

PSA Peugeot Citroën in Slovakia

May 12, 2005

One Group, Two Marques

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Milestones in the PSA Peugeot Citroën Plant Project in Slovakia

First-half 2002:

Feasibility study. Initial contacts made with target countries.

October 28, 2002:

PSA Peugeot Citroën announces construction of a new European assembly plant to extend production capacity after 2006.

Second-half 2002:

Candidate plant sites visited and pre-selected in Central Europe.

January 15, 2003:

Selected site announced for the future production plant in Trnava, Slovakia, 45 kilometers from Bratislava.

Late January:

PSA Peugeot Citroën and local authorities sign official agreement.

June 2003: Earthwork starts.

June 17, 2003: Cornerstone laid.

October 2003: Building construction starts.

February 2005: Trials begin on the stamping line

Summer 2005: Buildings and process facilities handed over.

Early 2006: Production starts of first pre-series vehicles.

Summer 2006: Series production starts.

Characteristics of the New Trnava Production Plant

PSA Peugeot Citroën has selected Trnava in Slovakia, located 45 kilometers from the capital, Bratislava, as the site for its new production plant.

Investment

Building the plant and starting production of the first vehicle will represent a total investment of around €700 million.

Job creation

The production plant will have a strong social and economic impact on the Trnava region. It will directly employ 3,500 people recruited in Slovakia, while many indirect jobs will also be created at suppliers and local companies.

Recruiting began in late 2003 for the technical positions, with the backing and support of local employment agencies. Currently around 860 people have been hired, with another 1,400 jobs scheduled to be filled by the end of 2005.

The Group has implemented a large-scale training program in collaboration with the Slovak national education system, the French Ministry of Education and France's Adult Job Training Association (AFPA). Additional training is also being provided at other Group production centers in Western Europe.

High output

Following startup in 2006, the new plant will have the capacity to produce 300,000 vehicles a year in three shifts, or 55 vehicles per hour.

It will be dedicated to producing Platform 1 vehicles (superminis and compacts).

Plant size and layout

The plant will be built on a 190-hectare site comparable in size with the main PSA Peugeot Citroën plants in Europe.

It will include four main units (stamping, body-in-white, paint and assembly), together with offices for administrative and human resources personnel.

Its layout is modeled on the Porto Real plant in Brazil, featuring a compact star-type arrangement around the central administration building.

Compliance with environmental and safety standards

The plant was designed and is being built to the same standards as every other PSA Peugeot Citroën facilities. It will fully comply with environmental standards both for reducing discharges and emissions and for managing natural resources such as water, air and soil. Environmental and safety management processes are designed to meet ISO 14001 standards.

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The same safety standards will be applied as in Western European production centers, with a focus on involving management and on motivating employees and raising their awareness.

Adjacent supplier park

A 55-hectare site adjacent to the plant is dedicated to supplier facilities, in order to build a high-tech business park that will facilitate deliveries and enable compliance with cost objectives and deadlines. The park will also help drive economic growth in the region.

Trnava: A Strategic Choice for PSA Peugeot Citroën

After considering several locations in Central Europe, PSA Peugeot Citroën chose the Trnava site in Slovakia because it met all the pre-defined selection criteria.

Decision to build another plant in Europe

PSA Peugeot Citroën is committed to a growth strategy with the goal of eventually selling more than four million vehicles, compared with the nearly 3.38 million units sold in 2004.

With a worldwide production base comprising 15 assembly plants (including three under cooperation agreements) and 18 mechanical component plants and foundries, the Group theoretically has enough capacity to reach the planned output of four million units. However, a balance needs to be achieved between capacity utilization and the resulting technical, economic and labor-related constraints. Utilization rates in the Group's Western European assembly plants are very high, having risen from 69% in 1997 to 112% in 2004*.

The Group consequently needs to plan additional production capacity that will allow it to pursue growth in the future, while optimizing utilization of existing production facilities.

Slovakia is located in the center of Europe

To identify the best-suited site for a new assembly plant, PSA Peugeot Citroën began investigating Central European countries, which offer a number of decisive advantages.

In particular, it was advisable to base new production capacity closer to the most promising markets for the Group, whose focal point was shifting to Central and Eastern Europe.

PSA Peugeot Citroën is significantly expanding its sales presence in the region, which is expected to become the future heart of Europe and currently ranks among the Group's three priority growth regions worldwide. Over a five-year period, the Group increased aggregate market share from 6.1% to 11.4% in the six Central European countries (Croatia, Hungary, Poland, Czech Republic, Slovakia and Slovenia), where it sold 110,000 vehicles in 2004.

