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I EMPLOYEE RELATIONS COMMITMENT

PSA Peugeot Citroën employee relations and human resources policies seek to align business performance and personal growth by fostering a sense of community built on the strong shared values of open dialogue, solidarity and respect for people in all their diversity.

The Group is committed to growth founded on socially-responsible principles and practices, consistently applied in every host country and business around the world.

In recent years, this commitment has been the source of innovative employee relations practices in all of the host countries. 2005 was especially rich in this regard, notably

in the area of corporate social responsibility. The year's achievements reflected the sustained implementation of policies shaped by four major principles:

- ongoing, revitalized social dialogue in every country, involving employees and employee representatives in their company's progress,
- active hiring policies to attract the finest talent and skills,
- a total compensation policy linked to corporate earnings,
- flexible organizations adapted to the company's challenges and a commitment to continuously improving working conditions.

SUSTAINABLE INNOVATIONS IN EMPLOYEE RELATIONS PRACTICES

The Group's commitment to respecting fundamental human rights and socially-responsible practices that conform to ethical standards and address the broader challenges of modern society has been formalized and embraced at the highest levels of the organization.

➤ A GLOBAL COMMITMENT TO SOCIAL RESPONSIBILITY

In 2005, negotiations were initiated concerning the Group's worldwide corporate social responsibility commitments. On March 1, 2006, a global framework agreement on social responsibility was signed with the International Metalworkers' Federation (IMF) and the European Metalworkers' Federation (EMF), covering their nearly 85 member organizations. It will also be signed by unions in the major host countries.

Given the increasing globalization of the Group's business base, this initiative underscores a commitment to deploying best human resources management practices in every subsidiary around the world. The agreement also expresses the Group's commitment to fundamental human rights and to requiring similar commitments from suppliers. It further covers PSA Peugeot Citroën's contribution to economic and social development wherever the Group does business by using local human resources to fill vacant positions whenever possible. And lastly, under the terms of the agreement, the European Works Council will be expanded to become a Global Council, which will monitor the effective application of these measures.

Among the key objectives of the agreement are the following:

- **Support and respect for human rights**, in particular freedom of association, the right of workers to form and join the labor unions of their choice, the elimination of all forms of forced and compulsory labor and the abolition of child labor. While the agreement sets the minimum age for access to employment at 18, it lowers this age to 16 in countries whose education systems have not achieved sufficient levels of development and calls for different types of employment contracts to support young people with vocational training while they are still in school.
- **Avoid complicity in human rights abuses**. PSA Peugeot Citroën condemns all infringements of respect for individual rights and dignity, verbal or physical abuse and harassment. This type of behavior is liable to sanctions and specific measures have been drawn up in every country to prevent it.
- **Apply and promote best practices in human resources**, especially in the areas of social dialogue, safety, working conditions and health, compensation, training, employment of women, recognition of skills and social protection. In particular, the agreement calls for efforts to ensure that working conditions meet the highest international standards in every host country. A profit-sharing system linked to company performance has also been set up and includes all employees.

- **Apply equal opportunity practices on a global scale.** This is an area where PSA Peugeot Citroën has been a pioneer in several countries in Western Europe, especially in promoting jobs for women and developing a diversity of skills, with the signature of agreements with all of the labor organizations in 2003 and 2004.
- **Make respect for human rights a decisive criterion in the selection of suppliers.** Suppliers, subcontractors, industrial partners and dealers will be informed of the agreement's human rights principles to ensure compliance.
- **Fight against all forms of corruption.** The Group has agreed to raise employee awareness of this issue through various communications campaigns and/or training programs.
- **Expand the European Works Council to include labor union representatives from all subsidiaries with over 500 employees worldwide.** This Council, which includes the Group Works Council as provided for by French legislation, was extended in 2003 to all the countries in the European economic space and in 2006 to the Mercosur region, with representatives from Argentina and Brazil. The expanded European Works Council will provide a forum for dialogue and discussion concerning the Group's international strategy and development.

Immediately applicable to the entire consolidated Automobile Division, the framework agreement is being extended to the finance, transportation and logistics divisions in all the Group's host countries. It will be implemented through national action plans defined in cooperation with labor organizations and reviewed every three years to monitor effective application.

These commitments are an extension of the Group's support for the United Nations Global Compact. On April 9, 2003, it pledged to adhere to and promote the Compact's ten principles, which are based on the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption.

These commitments are also in line with the Group's Ethics Charter, which has been distributed to all employees in French, English, Spanish, Portuguese, German and Chinese versions. It provides a common set of fundamental reference points that every executive, manager and employee must refer to and comply with in all circumstances. Every new employee attends a course on the Charter as part of his or her orientation program. Training in human rights issues is also provided for employee representatives, managers and security officers as part of the diversity and equal opportunity agreements.

Internal and external control procedures have been implemented to ensure efficient application of these principles.

➤ SUPPORTING DIVERSITY AND EQUAL OPPORTUNITY

In 2005, the Group demonstrated its commitment to diversity and equal opportunity with a series of practical initiatives with measurable results. All the measures called for in agreements on diversity and social cohesion signed in 2004 in France and Argentina were implemented. These agreements were expanded in 2005 with the signature of agreements in Spain to protect women who are victims of spousal abuse and in France to develop career opportunities for the disabled.

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.

Ensuring equal opportunity and treatment in hiring and career development

More than a year after the signature of the agreement in France, results in every area are in line with objectives and commitments.

Of the 932 engineers and managers hired in 2005, 232 were women, 61 were non-French nationals, 63 were visible minorities and 15 came from underprivileged urban areas.

These results reflect extensive programs to heighten awareness and initiatives in the area of hiring, including simulation-based hiring procedures, a new best practices guide for recruiters, testing by France's anti-discrimination oversight agency and trials using anonymous résumés.

In line with the commitments made in the agreement, a system was introduced to statistically track career development and compensation. The resulting data provide efficient indicators both for managers and for the equal opportunity and diversity committees set up on the sites and at corporate level. For operators and supervisors, statistics show that at the end of 2005, individual raises and promotions were awarded in at least the same proportions as the different categories tracked across the organization, e.g. women, non-French nationals, employees over 50, disabled people, etc. For the second year in a row, women managers received more raises than their male counterparts, with 57.3% of women managers receiving above-average raises, compared with 49.5% of male managers.

The joint labor-management diversity and equality research group, comprising representatives of the six signature unions, met on April 27 and October 14, 2005. It is tasked with overseeing effective application of the principles and measures defined in the agreement and ensuring that objectives are achieved. It can also make further proposals for actions and is supported, on each site, by local equality and diversity committees.

The agreement also included major provisions concerning communication and training to prevent discrimination and improve management of diversity. Nearly 8,000 hours of training were provided in 2005 and 50,000 copies of the first brochure addressing these issues were distributed to employees.

Making gender equality a corporate strength

Two years after the signature of the French agreement on the employment of women and gender equality, the tracking committee met several times to review the continuous progress being made in this area.

The percentage of women employees continues to rise, reaching 41,000 across the Group, or 19.8% of the workforce, compared with 17.6% in 2002. The steady gains are being driven by affirmative action policies for women, who now represent 25% of new hires worldwide. In France, women accounted for 25.6% of new hires in 2005, compared with just 11.5% in 1999.

Another essential component of the Group's human resources strategy is a commitment to equal pay and identical career paths for both men and women, so that raises are awarded in the same proportions as the percentage of men and women in the workforce and promotions are offered in the same proportions as the percentage of men and women in a given job category. As in 2003 and 2004, in 2005, the average monthly salary in every job category was the same for men and women with the same grade or job classification.

In addition, a number of innovative employee services have been introduced or tested to assist employees in achieving a better work-life balance, such as flexible working hours, on-site daycare centers and guides to maternity benefits.

In January 2005, the Group's commitment to gender equality earned it France's first "Equal Opportunity Employer" label, created by the Ministry of Gender and Professional Equality. These Automobile Division practices have been extended to Banque PSA Finance and Peugeot Motocycles, both of which

concluded agreements in 2005 to promote the employment of women and improve equal opportunity.

Offering the disabled fulfilling employment opportunities

In France, an agreement on the social and professional integration of disabled persons was signed with five labor organizations on September 22, 2005.

It 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 new agreement is also part of broader initiatives to promote diversity and equal opportunity within the organization.

In particular, it is focused on the following objectives:

- Encourage the integration and recognition of disabled people in the Group, with the aim of having a percentage of disabled employees that exceeds legal obligations.
- Enable disabled employees to retain their jobs by adapting workstations and the way work is organized.
- Provide support and guarantees to beneficiaries of the agreement, concerning career development, training opportunities, access to facilities and work areas and the organization of working hours.
- Pursue initiatives to support disabled people who are not Group employees by offering internships and work-study programs and by pursuing partnerships with sheltered workshops.
- Prevent disabilities on the job by guaranteeing workplace safety, continuing to improve workstation ergonomics and pursuing workplace health initiatives.

These policies are being consistently and uniformly applied in every host country, and today, nearly 6,300 people with disabilities are using their skills and dedication to drive the Group's performance around the world.

In the Automobile Division in France, including sheltered workers under contract, 9.5% of employees are classified as handicapped, compared with the 6% national rate that businesses are encouraged to reach.

On December 22, 2005, a partnership agreement was signed with Argentina's Labor Ministry to ensure that the Group's recent-year advances in integrating disabled people will be sustainable. The Ministry also presented PSA Peugeot Citroën Argentina with a special award, officially recognizing the Company's commitment to workplace diversity.

➤ A FURTHER IMPROVEMENT IN WORKPLACE SAFETY IN 2005

PSA Peugeot Citroën believes that the only acceptable target is an accident-free workplace in every host country and that one of its most fundamental responsibilities is to guarantee the physical health and safety of its employees. This is why the Group nurtures a strong safety culture across the organization, with a number of strict safety programs undertaken in recent years.

The lost-time incident frequency rate stood at 3.11 in 2005, for a target of 3.70. The rate covers manufacturing, service and R&D operations worldwide, as well as, for the first time, dealerships in France. It marks a significant improvement for the third year in a row, with a 24% decline in 2005 alone.

These excellent results reflect a focused process underpinned by safety policies that are clearly articulated by senior management and designed to encourage active involvement of stakeholders across the organization and to shift workplace safety management towards preventive measures. All of these initiatives are being implemented as part of an integrated Workplace Safety Management System.

In 2005, prevention and safety improvement actions were extended to most Peugeot and Citroën sales subsidiaries in France as well as to all of the international sites, driving a 50% decline in the number of accidents at the French sales units during the year.

Most of the host countries also reported improvements, with the Buenos Aires facility, for example, turning in the best performance of any assembly plant, with a 56% decline in the lost-time frequency rate to a record 1.30.

Prevention initiatives in the Gefco logistics division are being deployed by a two-tiered organization:

- the corporate organization is dedicated to improving working conditions, health and safety and to introducing prevention standards,
- country organizations are responsible for applying corporate prevention policies. Safety officers have also been appointed in the agencies.

In 2005, PSA Peugeot Citroën achieved one of the best safety records in the metalworking industry, whose lost-time frequency rate stood at 27.7 in 2004.

The 2006 lost-time incident frequency rate target has been set at 3.7, including all of the marketing subsidiaries worldwide.

➤ FULFILLING CAREER DEVELOPMENT ASPIRATIONS WITH A NEW APPROACH TO MANAGING SKILLS

The in-depth, global study on "Human Resources Performance" conducted in 2004 by the Human Resources and Employee Relations Department led to the introduction in 2005 of a career management process based on job tracks, designed to identify the skills required for the Group's development and to meet employee expectations for more personalized career management. This forward-looking skills mapping system enables the Group to anticipate the expertise required as markets, technologies and the competitive landscape change.

Job tracks are "skills communities" characterized by the methods, tools and languages common to each job in a given track. They are designed to be cross-functional and global, stretching horizontally across operations and countries. There are three fundamental advantages to this approach:

- The Group is able to prevent any shortfall in skills and ensure an optimum match between employees and jobs, while sustaining employee motivation and encouraging the emergence of leadership.
- Managers are able to propose clear career paths to their teams, train them using the right resources, plan for future needs, and ensure the availability of skilled people to fill key positions at their units.
- Employees are able to take control of their personal career itineraries thanks to better visibility of the skills required by the Group and their ability to offer or acquire them.

22 job tracks have been identified, each overseen by high-level line managers. Of these, 18 were launched in 2005, with the others set to come on stream in first-quarter 2006.

Another development in 2005 was the signature in France of an innovative agreement on career development for production operators, so that their job opportunities are also based on their skills and expertise. The agreement is intended to adapt management principles to changing production processes and organizations, while clarifying the conditions and criteria for career advancement. It also provides a framework for the Group to support the development of the 21,000 operators hired in France over the past five years, in particular by addressing the expectations of younger employees.

The agreement encourages career development by setting clear and objective rules. The skills that must be mastered for each grade are described in reference guidelines for each job and validated individually by the employee's manager in actual working situations.

Initiatives in 2006 will examine possible broadening of this approach to include skilled workers, clerical staff, technicians and supervisors, as well as its extension to operations outside France.

➤ A MORE EXTENSIVE TRAINING POLICY

At a time of fast-paced change in the skills required by the automobile industry, the Group is revamping its training process with the goal of maintaining each employee's employability and increasing the training budget. This fresh momentum is strengthening the Group's role in addressing its social responsibilities and promoting diversity.

