

# PSA PEUGEOT CITROËN IN CHINA

PRESS KIT

March 2006



# C O N T E N T S

I.	Milestones in the Group's Development in China	2
II.	DPCA's Production Facilities in China	5
III.	DPCA's Technical Resources in China	7
IV.	Models Produced	8
V.	DPCA's Sales Performance	11
VI.	Citroën's Marketing Presence in China	12
VII.	Peugeot's Marketing Presence in China	14
VIII.	Strengthening PSA Peugeot Citroën's Presence in China	15
IX.	Scientific Partnerships	17
X.	The Group's Corporate Social Responsibility in China	20

## **I MILESTONES IN THE GROUP'S DEVELOPMENT IN CHINA**

**PSA Peugeot Citroën is present in China, with its two brands Citroën and Peugeot, through Dongfeng Peugeot Citroën Automobiles (DPCA), a joint venture created in 1992 with Dongfeng Motor.**

### **1989**

The Chinese authorities give the go-ahead for a joint venture between Citroën and Second Automobile Works (SAW), later known as Dongfeng Motor.

### **Dec. 1990**

Joint venture agreement signed with SAW.

### **May 18, 1992**

The Dongfeng Citroën Automobile Company (DCAC) joint venture is officially set up by Automobiles Citroën and Dongfeng Motor Corporation to produce and sell the Fukang in China.

### **Aug. 8, 1992**

SKD production of the Citroën Fukang hatchback begins (17,000 units between 1992 and 1996).

### **1992 - 1996**

Two production plants are built at Wuhan and Xiang Fan, in the Hubei province.

### **Sept. 1996**

The two plants become operative, with production capacity 150,000 vehicles.

### **March 1997**

Peugeot sells its stake in GPAC.

### **Sept. 8, 1998**

The Citroën Fukang 988 notchback is launched.

**2000**

DCAC receives a capital injection. The company's capital stock of CNY 6 billion is held as follows:

- Chinese partners: Dongfeng Motor Corporation (31%), Chinese banks (39 %)
- French partners: Citroën (26.9%), French banks (3.1%).

**Nov. 2001**

The Citroën Xsara Picasso is launched.

**Nov. 14, 2001**

PSA Peugeot Citroën and Dongfeng Motor enter a new phase in their cooperation.

Jean-Martin Folz, CEO of PSA Peugeot Citroën, and Miao Wei, Chairman of Dongfeng Motor, sign a memorandum of understanding outlining plans to deepen and accelerate their cooperation with the goal of significantly increasing production and sales of Citroën and Peugeot vehicles in China.

3

**June 2002**

Launch of the Citroën Elysée.

**June 2002**

DCAC's tenth anniversary. 300,000 vehicles produced in China since 1992.

**Oct. 25, 2002**

The signing ceremony is held in Beijing for the agreement covering the new phase in the cooperation between PSA Peugeot Citroën and Dongfeng Motor.

- DCAC changes its name to Dongfeng Peugeot Citroën Automobiles (DPCA) with the announcement of the launch of a future Peugeot model.
- DPCA increases its capital to CNY 7 billion, bringing each partner to an equal 32% stake in the venture.



**Jan. 6, 2004**

A major €600-million capital program is committed to increase DPCA's production capacity to 300,000 vehicles a year and to support the introduction of new models.

**April 21, 2004**

Production of the Peugeot 307 Sedan starts in Wuhan.

**2nd half 2004**

Market launch of the Peugeot 307 Sedan.

**Sept. 2004**

Over 500,000 Citroën vehicles produced in China since the start of the joint venture.

**Nov. 18, 2004**

Chinese authorities approve the partners' project to acquire the interests held by French and Chinese banks resulting in PSA Peugeot Citroën and DFM each owning 50% of DPCA.

4

**June 28, 2005**

PSA Peugeot Citroën organises in Beijing the first international symposium on road safety.

**Jan. 6, 2006**

Presentation of the Peugeot 206.

**Jan. 19, 2006**

Production of the Peugeot 206 starts - the first vehicle to roll off the line from Platform 1 at DPCA.