Slovakia is also located on the borders of the European Union, near important markets for PSA Peugeot Citroën, like Germany, Austria and Italy.

Major advantages in the Trnava region

Located in western Slovakia, the Trnava region comprises seven districts and shares borders with Austria, the Czech Republic and Hungary. The regional capital of Trnava has a population of 70,000 and is the country's eighth-largest city.

*According to the Harbour Index: hourly capacity x 16 hours x 235 days.

Trnava enjoys a strategic location, serving as a major transportation hub on European highways leading to Bratislava and Vienna, national and regional roads, and pan-European rail lines.

Situated 50 kilometers from Bratislava and 95 kilometers from Vienna, on highways to Zilina and northern Slovakia and to Nitra, Trnava is part of the greater Bratislava agglomeration, less than an hour from the international airport and a port on the Danube. There is also a navigable waterway 15 kilometers from the city.

The region's economy currently includes a mix of industry and farming. Local industry is dynamic and diversified, focusing on mechanical, electrical, metalworking, pharmaceutical, construction, glassmaking, foundry and food production activities.

In the past few years, the region has attracted several large multinational corporations. The most significant recent investments were in electronics and automobile components.

The city and its region boast a young, qualified, well educated labor force, which will enable the plant to meet its extensive hiring needs locally.

Land selected in a favorable environment

The land selected is on a greenfield site with good natural grading, offering a total of 190 hectares available for construction.

It was chosen because of its excellent railway and highway access and logistic advantages in terms of technical and transportation infrastructure.

The availability of 55 hectares near the site will allow selected suppliers and equipment manufacturers to build facilities near the plant.

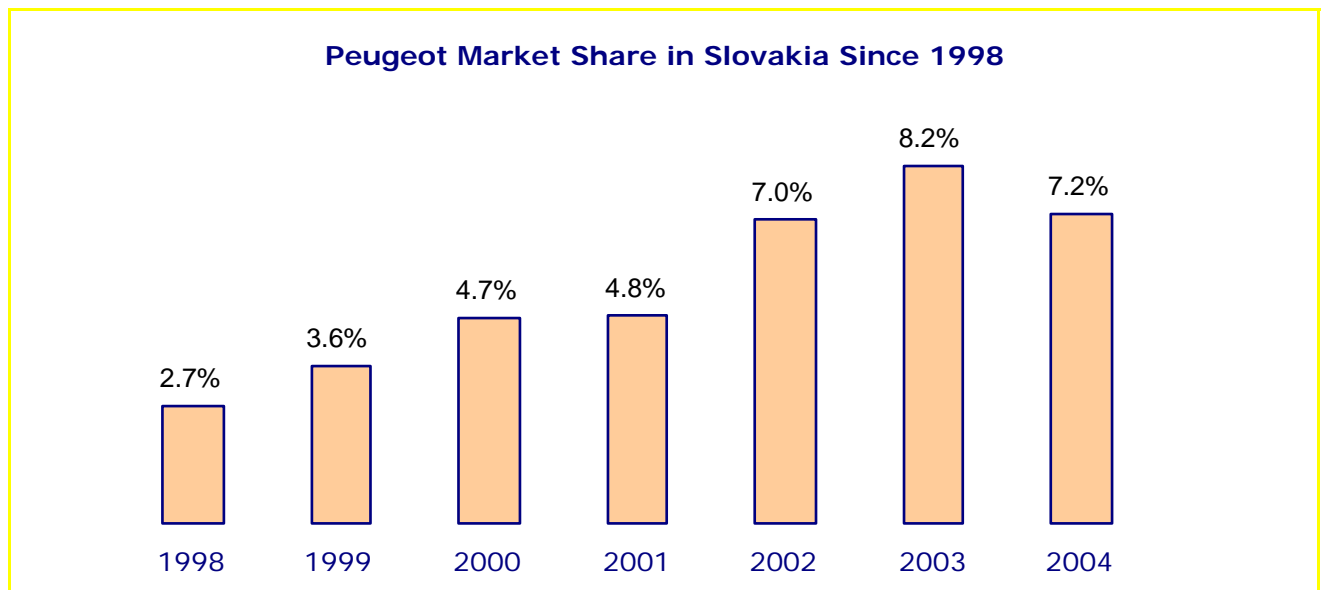
PSA Peugeot Citroën in Slovakia

PSA Peugeot Citroën operates in Slovakia through its Peugeot and Citroën brands. Between 1998 and 2004, the Group's share of the passenger car and light commercial vehicle market has increased sharply, rising from 5.7% to 12.8%. With 8,630 vehicles sold in 2004, PSA Peugeot Citroën has strengthened its position as the country's second-largest carmaker.