Average hours of training per employee in 2005 (Consolidated Group, excluding Faurecia)

France	Rest of Europe	Outside Europe	Average worldwide
21.7	40.2	69.7	28.7

Agreement on career-long learning

On April 15, 2005, PSA Peugeot Citroën management signed an agreement with all of its trade unions concerning career-long career training opportunities, with five main objectives:

- help young people in their initial job experience,
- help employees adjust to changing techniques, job skills and organizations,
- enable employees to directly shape their career itineraries,
- encourage the transfer of knowledge between generations,
- ensure equal opportunity access to training.

A revitalized training program in 2005

The training program has been revised to respond to employee needs under the new organization by job tracks and skills clusters. The new curricula enable employees to acquire the capabilities needed for their work, with access to all the courses related to their job track. Starting in 2006, they will also be able to attend programs to acquire related skills from other job tracks.

Some 4.4 million hours of training were provided in 2005, a nearly 13% increase from 3.9 million in 2004. In the Automobile Division (excluding marketing subsidiaries), 451 employees earned professional certification in metal-working during the year.

Outward-facing management training

PSA Peugeot Citroën fosters a management culture aligned with its business environment that is a source of competitive advantage in the global marketplace. The importance of this culture was reaffirmed in 2005, when a new training

curriculum was created for experienced managers, orientation programs for new managers were revamped and supervisor training was expanded. Management training helps to develop an outward-facing mindset and instill the skills needed to steward change and demonstrate leadership at every level of the organization.

➤ NEW INITIATIVES TO TRAIN YOUNG PEOPLE AND BRING THEM INTO THE WORKFORCE

Bringing young people into the workplace is a serious social issue in all of the Group's host countries. Because it is keenly aware of the need to offer young people job opportunities to help them gain work experience, PSA Peugeot Citroën has created orientation courses and work/study programs leading to certification.

In France, after ratifying a new apprenticeship charter applicable to large companies, on September 29, 2005, the Group signed a national framework agreement with the National Employment Agency and the Ministry of Labor covering the hiring of young people under a special skills acquisition contract. Nearly 2,300 young people participated in Group work/study programs during the year, while 3,000 apprentices worked in the two marques' dealerships and customer service centers. The goal is to double the number of apprentices in the Automobile Division in France between 2004 and 2009. At the same time, more than 140 integration programs were implemented in 2005 for disadvantaged people who are often excluded from the workplace.

Work/study programs encompass all levels of training, integrating young people with or without prior qualifications. In 2005, 44% of the apprentices were working towards high-school level vocational degrees.

Regardless of their level, however, the work/study programs enable apprentices to accelerate their skills development. Based on mentoring, they offer young people a practical pathway to acquiring both classroom knowledge and the skills they need for job proficiency.

In addition to training programs, PSA Peugeot Citroën emphasizes formal recognition of skills through professional certification.

Wherever feasible, the Group works with local institutions to develop curricula to teach the skills required by the automobile industry. A good example is Algeria, where Peugeot has teamed with the Vocational Training Ministry and France's Ministry of Education to lay the groundwork for a national automotive vocational degree.

In Poland, Gefco has signed a large number of agreements with higher education establishments, such as the Warsaw and Wrocław Technical Academies, the Universities of Warsaw and Poznan, and the International School of Transport and Logistics in Wrocław.

In Brazil, Peugeot Citroën Brazil and the National Education System for Industry (SENAI) renewed a training cooperation agreement first signed in 1999, extending it through May 2009. With support from PSA Peugeot Citroën, SENAI facilities will be used to provide training in automotive skills for employees of the Porto Real production center.

EMPLOYEE RELATIONS POLICIES INSPIRED BY FOUR STRATEGIC PRINCIPLES

Throughout 2005, the Group pursued its long-standing commitment to the four strategic principles that underpin positive employee relations.

➤ SOCIAL DIALOGUE CAPABLE OF DRIVING LASTING INNOVATION

Supporting open dialogue with employee representatives

Each year, negotiations cover a wide variety of issues, leading to formal agreements with employee representatives.

More than 50 agreements were signed worldwide in the Automobile Division in 2005, including 12 in France. They primarily concerned compensation, skills and career development for production workers, payment of short-time work and its determination on a multi-annual basis, career-long training, introduction of a new defined contribution retirement plan, healthcare coverage, social and professional integration of disabled people, accounting of actual hours worked, organization of working hours and vacation leave.

Social dialogue policies are based on relations with independent labor organizations. In every country, employees who work in production facilities, service units and major dealerships are represented by unions or by representatives elected by employees.

Agreements on the exercise of union rights define specific measures to guarantee the absence of any anti-union discrimination. They provide unions with the resources to carry out their role in complete independence. The basic principles of social dialogue were established in France by a June 2001 agreement on union rights that was signed by all the labor organizations. An agreement on the exercise of union activities and worker representation was signed in Spain in January 2004 by all the unions. Several agreements have also been signed in Argentina on the structuring of the relations between the company and the union (notably agreements on union rights dated March 30, 2001, and July 18, 2002).

The global corporate social responsibility agreement signed on March 1, 2006, reiterates these fundamental principles – that PSA Peugeot Citroën is open to union activities; that it recognizes, everywhere in the world, the legitimacy of unions and the right of employees to form the labor organizations of their choice; and that it is committed to respecting the independence and pluralism of trade unions (*ILO Agreement no. 87*).

Recognizing unions and collective bargaining, promoting equal opportunity, nurturing human capital and making workplace safety and working conditions a top priority are all fundamental components in PSA Peugeot Citroën's strategy to secure its sustainable growth and enhance its competitiveness.

European employees are represented by the European Works Council set up in 1996, whose role, resources and European membership were expanded by the October 23, 2003, agreement. PSA Peugeot Citroën's global framework agreement on corporate social responsibility calls for further expansion of the European Works Council to include labor representatives from Argentina and Brazil.

Informing and listening to employees

Employees are provided with a wide variety of detailed information through corporate newsletters, posters, intranet sites and other media. Brochures are regularly distributed to employees to keep them informed of the Group's human resources policies. Examples include a brochure to raise awareness of the importance of respecting diversity and differences, and another on the integration of disabled people.

Internal opinion surveys have been carried out in the Automobile Division in France every year since 1998. In 2005, when 2,800 employees were interviewed by the TNS Sofrès public opinion firm, the findings highlighted the Group's good working environment, with employees responding positively to questions about their work, social dialogue, diversity policy and the Group in general. They also felt that their management was aligned with their concerns. In recent years, the level of satisfaction has been higher than the Sofrès global and French benchmarks.

Encouraging employee participation

PSA Peugeot Citroën believes that employees are an invaluable source of potential expertise, experience, initiative, progress, innovative ideas and just plain common sense. A number of participatory management programs are therefore in place to encourage individuals and teams to contribute to the continuous improvement in the Group's working conditions and organizational practices.

As part of this commitment, production sites worldwide are organized into Basic Production Units, in order to drive efficiency gains by:

- stimulating and leveraging every team member's full potential,
- enabling people to understand the purpose of their jobs, their team's mission and their contribution to objectives,
- enhancing individual and team capabilities, to improve the BPU's ability to carry out its mission,
- consistently expressing, on the job, every day, PSA Peugeot Citroën's strategic vision for its manufacturing operations.

The BPU is a team with a single manager, a mission and a mode of operation based on structured participative management practices and direct interchange with partners.

To meet its objectives, the BPU prepares a List of Improvement Actions whenever difficulties are encountered. These actions can take a variety of forms:

- individual initiatives, like the "Déclic" suggestion system or a personal project,

- team efforts, such as improvement groups and 5S initiatives,
- cross-functional projects, such as improvement-sharing agreements and partnership contracts.

All operators, including those with fixed-term or temporary contracts, are actively encouraged to submit comments and ideas for improvement as part of the Déclic system, which seeks to remedy a defined issue with solutions that can be efficiently replicated to drive sustainable progress. In 2005, in the Automobile Division plants in France, more than 240,000 Déclic suggestions were submitted and 85% of the total average production workforce submitted at least one idea. Implementation of suggestions resulted in over €5.8 million in awards to participating employees.

➤ ACTIVE HIRING POLICIES TO ATTRACT THE FINEST TALENT AND SKILLS

Dynamic job creation

PSA Peugeot Citroën's growth and innovation strategy has led to the creation of many new jobs around the world.

The Group currently has 208,500 employees worldwide. Growth in the workforce has meant the hiring of nearly 100,000 people under permanent contracts over the past six years. Close to 15,700 new employees were hired in 2005, resulting in the net creation of nearly 1,500 new jobs worldwide.

Employees by Business and Region at December 31, 2005

	France	Rest of Europe	Outside Europe	Total
Automobile Division	99,490	33,885	6,680	140,055
Banque PSA Finance	880	1,415	75	2,370
Gefco	5,285	3,625	460	9,370
Faurecia	18,800	25,225	10,930	54,955
Other businesses	1,605	40	105	1,750
Total	126,060	64,190	18,250	208,500

An almost 26% increase in the workforce over the last six years

The total number of employees has increased by nearly 26% in the past six years.

The workforce is increasingly international, with more than 82,440 people, or 40% of the total, working outside France at the end of 2005. This represents a 190% increase from just 28,400 in 1998. There are now employees of 100 different nationalities.

The educational background of people hired is extremely diverse, since the Group offers job opportunities both to people with considerable educational qualifications (18.9% have completed five years of higher education) and to those who have little or no professional qualifications. In 2005 in France, for example, the Automobile Division recruited nearly 640 people without degrees, representing 21.4% of new hires under permanent contracts.

Net jobs created, 2001-2005

Excluding acquisitions and disposals, close to 30,000 jobs have been created over the past six years, of which nearly 15,500 in the Automobile Division.

Net jobs created, 2001-2005

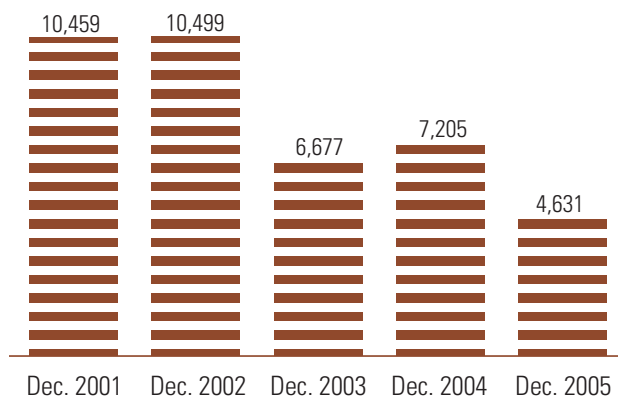
	Workforce at December 31, 1999	Net jobs added through acquisitions, less disposals	Net jobs created	Workforce at December 31, 2005
Worldwide except France	50,330	11,405	20,710	82,445
France	115,465	1,800	8,790	126,055
Worldwide	165,795	13,205	29,500	208,500

An evolving job category structure

The job category structure has changed over the past six years. Although the aggregate number of operators has remained stable, the percentage of operators in the workforce has declined from 61.2% in 1999 to 56.7% in 2005, while the proportion of managers has risen from 11.3% to 16.5%. The percentage of technicians and administrative staff has remained stable at 27%.

Responsibly managing fixed-term contracts to meet temporary surges in demand

Average number of temporary workers per month Automobile Division France



Fixed-term employment contracts are used to adjust the workforce to meet fluctuations in demand, manage new product launches, prepare for capital programs and the related productivity gains, replace employees taking unexpected leave, and respond to industrial events, like the start-up of a new workshop.

Over the past four years, however, the Group has undertaken to reduce the use of temporary workers. In 2003, a charter was signed with seven temporary employment agencies to govern

the hiring of temporary workers in France. Regular audits are carried out to ensure compliance across the organization.

Continuously enhancing skills and nurturing human capital

In 2005, the Employee Relations and Human Resources Department implemented a new approach to individual career management, to deliver more efficient responses to the expectations of its internal customers. Human resources managers have been replaced by "career advisors", to underscore their dual role in advising both management, in managing their teams, and employees, in pursuing their personal and professional growth. This initiative has also led to the introduction of a career management process based on job tracks that makes it possible to identify needs within each of the main skills clusters and meet employee expectations for more individualized career management.

Actively-managed, open-ended careers

The vast array of jobs available within the Group provides employees with attractive paths to career advancement. More than 5,000 managers – nearly one in four – changed jobs in 2005. This type of mobility encourages the development of new capabilities and offers employees the opportunity to advance in new positions. Around 17% of employees are promoted or change job categories every year, while 30% of managers have come up through the ranks.

In 2005, access to job openings posted on the Intranet by the Employee Relations and Human Resources Department was extended to all employees across the Group, in particular by setting up terminals in several Automobile Division production units for employees without computer access. This wider access to job openings is contributing to equal opportunity in job mobility, thereby opening channels to personal advancement.

“Careers committees” have also been set up to identify individual skills and potential for development and to help optimize career itineraries and future staffing needs across the organization.

Managing skills and human resources internationally

The Group focuses on developing local skills first, assigning expatriates only on an as-needed basis to contribute expertise or serve in management positions. In 2005, 695 employees took up foreign postings and 3,000 had a long-term assignment outside their country of origin.

Preparing and developing tomorrow’s capabilities through career-long training

The training priorities defined by the Group’s strategic plan focus on safety, quality and workstation skills, with the goal of meeting the following key objectives:

- maintain and enhance skills required for a position or function, with an emphasis on skills deemed critical to the organization,
- ensure the constant employability of employees,
- prepare employees for promotions, transfers or retraining and support them during the process,
- facilitate certification of new job skills and enable employees to broaden their job capabilities,
- encourage and support the emergence of new management practices,
- leverage training to ensure the success of priority projects and, more generally, to contribute to the Group’s performance.