**Feb. 18, 2006**

World premiere of the Citroën C-Triomphe in Shenzhen, Guangdong province.

**March 6, 2006**

Market launch of the Peugeot 206.

**April 28, 2006**

Production of the Citroën C-Triomphe begins in Wuhan.



## II DPCA'S PRODUCTION FACILITIES IN CHINA

DPCA's production capacity is being increased to 300,000 vehicles a year. With an assembly plant in Wuhan and a mechanical components plant in Xiang Fan, DPCA employs over 8,200 people.

### I. THE WUHAN ASSEMBLY PLANT

#### ■ Location

With a population of 7 million, Wuhan is the capital of the Hubei province (population: 58 million). China's longest river, the Yangtze, flows through Wuhan which boasts a major commercial port. Wuhan is also home to several universities and manufacturing firms.

5

#### ■ Size and organization

The Wuhan assembly plant, which came on stream in 1996, includes a:

- stamping line,
- a body-in-white unit,
- a paint shop
- and an assembly line.

With a developed surface area of 450,000 square metres on a 190-hectare site, the Wuhan facility is roughly the same size as the PSA Peugeot Citroën plant in Aulnay, France.

Wuhan was designed and built according to the same standards as the other PSA Peugeot Citroën plants and complies fully with global automobile industry standards. In September 1998, the Wuhan plant earned ISO 9000 certification.



### ■ Production

The first models produced at Wuhan were the Fukang and the Fukang notchback. Manufacturing of the Xsara Picasso began in November 2001, followed by the Elysée in June 2002, the Peugeot 307 in April 2004, the Peugeot 206 in January 2006 with production of the Citroën C-Triomphe due to start in April 2006.

The daily production rate currently stands at over 800 vehicles. The design capacity is 150,000 vehicles a year. Capacity is currently being doubled.

In 2004, Wuhan began producing models based on the Group's new Platform 2 and 2006 saw the introduction of Platform 1, both added to the N Platform initially installed.

### ■ Local content

The average local content of the ZX Fukang currently exceeds 90%. On launch, the 206 had an average local content of 76%. This rate will increase to 85% by the end of 2006.

6

## II. THE XIANG FAN MECHANICAL COMPONENTS PLANT

### ■ Location

Xiang Fan is a city of around 700,000 people situated some 400 kilometres from Wuhan in the Northeastern Hubei province.

### ■ Size and organization

The Xiang Fan mechanical components plant is equipped with machining and assembly shops for engines, transmissions and powertrains. The shops are housed in an 88,000 m<sup>2</sup> covered area

Work is under way to add a flexible cylinder-head machining shop and to increase production capacity to 360,000 components a year.

### ■ Production

Around 800 engines (1.4, 1.6 and 2.0-litre), 800 front power trains, 370 rear axles and 600 manual transmissions are produced daily.

## III DPCA'S TECHNICAL RESOURCES IN CHINA

Four departments in Wuhan provide DPCA with the necessary technical capabilities for development:

- An Engineering Department: over 650 engineers and technicians
- A Quality Department: 100 employees.
- A Purchasing Department: 120 employees.
- A Manufacturing Department: over 300 employees.

In close cooperation with PSA Peugeot Citroën these departments:

- Provide process engineering for vehicles and components at the joint venture's two plants, in particular by conducting design studies specific to Chinese production facilities and methods.
- Increase local vehicle and component content through active partnerships with local contractors.
- Integrate into Chinese models the changes designed for Citroën and Peugeot vehicles sold in other countries, in order to improve quality or to reduce costs.
- Design and implement product modifications specific to the Chinese market so that new vehicles correspond as closely as possible to local customer tastes and expectations.

## IV MODELS PRODUCED

Under an ambitious product plan, new Citroën and Peugeot models are rapidly introduced at regular intervals. The launches reflect the company's strategic commitment to keeping a renewed range, in order to compete successfully in a market where carbuyers show a marked preference for new models and latest technologies.

With the recent launch of the Citroën C-Triomphe, DPCA now has seven vehicles on offer.