- **Peugeot in Slovakia**

Market performance

With 4,840 registrations of passenger cars and light commercial vehicles in 2004, Peugeot ranks fourth in the Slovakian market, with a 7.2% share. The marque is continuing to expand in 2005, ranking second in the market (behind Skoda) as of March 31.



Sales network

Present in Slovakia through a local importer since 1993, Peugeot created an import subsidiary in November 2001. The network currently comprises 25 dealerships.

The creation of the Peugeot Slovakia subsidiary has supported a focus on developing a local brand identity compliant with the marque's standards. In this way, it can build a high-quality network meeting the highest European criteria. Today, 80% of the dealerships are aligned with the "Blue Box" format, which is having a considerable impact on the brand image of the marque and its network. The next openings are scheduled for Nitra and Kosice.

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As part of this process, sales and technical training programs have been launched to support the network's development.

Model lineup

The Peugeot 206 is Slovakia's second best selling car in its segment and the leading imported compact. The Peugeot 307 ranks second in its segment and is the leading lower mid-sized import, with a steadily improving local image.

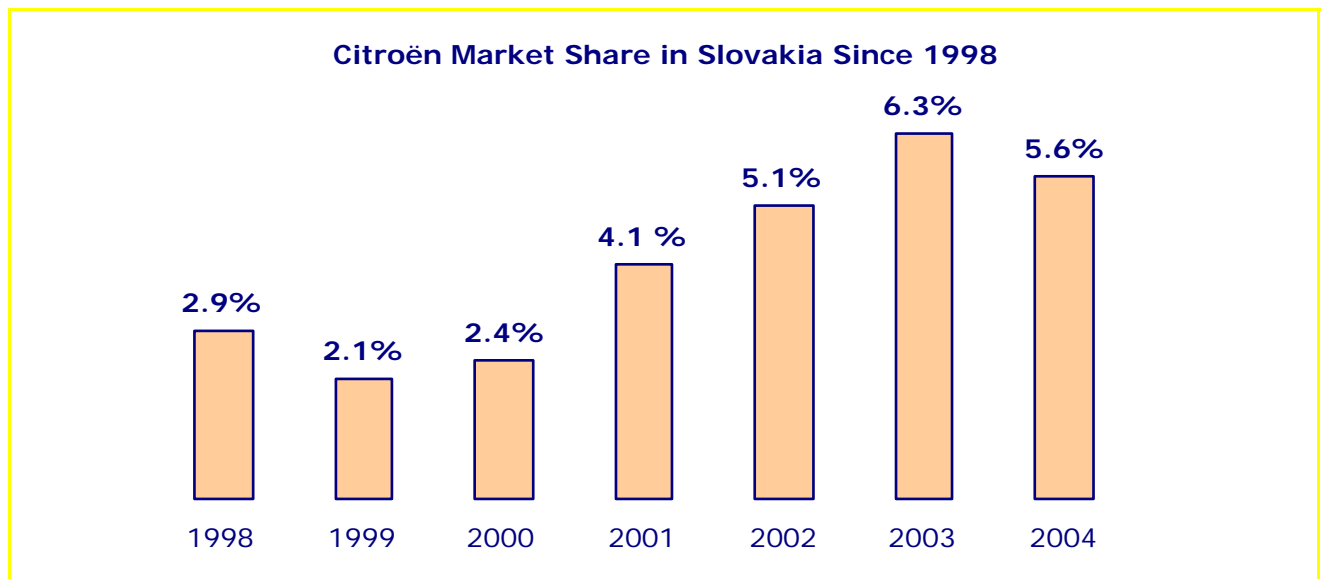
Voted Car of the Year by readers of the weekly *Auto Bild* magazine, the Peugeot 407 was Slovakia's leading imported mid-sized sedan in February 2005.

In light commercial vehicles, Peugeot ranks third with 1,126 units sold.

• Citroën in Slovakia

Market performance

As of the end of 2004, Citroën was ranked sixth in Slovakia's passenger car and light commercial vehicle market. With nearly 3,800 vehicles sold in 2004, the marque increased its market share to 5.6%, from 2.4% in 2000. In first-quarter 2005, Citroën was ranked fourth in the market, with a 6.35% share.



Sales network

Operating in Slovakia through a local subsidiary since March 2000, Citroën has taken over operations from its importer (Euroauto) and is now extensively restructuring its network, which comprises 29 dealerships.