Addressing the career development expectations of young employees and sustain the motivation of older employees

Extensive hiring in recent years means that one of the priorities of the skills and career management process is to lay the foundations for career advancement by young employees. At the same time, the Group has begun discussions and implemented programs on employing and motivating older employees, in a commitment to guaranteeing equal opportunity and treatment, regardless of age.

In particular, programs are underway to manage the needs of older employees in terms of training, working conditions and working hours. To ensure a balance between generations and enrich the skills base, the Group is also recruiting experienced employees without any age discrimination. All of these actions are helping to recognize the important contribution that older employees make to the organization.

➤ COMPENSATION BASED ON PERFORMANCE AND FAIRNESS

In every host country, compensation policies are based on offering compensation that is competitive with market practices and giving employees a stake in the value they help to create.

Compensation policy is guided by five principles:

- offer compensation that is competitive in terms of market practices and consistent with corporate earnings,
- differentiate between individual achievement and reward performance,
- redistribute the gains from growth and value creation to employees,
- develop employee savings,
- strengthen health care and benefit coverage and meet employee retirement expectations.

Wage agreements in host countries around the world

The Group’s wage policy led to the signing of a large number of agreements in most countries to maintain employee purchasing power, with specific measures applicable to the lowest wage categories and recently hired employees.

In Argentina, for example, compensation is carefully set to be fair within the company while reflecting changes in market factors, which are regularly analyzed and the findings submitted to employee representatives. In Spain, wage adjustments are systematically negotiated, generally as part of multiyear collective bargaining agreements. Negotiations on compensation were also held in the United Kingdom and Brazil. In 2006, the Automobile Division in France signed a wage agreement for the seventh consecutive year with five of the six trade unions (CFDT, CFE/CGC, CFTC, FO and GSEA).

Guaranteeing equal treatment

Through the agreement on gender equality and employment for women and the agreement on diversity and social cohesion, the Group is committed to guaranteeing equal pay for equal work, as well as equal access to promotions and individual wage increases.

The distribution of individual raises is regularly monitored to identify and correct any inequalities. In addition, the process of harmonizing compensation under different workweek systems, initiated in 2004, was completed in 2005. The related negotiations effectively dealt with the issue of legacy differences that were no longer aligned with the current organization, while maintaining compensation levels for the employees concerned.

Limiting the impact of fluctuations in demand on employee compensation

In most countries, multi-annual systems are in place to balance compensation levels over a given year, despite fluctuations in demand.

In France, the March 8, 2005 agreement concerning payment of short-time work defines how working hours are determined on a multi-annual basis so that working hours can vary in response to changes in demand, while guaranteeing the same compensation.

Aligning employees with Group objectives and earnings

All employees around the world are paid an incentive bonus based on operating margin.

Some €140 million with regard to 2005 earnings was allocated to employees under this program (excluding Faurecia). In France, application of the Group agreement resulted in total allocations to employees of €113 million under incentive and profit-sharing programs.

➤ EMPLOYEE SAVINGS, SUPPLEMENTAL RETIREMENT PLANS AND INSURANCE COVERAGE TO MEET INDIVIDUAL NEEDS

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 across the Group, an international employee savings plan was introduced in Spain in 2002 and in the United Kingdom and Germany in 2003.

A growing percentage of employee shareholders

Through these various savings plans, employee share ownership has risen steadily over the last five years, with the percentage of issued capital held by employees increasing from 0.75% in 2000 to 2.53% at December 31, 2005.

To enable employees in non-French subsidiaries to take part in this process, the international employee savings plan is being gradually deployed, with such systems now up and running in Germany, the United Kingdom and Spain.

In all, more than 52,000 employees are shareholders of Peugeot S.A., including more than 4,700 in non-French companies.

Preparing satisfactory retirement benefits

In every host country, supplemental defined contribution retirement plans are gradually being set up to offset the expected drop in replacement rates under compulsory plans.

In France, a new supplemental defined contribution retirement plan was introduced in 2002 following negotiations and the signature of an agreement with employee representatives. All employees of the main French subsidiaries in the automobile, logistics, transport and finance divisions are eligible for this plan. Contributions are based on the percentage of compensation that exceeds the French social security system ceiling, regardless of the employee's job category.

This defined contribution plan is funded two-thirds by the Group and one-third by employees, with the savings invested in mutual funds supervised by a joint labor-management commission.

Since 2005, employees who are part of the supplemental defined contribution retirement plan are also eligible for a new "PERE" corporate pension savings scheme. This allows employees to make voluntary contributions to supplement retirement savings under attractive terms regarding taxation, insurance premiums and management fees.

In Spain, the system of end-of-service awards for manager was transformed into a company-funded defined contribution plan in 2002. A similar plan was set up in 2004 for new hires and non-management employees.

In the United Kingdom, defined contribution "stakeholder plans" were set up for all new employees in 2002.

In Brazil, all employees are eligible for a voluntary defined contribution plan created in 2003.

On January 1, 2004, the foundation that manages pension plans for employees in Switzerland was transformed in order to harmonize services and contributions for local Group companies.

In Japan, a defined contribution plan was set up in 2005 to provide coverage for employees of certain Automobile Division companies.

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.

Such plans complement existing long-term employee savings plans set up as part of the broader employee relations and human resources policy, while enabling the Group to more effectively manage the related challenges and financial exposure.

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 supplementary healthcare coverage to reflect changes in compulsory healthcare systems. Implementation of these schemes is guided by an in-depth analysis of local practices.

In France, compulsory health care coverage was introduced for management staff in the Paris region through an agreement signed by all the unions in 2001.

Employer-funded healthcare plans have also been put in place in several countries, including Spain, the United Kingdom and Brazil.

In Brazil, all employees are covered by a compulsory plan entirely funded by the company. Coverage varies by job category, but major medical care and maternity expenses are fully covered.

In Argentina, Peugeot Citroën Argentina has set up a voluntary health care plan for non-union employees. Union employees are covered by "Obras Sociales" compulsory private plans.

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 and employee welfare benefits.

Worldwide, €221 million, or nearly 3% of consolidated payroll, was paid out in employee benefits in 2005.

This amount encompasses 1) employer payments and operating and investment costs for housing, transportation, food services, health and social services, healthcare and personal protection insurance, and 2) subsidies paid to works councils and employee representative committees in France, as well as comparable organizations in other European countries and the rest of the world.

➤ COMPETITIVENESS-DRIVEN WORKPLACE PRACTICES AND ORGANIZATIONS FOCUSED ON EMPLOYEE SAFETY AND WORKING CONDITIONS

Adjusting working hours while staying competitive

In most countries, wherever the law permits, working hours are organized on a pluri-annual basis. In exchange for this flexible organization, the Group applies working hours that are consistently equal to or less than the legal workweek and industry practices.

Agreements on working hours and schedules are continuously improved and adjusted through collective bargaining and social dialogue processes.

In France, an agreement concerning the reduction and organization of working hours was signed with five of the six trade unions on March 4, 1999. On December 21, 2005, a rider concerning vacation days earned by accumulating credit for a shorter workweek was signed by four of the six trade unions. To make it easier for employees to take the additional vacation time to which they are entitled under this system, these days off will be spread over the entire year, at the employee's initiative.

In Brazil, an agreement annualizing working hours was signed at the Porto Real mechanical components plant. In addition, agreements on the organization of working hours were signed at the Ryton and Tille Hill plants in the United Kingdom, along with an agreement on flexi-time at Ryton enabling a smoother handover between shifts.

Managing the labor impact of a changing business

In the event of a decline in business activity, employee representatives are informed and consulted far in advance.

PSA Peugeot Citroën is committed to supporting employees affected by any changes in business operations and job levels and to identifying an optimal solution for each person concerned.

Successfully managing the employee-relations impact of these changes requires advance planning and adequate prior notice.

Proactive response and manpower planning avoided the need for any dismissals in 2005. However, when reductions in the workforce are required in certain sectors or at certain facilities, they are accompanied by inplacement and employee support programs. For example, when weaker demand forced the Rennes, France plant to eliminate the weekend shift, employees were reassigned to other shifts and support measures were introduced for temporary workers.

Demanding contractor compliance with the Group's employee relations practices

The labor and safety requirements for suppliers and their sub-contractors were strengthened in 2004. In particular, suppliers are expected to comply with the commitments of the UN Global Compact and ILO international agreements on worker protection, non-discrimination and the prohibition of child and forced labor.

In 2006, PSA Peugeot Citroën will inform its suppliers, subcontractors, production partners and dealership networks of the provisions of the global framework agreement on corporate social responsibility signed in March. Under the terms of this agreement, PSA Peugeot Citroën is committed to making respect for human rights a critical factor in selecting suppliers. After an initial warning from the Group, suppliers who fail to respect these rights will be expected to respond with corrective action plans. Continued violations of human rights will lead to sanctions, including exclusion from the Group's list of approved suppliers.

Labor and safety rules for contractors working on Group sites

Workplace organization takes into account the significant 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 by deploying more extensive coordination and control measures.

Action plans have been implemented to oversee application of these practices, in line with the more exacting labor and safety standards stipulated in supplier contracts. During the August 2005 maintenance turnaround, the number of lost-time incidents among contractor employees declined by 20% compared with the year-earlier period.

A total commitment to workplace safety in every host country

PSA Peugeot Citroën believes that one of its most fundamental responsibilities is to guarantee the physical health and safety of its employees, and workplace safety is an absolute priority in every host country.

Making safety everybody's business

Preventing accidents and reducing work-related risks is a process that involves all stakeholders – employees, management, technical and engineering departments and employee representatives – led by safety committees in every host country.

Proactive initiatives to make safety everyone's business have resulted in a 50% reduction in total lost-time incidents worldwide over the past three years.

The Workplace Safety Management System

Continuous, sustainable improvements in workplace safety and risk prevention are being driven by application of the Group-wide Workplace Safety Management System. Implemented across the production organization beginning in 2004, the system is now being applied in offices and R&D facilities as well as in the dealership networks.

The Workplace Safety Management System, which centralizes all of the safety and prevention practices applicable in the Group, defines the principles that govern the management of both workplace risks and on-site safety procedures. It is applied on every site, with adjustments to local operations and the regulatory environment in each country. In particular, a separate version has been developed for the dealerships.

The Workplace Safety Management System also integrates best management practices to nurture expertise and a commitment to safety among managers, who play a critical role in continuously improving accident prevention and developing a strong safety culture across the organization.

Application of the Workplace Safety Management System is based on three principles:

- each person is accountable for his or her safety practices, and is expected to set an example, respond proactively and maintain constant vigilance,
- workplace risks must be clearly identified and systematically addressed by prevention action plans, which should be managed and successfully implemented within a set timeframe,
- all incidents and accidents are analyzed. Efficiency requires diligent follow-up of operational actions plans by management, assisted by prevention experts.

Constantly improving working conditions and ergonomics

The aim of the ambitious process of improving working conditions is to ensure that every employee works in conditions and an environment meeting the highest international standards and to respond to the aging workforce by implementing solutions that enable older employees to keep their jobs.

This process of improving working conditions and ergonomics, which is designed into vehicle development and capital projects from inception, also facilitates the hiring of women, especially for shop floor positions.

In the Automobile Division, the focus is on reducing the number of workstations rated as "heavy", the proportion of which has been cut to 18% in 2005 from 35% in 1999.

Paralleling this trend, the number of "light" workstations that can be operated by any employee rose to 37% in 2005 from 26% in 1999. This process will be pursued until light workstations account for 60% of the total.

An active commitment to health, a critical driver of individual and business performance

PSA Peugeot Citroën actively encourages good health among its employees, a policy that is essential to sustaining the performance of both its human resources and its business operations.

In 2005, the on-site occupational medicine units implemented a health care plan to encourage good health and hygiene practices, with a focus on job-related diseases and health issues.

The plan is designed to meet the following objectives:

- help employees maintain their health throughout their career,
- prevent problems that negatively impact working capability, such as back problems,
- find solutions to allow employees with health problems to work in another capacity within the organization.

In every host country, occupational medicine units are pursuing prevention campaigns, in particular concerning the dangers of smoking, alcoholism, drug abuse, AIDS and poor eating habits.

EMPLOYEE RELATIONS INDICATORS

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.

In addition, employees of the Peugeot S.A. holding company are included in data for the Automobile Division.

HIRING POLICIES DESIGNED TO INTERNATIONALIZE TEAMS AND DIVERSIFY EMPLOYEE SKILL SETS

AN INCREASE OF NEARLY 26% IN THE WORKFORCE OVER THE LAST SIX YEARS

Number of employees by division

(As of December 31 of each year)

	1999	2000	2001	2002	2003	2004	2005
Automobile Division	127,060	128,510	130,640	133,880	135,180	139,480	140,050
Banque PSA Finance	2,040	2,070	2,140	2,160	2,150	2,360	2,370
Gefco	6,715	7,490	7,680	8,050	8,360	8,840	9,370
Other businesses	2,460	2,500	2,300	2,280	2,360	2,140	1,750
Faurecia	27,525	31,870	49,690	52,230	51,860	54,430	54,960
Total	165,800	172,440	192,450	198,600	199,910	207,250	208,500

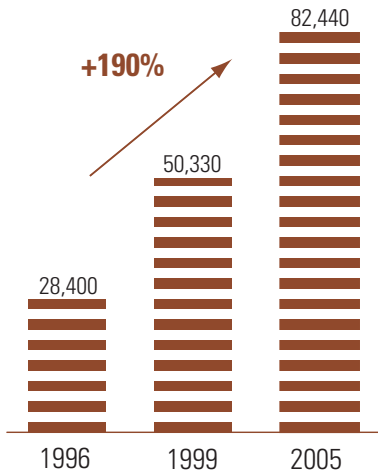
Number of employees by region

(As of December 31 of each year)

	2000	2005	% change 2000/2005
France	117,855	126,055	7.0%
Rest of Western Europe	44,420	54,860	23.5%
Central Europe	2,370	9,335	294.0%
Africa	65	1,225	1,786.0%
South America	4,425	8,570	93.5%
North and Central America	3,175	6,445	103.0%
Asia	130	2,010	1,443.0%
Total	172,440	208,500	21.0%

The Group's extended geographic reach has led to a steady rise in the international workforce. A total of 82,440 employees currently work outside France, versus 28,400 in 1996.