### ■ The Citroën Fukang: a popular model, appreciated by Chinese carbuyers

To kick-off its operations in China, Dongfeng Citroën Automobile Company (DCAC) chose to launch the Citroën ZX, the first vehicle to be simultaneously marketed in China and in Europe.

The model had to be adapted to deal with Chinese road conditions; this was achieved by increasing ground clearance, tightening the suspension, protecting the gearbox and making specific adjustments for Chinese fuel grades.

It was the first car in China to comply with the anti-pollution standards in force in Beijing. Named "Fukang" ("prosperity and good health"), the car has earned a strong reputation for quality and reliability.

### ■ The Citroën Fukang 988: specially developed for the Chinese market

The Fukang 988, introduced on September 8, 1998, was specially designed for Chinese carbuyers looking for a vehicle with a boot. The model has been very successful, particularly in the taxi market.

The Fukang and Fukang 988 are both equipped with numerous safety and comfort features such as catalytic converter, air bag, air conditioning, leather seats and leather interior and the AL4 automatic transmission. They are available with a 1.4, 1.6 8V (88 hp) or 1.6 litre 16V (106 hp) engine, produced at Xiang Fan.

### ■ **The Citroën Xsara Picasso: continuing to innovate and amaze**

Unveiled at the Beijing Auto Show in June 2000, the Xsara Picasso has been produced at Wuhan since November 2001. In 2003, DPCA invested in a new body-in-white line for the Picasso.

The model features a 2.0-litre powerplant. A new version equipped with an automatic transmission was introduced in April 2004, followed by another with a panoramic sunroof in October 2004.

The Xsara Picasso's refinement, spaciousness and modern design make it a highly innovative car in China.

Intended for personal use by higher income car owners, the model is carving a niche in the new compact MPV market.

### ■ **The Citroën Elysée: a notchback saloon designed in China**

Designed in China, the new Elysée notchback has been a strong seller since its launch in June 2002. In 2003, the range was expanded with new versions powered by the 1.6 litre 16V engine. Highly appreciated for its classic, elegant silhouette, the Elysée offers numerous safety- and comfort-enhancing features such as driver and passenger airbags, ABS, EBD, air conditioning, leather seats and automatic transmission. A VIP model is also available with a 16-cm longer wheelbase.

9

### ■ **The Peugeot 307: a new saloon concept**

With its "three-box" architecture, 4.47 metre long and 1.76 metre wide, the Peugeot 307 expresses a strong personality that completely rewrites the rules in the segment.

The car's high-roof architecture and large, radically sloped, windshield give it a "fast while standing still" appearance and a quiet, bright interior, but the real breakthrough is in its technological content. Equipped with numerous features, it adds generous technological benefits to the marque's other competitive advantages. As at December 31, 2005, more than 50,000 Peugeot 307 had been sold since the model was first brought to market in September 2004.

The Peugeot 307 inaugurated Platform 2 in Wuhan.



### ■ Peugeot 206: the new benchmark in China

Melding modern and classic styling and offering exceptional handling and high-tech features, the Peugeot 206 has set a new benchmark for compact cars in China since its January 2006 launch. It is designed for young drivers with an active lifestyle.

The 206 is equipped with a 1.6 litre engine available with an automatic Triptronic-Porsche System transmission or a five-speed manual gearbox. Automatic headlights, windshield wipers and air conditioning also make the 206 stand out from the crowd in the compact segment. The Peugeot 206 offers a wide range of safety systems as standard features, including ABS, EBD, automatic emergency stop lights and front passenger and driver airbags.

### ■ Citroën C-Triomphe: an innovative notchback saloon

This modern, ground-breaking four-door saloon, 4.8 metre long and 1.77 metre wide, benefits from all the features and innovations that have made the Citroën C4 a success in other international markets while offering a notchback silhouette preferred by Chinese consumers.

The exceptionally spacious C-Triomphe boasts a number of C4 features in the field of innovation, driving pleasure and safety. The C4, produced on PSA Peugeot Citroën's Platform 2, is a market leader in terms of roadholding and active safety.



