owned: 0.</p>
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The **eighth resolution** invites stockholders to elect Geoffroy Roux de Bézieux to replace Pierre Banzet for a six-year term, to end at the Annual Meeting to be called in 2013 to approve the 2012 financial statements.

<p>Geoffroy Roux de Bézieux</p> <p>Born May 31, 1962</p> <p>Office address: Virgin Mobile France 40, boulevard Henri Sellier 92150 Suresnes France</p>	<p>Chairman and Chief Executive Officer of Virgin Mobile France</p> <p>Other directorships held: Chairman of the Supervisory Board of Seloger.com. Director of Budget Telecom, Micromania, Sporever, Parrot, Association Française des Opérateurs Mobiles (AFOM). Member of Steering Committee of France Investissement.</p> <p>Former directorships held in the last five years: Nocibé, Fromageries Plus.</p> <p>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 SA, 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, Europe in 2003 till 2006. Since 2006 he has been Chairman and Founder of Virgin Mobile. He has been President of the CroissancePlus association since 2005.</p> <p>Number of Peugeot S.A. shares owned: 1,000.</p>
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The **ninth resolution** invites stockholders to authorize the Managing Board to carry out a share buyback program. The authorization is sought for a period of up to eighteen months, i.e. until November 24, 2008.

It could be used to buy back up to 16 million shares of Peugeot S.A. stock, representing 6.8% of issued capital, for allocation on exercise of stock options or on redemption, conversion, exchange or exercise of share equivalents or in order to reduce the Company's capital. The maximum purchase price would be set at €65 per share.

This authorization would replace the one granted by the Annual Meeting on May 24, 2006. Compared with the previous authorization, the number of shares eligible for buyback has been reduced to ensure that the total number of shares held in treasury (including the shares already held at the year-end) falls within the legal limit of 10% of issued capital. At December 31, 2006, the Group held 6,534,475 shares in treasury representing 2.79% of

issued capital, including 6,078,007 being held for allocation on exercise of stock options and 456,468 scheduled for cancellation.

If the Group were to use this authorization for any purpose other than the allocation of shares on exercise of stock options, it would do so while maintaining careful control over its net financial position. In 2006, the Group purchased 1,100,000 shares of Peugeot S.A. stock at an average price of €41.07, including 983,500 set aside for allocation on exercise of stock options granted under the August 2006 plan.

In compliance with article L. 225-209 of the French Commercial Code and articles 241-1 to 242-6 of AMF General Rules and Regulations, a description of the new program will be 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.

Extraordinary resolutions

The purpose of the tenth and eleventh resolutions is to renew the authorizations granted to the Managing Board to increase the Company's share capital at short notice, if warranted, in the Company's interest.

The **tenth resolution** renews existing authorizations to issue securities conferring the right to acquire equity directly or indirectly. The aggregate number of shares issued under this authorization may not have the effect of increasing issued capital — currently €234,618,266 — to more than €400 million and the aggregate nominal amount of debt securities conferring the right to equity issued under this authorization may not exceed €600 million.

The **eleventh resolution** would authorize the Managing Board to issue shares and share equivalents without granting pre-emptive subscription rights to existing stockholders, within the monetary limits set forth in the tenth resolution. The Managing Board may grant existing stockholders a priority right to subscribe for the new shares issued under this authorization.

The **twelfth resolution** would authorize the Managing Board, within the limits set forth in the tenth and eleventh resolutions, to increase the amount of share issues that are oversubscribed. The additional shares would be issued at the same price as for the original issue.

The **thirteenth resolution** reflects the legal obligation, under the Employee Savings Act of February 9, 2001, as amended by the Social Modernization Act of January 2002, for joint stock corporations (*sociétés anonymes*) to submit to stockholders a proposal to carry out an employee share issue. The Managing Board recommends that stockholders vote against this resolution, inasmuch

as other systems are in place to enable employees to purchase shares of Company stock on preferred terms. Stockholders are reminded that the employee mutual fund, in which more than 50,000 employees have invested, held 2.67% of issued capital at December 31, 2006.

The **fourteenth resolution** would renew the authorization granted to the Managing Board to reduce the Company's capital by canceling shares acquired under the buyback program, within the limit of 10% of the capital stock in any twenty-four month period. This authorization would be used, in particular, to cancel the 456,468 shares held in treasury at December 31, 2006, recorded under "Shares in the process of being canceled"

The **fifteenth resolution** would give the Managing Board an eighteen-month authorization to use the financial authorizations while a takeover bid for the Company is in progress.

The **sixteenth resolution** reflects the provisions of articles 12 and 13 of the Act of March 31, 2006, which transposed the European directive on public tender offers into French law.

It would give the Managing Board an eighteen-month authorization, with immediate effect, to issue stock warrants exercisable on preferred terms for Peugeot S.A. shares while a takeover bid for the Company is in progress. The warrants would be issued in application of the reciprocity clause, according to which a company is exempt from obtaining stockholder approval of anti-takeover defenses if the bid is made by a company that itself (or its controlling entity) is not obliged to seek such approval.

The aggregate par value of the shares issued on exercise of the stock warrants would be limited to €160 million. This amount would be deducted from the ceilings specified in the tenth, eleventh, twelfth, thirteenth and fifteenth resolutions, which provide for capital increases of similar amounts.

The number of warrants issued would not exceed 160 million.

The Managing Board would have full powers to decide the terms of exercise of the stock warrants, relative to the terms of the takeover bid or any competing bid, as well as the warrants' other characteristics, as provided by the Act of March 31, 2006.

Lastly, the **seventeenth resolution** would renew the authorization for the Managing Board to grant employees, executives or officers of the Company or its subsidiaries options to purchase existing shares of Peugeot S.A. stock that the Company holds in treasury. The Managing Board, in full agreement with the Supervisory Board, decided that starting in 2002 the benchmark price for options to purchase existing shares granted in a given year would be equal to the average of the opening share price during 20 trading days following the publication of the Group's first-half consolidated earnings, without any discount.

The resolution would renew the same authorization granted by the Extraordinary Stockholders' Meeting on May 24, 2006, but raised the number of options from 2,000,000 to 2,500,000 options exercisable for a period of up to eight years.

Financial Authorizations **in effect**

The financial authorizations summarized below were granted to the Managing Board by shareholders at the Annual Meeting.

The Company's bylaws stipulate that corporate actions and bond issues are subject to the approval of the Supervisory Board.

Financial authorizations in effect before the Combined Annual and Extraordinary Stockholders Meeting of May 23, 2007

	Granted	Validity	Expires	Maximum capital	Authorization
1 - Annual Stockholders' Meeting					
Buyback of shares	May 24, 2006	18 months	Nov. 24, 2007		Purchase of up to 23,000,000 shares Maximum purchase price: €65
2 - Extraordinary Stockholders' Meeting					
Issuance of equity or securities conferring the right to acquire equity directly or indirectly with pre-emptive subscription rights	May 25, 2005	26 months	July 25, 2007	€400 million ⁽¹⁾	
Issuance of equity or securities conferring the right to acquire equity directly or indirectly without pre-emptive subscription rights	May 25, 2005	26 months	July 25, 2007	€400 million ⁽¹⁾	
Options to purchase existing Peugeot S.A. shares	May 24, 2006	15 months	August 31, 2007		2,000,000 shares
Cancellation of shares	May 25, 2005	24 months	May 25, 2007		10% of the capital stock per each 24-month period

(1) Together, these issues may not have the aggregate effect of increasing the Company's capital stock to more than €400,000,000.

Financial authorizations granted in resolutions submitted to the Combined Annual and Extraordinary Meeting of May 23, 2007

	Authorization	Validity	Granted	Expires
1 - Annual Stockholders' Meeting				
Buyback of shares	Purchase of up to 16,000,000 shares Maximum purchase price: €65	18 months	May 24, 2007	Nov. 24, 2008
<i>(9th resolution)</i>				
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	- 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	July 23, 2009
<i>(10th and 11th resolutions)</i>				
Same as above, up to a maximum of 18 months while a takeover bid is in progress	- Aggregate par value of shares not to exceed €400 million - Aggregate nominal amount of debt securities not to exceed €600 million	18 months	May 23, 2007	Nov. 23, 2008
<i>(15th resolution)</i>				
Issuance of stock warrants while a takeover bid is in progress	- Aggregate par value of shares not to exceed €160 million to be deducted from the €400 million ceiling specified above - Number of issued stock warrants not to exceed 160 million	18 months	May 23, 2007	Nov. 23, 2008
<i>(16th resolution)</i>				
Options to purchase existing Peugeot S.A. shares	2,500,000 shares	15 months	May 23, 2007	Aug. 31, 2008
<i>(17th resolution)</i>				
Cancellation of shares	10% of the capital stock per each 24-month period	24 months	May 23, 2007	May 23, 2009
<i>(14th resolution)</i>				
Same as above, up to a maximum of 18 months while a takeover bid is in progress	10% of the capital stock per each 24-month period	18 months	May 23, 2007	Nov. 23, 2008
<i>(15th resolution)</i>				

Resolutions

Annual Stockholders' Meeting of May 23, 2007

I. Ordinary resolutions

First Resolution

Approval of the parent company financial statements for the year

The Annual Meeting, having reviewed the annual financial statements, the Report of the Managing Board, the Report of the Supervisory Board and the Auditors' Report on the annual financial statements, approves the annual financial statements for the year ended December 31, 2006, showing net profit of €747,728,147.82, as well as the transactions reflected in these financial statements or disclosed in these reports.

Second Resolution

Approval of the consolidated financial statements for the year

The Annual Meeting, having reviewed the consolidated financial statements, the Report of the Managing Board, and the Auditors' Report on the consolidated financial statements, approves the consolidated financial statements for the year ended December 31, 2006, as presented.