Globalization of the workforce (employees based outside France)

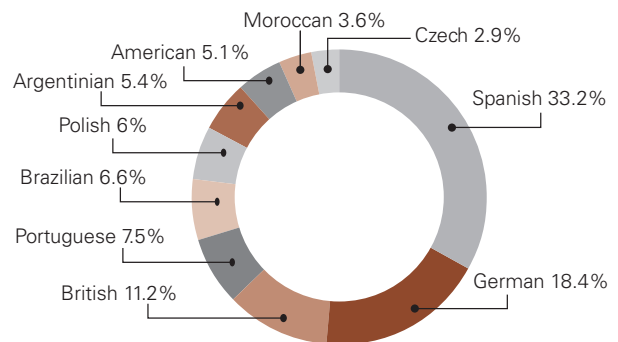


Nearly 40% of employees worked outside France in 2005.

2005 workforce by nationality

More than 42.6% of employees are non-French. The workforce includes 100 different nationalities.

The top 10 nationalities represented in the Group (excluding French nationality)

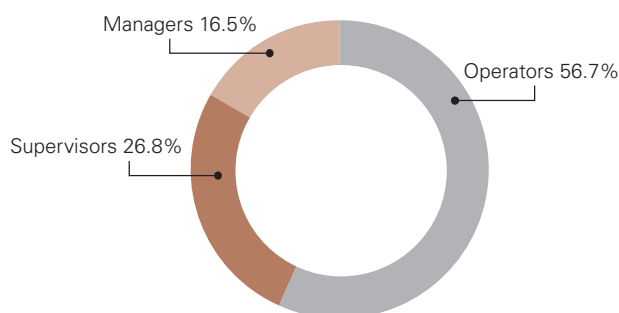


Number of employees by category

	France			Rest of Europe			Outside Europe			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	56,940	24,220	18,325	17,915	12,145	3,825	3,980	1,895	805	78,835	38,260	22,955
Banque PSA Finance	0	550	330	0	1,185	230	0	55	20	0	1,790	580
Gefco	2,020	2,435	835	1,040	2,365	220	140	285	35	3,200	5,085	1,090
Faurecia	11,400	3,505	3,890	16,600	5,055	3,575	7,200	1,730	1,995	35,200	10,290	9,460
Other businesses	910	465	230	0	30	10	10	90	10	920	585	250
Total	71,270	31,175	23,610	35,555	20,780	7,860	11,330	4,055	2,865	118,155	56,010	34,335

The "manager" category includes engineers and managers with a job description similar to managers in France.

Employees by job category (%)



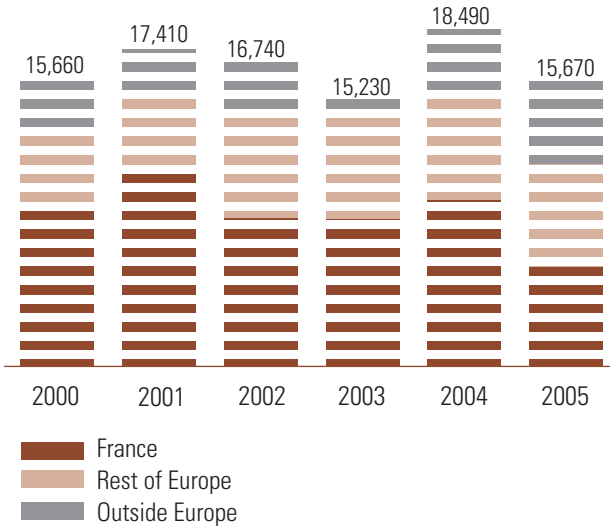
➤ A ROBUST HIRING DYNAMIC

Employees hired under permanent contracts in 2005 and total hires, 2000-2005

	France	Rest of Europe	Outside Europe	Total	Total hires, 2000/2005
Automobile Division	4,080	2,585	785	7,450	55,365
2004	6,770	2,270	730	9,770	
2003	5,690	2,480	515	8,685	
Banque PSA Finance	50	110	5	165	1,320
2004	40	260	10	310	
2003	45	80	10	135	
Gefco	340	700	190	1,230	7,295
2004	610	440	110	1,160	
2003	500	455	60	1,015	
Faurecia	980	2,205	3,630	6,815	34,740
2004	1,640	2,860	2,710	7,210	
2003	1,770	2,590	970	5,330	
Other businesses	5	-	10	15	485
2004	40	-	10	50	
2003	55	5	5	65	
2005 total	5,455	5,600	4,620	15,675	99,205
2004	9,100	5,830	3,570	18,500	
2003	8,060	5,610	1,560	15,230	
Total hires, 2000/2005	50,275	31,770	17,160	99,205	

The Group's growth strategy has been supported by the hiring of more than 99,200 employees under permanent contracts over the last six years. New employees hired under permanent contracts represented 7.5% of the total workforce in 2005, versus 8.9% in 2004 and 7.6% in 2003.

Total permanent employees over the last six years, by region



PROMOTING JOBS FOR WOMEN AND DEVELOPING DIVERSITY

Percentage of female employees hired under permanent contracts by the Automobile Division manufacturing companies in France



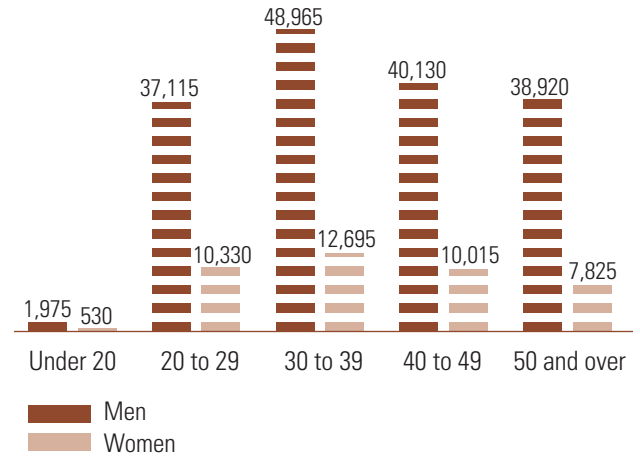
Percentage of female employees in the worldwide workforce over the last four years (%)

2002	2003	2004	2005
17.6	18.2	19.8	19.8

In 2005, women accounted for 25% of the total number of new employees hired by the various divisions worldwide. The proportion was 22.4% for engineers and managers, 32% for supervisors and 22.1% for operators.

REFRESHING THE AGE PYRAMID

Employees by age group



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

➤ FIXED-TERM CONTRACTS

Number of employees working under fixed-term contracts

(annual average)

	Outside France			Total
	France	Rest of Europe	Outside Europe	
Automobile Division 2005	4,425	3,700	1,075	9,200
2004	3,515	4,295	465	8,275
2003	1,615	4,750	310	6,675
Banque PSA Finance 2005	30	95	0	125
2004	15	105	-	120
2003	10	110	-	120
Gefco 2005	140	250	0	390
2004	135	180	-	315
2003	140	155	5	300
Other businesses 2005	40	0	85	125
2004	65	-	90	155
2003	45	5	5	55
Total 2005	4,635	4,045	1,160	9,840
2004	3,730	4,580	555	8,865
2003	1,810	5,020	320	7,150

In addition, 6,140 people work for Faurecia under fixed-term contracts.

In 2005, nearly 2,270 employees worldwide (excluding Faurecia) were hired under permanent contracts following a fixed-term assignment.

Number of temporary employees*(annual average)*

	Outside France			Total
	France	Rest of Europe	Outside Europe	
Automobile Division 2005	6,700	325	120	7,145
2004	8,840	355	130	9,325
2003	9,600	1,020	95	10,715
Banque PSA Finance 2005	20	10	5	35
2004	25	35	-	60
2003	15	40	-	55
Gefco 2005	845	590	95	1,530
2004	900	390	60	1,350
2003	920	400	35	1,355
Other businesses 2005	225	-	40	265
2004	120	-	25	145
2003	325	-	-	325
Total 2005	7,790	925	260	8,975
2004	9,885	780	215	10,880
2003	10,860	1,460	130	12,450

Over the past three years, the Group has undertaken to reduce the use of temporary workers.

In 2005, 688 people were hired under permanent contracts following a temporary assignment.

The above table does not include the 7,730 people working on temporary assignments at Faurecia.

➤ OTHER EMPLOYMENT INDICATORS

Resignations* in 2005

	Outside France			Total
	France	Rest of Europe	Outside Europe	
Automobile Division	1,270	865	175	2,310
2004	1,175	675	120	1,970
2003	1,335	535	105	1,975
Banque PSA Finance	25	90	–	115
2004	20	80	5	105
2003	20	70	5	95
Gefco	140	280	60	480
2004	125	265	25	415
2003	120	290	30	440
Other businesses	15	5	0	20
2004	20	–	–	20
2003	20	5	5	30
Total	1,450	1,240	235	2,925
2004	1,340	1,020	150	2,510
2003	1,495	900	145	2,540

* Of employees under permanent contracts.

The number of resignations remained unchanged in 2005, at 2.0% of total employees under permanent contract (excluding Faurecia). The above table does not include the 2,560 resignations at Faurecia during the year.

Premature terminations or dismissals

	Outside France			Total
	France	Rest of Europe	Outside Europe	
Automobile Division 2005	825	570	300	1,695
2004	695	680	270	1,645
2003	775	385	210	1,370
Banque PSA Finance 2005	20	35	-	55
2004	10	15	5	30
2003	10	15	5	30
Gefco 2005	85	105	10	200
2004	105	95	20	220
2003	85	150	15	250
Other businesses 2005	50	5	0	55
2004	20	-	5	25
2003	20	-	-	20
Total 2005	980	715	310	2,005
2004	830	790	300	1,920
2003	890	550	230	1,670

The above figures include premature termination of work contracts for incapacity and disability, and dismissals for personal reasons. The number of premature terminations or dismissals was virtually unchanged from 2004. The 3,532 people who were prematurely terminated or dismissed at Faurecia during the year are not included in the above table.

Redundancies

	Outside France			Total
	France	Rest of Europe	Outside Europe	
Automobile Division 2005	5	760	25	790
2004	30	520	45	595
2003	5	50	20	75
Banque PSA Finance 2005	-	-	-	-
2004	-	-	-	-
2003	5	-	-	5
Gefco 2005	5	40	-	45
2004	5	35	-	40
2003	15	-	-	15
Total 2005	10	800	25	835
2004	35	555	45	635
2003	25	50	20	95

In the event of a decline in business activity, employee representatives are informed and consulted far in advance. PSA Peugeot Citroën consistently identifies an optimal solution for each person concerned, so that no employee has to find a new job on his or her own.

The number of redundancies in Europe in 2005 stemmed primarily from the elimination of the third shift at the Ryton, UK plant. All of the redundancies were carried out through early retirement, for employees age 55 and over, or voluntary departures to pursue a personal project. Inplacement and job-search support programs were implemented and a job fair was organized for the employees concerned. Today, fewer than 1% of the redundant employees have still not found a new job.

CONTINUOUSLY ENHANCING SKILLS AND NURTURING HUMAN CAPITAL

➤ MANAGING SKILLS AND HUMAN RESOURCES INTERNATIONALLY

In 2005, more than 750 employees were involved in foreign postings, including 695 in the Automobile Division. At the Automobile Division, this represents an increase of nearly 16%.

In addition, nearly 3,000 Automobile Division employees in France had a long-term assignment (20 days or longer) outside their country of origin, up 19.4% from 2,510 in 2004.

➤ PREPARING AND DEVELOPING TOMORROW'S CAPABILITIES THROUGH SUSTAINED TRAINING

Average hours of training by employee category

(Automobile Division manufacturing companies worldwide)

	Operators	Administrative employees, technicians and supervisors	Engineers and managers	Average
2004	24	41	39	30
2005	30	43	36	33

Hours of training by region*

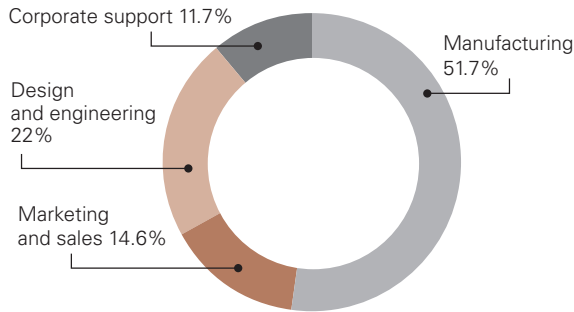
	Total hours of training (in thousands)			Average hours of training per employee		
	2003	2004	2005	2003	2004	2005
France	2,784	2,645	2,325	26.5	24.4	21.7
Rest of Europe	810	940	1,567	21.2	24.3	40.2
Outside Europe	277	295	510	59.2	54.2	69.7
Total	3,871	3,880	4,402	26.1	25.4	28.7

* Excluding Faurecia

Each employee received an average of nearly 29 hours training in 2005. The increase in the average number of hours in the rest of Europe is due in part to the opening of the Trnava plant.