## V DPCA'S SALES PERFORMANCE

The Peugeot marque made its debut with the successful launch of the 307 Sedan, helping Dongfeng Peugeot Citroën Automobiles achieve strong sales growth of 57.5% during 2005.

Citroën also enjoyed strong sales growth, particularly for the Elysée (up 51.1%).

The introduction of three new models in 2006: the Peugeot 206, the Citroën C-Triomphe and a third model later on, should sustain this growth and help DPCA to achieve the target of over 200,000 sales in 2006.

	1998	1999	2000	2001	2002	2003	2004	2005
<b>Sales of cars produced in China</b>	515,000	640,500	610,500	734,500	1,264,500	2,196,500	2,536,900	3,139,100
<b>DPCA sales</b>	33,400	44,300	52,000	53,200	85,100	103,100	89,100	140,400
<b>% Growth</b>	<b>+ 19</b>	<b>+ 33</b>	<b>+ 17</b>	<b>+ 2</b>	<b>+ 60</b>	<b>+ 21</b>	<b>- 13,6</b>	<b>+ 57,5</b>

## **VI CITROËN MARKETING PRESENCE IN CHINA**

### **LONGSTANDING PRESENCE IN CHINA**

Over the past 14 years, Citroën has produced and sold 600,000 vehicles in China through joint venture Dongfeng Citroën Automobile Company (DCAC), since renamed Dongfeng Peugeot Citroën Automobiles (DPCA). This performance was driven in part by the popularity of the ZX Fukang compact and notchback and the Citroën Elysée, models that were designed specifically for the Chinese market.

The Wuhan plant currently produces the ZX Fukang, Xsara Picasso and Elysée for Citroën. Since April 2005, Citroën has also sold the new C5 in China as an import. The C6 will be introduced at the end of 2006, also as an import.

The Chinese automobile market returned to a high pace of growth in 2005 after a slowdown in the second half of 2004, with full-year sales of more than 3,100,000 vehicles. The demand trend was shaped, in particular, by a massive arrival of new models from most carmakers.

In a market up 24%, Citroën increased its sales by almost 30% to more than 100,000 vehicles and widened its market share to 3.2% from 3.1% in 2004.

### **C-TRIOMPHE: A NEW ADDITION TO THE CITROËN FAMILY IN CHINA**

Spurred by the success of the C4, which was snapped up by more than 280,000 motorists around the world in 2005, Citroën has extended its range with the introduction of the C-Triomphe in China. A welcome addition to the Citroën family, this modern, ground-breaking four-door sedan gives the marque added appeal in the constantly changing Chinese market.



The sedan's styling, architecture and technological features respond to the expectations of customers looking for innovation, comfort and safety. Unveiled in Shenzhen on February 18, 2006, the C-Triomphe will be available in the market at the end of second-quarter 2006.

## **A SOLID, CONSTANTLY EXPANDING NETWORK**

Citroën is sinking deep roots in China to ensure its long-term presence, notably by setting up an extremely dense sales network. In all, the marque has more than 350 outlets in more than 250 cities. Members of the Citroën network have received in-depth technical and commercial training so they can offer worldclass service.



## **VII PEUGEOT'S MARKETING PRESENCE IN CHINA**

### **HISTORY OF PEUGEOT IN CHINA**

Peugeot was present in China from 1985 to 1997 through GPAC, a joint venture with the Guangzhou municipal authorities that produced 101,000 vehicles.

### **PEUGEOT IMPORTERS**

Peugeot returned to China in April 2001 through a number of importers appointed between April 2001 and January 2002.

14

### **DPCA: A NEW PHASE FOR PEUGEOT**

In October 2002, a new cooperation agreement paved the way for Peugeot to the market of locally produced cars, as part of a broader partnership between PSA Peugeot Citroën and Dongfeng Motor. The first result of the new agreement was the world-premiere production start in April 2004 of a notchback version of the Peugeot 307 for the Chinese market, introduced in September 2004. This was followed by the Peugeot 206, launched in March 2006.