Third Resolution

Appropriation of profit for the year

The Annual Meeting notes that distributable profit, representing net profit for the year of €747,728,147.82 plus retained earnings brought forward from the prior year in an amount of €693,248,137.26, totals €1,440,976,285.08.

The Annual Meeting resolves to appropriate distributable profit as follows:

- to the payment of a dividend	€316,734,659.10
- to other reserves	€500,000,000.00
- to unappropriated retained earnings	€624,241,625.98

The dividend of €1.35 per share will be paid as from May 30, 2007. Eligible stockholders will be entitled to 40% tax relief (General Tax Code, Article 158, paragraphs 3-2 to 4), on the total dividend.

Dividends on shares held in treasury stock on the dividend payment date will be credited to unappropriated retained earnings.

The Annual Meeting notes that dividends for the years ended December 31, 2003, 2004 and 2005 were as follows:

Year	Shares carrying dividend rights	Dividend
2003	237,437,862 shares with a par value of €1.00	€1.35
2004	229,803,390 shares with a par value of €1.00	€1.35
2005	229,146,756 shares with a par value of €1.00	€1.35

Fourth Resolution

Approval of the Auditors' Report on related party agreements

The Annual Meeting, having reviewed the Auditors' Report on related party agreements, approves the Report and the transactions referred to therein.

Fifth Resolution

Re-election of a member of the Supervisory Board

The Annual Meeting, voting on a motion tabled by the Supervisory Board, re-elects Jean-Philippe Peugeot as member of the Supervisory Board for a six-year term ending at the Annual Stockholders' Meeting to be called in 2013 to approve the accounts for the year ending December 31, 2012.

Sixth Resolution

Ratification of the appointment of a member of the Supervisory Board and re-election

The Annual Meeting, voting on a motion tabled by the Supervisory Board, ratifies the appointment by the Supervisory Board on February 6, 2007 of Robert Peugeot as member of the Supervisory Board to replace Jean-Louis Dumas following the latter's resignation, and re-elects Robert Peugeot as member of the Supervisory

Board for a six-year term ending at the Annual Stockholders' Meeting to be called in 2013 to approve the accounts for the year ending December 31, 2012.

Seventh Resolution

Election of a member of the Supervisory Board

The Annual Meeting, voting on a motion tabled by the Supervisory Board, elects Henri Philippe Reichstuhl as member of the Supervisory Board for a six-year term ending at the Annual Stockholders' Meeting to be called in 2013 to approve the accounts for the year ending December 31, 2012, to replace Jean Boillot whose term expires at this meeting.

Eighth Resolution

Election of a member of the Supervisory Board

The Annual Meeting, voting on a motion tabled by the Supervisory Board, elects Geoffroy Roux de Bézieux as member of the Supervisory Board for a six-year term ending at the Annual Stockholders' Meeting to be called in 2013 to approve the accounts for the year ending December 31, 2012, to replace Pierre Banzet who has resigned from the Board as of the date of this meeting.

Ninth Resolution

Authorization to carry out a share buyback program

The Annual Meeting, having reviewed the Report of the Managing Board, authorizes the Managing Board to buy back the Company's shares on the stock market in order to reduce the Company's issued capital, or for attribution on exercise of stock options granted to employees, executives or officers of the Company or any related entity, or for attribution on redemption, conversion, exchange or exercise of securities carrying a right to equity. The shares may be purchased by any appropriate means and at any time, on or off-market, including through the use of call options and any and all other derivatives traded on a regulated market or over-the-counter.

The maximum purchase price is set at €65 per share.

The Managing Board may acquire up to 16,000,000 shares under this authorization, which is granted for a period of eighteen months from May 24, 2007 and replaces with immediate effect the previous authorization granted by the Annual Meeting held on May 24, 2006.

II. Extraordinary resolutions

Tenth Resolution

Authorization to be given to the Managing Board to issue shares or share equivalents, with pre-emptive subscription rights

The Annual Meeting, having considered the Report of the Managing Board and the Auditors' Special Report, resolves, in accordance with Articles L. 225-129-2 and L. 228-92 of the Commercial Code:

- I. To give the Managing Board, under Article 9 of the bylaws, a 26-month authorization, with immediate effect, to increase the Company's issued capital on one or several occasions by:
 - a) issuing, in France or abroad, shares denominated in euros and/or securities denominated in euros or in foreign currencies conferring the right to acquire, directly or indirectly, immediately or in the future, Peugeot S.A. shares, and/or
 - b) issuing bonus shares or raising the par value of existing shares, to be paid up by capitalizing profit, retained earnings or additional paid-in capital.
- II. That the aggregate number of shares issued, immediately or in the future, pursuant to this authorization (including any shares issued to protect the rights of holders of existing securities) may not have the effect of increasing issued capital — currently €243,618,266 — to more than €400,000,000, not including the value of any issue and/or redemption premiums.
- III. That the aggregate nominal amount of debt securities conferring the right to equity issued pursuant to this authorization may not exceed €600,000,000.
- IV. That stockholders shall be granted pre-emptive subscription rights to any securities issued pursuant to this authorization, in proportion to their existing interest in issued capital.
- V. That:
 - a) If the issue is not taken up in full by stockholders exercising their pre-emptive rights, all or some of the unsubscribed shares or securities may be offered to the public.

- b) In the case of a bonus share issue, rights to fractions of shares shall be non-transferable. The corresponding shares shall be sold and the proceeds from the sale allocated among the holders of said rights within 30 days of the date on which the whole number of shares allotted to them is recorded in their account.
- c) In the case of issue of compound securities, stockholders shall not have any pre-emptive right to subscribe for the shares to be issued on conversion, redemption, exchange or exercise of the securities carrying a right to equity.

This authorization replaces the authorizations to issue shares and share equivalents given to the Managing Board by the Extraordinary Meeting of May 25, 2005.

Eleventh Resolution

Authorization to be given to the Managing Board to issue shares and share equivalents without pre-emptive subscription rights

The Extraordinary Meeting, having considered the Report of the Managing Board and the Auditors' Special Report, resolves to give the Managing Board, under Article 9 of the bylaws, a 26-month authorization, with immediate effect, to increase the Company's issued capital on one or several occasions by issuing, in France or abroad, shares and/or securities denominated in euros conferring the right to acquire, directly or indirectly, immediately or in the future, Peugeot S.A. shares. These issues may be carried out, at the Managing Board's discretion, without existing stockholders being granted a pre-emptive subscription right, within the monetary limits set forth in paragraph II of the tenth resolution.

The Extraordinary Meeting resolves that the aggregate nominal amount of debt securities conferring the right to equity issued pursuant to this authorization may not exceed €600,000,000 and that any such issues shall be deducted from the ceiling specified in paragraph III of the tenth resolution.

The Extraordinary Meeting resolves that the Managing Board, at its discretion, may grant existing stockholders a priority right to subscribe for the new shares issued under this authorization, in application of Article L. 225-135 of the Commercial Code.

This authorization is given for a period of twenty-six months as from the date of this Meeting.

The Extraordinary Meeting expressly waives stockholders' pre-emptive subscription rights in the event that the Managing Board decides to use this authorization, provided that the issue price of the shares created directly or on conversion, redemption, exchange or exercise of securities conferring a right to equity, is at least equal to the weighted average price quoted for Peugeot S.A. shares on the Paris Bourse over the three consecutive trading days preceding the date when the issue price is set, less a maximum discount of 5%.

Twelfth resolution

Authorization to be given to the Management Board to increase the amount of share issues that are oversubscribed

The Extraordinary Meeting, having considered the Report of the Managing Board and the Auditors' Special Report, resolves to authorize the Managing Board to increase the number of shares offered under any issues decided pursuant to the tenth and eleventh resolutions of this Meeting, in accordance with Article L. 225-135-1 of the Commercial Code, provided that the additional shares are issued at the same price as for the original issue and the monetary ceiling specified in the tenth and eleventh resolutions is not exceeded.

This authorization is given for a period of twenty-six months as from the date of this Meeting.

Thirteenth Resolution

Authorization to be given to the Management Board to carry out an employee share issue

The Extraordinary Meeting, having considered the Report of the Managing Board and the Auditors' Special Report, resolves, in accordance with Article L. 225-129-6 of the Commercial Code, to authorize the Managing Board, under Article 9 of the bylaws, to carry out one or several employee share issues, as provided for in Article L. 443-5 of the Labor Code, provided that the aggregate par value of the shares issued under this authorization does not exceed €15,000,000.

The Managing Board shall have full powers to determine the amount of any such share issue or issues within the above limit, as well as their timing and other terms and conditions. The Managing Board shall also determine the issue price of the new shares, subject to compliance with Article L. 443-5 of the Labor Code, the basis on which such shares are to be paid up, the subscription period and the terms governing the exercise of employees' subscription rights.

The Managing Board shall also have full powers to enter into any and all agreements, take any and all measures and carry out any and all necessary formalities to render the capital increase or increases effective, and to amend the bylaws to reflect the new capital.

This authorization is given for a period of twenty-six months as from the date of this Meeting.

Fourteenth Resolution

Authorization to be given to the Managing Board to reduce the capital by canceling shares acquired under the buyback program

The Extraordinary Meeting, having considered the Report of the Managing Board and the Auditors' Special Report, authorizes the Managing Board, under Article 9 of the bylaws, to cancel any shares held now or in the future, as purchased under the buyback program authorized in the ninth resolution of this Meeting, provided that the number of shares canceled in any twenty-four month period does not exceed one-tenth of the Company's capital stock.

The Extraordinary Meeting gives full powers to the Managing Board to reduce the capital stock on one or several occasions by canceling shares as provided for above, to amend the bylaws to reflect the new capital, to carry out any and all publication formalities, and to take any and all measures required to effect the capital reduction or reductions, directly or indirectly.