The training commitment remained strong in 2005, with the 4.4 million hours of training offered across the Group representing a budget of €174 million for the year.

Training expenditure by business process



Nearly 2,040 employees around the world regularly help to train other Group employees.

During the year, 6,900 students served in Group units around the world under internship programs. Of these, 30% were women, in line with Group targets. In addition, more than 2,300 students, 20.9% of whom were women, took part in work-study and apprenticeship programs. In France, 1,230 young people, of whom 18% were women, worked under apprenticeship contracts.

NEW AGREEMENTS WITH EMPLOYEES IN 2005

More than 50 agreements were signed worldwide in the Automobile Division in 2005.

In France, 12 company agreements were signed during the year - seven with five of the six unions and two with all the unions.

All employees are represented by independent unions or other elected representatives and are covered by collective bargaining agreements.

Examples in 2005 include:

➤ FRANCE

- Wage agreement, signed on February 4, 2005.
- Agreement concerning production workers' professional development and growth, signed on March 8, 2005.
- Agreement concerning payment of short-time work and its determination on a multi-annual basis, signed on March 8, 2005.
- Agreement on lifelong learning, signed on April 15, 2005.
- Amendment to the agreement on implementing a new defined contribution pension plan, signed on June 1, 2005.
- Amendment to the 2003 agreements on profit-sharing and incentive-based bonus programs, signed on June 27, 2005.
- Agreement concerning harmonization of bonuses and overtime pay for weekend work, signed on July 5, 2005.
- Agreement concerning the benefits plan, signed on July 21, 2005.
- Agreement on social integration and job opportunities for the disabled, signed on September 22, 2005.
- Agreement concerning exceptional early use of 2004 profit-shares, signed on October 14, 2005.

- Agreement concerning effective working hours, the organization of working hours and vacation time, signed on December 16, 2005.

- Amendment to the March 4, 1999, agreement on effective use of reduced workweek days (RTT), signed on December 21, 2005.

➤ SPAIN

- Agreement concerning domestic violence, signed on March 11, 2005.
- Agreement on maternity benefits, signed on October 19, 2005.

➤ BRAZIL

- Profit-sharing agreement, signed on May 18, 2005.
- Renewal of the partnership agreement with SENAI (remedial training for new employees), signed on May 3, 2005.

➤ ARGENTINA

- Wage agreement signed on June 25, 2005, in Jeppener, and productivity agreement signed on July 21, 2005, in Palomar.
- Agreement on hourly wages, signed on December 30, 2005.

➤ SLOVAKIA

- Agreement on employee-management relations, signed on July 21, 2005.

UNITED KINGDOM

- Pay and conditions 2005/2006 agreement, signed on April 21, 2005, and May 17, 2005.
- Flexibility agreement, signed on September 21, 2005.

GERMANY

- Wage agreements, signed on September 1 and December 1, 2005.
- Working hours agreements, signed on January 1 and August 1, 2005.
- Agreements on storage of personal data, signed in April and September 2005.

FAIR, PERFORMANCE-BASED COMPENSATION POLICIES

In 2005, total payroll costs (excluding Faurecia) came to €6,790,555,000, including wages and salaries of €4,860,905,000 and payroll taxes of €1,929,650,000.

Breakdown of total payroll

	France	Rest of Europe	Outside Europe
2002	€4,662,481,000	€1,415,349,000	€80,110,000
2003	€4,824,888,000	€1,462,711,000	€66,401,000
2004	€5,107,033,000	€1,502,183,000	€77,303,000
2005	€5,181,133,000	€1,505,043,000	€104,379,000

ALIGNING EMPLOYEES WITH GROUP OBJECTIVES AND EARNINGS**Profit-sharing and incentive bonuses**

(in € millions)	2003	2004	2005
Total France - Profit-sharing and incentive bonuses (Group agreement)	140	135	113
Incentive or profit-sharing programs in other French subsidiaries	10	10	9
Incentive programs in foreign subsidiaries	22	21	18
Total	172	166	140

EMPLOYEE SAVINGS AND BENEFITS PROGRAMS**Employee Savings Plans (PEAG, PEE and PEP)**

	Employee contributions Jan. 1-Dec. 31 (in € millions)		Employer contributions Jan. 1-Dec. 31 (in € millions)		Number of employees investing Jan. 1-Dec.31*	
	2004	2005	2004	2005	2004	2005
Automobile Division	96.82	98.01	12.55	13	122,681	138,185
Banque PSA Finance	1.57	1.35	0.34	0.25	1,320	1,513
Gefco	1.45	1.74	0.60	0.66	1,225	1,766
Other businesses	0.3	0.55	0.12	0.05	106	675
Total	100.14	101.65	13.61	13.96	125,332	142,139

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

International employee savings plan

	Number of participants		Contributions (in € millions)		Matching company contribution (in € millions)	
	2004	2005	2004	2005	2004	2005
United Kingdom	1,629	1,527	2.01	1.49	0.65	0.50
Spain	2,136	2,379	0.69	0.66	0.25	0.24
Germany	573	791	0.56	0.63	0.18	0.20
Total	4,338	4,697	3.26	2.78	1.08	0.94

DEFINED CONTRIBUTION SUPPLEMENTARY PENSION PLANS**Supplementary pension plans**

	Employer contributions Jan. 1-Dec. 31 (in € thousands)		Employee contributions Jan. 1-Dec. 31 (in € thousands)		Number of participating employees	
	2004	2005	2004	2005	2004	2005
France	23,839.4	25,932.8	11,908.2	12,935.9	42,760	51,468
Rest of Europe	11,976.1	17,245.9	3,522.2	3,640	9,255	10,012
Outside Europe	286.1	449.5	367.8	444.7	1,440	1,360
Total	36,101.6	43,628.2	15,798.2	17,020.6	53,455	62,840

New defined contribution pension plans have been set up in France, Spain, the United Kingdom, Germany, Brazil, Switzerland and Japan. These plans supplement the benefits payable under State retirement (social security) systems and offset the forecast decline in the replacement rate.

COMPETITIVENESS-DRIVEN WORKPLACE PRACTICES AND ORGANIZATIONS FOCUSED ON EMPLOYEE SAFETY AND WORKING CONDITIONS

NEW NEGOTIATED WORKPLACE PRACTICES TO MANAGE FLEXIBILITY

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

		France			Rest of Europe			Outside Europe			Total		
		2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
Automobile Division	Double shift	31,450	33,180	32,500	9,110	8,980	8,965	885	1,010	1,355	41,445	43,170	42,820
	Triple or night shifts	15,390	16,115	15,480	3,865	3,450	3,325	50	40	160	19,305	19,605	18,965
	Weekend*	2,290	2,670	1,920	1,620	925	55	25	35	30	3,935	3,630	2,005
Banque PSA Finance	Double shifts	-	-	-	-	-	-	-	-	-	-	-	-
	Triple or night shifts	-	-	-	-	-	-	-	-	-	-	-	-
	Weekend*	-	-	-	-	-	-	-	-	-	-	-	-
Gefco	Double shifts	1,095	1,300	1,165	145	240	310	10	45	20	1,250	1,585	1,495
	Triple or night shifts	195	110	235	385	310	285	-	-	40	580	420	560
	Weekend*	5	-	-	55	40	80	-	-	5	60	40	85
Other businesses	Double shifts	780	745	620	-	-	-	-	-	-	780	745	620
	Triple or night shifts	30	15	20	-	-	-	-	-	-	30	15	20
	Weekend*	5	-	-	-	-	-	-	-	-	5	-	-
Total	Double shifts	33,325	35,225	34,285	9,255	9,220	9,275	895	1,055	1,375	43,475	45,500	44,935
	Triple or night shifts	15,615	16,240	15,735	4,250	3,760	3,610	50	40	200	19,915	20,040	19,545
	Weekend*	2,300	2,670	1,920	1,675	965	135	25	35	35	4,000	3,670	2,090

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

To meet strong market demand, special work schedules have been introduced, mainly in the production plants.

➤ ENHANCING WORK-LIFE BALANCE

Number of part-time employees

	Outside France			
	France	Rest of Europe	Outside Europe	Total
Automobile Division 2005	2,255	3,710	-	5,965
2004	2,300	3,100	-	5,400
2003	2,120	1,650	-	3,770
Banque PSA Finance 2005	40	210	-	250
2004	45	220	-	265
2003	45	145	30	220
Gefco 2005	205	220	-	425
2004	195	120	5	320
2003	95	130	-	225
Other businesses 2005	110	-	-	110
2004	115	5	-	120
2003	70	120	-	190
Total 2005	2,610	4,140	-	6,750
2004	2,655	3,445	5	6,105
2003	2,330	2,045	30	4,405

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 2005, more than 6,700 employees worked part-time worldwide, of whom 43.6% were women and 56.4% were men. More than 27% of part-time employees work half-time.

The above table does not include Faurecia's 660 part-time employees.

➤ OTHER WORKING HOURS INDICATORS

Overtime (extra hours minus special leave)

	France	Rest of Europe	Outside Europe	Total
Automobile Division 2005	2,121,525	484,170	423,180	3,028,875
2004	2,033,990	611,370	430,535	3,075,895
2003	1,123,195	249,450	56,550	1,429,195
Banque PSA Finance 2005	1,525	19,220	-	20,745
2004	20,890	21,405	-	42,295
2003	1,575	1,665	-	3,240
Gefco 2005	247,955	136,460	33,685	418,100
2004	374,920	82,695	30,700	488,315
2003	152,200	13,965	11,155	177,320
Other businesses 2005	12,770	320	3,675	16,765
2004	12,595	160	2,060	14,815
2003	5,655	50	205	5,910
Total 2005	2,383,775	640,170	460,540	3,484,485
2004	2,442,395	715,630	463,295	3,621,320
2003	1,282,625	265,130	67,910	1,615,665

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

Some of the hours included in the above figures arise from variable scheduling arrangements (for example, Saturday work or extended working hours). They are offset by special leave, for example during plant closures when business is slow.

In response to increased capacity utilization, a number of structural solutions have been implemented, including the introduction of additional shifts and non-stop operation during vacation periods.

Short-time working

	France	Rest of Europe	Outside Europe	Total
Automobile Division 2005	742,000	217,395	-	959,395
2004	25	137,070	-	137,095
2003	746,200	53,755	479,005	1,278,960
Banque PSA Finance 2005	-	-	-	-
2004	-	-	-	-
2003	-	-	-	-
Gefco 2005	260	5,470	-	5,730
2004	1,745	7,590	-	9,335
2003	-	560	550	1,110
Other businesses 2005	-	-	-	-
2004	265	-	-	265
2003	-	-	-	-
Total 2005	742,260	222,865	-	965,125
2004	2,035	144,660	-	146,695
2003	746,200	54,315	479,555	1,280,070

The 965,125 hours lost through short-time working correspond to the short-fall 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

	France		Rest of Europe		Outside Europe		Total	
	Sick leave	Other paid leave	Sick leave	Other paid leave	Sick leave	Other paid leave	Sick leave	Other paid leave
Automobile Division 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
2003	4,317,035		2,099,020		111,770		6,527,825	
Banque PSA Finance 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
2003	88,360		68,670		510		157,540	
Gefco 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
2003	302,790		123,930		4,175		430,895	
Other businesses 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
2003	146,450		6,335		3,285		156,070	
Total 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
2003	4,854,635		2,297,955		119,740		7,272,330	

Paid absences other than vacation totaled 8,338,605 hours, of which 6,628,060 for sick leave, 746,740 for maternity leave, 431,095 for accident-related absences and 532,710 for other reasons.

Based on just over 270 million hours worked, the overall absenteeism rate stood at around 2.9%, as in 2004.

➤ OUTSOURCING

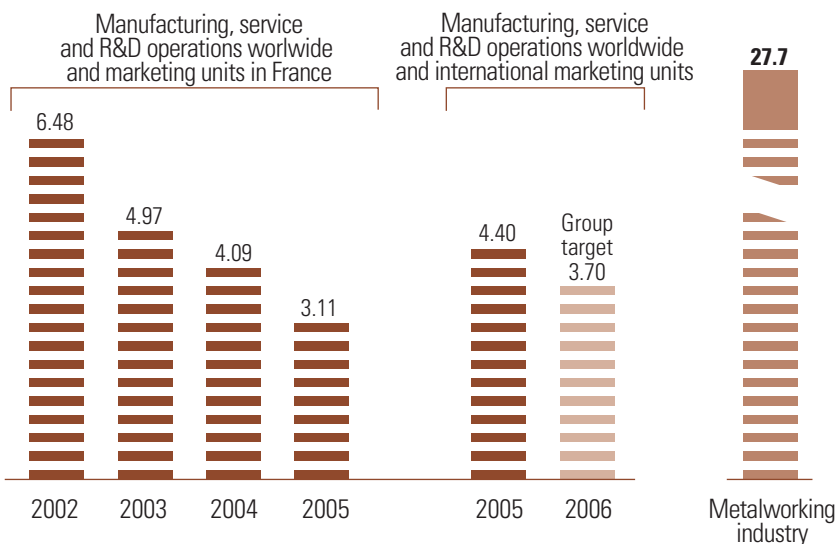
Group purchases consist mainly of automobile parts and components for both the mechanical subassembly plants and the assembly plants.

These purchases, which represent around 70% of vehicle production costs, are made from 850 suppliers. Other purchases concern capital goods and services.

General purchasing conditions comply fully with sustainable development principles. In particular, suppliers are expected to ensure that their operations comply with local laws and regulations in every country, as well as the highest environmental standards and the provisions of International Labour Organisation conventions, especially worker protection provisions, the ban on forced labor and the use of child labor, workplace health and safety provisions, and provisions to protect the rights of employees.