### **THE DONGFENG PEUGEOT SALES NETWORK**

The Dongfeng Peugeot network is being extended in accordance with the Blue Box concept, which showcases the marque's international merchandising standards.

- At the end of 2004, 80 outlets covering China's 50 largest cities were operational to market the Peugeot 307.
- In early 2006, Dongfeng Peugeot counted over 130 sales and service outlets nationwide. 220 outlets will be operational by the end of the year.

Major training programs in technical and marketing skills are available in three centres in Wuhan and Beijing in partnership with the French national education system.



## **VIII STRENGTHENING PSA PEUGEOT CITROËN'S PRESENCE IN CHINA**

**PSA Peugeot Citroën recently launched several important initiatives to consolidate its presence in China.**

### **BANQUE PSA FINANCE (BPF)**

A PSA Peugeot Citroën subsidiary, Banque PSA Finance provides retail financing for clients of Peugeot and Citroën and wholesale financing for the two brands' dealer networks.

On November 28, 2003, Banque PSA Finance was authorised by the China Banking Regulatory Commission (CBRC) to open a representative office in Beijing.

In October 2004, Banque PSA Finance signed a letter of intent with Bank of China to create a joint automobile financing company in China. The various preparatory phases are being carried out and are due to be completed soon.

15

### **GEFCO**

In July 2004, Gefco anchored its presence in China by creating a new joint venture with DTW, one of the country's largest transportation and logistics companies. Gefco DTW Logistics (GDL) began operations in October 2004 with DPCA's outsourced production warehouse in Wuhan, which comprises two 8,000 m<sup>2</sup> buildings and employs 180 people. Gefco DTW Logistics also manages a forward supplier warehouse that stocks parts for DPCA suppliers.

In addition to warehouses, GDL also runs a trucking network dedicated to the automobile industry. A Shanghai-Wuhan route was opened in December 2004 to handle daily shipments from suppliers. GDL ships spare parts by air or rail to serve express orders from DPCA's Chinese dealers.



## **FAURECIA**

One of the world's leading automotive equipment manufacturers, Faurecia is present in China through 11 joint ventures and subsidiaries. Employing 1,660 people, Faurecia produces: - seat units and exhaust systems in Wuhan, - seat units, exhaust systems and interior systems in Changchun, - seat frames in Wuxi and - exhaust systems in Shanghai. The company's customer list includes China's major carmakers. Faurecia also has a Research Centre in Shanghai.



## **IX SCIENTIFIC PARTNERSHIPS**

**PSA Peugeot Citroën has been involved in several scientific partnerships with major research organisations in China, particularly in the field of road safety and alternative energy sources.**

### **PARTNERSHIP WITH TSINGHUA UNIVERSITY**

A partnership agreement has been signed with **Tsinghua** University to develop automobile-related training programs and research projects.

On June 28, 2005, the partners officially launched a research program to take friction into account in computer models of crash tests.

In liaison with France's leading engineering schools, the partners are planning to create a special Master's degree in applied automotive engineering sciences at Tsinghua University. The Group will also take part in special Environment and Energy Master's programs at the Franco-Chinese Environment and Energy Center (CEFCEET), created in December 2001 at Tsinghua University.

In addition, PSA Peugeot Citroën will define research programs with Tsinghua University on topics such as the "clean car" to be pursued through university contracts.

Lastly, as part of its commitment to recruiting skilled Chinese engineers and managers with proficiency in French, PSA Peugeot Citroën has agreed to offer internships in France and China to Tsinghua University students enrolled in engineer training or Master's programs.



## **PARTNERSHIP WITH CHINA AUTOMOTIVE TECHNOLOGY AND RESEARCH CENTER (CATARC)**

On November 21, 2005, PSA Peugeot Citroën and **China Automotive Technology and Research Center** (CATARC) signed a major research agreement on biofuels, with special focus on biodiesel.

Under the agreement, CATARC will conduct research on the impact of Chinese diesel biofuels on engine power, torque, noise and emissions and analyse available data on the topic of “Biomass to Fuel” in Europe.