Fifteenth Resolution

Authorization to be given to the Managing Board to use the financial authorizations while a takeover bid for the Company is in progress

The Extraordinary Meeting, having considered the Report of the Managing Board, the Report of the Supervisory Board and the Auditors' Special Report, resolves to give the Managing Board an eighteen-month authorization, with immediate effect, to use all or part of the authorizations given in the ninth, tenth, eleventh, twelfth, thirteenth and fourteenth resolutions to buy back Peugeot S.A. shares and to issue or cancel shares, while a takeover bid for the Company is in progress, on the basis allowed by law.

Sixteenth Resolution

Authorization to be given to the Managing Board to issue stock warrants while a takeover bid for the Company is in progress

The Annual Meeting, having considered the Report of the Managing Board, the Report of the Supervisory Board and the Auditors' Special Report, resolves, in accordance with Articles L.233-32 II and L.233-33 of the Commercial Code, to give the Managing Board an eighteen month authorization, with immediate effect, to issue, on one or several occasions, stock warrants exercisable on preferred terms for Peugeot SA shares and to allocate these warrants to all shareholders without consideration while a takeover bid for the Company is in progress.

The aggregate par value of the shares that may be issued on exercise of said stock warrants shall not exceed €160,000,000, to be deducted from the ceilings specified in the tenth, eleventh, twelfth, thirteenth and fifteenth resolutions, and the number of warrants that may be issued shall not exceed 160,000,000.

The Annual Meeting gives full powers to the Managing Board to set the terms of exercise of the stock warrants, relative to the terms of the takeover bid or any competing bid, as well as the warrants' other characteristics including their exercise price or the pricing method. The stock warrants shall expire *ipso jure* when the takeover bid or any competing bid fails, expires or is withdrawn.

This authorization automatically entails the waiver by stockholders of their pre-emptive right to subscribe for any shares to be issued on exercise of the stock warrants.

Seventeenth Resolution

Authorization to be given to the Managing Board to grant stock options

The Extraordinary Meeting, having considered the Report of the Managing Board, the Report of the Supervisory Board and the Auditors' Special Report, resolves to authorize the Managing Board to grant stock options on one or several occasions, to the employees, executives or officers of Peugeot S.A. or related entities, exercisable for Peugeot S.A. shares bought back by the Company for this purpose.

The Managing Board shall use the authorization as provided for by law.

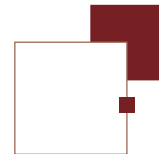
Subject to the provisions of the law, the option exercise price will be set by the Managing Board on the option grant date, at an amount not less than (i) the average of the opening prices quoted for the Company's shares on Euronext over the twenty trading days that precede the Managing Board's decision to grant the options and (ii) the average price paid for the shares held by the Company in treasury pursuant to Articles L. 225-208 and L. 225-209 of the Commercial Code.

The number of shares to be issued upon exercise of the options may not exceed 2,500,000.

This authorization will be valid until August 31, 2008.

The Extraordinary Meeting gives full powers to the Managing Board to act on this authorization, and in particular to set the maximum number of options that may be granted to a single grantee, determine the terms and conditions of grant and make the necessary adjustments in the event of corporate actions undertaken after the date of grant.

The option exercise period may not exceed eight years.



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Investor *Information*

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Stockholder Relations

Stockholder information

PSA Peugeot Citroën is committed to providing clear, regular information to all individual and institutional stockholders, in France and abroad. It is constantly improving the effectiveness of the investor relations process, including the various sources of stockholder information and direct investor contacts at meetings and special events, in compliance with best practices and the recommendations issued by stock market authorities.

All stockholders have access to the following sources of information:

- the Annual Report, available in French and English, provides essential information about PSA Peugeot Citroën and its operations, including multi-year financial highlights and key data,
- the Reference Document, filed with the Autorité des Marchés Financiers and published in French and English, provides a detailed presentation and analysis of the consolidated financial statements, the operations of the different divisions, the resolutions approved by stockholders in Annual Meeting and legal information about the Company,
- the Interim Report, also published in French and English, is available as soon as interim results are released in late July,
- press releases and financial notices are posted on the Company website,
- the Stockholders' Newsletter, published to coincide with the release of annual results, the Annual Meeting and the release of interim results, is sent to registered stockholders, identified holders of bearer shares. It is also available upon request,
- the Stockholders Guide answers the most frequently asked questions regarding stockholder rights and the management of Peugeot S.A. shares.

All these publications are available online at www.psa-peugeot-citroen.com, which also displays the Peugeot S.A. stock price in real time. In the site's Stockholder section, stockholders whose shares are registered with the Company can view their portfolio, calculate tax impacts and download stockholder filings and other documents.

Visit www.sustainability.psa-peugeot-citroen.com to read the latest news about the Group's commitment to responding to the major human resources, social and environmental issues facing today's world.

To nurture effective relations with investors, PSA Peugeot Citroën organizes a growing number of events for its stockholders and the entire financial community. Three major meetings are held for the presentation of interim earnings, the presentation of annual earnings and the Annual Meeting.

In addition, the Group regularly interacts with investors by inviting them to meetings or plant visits in Europe, the United States and Asia, and invites financial analysts to theme meetings to help improve their understanding of the Group's business operations. The Group also participates in industry presentations by financial institutions active in the capital markets.

Moreover, the Group is committed to meeting regularly with individual stockholders in France through presentations in cities outside Paris and plant visits. Stockholders may also request information from the Investor Relations team via e-mail (investor.relations@psa.fr) or by phone, at 0810 424 091 (France only).

Stockholders wishing to receive financial information on a regular basis may register at Company headquarters: Peugeot S.A. – Investor Relations
75, avenue de la Grande-Armée – 75116 Paris, France
E-mail: investor.relations@psa.fr
Phone: +33 (0)1 40 66 37 60.

Investor calendar

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

Share data

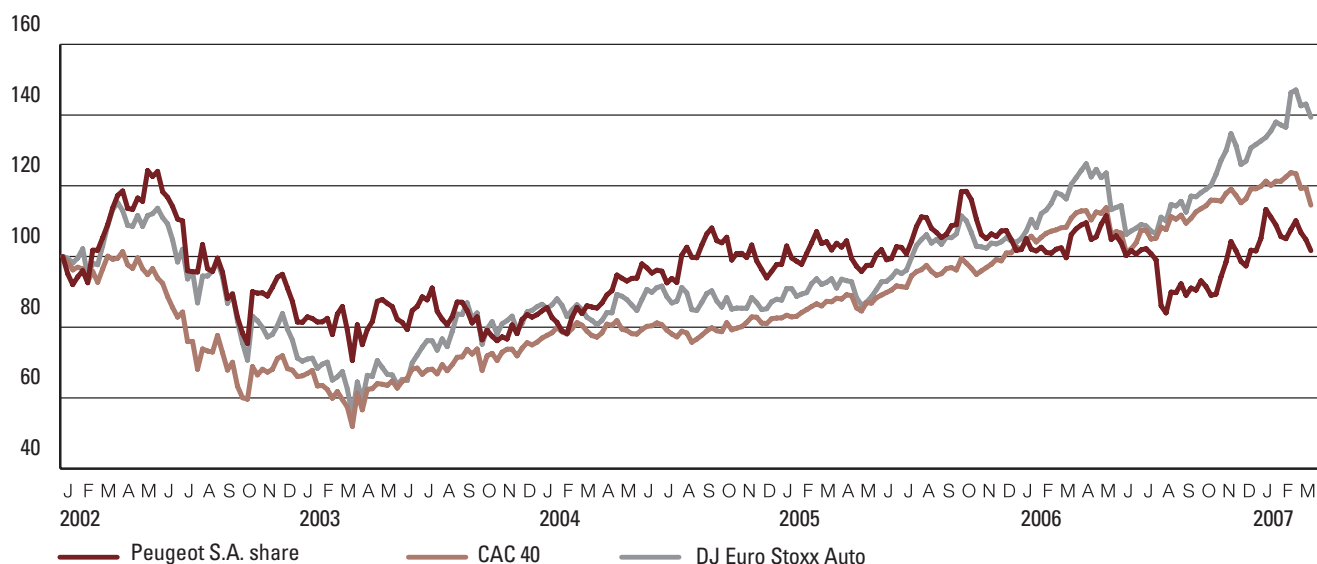
ISIN	FR0000121501
Markets	<p>Eurolist continuous trading – Euronext Paris SA, Compartment A</p> <p>Other markets:</p> <ul style="list-style-type: none"> - Europe: Euronext Brussels and SEAQ International - London; - United States: Traded as American Depositary Receipts (ADRs), with one ADR representing one share of common stock.
Listed in the major indexes	CAC 40, SBF 120, SBF 250, Euronext 100, DJ 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, 2006	234,618,266
Closing price on December 31, 2006	€50.20
Market value at December 31, 2006	€11.78 billion
Weighting in the CAC 40 index at December 31, 2006	0.81%

Share performance

The Peugeot S.A. share gained 3.08% in 2006, ending the year at €50.20. This compared with increases of 17.53% in the CAC 40 index and of 26.27% in the DJ Euro Stoxx Auto index over the same period.

Over the past five years, the Peugeot S.A. share has gained 5.13%, compared with a 19.83% decline in the CAC 40 index and a 32.68% increase in the DJ Euro Stoxx Auto index.

Five-year performance of the Peugeot S.A. share – versus the CAC 40 Index and the DJ Euro Stoxx Auto Index (base 100)



Five-year summary of stock price performance and trading volumes

	2002	2003	2004	2005	2006
Shares outstanding at December 31	259,109,146	243,109,146	243,109,146	234,618,266	234,618,266
High for the year (€)	60.80	43.85	52.70	57.95	54.30
Low for the year (€)	32.20	33.53	36.93	45.20	38.91
Year-end closing (€)	38.86	40.40	46.70	48.70	50.20
Market value at December 31 (€ billions)	10.07	9.82	11.35	11.43	11.78
Average daily trading volume	1,320,196	1,442,174	1,325,810	1,093,731	1,553,823

Dividend policy

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

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

	2002	2003	2004	2005	2006
Dividend per share					
Dividend	1.35	1.35	1.35	1.35	1.35*
Tax credit	0.675	0.675	—**	—**	—**
Total revenue	2.025	2.025	—**	—**	—**
Payout ratio	20.7%	21.9%	24.2%	30.8%	180%

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

** Beginning with dividends received in 2005, the tax credit has been replaced, under certain conditions, with tax relief.