A TOTAL COMMITMENT TO WORKPLACE SAFETY

Total lost-time incident frequency rate



The lost-time incident frequency rate stood at 3.11 in 2005, for a target of 3.7. This rate covers manufacturing, service and R&D operations worldwide, as well as marketing units in France. It reveals a significant improvement in safety conditions for Group employees for the third year in a row, with a 24% decrease in 2005 alone.

Performance improved both in France and abroad. The Buenos Aires facility turned in the best performance of all the Group's assembly plants, with a 56% decline in the lost-time frequency rate to a record 1.30.

In addition, PSA Peugeot Citroën achieved one of the best safety records in the metalworking industry, whose lost-time frequency rate stood at 27.7 for the year.

The severity rate (corresponding to the number of days lost-time divided by the total number of days worked) also improved during the year, by 12.5% to 0.21.

➤ OFFERING THE DISABLED FULFILLING JOB OPPORTUNITIES

Disabled employees

	Outside France			Total
	France	Rest of Europe	Outside Europe	
Automobile Division 2005	5,395	645	35	6,075
2004	5,760	710	5	6,475
2003	6,010	415	5	6,430
Banque PSA Finance 2005	-	15	-	15
2004	-	15	-	15
2003	5	10	-	15
Gefco 2005	110	40	-	150
2004	115	40	-	155
2003	70	40	-	110
Other businesses 2005	45	-	-	45
2004	15	-	-	15
2003	5	-	-	5
Total 2005	5,550	700	35	6,285
2004	5,890	765	5	6,660
2003	6,090	465	5	6,560

Worldwide, the Group directly employs more than 6,285 disabled people, as defined by local legislation. In the Automobile Division manufacturing companies in France, including sheltered workers under contract, nearly 9.5% of employees are classified as handicapped, compared with the 6% national rate that businesses are encouraged to reach.

ENVIRONMENTAL STEWARDSHIP

PSA Peugeot Citroën's ambitious environmental policy is based on the principles of sustainable development and forms an integral part of its manufacturing strategy. Covering both production facilities and cars, which are designed to

seamlessly interact with their environment, the policy is focused on protecting the environment and preserving the quality of life in host communities.

CARS AND THE ENVIRONMENT

PSA Peugeot Citroën believes that automobiles should be harmoniously integrated into their environment, which is why it is committed to abating the greenhouse effect by constantly developing new technologies that reduce emissions. In addition to focusing its strategy on solutions geared toward meeting today's needs – such as developing more efficient internal combustion engines, producing a first-stage hybrid vehicle and promoting biofuels and natural gas – the Group is actively developing future technologies like the diesel-electric hybrid and conducting advanced research on highly promising longer-term solutions like the hydrogen fuel cell. But for the Group, a crucial aspect of these different technologies is that they can be applied to high-volume production, since the only way to have a real impact on CO₂ emissions is to sell a large number of suitably equipped cars. 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 conducted 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.

MEETING THE CHALLENGE OF REDUCING GREENHOUSE GAS EMISSIONS

After successfully reducing pollutant emissions, PSA Peugeot Citroën is now focusing on curbing CO₂ emissions from Peugeot and Citroën vehicles.

EFFECTIVE SOLUTIONS WITH REAL-WORLD RELEVANCE

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. More significantly, however, the Group has consolidated its leadership in diesel engines, which for equivalent performance use considerably less fuel than gasoline engines.

The second generation of the Group's common-rail, direct-injection HDi diesel engines reduces CO₂ emissions by 20% compared with a conventional injection diesel, and by 30% compared with a gasoline powerplant. In addition to their environmental benefits, these 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 2005, when they accounted for half of all cars sold during the year.

PSA Peugeot Citroën manufactured close to 1.53 million cars equipped with common-rail HDi diesel engines in 2005, bringing total output to nearly eight million units since 1998.

During the year, the Group also pursued its commitment to downsizing, to develop smaller, more fuel-efficient engines that deliver equivalent performance as the preceding larger models. This strategy has driven a 10% reduction in fuel consumption while maintaining the same torque and power output. The Group sold more than 310,000 vehicles emitting less than 120 grams of CO₂ per kilometer in Europe in 2005 and more than 1,100,000 since 2001. This means that in 2005, the Group accounted for 30% of all European sales of vehicles emitting less than 120 grams of CO₂ per kilometer and more than 60% of those emitting less than 110 grams of CO₂ per kilometer.

➤ FUEL EFFICIENCY AND LOWER CO₂ EMISSIONS FOR EVERYONE

When it comes to the environment, PSA Peugeot Citroën takes a very practical approach based on two factors. First, 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. Second, it is not yet economically feasible to mass produce a diesel hybrid, such as the Hybrid HDi unveiled by PSA Peugeot Citroën in late January 2006, despite its remarkable fuel efficiency and significant reduction in CO₂ emissions. By leveraging a research program being conducted in partnership with research laboratories and equipment suppliers, the Group plans to launch its first Hybrid HDi vehicles in 2010.

➤ STOP & START SOLUTIONS FOR TODAY'S DRIVER

Reflecting its practical approach, the Group is focusing on highly cost-effective solutions that can be quickly brought to market, like the Stop & Start system currently available on the Citroën C2 and C3, and soon the Peugeot 1007.

This type of system involves a low-power electrical device allows the engine to shut down automatically when the vehicle is standing still or in neutral – at a red light, for example, or in a traffic jam – and to start up again instantly and noiselessly when reactivated by the driver. In this way, it reduces fuel consumption and, consequently, CO₂ emissions by 5 to 8% on the combined European cycle, and by up to 15% in heavy traffic. The technology is especially efficient when used with downsized engines because it further increases fuel savings.

Another important environmental benefit is a very substantial reduction in noise. Tests conducted in and around Paris showed that cars on the road are at a standstill 35% of the time, a figure that supports the deployment of Stop & Start technology.

Since 2005, vehicles equipped with such systems are being gradually introduced across the Group's model lines, a first in Europe for this emerging technology. Sales of vehicles fitted with this so-called "micro-hybrid" technology are expected to gain momentum in coming years.

➤ 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.

Because they are derived from cereals and sugar beets in Europe (ethanol and ETBE), from sugar cane in Brazil (ethanol), and from oilseeds such as rapeseed (fatty-acid methyl ester-FAME) or soybeans (B30 biodiesel), biofuels 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 1,000 liters 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% by adding a mixture of 30% VOME to 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, a blend of 30% VOME and 70% automotive diesel.

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

In particular, the Group is a member of the Diester Partners association (formerly the Diester City Club), 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 European authorities.

PSA Peugeot Citroën has also initiated a series of trials with Ladetel, a Brazilian clean technologies laboratory specialized in biofuels, to assess the performance of B30 biodiesel based on a blend of 70% automotive diesel and 30% soy ethyl ester, a fully-renewable energy source. The Group supplied two cars, a Peugeot 206 with a 1.9-liter diesel engine and a Citroën Xsara Picasso with a 2.0-liter HDi engine, which were driven more than 100,000 kilometers on endurance runs and submitted to trials on test benches. The initial results, presented in September 2004, were very encouraging, with a significant net reduction in CO₂ emissions.

In Brazil, the world's largest producer of ethanol, the Group sells flex-fuel vehicles whose engines automatically adjust to biofuel blends of up to 100% ethanol.

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. To demonstrate its commitment to stepping up the development of CNG vehicles, the Group has signed the third CNG protocol aimed at securing the viability of these vehicles in France by 2010, and, at the signing event, unveiled the 5-door CNG Citroën C3 intended for the consumer market. The Group is also developing a multipurpose CNG engine adapted to the requirements of major gas exporting countries, such as Argentina and Iran, where gas is already a viable alternative to oil.

➤ PUTTING HYBRID DIESEL TECHNOLOGY ON EUROPEAN ROADS TOMORROW

The presentation of the Citroën C4 and Peugeot 307 Hybrid HDi demonstrators illustrates the Group's expertise in hybrid technology, as well as its foresight in combining the HDi diesel engine with a diesel-electric powertrain to deliver 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, the technology delivers an almost 30% improvement in fuel economy compared with a conventional HDi, with consumption falling to a remarkable 3.4 liters per 100 kilometers (combined cycle) and CO₂ emissions dropping to 90 grams per kilometer.

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.

The Group is committed to meeting the challenge of significantly reducing this extra cost 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.

Market launch for the first commercial Hybrid HDi models could be scheduled in Europe in 2010, with projected sales of several tens of thousands of units.

➤ 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, which helps abate the greenhouse effect, and the elimination of local hydrocarbon (HC) and nitrogen oxide (NOx) emissions. An in-house team of dedicated specialists is working on different cells and prototypes with the support of expert networks formed in partnership with France's Scientific Research Center (CNRS) and Atomic Energy Commission (CEA). One result of their research was recently presented to the public when PSA Peugeot Citroën and the CEA unveiled GENEPAC, a world-class 80kW modular fuel cell stack perfectly suited to automotive applications.

These research programs and partnerships are aimed at making the development of automotive fuel cell technology both technically and financially feasible. Bringing this technology to market, however, means meeting a number of challenges, such as lowering fuel cell costs, integrating fuel cells into vehicles, and storing and distributing hydrogen, which are sometimes beyond the Group's control. As a result, it will be introduced gradually after 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, the last link in the emissions control chain. Invented by PSA Peugeot Citroën, particulate filter technology is a clear demonstration of the Group's commitment to improving the quality of air in urban environments. The filter, an after-treatment system that eliminates emissions of particulate matter, is now available on the Peugeot 206, 207, 307, 407, 607 and 807 and the Citroën C3, C4, C5, C6, C8 and Xsara Picasso. It will be extended to all other models in the medium-term future.

Introduced in May 2000, the highly popular particulate filter has already been installed on nearly 1,500,000 Peugeot and Citroën HDi diesel vehicles.

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 was deployed across almost the entire model range by the end of 2005.

➤ ECO-DESIGNING FOR DISASSEMBLY AND REUSE

Peugeot and Citroën cars are all designed for recycling. The Group has embraced the principles of eco-design, which are primarily intended to optimize the process of recovering end-of-life vehicles (ELV) and to improve recycling by limiting the transfer of waste and encouraging the development of recovery and recycling facilities. Waste transfer has been reduced by the elimination of four heavy metals and the simplification of decontamination operations during the recycling of end-of-life vehicles.

To facilitate decontamination, the first major step in the ELV recycling process, the Group designs vehicles for simple

disassembly. Fuel removal, for example, has been improved by identifying the fuel tank's bottom dead center.

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 on the recycling and recovery rate required for vehicles to be homologated.

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.
- Using recycled materials, to the extent that this is technically and economically feasible.
- Eliminating four heavy metals (Pb, Cd, Cr and Hg) from every model introduced since July 1, 2003. This major initiative is being carried out jointly with suppliers.

Since 2002, more than 800 suppliers have agreed 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 also been engaged in assertive environmental stewardship in its production facilities, in a commitment to ensuring that their operations safeguard the neighboring environment and the quality of life in host communities. To support this commitment, industrial strategy integrates environmental protection as part of a continuous improvement process, based on a disciplined organization, 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 2005, 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 24 certified plants. At the same time, the Group also developed a new procedure for identifying Significant Environmental Aspects, adding new aspects to the list and analyzing more closely the facilities' impact on host communities.

In line with certification requirements, the sites have 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.

➤ 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:

- Optimizing paint shops, by introducing equipment with higher application efficiency to reduce the use of conventional paints and related solvents, selecting low-solvent paints and recycling used solvents.
- Deploying clean technologies like water-based paints and powder primers in new facilities.
- Installing air treatment equipment that incinerates VOCs.

In France, VOC emissions from the Group's paint shops varied between 10 and 13 kilograms per vehicle in 1988, whereas in 2005, the average had fallen to 4.28 kilograms per vehicle. Worldwide, VOC emissions totaled 4.93 kilograms per vehicle.

Continued systematic implementation of the best, most cost-effective solutions 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 steady 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 80% since 1995.

Worldwide nitrogen oxide (NO_x) emissions have declined by over 20% 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 will join the scheme in 2006.

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

Thanks to the initiatives deployed since 1990 to reduce fossil fuel consumption, CO₂ emissions have been contained overall since 1996, and even significantly reduced for installations rated over 20 MW, despite a sharp increase in the number of vehicles produced at the plants concerned.

➤ 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 nearly 50% between 1995 and 2005.

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 on a case-by-case basis, to estimate, for example, the amount of suspended solids and the chemical oxygen demand (COD).

Between 1995 and 2005, worldwide daily releases of suspended solids and COD were reduced by 39% and 30% respectively. 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.

Over the decade from 1995 to 2005, these programs (which do not cover metallic waste) have reduced waste per vehicle produced by 28% and the proportion of landfilled waste from 31% to 12%. As a result, the recovery rate rose to 83% in 2005, with the remaining 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. Managing this category of waste, estimated at around 672,000 tons in 2005, is therefore not only environmentally beneficial, it also makes business sense.

When this category of waste is taken into account, Group plants reclaim and recycle around 94% of their process waste.

In 2005, the Group's iron foundries directly used 104,000 tons of this metal waste, while indirectly recycling around 76,000 tons of scrap iron purchased from outside suppliers.

➤ 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 subsidiaries. In 2005, 82 units had implemented ISO 14001 systems, certified by an accredited organization, compared to only 50 in 2003 and 17 in 2000. The certification process has helped to improve the management of environmental impacts and risks, in particular through the greater involvement of employees, who received more than 18,000 hours of training in 2005.