PSA Peugeot Citroën will provide documentation on “Biomass to Liquid” (BTL) research in Europe, as well as vehicles, engines and funding. The joint study is expected to last around one year. The partners will organise a seminar to present the results, which Chinese officials may use as a starting point to promote the use of biofuels in China.

18

## **COOPERATION WITH TONGJI MEDICAL COLLEGE IN WUHAN AND JINAN UNIVERSITY IN GUANGZHOU**

PSA Peugeot Citroën has joined forces with **Tongji Medical College** in Wuhan to study seatbelt use.

The eight-month research program will be led by Dr. Liu Xiaoxian, Director of the Tongji Medical College Injury Control Research Center, and Dr. Li Guohua, professor at Johns Hopkins University. Some one thousand cases will be reviewed to evaluate the impact of seatbelt use or non-use on the seriousness of injuries sustained by vehicle occupants in road accidents. The research will be based on the analysis of questionnaires filled out by emergency room staff at Wuhan’s two hospitals (Tongji Medical College and Union Hospital) and will take into account the circumstances of each accident and the type and condition of the vehicles involved. The results should be available in 2006.



Another important study on road safety financed by PSA Peugeot Citroën was launched in **Guangzhou** on November 7, 2005 by the **Jinan University** medical institute's trauma prevention and monitoring center under the supervision of Professor Wang Shengyong, a recognized specialist in road safety issues in China.

The goal is to develop a model for analysing traffic-related injuries in China, as well as the cause factors. The study's findings, to be published next year, should make a significant contribution to improving road safety in China.



## **X THE GROUP'S CORPORATE SOCIAL RESPONSIBILITY IN CHINA**

In addition to developing its manufacturing base, PSA Peugeot Citroën has engaged a dialogue in China on the challenges raised by the extremely rapid expansion of the country's car traffic. The Group's initiatives primarily concern urban mobility and road safety.

### **URBAN MOBILITY**

Created and supported by PSA Peugeot Citroën, the City on the Move Institute, known by its French acronym IVM, brings together some twenty scientists, urban planners, social project managers and business leaders from France and other countries. Its mission is to study urban mobility issues and recommend innovative on-site solutions, particularly to facilitate mobility for groups or individuals with special needs.

IVM first got involved in China in 2001 when it organised an international seminar in Chengdu on urban growth, transport methods and intermodality. It followed up with other seminars in Beijing, Guangzhou, Shanghai and Wuhan and exhibits on urban mobility. In the spring of 2005, IVM inaugurated an International University Chair at Tongji University in Shanghai devoted to urban mobility, thereby paving the way for innovative research. IVM has also opened a permanent office at Tongji University headed by Professor Pan Haixiao of the College of Urban Development and Architecture.

Through its China program, IVM intends to participate in current discussions on the future of China's cities and the country's changing urban mobility landscape. With an emphasis on promoting innovative solutions to promote mobility, the program is pursuing three key objectives:

- Improving the methods and techniques for understanding urban mobility.
- Recommending quality solutions for urban mobility infrastructure.
- Sharing and circulating knowledge and innovative thinking on urban mobility.

## ROAD SAFETY

With some 100,000 road deaths per year, China pays a heavy human, social and economic price for traffic accidents.

As a historical partner in the development of China's automobile industry, PSA Peugeot Citroën is committed to sharing its experience and carrying out innovative initiatives in the area of road safety. On June 28, 2005, the Group organised an international symposium on road safety in Beijing in partnership with the Chinese Health Ministry's Disease Control Center and the Beijing traffic engineering association. Some 300 people attended, including numerous specialists and health professionals from across China. A panel of 15 experts from China, Europe, Japan and the United States made road safety presentations.

PSA Peugeot Citroën also leads discussion groups on road safety around China. The groups organise regular meetings at which journalists and local authorities can meet with a Chinese or international road safety expert. So far, groups have been formed in Beijing, Chongquin, Wuhan, Xi'an, Guangdong province and the Northeastern regions. PSA Peugeot Citroën led 14 meetings in 2005.