Capital structure and ownership

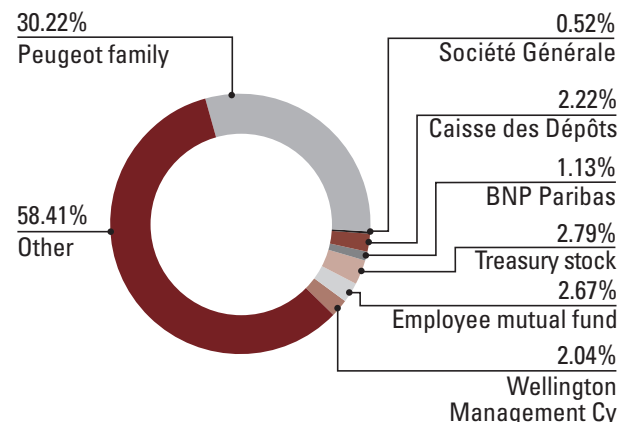
The Company's capital stock amounted to €234,618,266 at December 31, 2006, represented by 234,618,266 shares with a par value of €1.00 each.

The interests held by the main stockholders identified by the Company are presented in the "Ownership Structure" table on page 260.

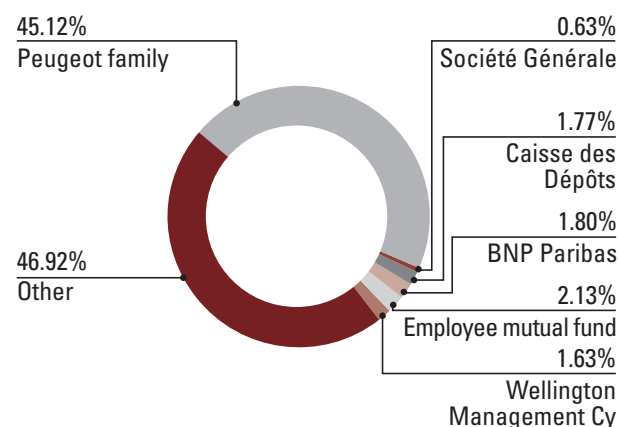
On March 3, 2006, Michelin announced the sale of its remaining 2,826,000 shares of Peugeot S.A. stock, representing 1.20% of issued capital.

On March 6, 2006, Wellington Management Company informed the Autorité des Marchés Financiers and Peugeot S.A. that its interest in the Company has exceeded 5% of issued capital, with a 5.05% stake as of February 21, 2006. As of December 31, 2006, Wellington Management Company had reduced its interest to 2.04%

Capital structure at December 31, 2006



Voting rights structure at December 31, 2006



Stock buybacks

Under the stockholder authorizations given at the Annual Meeting of May 24, 2006, the Group bought back 1,100,000 Peugeot S.A. shares at an average price of €41.07 per share during year, for allocation on exercise of stock options granted in August 2006. At year-end,

the Group held 6,534,475 shares in treasury, or 2.79% of issued capital, including 6,078,007 shares held for allocation on exercise of stock options and 454,468 that will be canceled.

Information about **the Company's Capital**

Capital stock

As of December 31, 2006, the Company's capital stock amounted to €234,618,266, divided into 234,618,266 shares with a par value of €1.00, all fully paid-up and of the same class. Shares may be held in registered or bearer form, at the choice of the stockholder.

Specific provisions of the bylaws concerning changes in capital and other stockholder rights

Not applicable.

Authorization to buy back Company shares

At the Annual Stockholders' Meeting of May 23, 2007, the Managing Board will seek an authorization to carry out a share buyback program. The purpose of the buybacks will be to:

- reduce the Company's issued capital;
- acquire shares for attribution to employees, executives or officers of the Company or any related entities on the exercise of stock options;
- acquire shares for allocation on redemption, conversion, exchange or exercise of share equivalents.

The authorization is being sought for a period of 18 months and concerns the buyback of a maximum of 16,000,000 shares. The maximum purchase price is set at €65.

In compliance with article L. 225-209 of the Commercial Code and articles 241-1 to 242-7 of AMF General Rules and Regulations a description of the new program will be available in the Stockholder AMF Regulated Information section of the www.psa-peugeot-citroën.com website, as well as on the AMF website www.amf-france.org.

Securities not conferring a right to acquire equity capital

Not applicable.

Securities conferring a right to acquire equity capital

Employee stock options

Options to purchase existing shares of Company stock were granted to Group executives and senior managers in 2006 and prior years. As of December 31, 2006, there were 6,078,007 such options outstanding.

Peugeot S.A. stock option plans in effect at December 31, 2006

Date of Managing Board meeting	Number of shares to be purchased (of which shares granted to corporate officers) ⁽¹⁾	Number of corporate officers concerned ⁽¹⁾	Exercise period begins	Exercise period ends	Price	Options exercised in 2006	Options outstanding as of Dec. 31, 2006
March 31, 1999	462,900 183,000	14	03/31/2001	03/30/2007	€20.83	29,317	114,930
October 5, 2000	709,200 237,000	13	10/05/2002	10/04/2008	€35.45	98,901	463,077
November 20, 2001	798,600 330,000	13	11/20/2004	11/19/2008	€46.86	50,000	726,900
August 20, 2002	860,100 335,000	13	08/21/2005	08/20/2009	€46.28	0	849,100
August 21, 2003	996,500 396,000	13	08/21/2006	08/20/2011	€39.09	0	992,500
August 24, 2004	1,004,000 435,000	13	08/24/2007	08/23/2012	€47.59	0	995,000
August 23, 2005	953,000 435,000	13	08/23/2008	08/22/2013	€52.37	0	953,000
August 23, 2006	983,500 510,000	13	08/23/2009	08/22/2014	€41.14	0	983,500

(1) Corporate officers are defined as members of the Managing Board, the Executive Committee and the Senior Management.

Changes in capital stock

(in number of shares, adjusted for the stock split)	2006	2005	2004	2003	2002
Shares outstanding as of January 1	234,618,266	243,109,146	243,109,146	259,109,146	259,109,146
• Exercise of options	-	-	-	-	-
• Conversion of bonds	-	-	-	-	-
• Cancellation of shares	-	(8,490,880)	-	(16,000,000)	-
Shares outstanding as of December 31	234,618,266	234,618,266	243,109,146	243,109,146	259,109,146
Voting rights outstanding as of December 31	293,022,995	299,814,508	303,857,079	308,888,782	313,211,826

(in euros)	2006	2005	2004	2003	2002
Capital stock as of January 1	234,618,266	243,109,146	243,109,146	259,109,146	259,109,146
• Exercise of options	-	-	-	-	-
• Conversion of bonds	-	-	-	-	-
• Cancellation of shares	-	(8,490,880)	-	(16,000,000)	-
Capital stock as of December 31	234,618,266	234,618,266	243,109,146	243,109,146	259,109,146

Diluted capital

There were no share equivalents or options to purchase new shares of Peugeot S.A. stock outstanding as of December 31, 2006.

Identity of stockholders (article 7 of the bylaws)

The company is entitled to request details of the identity of stockholders and holders of securities conferring the right to acquire equity capital, including the number of shares or securities held, in accordance with the applicable legislation.

Ownership structure

At December 31, 2006, capital stock consisted of 87,525,102 registered shares, held by 634 stockholders, and of 147,093,164 bearer shares.

	December 31, 2006			December 31, 2005			December 31, 2004		
	Number of shares	% interest	% voting rights	Number of shares	% interest	% voting rights	Number of shares	% interest	% voting rights
<i>Main identified stockholders⁽¹⁾</i>									
Établissements Peugeot Frères	6,923,760	2.95	4.73	6,923,760	2.95	4.62	6,923,760	2.85	4.56
La Française de Participations Financières (LFPF)	12,156,000	5.18	6.98	12,156,000	5.18	6.82	12,156,000	5.00	7.23
Foncière, Financière et de Participations (FFP)	51,792,738	22.08	33.39	51,792,738	22.08	33.60	51,792,738	21.3	32.05
Comtoise de Participation	36,000	0.02	0.02	36,000	0.02	0.02	36,000	0.01	0.02
Peugeot Family Group	70,908,498	30.22	45.12	70,908,498	30.22	45.06	70,908,498	29.17	43.86
Michelin Group	-	-	-	2,826,000	1.20	1.89	2,826,000	1.16	1.86
Société Générale Group (including trading))	1,209,284	0.52	0.63	3,296,817	1.41	1.31	5,309,926	2.18	2.53
Caisse des Dépôts et Consignations Group	5,197,462	2.22	1.77	6,191,462	2.64	2.07	7,508,462	3.09	2.47
BNP Paribas Group	2,641,800	1.13	1.80	2,641,800	1.13	1.76	2,641,800	1.09	1.74
Wellington Management Company, LLP	4,786,245	2.04	1.63	-	-	-	-	-	-
Treasury stock	6,534,475	2.79	-	5,612,693	2.39	-	10,230,439	4.21	-
PSA corporate mutual fund	6,253,162	2.67	2.14	5,946,782	2.53	1.98	5,304,562	2.18	1.75

(1) On the basis of registered shares and notifications to the Company that disclosure thresholds had been crossed.

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.

The number of registered shares pledged at December 31, 2006, is not material.

Other stockholders

A survey of banks and brokers holding more than 150,000 shares, commissioned from the Euroclear France clearing organization on December 31, 2006, determined that there are approximately 82,091 holders of more than 10 bearer shares.