In addition, Faurecia has taken steps to improve its environmental reporting process. Since the end of 2003, it has performed six-month surveys at all units worldwide to assess the environmental impact of operations, with reporting data steadily becoming more reliable.

➤ GEFCO

In 2005, Gefco continued its programs to reduce greenhouse gas emissions, increasing to 25% the proportion of freight carried by alternative modes to road transport.

In particular, the company has a long tradition of using maritime transport to ship vehicles in Europe. It was a pioneer on the Vigo-Saint Nazaire sea highway, created in 1975 and extended to Sheerness, UK in 2004, and was the first customer on the new Toulon-Rome sea highway opened in spring 2005. In all, maritime shipping now accounts for 14% of Gefco's transport purchasing, compared with an average 8% in Europe.

In rail transport, Gefco began using a rail corridor between France and Central Europe, running Mulhouse-Salzburg eastbound and Kolin-Mulhouse westbound, and is preparing to open a similar system between France and Spain.

In addition, 100 car carriers were purchased during the year, bringing the fleet to 4,345 cars and strengthening the company's position as the second largest private fleet in Europe.

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

	Fuel G/D	Displacement (cc)	Horsepower (kW)	Consumption			Emissions Noise	
				City (l/100 km)	Highway (l/100 km)	Combined (l/100 km)	CO ₂ (g/km)	(dBa)
Peugeot 107								
1.0-liter	G	998	50	5.5	4.1	4.6	109	72.0
1.4-liters HDi	D	1,398	40	5.3	3.4	4.1	109	71.2
Peugeot 1007								
1.4-liters	G	1,360	55	7.9	5.2	6.2	147	71.5
1.4-liters HDi	D	1,398	50	5.3	3.8	4.4	115	73.7
Peugeot 206								
1.4-liters	G	1,360	55	8.8	5.0	6.4	152	73.6
1.4-liters HDi	D	1,398	50	5.7	3.7	4.4	116	70.9
Peugeot 307								
1.4-liters	G	1,360	65	8.7	5.3	6.5	155	71.7
1.6-liters 16V	G	1,587	80	10.0	5.8	7.4	174	72.4
1.6-liters HDi	D	1,560	80	6.0	4.2	4.8	126	72.4
Peugeot 407								
1.8-liters	G	1,749	92	10.5	6.0	7.7	183	72.7
2.0-liter	G	1,997	103	11.0	6.4	8.1	192	73.5
1.6-liters HDi	D	1,560	80	7.0	4.6	5.5	145	73.9
2.0-liter HDi	D	1,997	100	10.1	5.6	7.2	192	73.3
Peugeot 407 Coupé								
3.0-liter V6	G	2,946	155	15.0	7.3	10.2	242	73.6
2.7-liters HDi V6	D	2,720	150	11.9	6.5	8.5	226	71.6
Peugeot 607								
2.2-liters	G	2,230	120	13.0	7.0	9.2	219	73.9
2.2-liters Hdi								
w/particulate filter	D	2,179	125	8.5	5.2	6.4	170	75.0
2.7-liters HDi V6	D	2,720	150	11.6	6.6	8.4	223	72.0
Peugeot 807								
2.0-liter	G	1,997	100	12.3	7.3	9.1	218	72.9
2.0-liter HDi	D	1,997	80	9.2	5.9	7.0	186	72.9
2.2-liters Hdi								
w/particulate filter	D	2,179	94	10.1	5.9	7.4	199	73.1
Partner Combispac								
1.6-liters	G	1,587	80	9.5	6.2	7.4	175	71.2
2.0-liter HDi	D	1,997	66	7.3	5.0	5.8	154	72.9

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

	Fuel	Displacement (cc)	Horsepower (kW)	Consumption			Emissions CO ₂ (g/km)	Noise (dBa)
				City (l/100 km)	Highway (l/100 km)	Combined (l/100 km)		
	G/D							
Citroën C1								
1.0-liter	G	998	50	5.5	4.1	4.6	109	72.0
HDi 55 hp	D	1,398	40	5.3	3.4	4.1	109	71.2
Citroën C2								
1.1-liters	G	1,124	44.1	7.5	4.8	5.8	138	72.9
HDi 70 hp	D	1,398	50	4.9	3.8	4.2	111	71.9
Citroën C3								
Stop&Start	G	1,360	65	6.9	4.9	5.7	135	70.8
1.4-liters	G	1,360	54	8.2	4.9	6.1	145	71.8
HDi 70 hp	D	1,398	50	5.3	3.8	4.4	115	71.9
Citroën C3 Pluriel								
1.4-liters	G	1,360	54	9.1	5.4	6.8	163	73.8
1.6-liters 16V	G	1,587	80	8.6	5.6	6.7	160	71.8
HDi 70 hp	D	1,398	50	5.7	4.2	4.7	125	72.6
Citroën Berlingo								
1.4-liters	G	1,360	55	9.6	6.2	7.4	175	71.1
2.0-liter HDi 90 hp	D	1,997	66	7.3	5.0	5.8	154	72.9
1.6-liters HDi 90 hp	D	1,560	66	6.7	4.7	5.4	143	73.7
Citroën C4								
1.4-liters 16V	G	1,360	65	8.7	5.2	6.4	153	71.6
1.6-liters 16V	G	1,587	80	9.5	5.7	7.1	169	73.1
1.6-liters HDi 110 hp	D	1,560	80	6.0	4.0	4.7	125	73.4
Citroën Xsara Estate								
1.6-liters 16V	G	1,587	80	9.3	5.5	6.9	160	72.1
2.0-liter HDi 90 hp	D	1,997	66	7.5	4.3	5.5	144	72.0
Citroën Xsara Picasso								
1.6-liters	G	1,587	70	10.0	6.1	7.5	178	74.0
1.6-liters 16V	G	1,587	80	9.5	6.0	7.3	172	71.9
HDi 90 hp	D	1,997	66	7.0	4.6	5.5	147	72.0
Citroën C5								
1.8-liters 16V	G	1,749	92	10.4	5.9	7.6	180	73.1
2.0-liter 16V	G	1,997	103	11.1	6.3	8.0	190	71.2
1.6-liters HDi 110 hp	D	1,560	80	6.8	4.5	5.4	142	73.7
Citroën C6								
3.0-liter V6	G	2,946	155	16.3	8.2	11.2	266	72.2
2.7-liters HDi	D	2,720	150	12.0	6.8	8.7	230	70.2
Citroën C8								
2.0-liter 16V	G	1,997	100	12.3	7.3	9.1	218	72.9
2.0-liter 16V	G	1,997	103	12.0	7.3	9.0	213	73.5
2.0-liter HDi 110 hp	D	1,997	80	9.2	5.9	7.0	186	72.9

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).

I 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 aluminum 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 2004 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 is now aggregated with PCA data
- The Belchamp and Carrières technical facilities were also included in PCA data in 2005.

PCA: Peugeot Citroën Automobiles

SCMPL: Société de Constructions Mécaniques Panhard et Levassor

PCI: Process Conception Ingénierie

PMTC: Peugeot Motocycles

➤ WATER CONSUMPTION

(in cu.m)		City water	Surface water	Underground water	Total
PCA	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
	2003	4,010,182	8,660,020	11,090,804	23,761,006
SCMPL	2005	-	-	-	-
	2004	10,540	-	-	10,540
	2003	10,500	-	-	10,500
PCI	2005	25,304	-	-	25,304
	2004	21,767	-	-	21,767
	2003	25,819	-	-	25,819
PMTC	2005	15,699	54,081	-	69,780
	2004	13,809	32,047	-	45,856
	2003	20,798	85,317	-	106,115
Gefco	2005	217,702	29,569	6,540	253,811
	2004	264,134	34,250	5,490	303,874
	2003	262,020	30,748	12,665	305,433
Total	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
	2003	4,329,319	8,776,085	11,103,469	24,208,873

Gefco 2004 results have been revised upwards by 3% after data from several subsidiaries were corrected.

➤ GROSS EFFLUENT DISCHARGES, EX-WORKS

(in kg/d)		COD	BOD ₅	SM
PCA	2005	6,444	2,228	1,584
	2004	7,931	2,395	1,865
	2003	7,969	2,900	2,057
SCMPL	2005	-	-	-
	2004	1	-	0
	2003	1	-	0
PCI	2005	n.a.	n.a.	n.a.
	2004	n.a.	n.a.	n.a.
	2003	n.a.	n.a.	n.a.
PMTC	2005	3	1	0
	2004	2	1	0
	2003	6	0	0
Gefco	2005	n.a.	n.a.	n.a.
	2004	n.a.	n.a.	n.a.
	2003	n.a.	n.a.	n.a.
Total	2005	6,447	2,229	1,584
	2004	7,934	2,396	1,866
	2003	7,975	2,900	2,058

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.

Environmental Indicators - Production plant consumption and emissions

➤ CONSUMPTION OF ENERGY

Consumption of fossil fuel

(in MWh ncv)		Heavy fuel oil	LSFO	VLSFO	HHO	Natural gas	Coal	Coke
PCA	2005	-	-	176,911	19,017	2,648,985	26,354	119,475
	2004	-	-	223,789	20,239	2,714,721	37,678	129,679
	2003	-	233,422	68,800	24,981	2,607,990	37,621	162,167
SCMPL	2005	-	-	-	-	-	-	-
	2004	-	-	-	-	11,014	-	-
	2003	-	-	-	-	6,454	-	-
PCI	2005	-	-	-	-	14,246	-	-
	2004	-	-	-	-	14,192	-	-
	2003	-	-	-	-	12,245	-	-
PMTC	2005	-	-	-	49	21,511	-	-
	2004	-	-	-	14	15,696	-	-
	2003	-	-	-	30	17,858	-	-
Gefco	2005	-	-	-	25,987	40,702	-	-
	2004	-	-	-	43,377	45,581	-	-
	2003	33	-	-	11,012	71,169	-	-
Total	2005	0	0	176,911	45,053	2,725,444	26,354	119,475
	2004	0	0	223,789	63,630	2,801,204	37,678	129,679
	2003	33	233,422	68,800	36,023	2,715,716	37,621	162,167

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.

Gefco's 2004 consumption of home heating oil has been revised sharply upwards and its consumption of natural gas revised downwards after data from several subsidiaries were corrected.

Consumption of electricity and steam

(in MWh)		Electricity	Steam
PCA	2005	2,843,459	319,266
	2004	2,962,212	401,738
	2003	2,909,900	302,928
SCMPL	2005	-	-
	2004	4,835	-
	2003	4,769	-
PCI	2005	12,592	-
	2004	12,046	-
	2003	10,795	-
PMTC	2005	16,236	6,593
	2004	15,169	10,157
	2003	17,493	12,687
Gefco	2005	54,030	-
	2004	51,600	-
	2003	47,753	-
Total	2005	2,926,317	325,859
	2004	3,045,862	411,895
	2003	2,990,710	315,615

Gefco's 2004 electricity consumption has been revised upwards by 3% after data from several subsidiaries were corrected.

➤ 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

(in tonnes)		CO ₂	N ₂ O	CH ₄	Total CO ₂ equivalent
PCA	2005	647,505	25.4	41.6	656,237
	2004	675,004	26.3	43.6	684,083
	2003	686,896	25.9	43.0	695,834
SCMPL	2005	-	-	-	-
	2004	2,242	0.1	0.2	2,277
	2003	1,314	0.1	0.1	1,334
PCI	2005	2,928	0.1	0.2	2,973
	2004	2,889	0.1	0.2	2,934
	2003	2,493	0.1	0.2	2,531
PMTC	2005	4,435	0.2	0.3	4,500
	2004	3,199	0.1	0.2	3,247
	2003	3,643	0.2	0.3	3,698
Gefco	2005	15,248	0.5	0.7	15,421
	2004	20,899	0.6	0.9	21,117
	2003	17,448	0.7	1.1	17,687
Total	2005	670,116	26.2	42.9	679,132
	2004	704,234	27.3	45.1	713,657
	2003	711,794	27.0	44.6	721,085

CO₂ = carbon dioxide ; N₂O = nitrous oxide ; CH₄ = methane.

Gefco's 2004 greenhouse gas emissions have been recalculated on the basis of updated fuel consumption data (see direct energy consumption).

Other gas emissions

(in tonnes)		SO ₂	NO ₂
PCA	2005	423.5	706.3
	2004	545.6	757.8
	2003	1,041.1	784.4
SCMPL	2005	-	-
	2004	0.0	2.4
	2003	0.0	1.4
PCI	2005	0.0	3.1
	2004	0.0	3.1
	2003	0.0	2.6
PMTC	2005	0.1	4.7
	2004	0.0	3.4
	2003	0.1	3.4
Gefco	2005	9.0	18.2
	2004	15.0	25.5
	2003	6.1	19.4
Total	2005	432.6	732.2
	2004	560.6	792.1
	2003	1,047.2	811.2

SO₂ = sulfur dioxide ; NO₂ = nitrogen dioxide.

Gefco's 2004 sulfur dioxide and nitrogen dioxide emissions have been recalculated on the basis of updated fuel consumption data (see direct energy consumption).