Most dealerships have been upgraded and expanded, and all now comply with the brand's Magellan quality charter, which sets standards for operations, methods,

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installations and graphic identity. The subsidiary earned ISO 9001 accreditation in November 2002, and the certification process is currently being extended to the network.

A project is underway to set up a branch in Bratislava.

Model lineup

Citroën markets its entire model lineup in Slovakia, where strong sales growth has been led by the success of the C3 and Xsara Picasso. Launched in 2002, the C3 is now Citroën's best-selling model, while its C3 Pluriel version, introduced in 2003, was named "best in show" at the Bratislava Motor Show.

Unveiled at the Nitra Auto Show in October 2004 and locally launched in November, the Citroën C4 was voted the country's "Car of the Year 2005"—the first time a Citroën model has won the award in Slovakia.

In early 2005, the popularity of the new Berlingo lifted Citroën to first place in the market for light commercial vehicles.

• Banque PSA Finance in Slovakia

As part of the development of the Group's business in Slovakia, Banque PSA Finance (BPF) created a finance company in partnership with CSOB, one of the country's leading banks. The new company will finance vehicle and parts inventories for Peugeot and Citroën dealers, as well as vehicle purchases for customers of both networks.

The creation of the finance company is in line with Banque PSA Finance's approach to Central and Eastern Europe, which represents a strategic region for the Group. To support the two marques' sales operations, the Bank recently created businesses in Poland, the Czech Republic and Hungary.

Economic Data and the Automobile Market

A strategic growth region for PSA Peugeot Citroën

PSA Peugeot Citroën is committed to a strategy of sustained growth, led by the consolidation of its position in Western Europe and development in international markets.

Global expansion focuses on markets where people purchase and drive European-type vehicles, thereby enabling the Group to optimize the use of its production platforms. The three priority regions are Central Europe, South America and China.

Over the past six years, PSA Peugeot Citroën has considerably strengthened its sales presence in Central and Eastern Europe, where its market share stood at 11.4% at year-end 2004, compared with 5% in 1997. The Group is the second-largest carmaker both in the region and in the rest of Europe.

A fast growing economy

Slovakia and its 5.4 million inhabitants joined the European Union in 2004. Created from the breakup of Czechoslovakia in 1993, the young Slovak democracy has assertively positioned itself as an up-and-coming force in Central Europe.

The country is gradually returning to growth and is in the midst of an encouraging economic expansion. While purchasing power remains weak, EU membership and the beginnings of inward investment are signs that Slovakia is emerging as a serious contender—and one that is actively promoting its industrial facilities in competition with its neighbors in the Czech Republic, Hungary and Poland.

In addition to this dynamic industrial expansion, Slovakia also has extensive agricultural and forest resources and enjoys major potential as a tourist destination. Per-capita gross domestic product is estimated at 48% of the European average, situating Slovakia ahead of Poland, on a par with Hungary and behind the Czech Republic.

Slovakia's automobile industry

The impact of economic growth is especially apparent in the automobile industry. In 2004, sales by the Slovak auto industry increased by nearly 25% and represented one-quarter of the country's total industrial output. Volkswagen accounted for 55% of the revenues, with the remaining 45% shared by 140 tier-one and tier-two automotive equipment manufacturers operating in the country. The auto industry plays a major role in creating jobs and is an active force in technology transfers. In 2004, it generated a trade surplus of €1.45 billion and accounted for 30% of Slovakia's exports.

A small but promising automobile market

There are more than 1.2 million cars on the road in Slovakia, with an average age of 12.7 years that shows no sign of decreasing in light of current demand. At 220 vehicles per 1,000 inhabitants, there are fewer cars per capita than in any other Eastern European country, and it takes more than an average 20 months' salary to purchase an entry level Peugeot 206 (versus five in France).

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The light commercial vehicle segment represents only a small proportion of the total market (15% at year-end 2004).

Because of the very slight price differential between gasoline and diesel fuel, diesel powered cars accounted for a relatively small percentage of the total market (23% of all cars sold in 2003 and 30% in 2004).

After falling 20% between 1998 and 2000, to 60,414 units, the Slovakian market turned sharply upwards in 2001, gaining 26% to 76,276 units. Demand stabilized at 67,000 units at year-end 2004 and is expected to total around 70,000 units in 2005.

The market is historically dominated by Skoda, which has local production facilities, but whose market share has steadily declined from 49.1% in 2001 to 41.1% in 2002, 37.7% in 2003, 31.4% in 2004 and just 29% for the first three months of 2005. Volkswagen has operated local assembly facilities since the early nineties, building models like the Polo, the Golf and the Touareg, as well as the chassis and body of the Porsche Cayenne SUV. It enjoys an image as a local carmaker.