There are no stockholders' pacts in force as of December 31, 2005.

Directors' interests

At the date of this document, Directors' (Supervisory Board and Managing Board) interests in the Company's capital, held in the form of registered shares or stock options, represent less than 1% of total shares outstanding.

Stockholder Information

(Euronext data)

Price data

(in euros)	2006			2005			% change on 2005 closing price
	High	Low	Dec. 31, 2006	High	Low	Dec. 31, 2005	
Peugeot S.A. share	54.30	38.91	50.20	57.95	45.20	48.70	3.08 %
CAC 40 index	5,553.86	4,564.69	5,541.76	4,780.05	3,804.92	4,715.23	17.53 %

Trading data

	2006		2005	
	Total	Daily average	Total	Daily average
Number of shares	396,224,988	1,553,823	281,088,775	1,093,731
Value (in millions of euros)	18,549.3	72.7	14,037.2	54.6

Price and trading volume of the Peugeot S.A. share on the Euronext Paris Compartment A (Deferred Settlement Service)

	Share price <i>(in euros)</i>			Volume per month	Trading volume	
	Low	High	Last		Value per month <i>(in thousands of euros)</i>	Daily average value
2005						
January	46.05	49.37	47.73	22,385,789	1,064,475	50,689.3
February	47.45	51.40	49.48	23,610,571	1,167,541	58,377.0
March	48.16	50.50	49.02	18,219,609	896,088	42,670.9
April	45.20	50.25	45.72	26,924,081	1,284,491	61,166.2
May	45.51	48.79	48.68	26,585,050	1,260,820	57,310.0
June	46.91	49.23	48.98	24,166,911	1,159,855	52,720.7
July	47.30	53.45	53.10	20,946,631	1,057,249	50,345.2
August	50.05	54.20	50.30	17,595,415	920,159	40,006.9
September	49.70	57.60	56.50	24,796,149	1,310,260	59,557.3
October	48.60	57.95	50.70	26,947,645	1,451,384	69,113.5
November	49.05	52.05	51.20	25,605,052	1,295,788	58,899.5
December	47.82	52.90	48.70	23,305,872	1,169,114	55,672.1
2006						
January	46.60	51.65	48.87	34,609,679	1,700,187	77,281.2
February	46.80	50.35	48.93	30,697,251	1,497,485	74,874.3
March	46.74	52.45	52.00	30,425,644	1,515,107	65,874.2
April	49.50	53.20	52.10	20,120,413	1,029,922	57,217.9
May	48.30	54.30	49.60	28,066,573	1,433,787	65,172.1
June	46.55	49.90	48.65	31,118,928	1,503,272	68,330.5
July	40.07	49.37	41.09	38,920,352	1,749,059	83,288.5
August	38.91	44.38	44.07	35,439,875	1,469,064	63,872.4
September	41.74	46.11	44.47	35,362,898	1,544,970	73,570.0
October	41.30	45.47	45.01	46,927,256	2,031,687	92,349.4
November	44.74	50.45	47.08	40,100,827	1,908,186	86,735.7
December	45.78	50.60	50.20	24,435,292	1,166,580	61,399.0
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

Listing

The Peugeot S.A. share is listed on the Euronext Paris market, 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.

Coupons eligible for payment

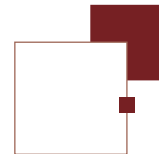
Dividends

	Number of shares	Par value	Coupon number	Payment as from	Tim barred as from	Dividend paid before tax credit	Tax credit for tax already paid to French Treasury	Total income per share
Shares	259,109,146	€1	40	May 22, 2002	May 22, 2007	€1.15	€0.58	€1.73
	259,109,146	€1	41	June 4, 2003	June 4, 2008	€1.35	€0.675	€2.025
	243,109,146	€1	42	June 2, 2004	June 2, 2009	€1.35	€0.675	€2.025
	243,109,146	€1	43	June 1, 2005	June 1, 2010	€1.35	*	*
	234,618,266	€1	44	May 31, 2006	May 31, 2011	€1.35	*	*

* Beginning with dividends received in 2005, the tax credit has been replaced, under certain conditions, with tax relief.

Other right

	Number of shares	Par value	Coupon number	Ex-coupon date	Type of transaction
Share	18,479,370	FRF70	26	July 15, 1987	Bonus share issue (1 new share for 5 existing shares)



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Report of the Chairman **of the** **Supervisory Board**

on the preparation and organization
of Supervisory Board meetings
and on Internal Control

1. Preparation and organization 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 exercises any executive responsibilities or 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.

1.2. Supervisory Board practices

The Supervisory Board meets at least once every quarter; the agenda of each meeting is drawn up by the Chairman. It met five times in 2006, with an average attendance rate of 90%.

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).

At the beginning of 2006, the Supervisory Board performed a self-assessment of its organization and procedures.

1.3. Committees of the Board

The Supervisory Board has set up three committees, each of which has its own internal rules.

The Compensation and Appointments Committee

Set up in 1998, the Compensation and Appointments Committee is responsible for preparing Supervisory Board decisions regarding compensation for members of the Managing Board, the Supervisory Board and the Board committees, as well as stock option grants to members of the Managing Board. It also stays informed of the compensation and stock option grants for 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, organizing the selection process and recommending candidates for appointment or re-appointment. It is also informed of appointments and compensation of members of the Executive Committee.

The Committee comprises two members, appointed in their own name and not as representatives of corporate Supervisory Board members. It met three times in 2006, to review the base salary and bonuses of Managing Board members and the granting of stock options to Managing Board members. In July 2006, the Committee was expanded to five members as part of process of selecting, assessing and recommending a new Chairman of the Managing Board to the Supervisory Board. The expanded Committee met five times during the selection process.

The Strategy Committee

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

The Committee comprises six members, appointed in their own name and not as representatives of corporate Supervisory Board members. The Strategy Committee met twice in 2006, once without the Managing Board in attendance to assess Committee procedures and once with the Managing Board in attendance to review the manufacturing and marketing strategy of the Group and its marques in Asia.

The Finance Committee

The Finance Committee, set up in 2002, is responsible for informing the Board of its opinion on the interim and annual financial statements of the company and the Group, and it may also be asked to review any corporate actions and other projects requiring prior approval by the Board. To this end, the Committee reviews in detail the interim and annual financial statements, the most significant financial transactions and the management reporting schedules. It also monitors off-balance sheet commitments and data to assess the Group's risk exposure.

The Finance Committee, which enjoys free access to all the information it needs, can, like the Chairman of the Supervisory Board, meet with the persons responsible for internal control and with the auditors, with or without line management attending. It comprises three members, appointed in their own name and not as representatives of corporate Supervisory Board members. In 2006, it met four times, in particular to review the Group's internal control and risk management processes, the internal audit plan and Group tax planning policy. In February 2007, it met with the Statutory Auditors to review the procedures for closing the Group's 2006 accounts, prior to their presentation to the Supervisory Board on February 6, 2007.

2. Internal Control procedures

2.1. Organization of Internal Control

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 management of the business and the Supervisory Board's oversight, 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 organization, internal control is the responsibility of senior management, represented by the Managing Board.

The overall structure of delegations of authority down the chain of command reflects the Group's internal organization. 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.

A Code of Ethics setting out the standards of conduct and behavior to be met by all employees has been available for consultation on the Group Intranet by all employees since March 2003.

Since early 2007, internal control has been the responsibility of the Vice-President, Legal Affairs, Institutional Relations and Internal Audit, who reports directly to the Chairman of the Managing Board. In addition, the head of internal control has direct access to the Chairman of the Managing Board, which means that he or she is completely independent from all other departments and

divisions. The Vice-President, Internal Audit has direct authority over the corporate-level internal auditors and has a dotted-line reporting relationship with the internal auditors working in various departments of the Automobile Division (platforms, technical affairs, purchasing, manufacturing, the marques and information systems) and the other Group companies (Banque PSA Finance and Gefco). He or she reports on all of the internal auditors' work twice a year to the Executive Committee, as well as to the Finance Committee.

In accordance with French company law, the financial statements of Peugeot S.A. and the consolidated financial statements are audited by two firms of auditors. The two firms jointly audit all of the accounts and examine the processes used to prepare the financial statements, as well as the Group's internal control processes and procedures. Through the members of their networks in all the countries where the Group operates, they act as contractual auditors of all the Group's fully consolidated subsidiaries, with the exception of the companies in the Faurecia sub-group. Effective from 2003, they perform continuous audits of the main Automobile Division companies and finance companies in France, in order to improve the overall quality of their audit.

Faurecia is listed on the Euronext Paris market and its statutory auditors are appointed by its stockholders in General Meeting. The auditors of joint ventures set up with other automakers, which are accounted for by the equity method, are appointed by the joint venture partners.

The internal and external auditors work closely together and exchange information about their respective audits of the system of internal control, while respecting each other's independence.

As a credit institution, Banque PSA Finance is required to comply with French banking regulations and is supervised by the French Banking Commission, the supervisory arm of the Bank of France. The Banking Commission is responsible for verifying compliance with the laws and regulations applicable to credit institutions, reviewing business practices and ensuring that capital adequacy requirements are met. Banque PSA Finance also complies with all banking laws and regulations in the other countries where it has operations.

2.2. Internal Control systems in the corporate departments and the subsidiaries

Internal control is assessed based on the Group's operational organization as well as its legal structure.

2.2.1. Procedures for the preparation and processing of financial and accounting information

The consolidated financial statements are prepared by the consolidation department, which is also responsible for establishing and updating Group accounting policies. The Department's teams visit Group subsidiaries (at least once every five years for Automobile Division entities and once every three years for Banque PSA Finance entities) to audit their consolidated reporting procedures and provide related assistance where necessary.

A full set of consolidated financial statements is produced each month, for both internal management and external reporting purposes.

Off-balance sheet commitments are recorded, tracked and validated according to the same process.