PAINTSHOP VOC RELEASES

		VOC releases (t)	Ratio (kg/veh)
PCA	2005	12,998	4.93
	2004	14,782	5.34
	2003	15,521	5.62
SCMPL	2005	-	-
	2004	1	-
	2003	1	-
PMTC	2005	97	-
	2004	73	-
	2003	171	-
Total	2005	13,095	-
	2004	14,856	-
	2003	15,694	-

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	2005	14,342	83,468	111,455	381	209,647
	2004	15,722	93,884	111,219	387	221,212
	2003	29,080	97,649	96,205	413	223,346
Industrial waste	2005	21,543	92,036	6,282	1,297	121,159
	2004	26,103	96,639	5,660	972	129,374
	2003	28,220	95,551	5,415	866	130,052
Sludge + Effluent + Hazardous industrial waste	2005	10,961	39,464	131	19,900	70,455
	2004	10,343	36,356	153	29,267	76,119
	2003	11,430	33,024	145	31,188	75,787
Total	2005	46,846	214,968	117,868	21,579	401,261
	2004	52,168	226,879	117,032	30,626	426,705
	2003	68,730	226,224	101,765	32,467	429,186

PCI + PMTC + SCMPL

(in tonnes)		Landfill	Recovery	Other treatment	Total
Foundry waste	2005	-	-	238	238
	2004	-	-	242	242
	2003	-	-	225	225
Industrial waste	2005	643	1,969	43	2,655
	2004	632	1,436	100	2,168
	2003	780	1,378	156	2,314
Sludge + Effluent + Hazardous industrial waste	2005	12	225	918	1,154
	2004	31	189	1,118	1,338
	2003	8	231	1,316	1,556
Total	2005	654	2,194	1,199	4,047
	2004	662	1,625	1,460	3,748
	2003	788	1,610	1,697	4,095

2004 waste production has been revised downwards by 2% after data from a subsidiary were corrected.

Gefco

(in tonnes)		Landfill	Recovery	Other treatment	Total
Industrial waste	2005	7,661	2,338	1,070	11,068
	2004	8,585	1,593	467	10,645
	2003	n.a.	n.a.	n.a.	6,969
Sludge + Effluent + Hazardous industrial waste	2005	570	319	112	1,001
	2004	430	40	237	707
	2003	n.a.	n.a.	n.a.	374
Total	2005	8,230	2,657	1,182	12,069
	2004	9,015	1,633	704	11,353
	2003	n.a.	n.a.	n.a.	7,343

n.a.: non available.

Data concerning volumes of waste treated, by disposal, have been reported since 2004.

Gefco's 2004 waste production has been revised upwards by 13% after data from several subsidiaries were corrected.

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 2005.

I CORPORATE SOCIAL RESPONSIBILITY

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 2005, 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 (active safety) and to reduce their impact when they do occur (passive safety), the Group is also the European leader in post-accident or tertiary safety systems, with the emergency call system to guide rescue crews to accident victims.

The Group also 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 passive safety systems alone. This is why the Group's research focuses on active safety and ways of avoiding accidents altogether.

➤ ACTIVE SAFETY: A CENTER OF EXCELLENCE FOR PSA PEUGEOT CITROËN

Accident avoidance

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 offers such driver assistance technologies as anti-blocking systems (ABS), which are now standard on every model, emergency braking assist (EBA), and electronic stability programs (ESP), which help drivers maintain control even in a skid. ESP technology continued to be extended in 2005 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. In 2005, the Belchamp Center made extensive use of the new active safety test field that came on stream in 2004. The new facility offers 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.

➤ PASSIVE SAFETY: SETTING THE STANDARD WORLDWIDE

Platforms and structures designed for protection

When an accident cannot be avoided, Peugeot and Citroën cars afford protection that is best-in-class worldwide. 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 highly effective 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. Rear seat buckle-up reminders also play an important role in passenger safety and are now offered on a growing number of models, like the new Peugeot 1007 and Citroën C6.

The need to protect pedestrians is also built into each new vehicle projects. 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 springs open 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 the European New Car Assessment Programme (EuroNCAP), an independent organization that rates the passive safety performance of motor vehicles.

In other crash tests, EuroNCAP has awarded the maximum five stars to eight Peugeot and Citroën models, placing the Group among the world's best in passive safety. In 2005, the Peugeot 1007 gained the highest points score in occupant protection of any car in any segment.

➤ TERTIARY SAFETY: LEADING THE WAY IN EUROPE

The emergency call system

The emergency call system is continuing to be deployed across the model line-up. 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.

European deployment was stepped up in 2005, with access opened in Italy, Belgium, Luxemburg, the Netherlands and Spain, and by year-end, more than 140,000 Peugeots and Citroëns equipped with the system were on the road in Europe.

PROMOTING ROAD SAFETY

PSA Peugeot Citroën allocates a major proportion of its research budget to improving active, passive and tertiary safety systems and performance. In addition to these technological advances, however, it is also important to improve people's behavior behind the wheel. That's why the Group supports a variety of initiatives designed to promote safer driving habits.

➤ SUPPORTING RESPONSIBLE DRIVING INITIATIVES

Better road safety through education

PSA Peugeot Citroën is partnering the French Ministry of Education in a number of safe driving programs for young people, which are being implemented by the Group's plants and regional offices.

Helping young people understand the dangers of driving under the influence

In association with France's National Road Safety Council, Citroën is supporting a designated driver program aimed at getting young adults going out for an evening to choose one of their party who agrees not to drink alcoholic beverages and can therefore drive them home safely.

In addition, since 1999, the Group has supported the Voiture & Co. association, which finds rides for party-goers with drivers who have first passed a breathalyzer test. If no drivers are available, people are taken home in Citroën cars.

Raising awareness of road safety

In 2005, PSA Peugeot Citroën organized three symposia on road safety in China, Brazil and Argentina. The events were attended by several hundred people, including government representatives, journalists, researchers, academics and representatives of civil society.

Organized in partnership with the Beijing Traffic Engineering Association and the Chinese Center for Disease Control, the Chinese symposium led to the signing of two agreements, one with the Tongji Medical College in Wuhan concerning a survey of seatbelt usage and the other with the University of Tsinghua for the computer modeling of crash tests. The Group also set up six road safety discussion circles.

In Brazil, an agreement was signed with DENATRAN, Brazil's national traffic department, to sponsor a nationwide communication campaign to raise parental awareness of child passenger safety.

In Argentina, an agreement was signed with National Technological University, to investigate and improve high accident locations in the Buenos Aires conurbation.

➤ FOSTERING THE ACQUISITION OF GOOD DRIVING PRACTICES

Improving driving skills with the Safe Driving program

As part of the Group's commitment to road safety, safe driving classes are regularly organized to raise employee awareness and help reduce the number of road accidents, both in commuting and in personal travel. Today offered on around ten sites, the classes are covered by the Local Sponsorship and Social Responsibility Action Plans implemented at the Group's production facilities and offices.

In 2005, they were attended by more than 1,700 employees in Europe. In Vigo, Spain, the Group sponsored a training program offered by the regional government of Galicia that has enabled nearly 3,000 people to improve their awareness of road safety issues. Several French sites, like Vesoul, Charleville, Metz, Saint-Ouen, Rennes, Caen, Valenciennes, Tremery, Poissy, Mulhouse, Sochaux and Aulnay, organized safe driving courses during the country's Road Safety Week.

HELPING TO ENHANCE THE QUALITY OF MOBILE LIFE

The mobility of people and goods has become a fundamental driver of economic and social development, and a prerequisite for access to jobs, healthcare and culture, especially in cities where most of the world's population lives.

➤ SUPPORTING SUSTAINABLE MOBILITY

PSA Peugeot Citroën contributes to the development of sustainable mobility not only by designing environmentally sensitive cars equipped with superior safety features, but also by taking into account such important issues as the inalienable right to mobility, the free flow of automobile traffic and the right balance between different modes of transport.

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.

CNG shuttles between Group sites

A shuttle system using vans powered by compressed natural gas (CNG) has been introduced for employees traveling between the Group's offices in Vélizy and La Garenne. Based on an especially clean technology, the system limits the need for individual transportation, helping to preserve the environment and improve traffic conditions.

Logistic support for employee car-pooling

As part of its social responsibility commitment, PSA Peugeot Citroën encourages car-pooling to facilitate employee commutes. Trials have been conducted at the Tremery plant in the Lorraine region, while other programs are in effect at production facilities and offices in the Paris area and other regions of France.

A company travel plan for the Sochaux plant

When the Group began thinking about alternative transportation systems for the Sochaux plant's company travel plan, it focused on three key objectives: reducing driver-only car use, making employee travel safer and shrinking its environmental footprint.

The solutions included the introduction of a car-pooling system, the development of on-site convenience services, the creation of on-site bike lanes, the introduction of shuttle services, the reduction of disamenities from downtown truck

traffic, the improvement of public transit services, the promotion of commuting by train and the possibility of attending eco-driving courses to save energy.

➤ IVM: AN INNOVATION LABORATORY

The City on the Move Institute (IVM)

Created by PSA Peugeot Citroën in June 2000, the City on the Move Institute (IVM) is supporting the emergence of innovative urban mobility solutions. It conducts research and leads joint projects bringing together municipal authorities and business people, researchers and academics, people involved in society and the arts, and members of associations. IVM is committed to testing real-world solutions, enabling international comparisons and identifying the world's most innovative urban planning and architectural programs. Backed by the multi-disciplinary skills of experts in Asia, the United States and Europe, it is publishing its findings and raising public awareness of the challenges posed by mobility in contemporary society.

IVM projects are focused on three priority issues: 1) facilitating mobility for people or social groups facing difficulties or with special needs; 2) enhancing the quality and performance of urban travel, in particular 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 2005:

- Launched in 2003, the international "Architecture On The Move!" exhibition traveled to Guangzhou, Stuttgart, São Paulo, Brussels and Grenoble during the year. To date, it has been translated into four languages (English, Chinese, Portuguese and Spanish) and presented in 24 cities in 13 countries.
- Edited by François Ascher, Jacques Levy and Sylvain Allemand, the proceedings of the symposium held in Cerisy, France in June 2003 were published under the title *The Senses of Movement* and presented to specialists at the Ménagerie de Verre in Paris. The book, along with the French translation of John Urry's *Sociology Beyond Society: A New Frontier For Sociology?*, was also the subject of a conference given at the University of Lausanne.

- As part of its China Program, IVM partnered with *Revue Urbanisme* for its special issue on “Chinese Cities On The Move.” Conferences and workshops were held in Shanghai for the official inauguration of the IVM Academic Chair at Tongji University. The panel of judges for IVM’s Sustainable Cities and Mobilities architectural design competition met in November in Guangzhou to review projects submitted by sixty Chinese and European architects for urban locations in Guangzhou, Shanghai and Wuhan.
- Relief maps of the Paris metro and a Braille atlas of the Greater Paris public transit system were unveiled in September, as part of the program to support the mobility of the blind and visually impaired.
- In October, the “Mobilities for Integration” program led to the organization of a forum attended by elected officials, local authorities, representatives from public transport companies, academics, researchers and leaders of social reintegration associations. At the same time, IVM published *Bouger pour s’en sortir, mobilité quotidienne et intégration sociale*, a description of the obstacles to mobility encountered by people trying to reintegrate society.
- In March, IVM organized its first public event in Brazil with a series of university seminars on “Contemporary Urban Mobilities: Challenges, Participants, Actions.” The Spanish and Portuguese versions of the “Architecture on the Move!” exhibition were inaugurated, with additional panels from the winners of the “Mova São Paulo, Views on Urban Mobility” student competition. Designed to highlight the role of photography in analyzing urban mobility, the contest involved 15 or so teams from the São Paulo universities of architecture, urbanism and art. IVM’s activities were also presented in Recife, at a convention of Latin American transportation researchers. In November, a working seminar in Rio de Janeiro helped develop an initial core of contacts and feedback for “The Street Belongs To All of Us,” a new project that will be a major IVM event in 2006.

DEEPENING ROOTS IN HOST COMMUNITIES

As part of its social responsibility commitment, PSA Peugeot Citroën is actively involved in its host communities, addressing local issues and challenges with effective responses to a wide range of local needs. In 2005, fourteen sites prepared a Local Sponsorship and Social Responsibility Action Plan to support community outreach initiatives by the Group and its employees.

➤ IMPLEMENTING LOCAL SPONSORSHIP AND SOCIAL RESPONSIBILITY ACTION PLANS

A Local Sponsorship and Social Responsibility Action Plan enables a site to present its outreach programs to institutions, associations and stakeholders in its host community. By supporting dialogue with both internal and external publics, the Plan also enhances employee pride and alignment with the site’s social responsibility goals. 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, more accessible mobility and social assistance programs.
- local development, with programs to fight against exclusion, to help the handicapped and provide emergency social services.

In the Brittany, Lorraine and Franche-Comté regions, the Group supports the Performance Bretagne, Performance 2010, Partenaires Super Force Lorraine, and Perfo. Est associations that provide consulting services to help small- and medium-sized manufacturers improve their logistics processes. The Group also supports the Fondation de la 2^e Chance, a foundation that helps people overcome serious difficulties.

The Solidarity Trophies

Developed as part of the Group's social responsibility process, the Solidarity Trophies are a competition that enables employees to carry out a personal or group project to support local or international solidarity in the following areas: Environment, Education, Integration, Mobility and Emergency/Topical. In 2005, the Rennes, Poissy, Metz, Caen, Paris, Mulhouse and Aulnay sites awarded 27 trophies.

➤ PARTNERSHIP PROGRAMS WITH THE MINISTRY OF EDUCATION

PSA Peugeot Citroën has long fostered a close partnership with France's Ministry of Education. By conducting plant visits, participating in information forums and donating equipment, the Group enables students to discover the working world and broaden their knowledge of the automobile industry. The partnership also helps to define curricula aligned with the industry's needs and integrating the latest technological developments. 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 five years, PSA Peugeot Citroën has been supporting the Paris emergency social services agency by donating and maintaining the organization's vehicle fleet. 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. These associations work in a variety of areas, such as low-cost car rental for people in social reintegration programs, support services for the seriously disadvantaged and on-demand transportation services.