The passenger car market is primarily focused on compacts (50% of sales), which appeal to families. Lower mid-sized models account for 27% of sales, upper mid-sized for 15%, premium SUVs for 4% and executive models for 3%.

With the opening of new plants by PSA Peugeot Citroën in Trnava in 2006 and by Hyundai/Kia Motors in Zilina in the north, in 2007 Slovakia will become the world's leading car manufacturing country in terms of output per capita, with some 800,000 to 900,000 vehicles produced every year by the three local carmakers.

PSA Peugeot Citroën's Presence in Central and Eastern Europe

Car and light commercial
vehicle registrations

		1998		1999		2000		2001		2002		2003		2004	
		Volume	%	Volume	%	Volume	%	Volume	%	Volume	%	Volume	%	Volume	%

CROATIA	CITROËN	3,908	6.4	3,391	5.8	4,329	6.6	5,124	6.8	6,218	8.0	7,704	9.5	6,775	8.9
	PEUGEOT	1,941	3.2	2,338	4.0	3,642	5.6	5,104	6.8	6,547	8.4	7,544	9.1	6,641	8.7
PSA PEUGEOT CITROËN		5 849	9.6	5,729	9.8	7,971	12.2	10,228	13.6	12,765	16.4	15,248	18.5	13,416	17.6

HUNGARY	CITROËN	3,624	2.7	4,462	2.9	6,549	4.1	8,310	4.8	10,580	5.2	12,070	5.2	8,984	3.9
	PEUGEOT	5,804	4.3	8,160	5.2	10,293	6.4	13,260	7.6	15,018	7.5	17,380	7.5	15,730	6.8
PSA PEUGEOT CITROËN		9 428	7.0	12,622	8.1	16,842	10.5	21,570	12.4	25,598	12.7	29,450	12.5	24,714	10.7

POLAND	CITROËN	14,519	2.6	14,573	2.1	14,480	2.8	12,860	3.7	14,965	4.6	17,880	4.6	13,434	3.8
	PEUGEOT	12,544	2.2	18,648	2.7	20,135	3.9	19,148	5.5	24,097	7.3	29,027	7.5	22,614	6.4
PSA PEUGEOT CITROËN		27 063	4.8	33,221	4.8	34,615	6.7	32,008	9.2	39,062	11.9	46,907	12.2	36,048	10.1

CZECH REP.	CITROËN	3,266	2.1	3,506	2.2	3,653	2.2	5,025	3.0	5,885	3.6	6,243	3.7	5,470	3.4
	PEUGEOT	4,121	2.6	6,262	3.9	8,028	4.9	9,494	5.7	10,009	6.2	10,781	6.4	9,195	5.7
PSA PEUGEOT CITROËN		7 387	4.7	9,768	6.1	11,681	7.1	14,519	8.7	15,894	9.8	17,024	10.1	14,665	9.1

SLOVAKIA	CITROËN	2,190	2.9	1,297	2.1	1,480	2.4	3,107	4.1	3,623	5.1	4,441	6.4	3,792	5.6
	PEUGEOT	2,046	2.8	2,217	3.6	2,845	4.7	3,654	4.8	4,950	7.0	5,662	8.2	4,839	7.1
PSA PEUGEOT CITROËN		4 236	5.7	3,514	5.7	4,325	7.1	6,761	8.9	8,573	12.1	10,103	14.6	8,631	12.8

SLOVENIA	CITROËN	5,062	6.9	5,107	5.7	4,971	6.7	4,257	6.4	4,481	6.9	5,497	8.3	5,726	8.3
	PEUGEOT	2,629	3.6	3,753	4.1	5,247	7.1	5,873	8.9	6,345	9.8	6,650	10	6,032	8.7
PSA PEUGEOT CITROËN		7 691	10.5	8,860	9.8	10,218	13.8	10,130	15.3	10,826	16.7	12,147	18.3	11,758	17.0

TOTAL	CITROËN	32,569	3.1	32,336	2.7	35,462	3.4	38,683	4.3	45,752	5.1	53,835	5.4	44,181	4.6
	PEUGEOT	29,085	2.7	41,378	3.4	50,190	4.9	56,533	6.2	66,966	7.4	77,044	7.7	65,051	6.8
PSA PEUGEOT CITROËN		61 654	5.8	73,714	6.1	85,652	8.3	95,216	10.5	112,718	12.5	130,879	13.0	109,232	11.4

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