Management controls within the Group are organized 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 organized around the main entities (the marques, 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.

Capital expenditure is managed according to a similar process, based on Group strategy and, for the Automobile Division, manufacturing and product-plan strategies.

The management control entities produce monthly management reporting packages for submission to the Executive Committee, based on the full monthly consolidation packages.

The management control system also includes detailed automobile costing analyses, including analyses of variances and product margins, for use by line management.

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 annual and interim information is audited or reviewed by the statutory auditors prior to being published.

2.2.2. Divisional operating procedures

Automobile Division

Development and process engineering work for each new vehicle or component requires extensive resources, the cost of which has an impact on the Group's future profitability. Implementation of each project is based on a comprehensive design process – known as the operational development plan – defining product features, profitability, quality and time-to-market objectives. Progress in meeting these objectives is tracked by a system of project milestones, corresponding to the various stages at which the financial and technical indicators are reviewed.

In light of the very significant contribution of suppliers, the purchasing function applies highly disciplined processes that guarantee the delivery of the requisite performance in terms of innovation, development, quality and competitive prices. The function 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.

Contractual commitments to suppliers are strictly adhered to. Orders, inward deliveries and invoices are systemati-

cally 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.

In manufacturing, the assembly plants have been ISO 9001:2000 quality-certified by UTAC, to comply with the requirements of European Directive 2001/116, Appendix X. Most of the manufacturing plants' environmental management systems are ISO 14001-certified. All employees are trained in safety and workplace 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 marketing and sales, internal control for the two marques, Peugeot and Citroën, is based on descriptions of operating processes and procedures applicable at corporate level and by 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. Led by Corporate Management Control, management control teams at each marque monitor compliance with Group management rules and standards, produce management reporting schedules and guarantee transparency and cooperation among the various participants.

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.

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 and continuous physical inventories are performed to ensure that all delivered goods have been duly invoiced.

Financing decisions and banking relationships are managed at corporate level. Cash management transactions for Eurozone subsidiaries, foreign currency cash flows and related transactions on the currency markets, and financial market transactions related to interest rates are managed by specialist teams based at Group headquarters. Back-up trading rooms have been set up to avoid the risk of any interruption of trading following a major incident. For entities outside the Eurozone, locally managed cash flows and cash balances are closely tracked at corporate level. Investment and financing strategies and strategies for managing counterparty risks arising from financial market transactions are approved at the monthly Finance Committee meetings chaired by the Chairman of the Managing Board.

The quality department authorizes the sale of each vehicle that leaves the production line and organizes any necessary recalls of faulty vehicles delivered to the dealers or to customers.

Human resources management and development procedures are designed to ensure that the Group has constant access to the skills needed to run the business. Regulatory changes are closely monitored to ensure that the Group is viewed at all times as a benchmark employer.

The Risk Prevention and Management Department is responsible for ensuring that the Group is in a position to effectively manage any risk that could affect earnings, by implementing appropriate risk prevention and management methods and policies and assisting the various entities in prioritizing the action to be taken in this area. The Department identifies insurable risks, negotiates insurance cover and monitors the effectiveness of preventive and remedial action plans.

Information system development projects are approved by a specialized committee and are conducted using project management techniques. IT resources are managed in-house and consist mainly of large-scale processing centers meeting the highest standards of security. Procedures are in place to prevent unauthorized access and system downtime, as well as to protect data, programs and IT infrastructure.

Local internal audit teams check that rules and standards are consistent with Group strategy and ensure compliance. Where necessary, improvements are recommended and follow-up checks are performed to ensure that these recommendations are implemented.

Report of the Chairman of the Supervisory Board

Report of the Chairman of the Supervisory Board on the preparation and organization of Supervisory Board meetings and on Internal Control

Banque PSA Finance

To cover all of the risks inherent in its business, Banque PSA Finance has set up an internal control system which checks:

- that the Bank's transactions, internal organization and procedures comply with the applicable regulations, professional standards and codes of practice;
- that decision-making procedures are strictly followed, whatever the nature of the decision;
- the quality of accounting and financial information;
- the existence of an audit trail guaranteeing data traceability;
- the quality of information and communication systems.

The Bank's internal control unit, which is independent from the line units, comprises all the internal control teams based at Bank headquarters and in the subsidiaries. Regular controls are performed at the various levels of the Bank's operating structures, within a framework defined by a series of cross-functional and local procedures. Ex-ante controls performed by headquarters teams mainly concern significant lending decisions made by the Banque PSA Finance Group Credit Committee under the system of discretionary lending limits, new products and services that are submitted to the New Products Committee for approval, and pricing decisions.

The headquarters Risk Committee monitors trends in retail financing credit losses, as well as changes in lending margins and competitive positioning indicators. The headquarters team also closely tracks the performance of the operating entities, through a standard management reporting system, for both budgetary control and risk monitoring purposes.

In 2005, the Bank's Board of Directors set up an Audit Committee to monitor internal control structures and procedures and to report its findings to the Board. It met three times in 2006.

The internal control system has been modified to comply with the new provisions of standard CRBF 97-02, applicable as from January 1, 2006. It is now built around a headquarters-based internal control unit that performs internal audits of Banque PSA Finance, its subsidiaries and branches and the Group entities responsible for

supplying essential services (IT, Accounting and Cash Management/Financing). The unit is supported by the Compliance, Risk Management and Operational Risk Control departments, which are completely independent from the line units. Transactions carried out by the line units are controlled by a series of procedures, formal authorizations, commitment limits and programmed controls. The new system was approved by the Bank's senior management and Board of Directors in December 2005.

Transportation and Logistics: Gefco

Gefco operates integrated agency networks that all apply the same operating and service quality standards and use the same information system. In the finance area, the Gefco companies apply PSA Peugeot Citroën Group standards and policies and participate in the Group cash pool. The networks are ISO 19001-certified.

The system of internal control comprises three tiers. Headquarters internal control teams check the quality of the monthly statutory and management reporting packages submitted by the subsidiaries, the national accounting departments ensure that financial flows comply with Group procedures, while the branches check that all services performed are accounted for and billed at the agreed price.

Automotive Equipment: Faurecia

The Faurecia Board of Directors, whose Chairman is also the sub-group's Chief Executive Officer, has set up a Finance Committee and a Compensation and Appointments Committee.

Internal control is based on a set of procedures available for consultation by all employees via the Faurecia Intranet. The procedures mainly concern controls over programs, in order to track the execution of complex contracts for the design, production and supply of complex equipment to automakers, and financial and accounting controls designed 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 assessing the effectiveness of internal financial control systems.

2.2.3. Internal Control procedures and processes

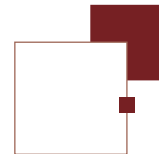
The internal control system is managed by a headquarters team reporting to the Vice President, Internal Audit. The team defines and updates internal control procedures, checks that the system complies with the applicable laws and good practice recommendations, and ensure that procedures are consistent and appropriate and address all identified risks. It also performs various tests and checks, oversees implementation of recommended improvements and reports on the effectiveness of internal control.

The overall quality of the Group's system of internal control is assessed annually based on assessments performed by all the significant units, in France and abroad, of 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, finance companies, local finance departments, facility accounting departments, etc.).

The assessment is based on definitions of processes, the related risks and the measures taken to manage them. It covers all action taken or overseen by the various functions to help prevent risks. For example, the Legal Department assesses legal risks, business interruption risks, safety risks and the risk of damage to or loss of assets. The Quality Department assesses quality risks affecting products and services. The Human Resources Department assesses employee-related and labor law compliance risks. The Engineering, Methods and Purchasing Department assesses automobile regulations compliance risks and the Finance Department assesses compliance risks related to accounting, tax and financial regulations and guidelines.

The 2007 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.





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Statutory **Auditors' Report**

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- 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 S.A., on the Internal Control procedures relating to the preparation and processing of financial and accounting information 274

Statutory Auditors' Report on the Consolidated Financial Statements

For the year ended December 31, 2006

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.

In compliance with the assignment entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Peugeot S.A. for the year ended December 31, 2006.

The consolidated 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 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. 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, 2006 and of the results of its operations for the year then ended in accordance with IFRS as adopted for use in the European Union.

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:

- In the context of our assessment of the accounting principles and methods applied by the Group, 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 no longer amortized but is tested for impairment at least annually according to the method set out in note 1.13, which is applicable to all long-lived assets. In 2006, the impairment

tests led to a €234 million write-down on certain assets of the Automobile Division (Faurecia group), including €125.0 million in respect of goodwill allocated to these businesses (notes 8.1 and 8.2), €194 million in respect of assets allocated to two of the Automobile Division's cash-generating units (note 8.3) and €41 million in respect of property, plant and equipment belonging to Peugeot Motocycles (note 8.4). 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 assessed whether the cash flow projections applied and other assumptions used were reasonable.

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 conformity with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, April 10, 2007

The Statutory Auditors

Mazars & Guérard
Thierry de Baillencourt

PricewaterhouseCoopers Audit
Christian Martin

Statutory Auditors' Report

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 S.A., on the Internal Control procedures relating to the preparation and processing of financial and accounting information

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 S.A., **on the Internal Control procedures relating to the preparation and processing of financial and accounting information**

Year ended December 31, 2006

This is a free translation into English of the Statutory Auditors' report issued in the French language 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 S.A., 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, 2006.

It is for the Chairman to give an account, in his report, notably of the conditions in which the duties of the Supervisory Board are prepared and organized and the internal control procedures in place within the company. It is our responsibility to report to you our observations on the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. These require

us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:

- obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the Chairman's report;
- obtaining an understanding of the work performed to support the information given in the report.

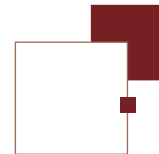
On the basis of these procedures, we have no matters to report in connection with the information given on the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the Chairman of the Supervisory Board's report, prepared in accordance with Article L. 225-68 of the French Commercial Code.

Neuilly-sur-Seine and Courbevoie, April 10, 2007

The Statutory Auditors

PricewaterhouseCoopers Audit
Christian Martin

Mazars & Guérard
Thierry de Baillencourt



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Legal and **Financial Informations**

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Information about Peugeot S.A.

History of the Company

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 December 1974, Peugeot S.A. began the process of joining forces with Automobiles Citroën, which at the time was suffering from the difficult market conditions created by the first oil crisis. The other stockholders of Citroën S.A. were gradually bought out and the two companies were merged on September 30, 1976.

Under the terms of an agreement signed on August 10, 1978 and approved by stockholders on December 21, 1978, Peugeot S.A. acquired the Chrysler Corporation's European manufacturing and sales operations 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. 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.

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.

The Automobile Division was reorganized on December 31, 1998 to align legal structures with the new functional organization 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 the first half 2001, Peugeot S.A. supported Faurecia's acquisition of Sommer Allibert's automotive equipment business.

Legal Information

Company name

Peugeot S.A.

The name "PSA Peugeot Citroën" refers to the entire Group of companies owned by the Peugeot S.A. holding company.

Registered office and administrative headquarters

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

Legal form

A Société Anonyme (joint stock corporation), governed by a Managing Board and a Supervisory Board under the terms of the Commercial Code.

Governing law

The Company is governed by the laws of France.

Term

Date of incorporation: 1896

Date term ends: December 31, 2058, unless extended or the Company is dissolved.

Corporate purpose

(summary of article 3 of the bylaws)

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.

Registration

Registered in Paris, no. B 552 100 554.
Business identification (APE) code: 741 J.

Consultation of legal documents

Legal documents concerning the Company, including the bylaws, the reports of Annual Stockholders' Meetings, the reports of auditors and all other documents sent to stockholders may be consulted at the Company's registered office.

Fiscal year

January 1 to December 31.

Income appropriation

(Article 12 of the bylaws)

The Annual Stockholders' Meeting has full discretionary powers to decide the appropriation of net income, except for the appropriations required by law.

Exceptional events, claims and litigation

No exceptional events, claims or litigation are in progress or pending that are likely to have a material impact on the results, business, assets and liabilities or financial condition of the Company or the Group.

Stockholder' meetings

(Article 11 of the bylaws)

Notice of Meeting

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.

Double voting rights

Fully paid-up shares registered in the name of the same stockholder for at least four years carry double voting rights.

This system was maintained following the 1972 change in Peugeot S.A.'s governance structure, from a company with a Board of Directors to one with a Managing Board and Supervisory Board. The vesting period was increased from two to four years at an Extraordinary Stockholders' Meeting on June 29, 1987. In the event of a bonus share issue paid up by capitalizing reserves, net income or additional paid-in capital, the bonus shares issued in respect of shares carrying double voting rights will be eligible for double voting rights from issue.

As prescribed by law, double voting rights are striped from all shares converted into bearer shares or sold, except when the transfer of ownership results from an inheritance, a divorce, or a gift to a spouse or other relative in the direct line of succession.

Disclosure thresholds

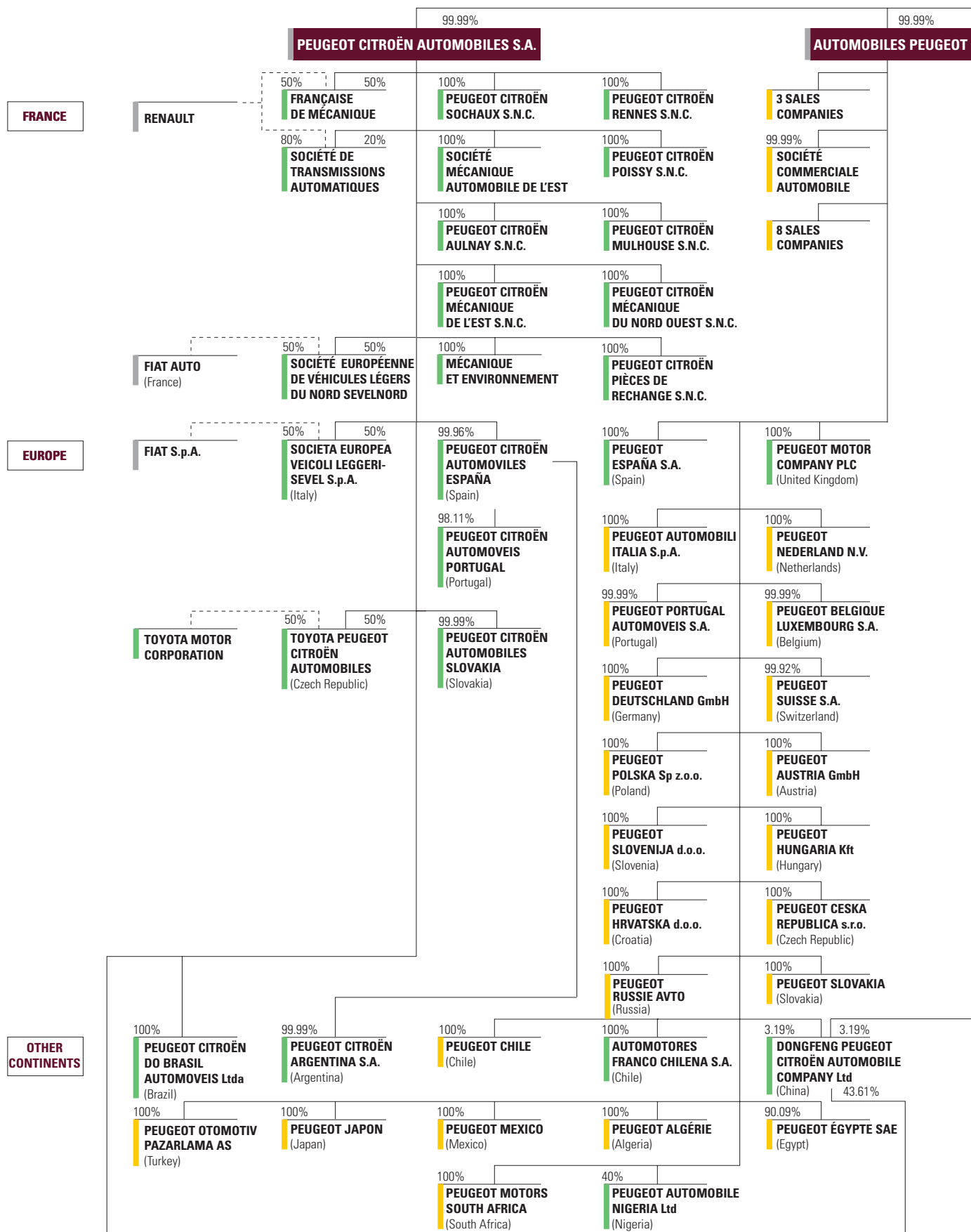
(Article 7 of the bylaws)

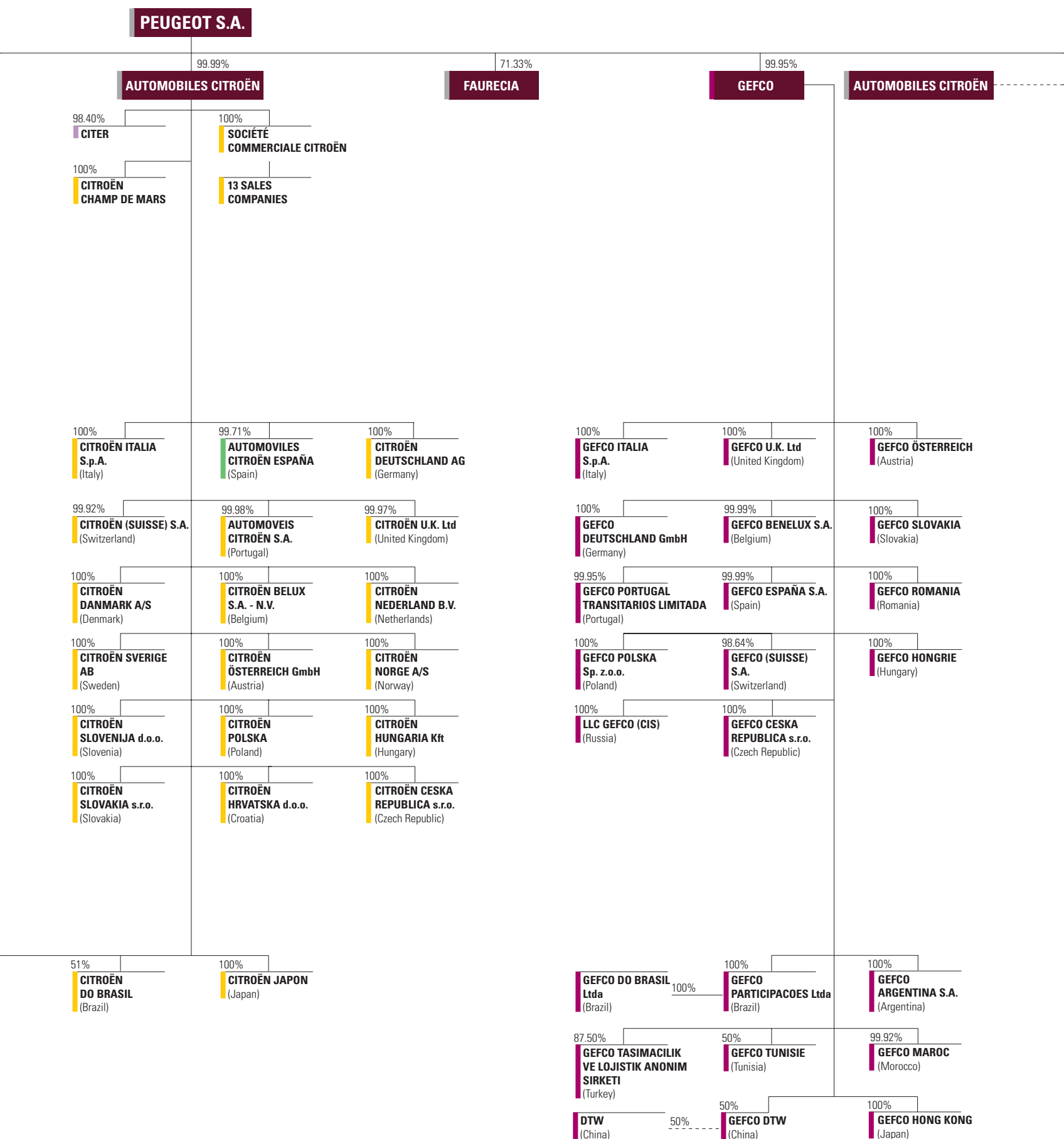
In addition to complying with the disclosure requirements prescribed by law, any company or natural person that becomes the direct or indirect holder of shares representing more than 2% of the capital is required to disclose their total interest to the Company within five calendar days of the date on which the shares are recorded in their account. Each additional 1% of the capital acquired must also be disclosed. These disclosure rules, which are specified in the bylaws, apply even in the case of interests in excess of the first legal disclosure threshold of 5%.

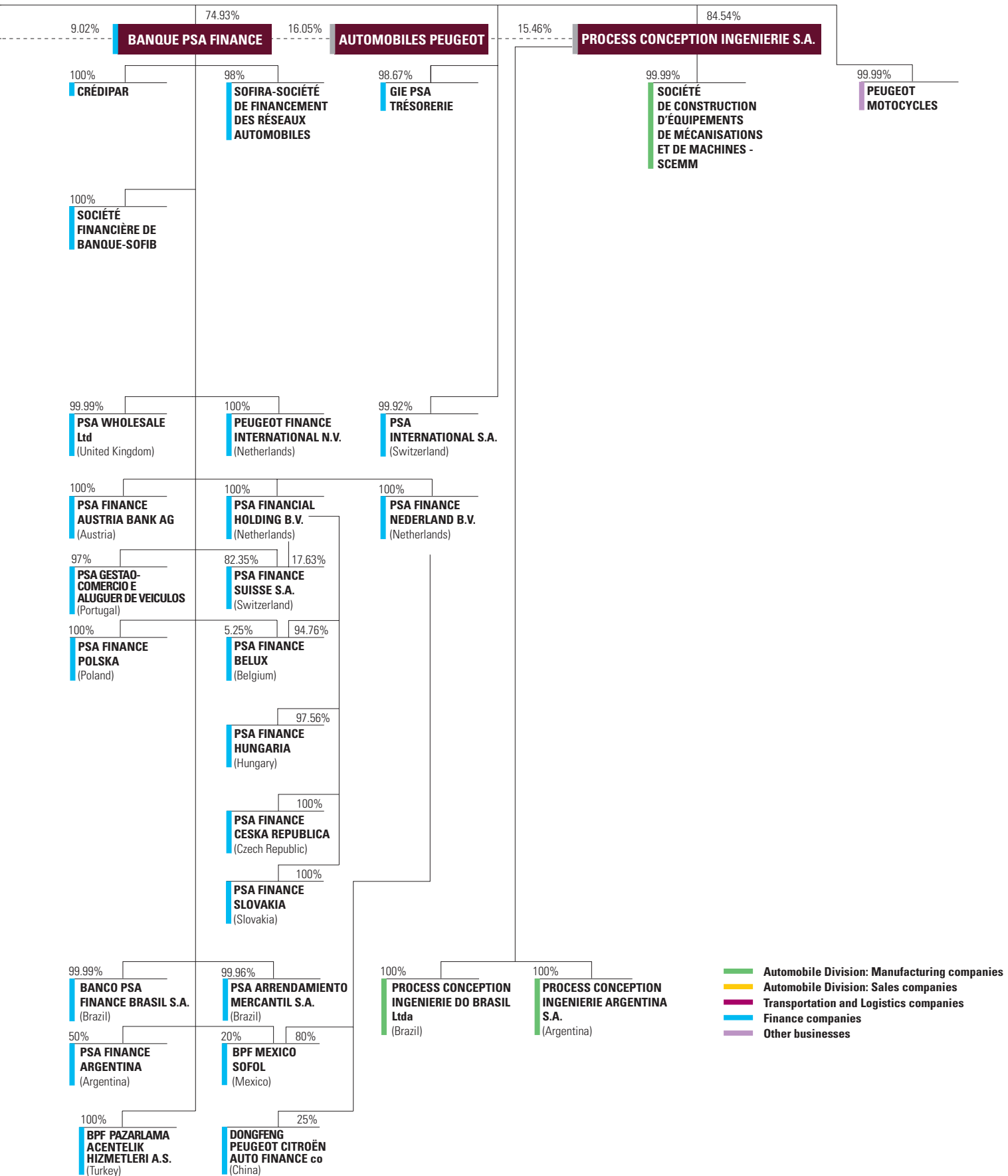
In the case of non-disclosure, at the request of one or several stockholders together holding at least 5% of the capital, the undisclosed shares will be stripped of voting rights for a period of two years from the date on which the omission is remedied.

There are no other bylaw clauses limiting voting rights.

Organization at December 31, 2006







Persons responsible for the Registration Document and the Audit of the Accounts

Person responsible for the Registration Document _____

Christian Streiff
Chairman of the Peugeot S.A. Managing Board

Statement by the person responsible for the Registration Document _____

I hereby declare that, to the best of my knowledge and after having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is correct. The document contains all the information needed by investors to make informed decisions based on PSA Peugeot Citroën's assets and liabilities, business, financial situation, results and prospects. There are no omissions likely to affect its import.

We have obtained from PricewaterhouseCoopers Audit and Mazars & Guérard, the Statutory Auditors, a letter drawn up 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.

Christian Streiff
Chairman of the Peugeot S.A. Managing Board

Statutory Auditors _____

Auditors

Statutory Auditors

PricewaterhouseCoopers Audit

Christian Martin
63, rue de Villiers
92200 Neuilly-sur-Seine
First appointed: at the Annual Stockholders' Meeting of May 28, 2003.
Appointment ends: at the Annual Stockholders' Meeting called to approve the 2010 financial statements.

Mazars & Guérard

Thierry de Baillencourt
61, rue Henri Regnault
92400 Courbevoie
First appointed: at the Annual Stockholders' Meeting of May 25, 2005.
Appointment ends: at the 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 the 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 the Annual Stockholders' Meeting called to approve the 2010 financial statements.

Person responsible for financial information

Head of Investor Relations

Valérie Magloire
Phone: +33 (0)1 40 66 54 59

Information incorporated by reference

In compliance with article 28 of EC regulation No. 809/204, the following information is incorporated by reference in the Registration Document:

2005

The 2005 Registration Document (French version) was filed with the *Autorité des Marchés Financiers* (No. D. 06-0313) on April 24, 2006.

The consolidated accounts are presented in chapter 8, pages 140-228 and the accompanying auditors' report in chapter 13, page 280.

2004

The 2004 Registration Document (French version) was filed with the *Autorité des Marchés Financiers* (No. D. 05-0495) on April 20, 2005.

The consolidated accounts are presented in chapter 8, pages 123-200, and the accompanying auditors' report in chapter 13, page 318.

Public-access documents

The following materials are available on the PSA Peugeot Citroën website (www.psa-peugeot-citroen.com):

- The Peugeot S.A. bylaws;
- The 2006 Registration Document filed with the *Autorité des Marchés Financiers*;
- The 2005 Registration Document filed with the *Autorité des Marchés Financiers*;
- The 2004 Registration Document filed with the *Autorité des Marchés Financiers*;
- Financial press releases.

Pursuant to the application of new obligations governing the communication of regulated information arising from the transposition of the Transparency Directive to the AMF General Regulations, the Investor Relations Department of PSA Peugeot Citroën ensures the full and effective

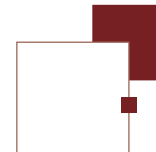
communication of regulated information. This information is filed with the AMF and archived on its Internet site at the time of its communication.

Full and effective communication is carried out electronically in compliance with the criteria defined by the general regulations which require communication to a large public within the European Union and according to terms and conditions guaranteeing the security of the communication and the information. Accordingly, the Investor Relations Department of PSA Peugeot Citroën has chosen to call on a professional communications agency to satisfy the communication criteria set by the general regulations and featured on the list published by the AMF, thus benefiting from a presumption of full and effective communication.

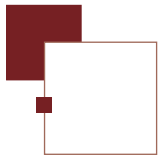
Cross-Reference Table

The table below provides cross references between the pages in the registration document and the key information required under European Commission Regulation (EC) n°809/2004 implementing EC Directive 2003/71/EC of the European Parliament and of the Council.

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Notes

1,000 copies of this document were printed.

A copy of this document may be requested at the following adress:

PSA PEUGEOT CITROËN - Investor Relations Department

75, avenue de la Grande-Armée - 75116 Paris, France - Tel.: (33) 1 40 66 37 60 - Fax: (33) 1 40 66 51 99

Design and production: Franklin Partners - Groupe Mediagérance

Cover: Terre de Sienne

Printed in France



PSA PEUGEOT CITROËN

PEUGEOT S.A.

Incorporated in France with issued capital €234,618,266
 Governed by a Managing Board and a Supervisory Board
 Registered office: 75, avenue de la Grande-Armée – 75116 Paris – France
 R.C.S. Paris B 552 100 554 – Siret 552 100 554 00021
 Tel.: + 33 (1) 40 66 55 11 – Fax: + 33 (1) 40 66 54 11
www.psa-peugeot-citroen.com – www.developpement-durable.psa.fr

