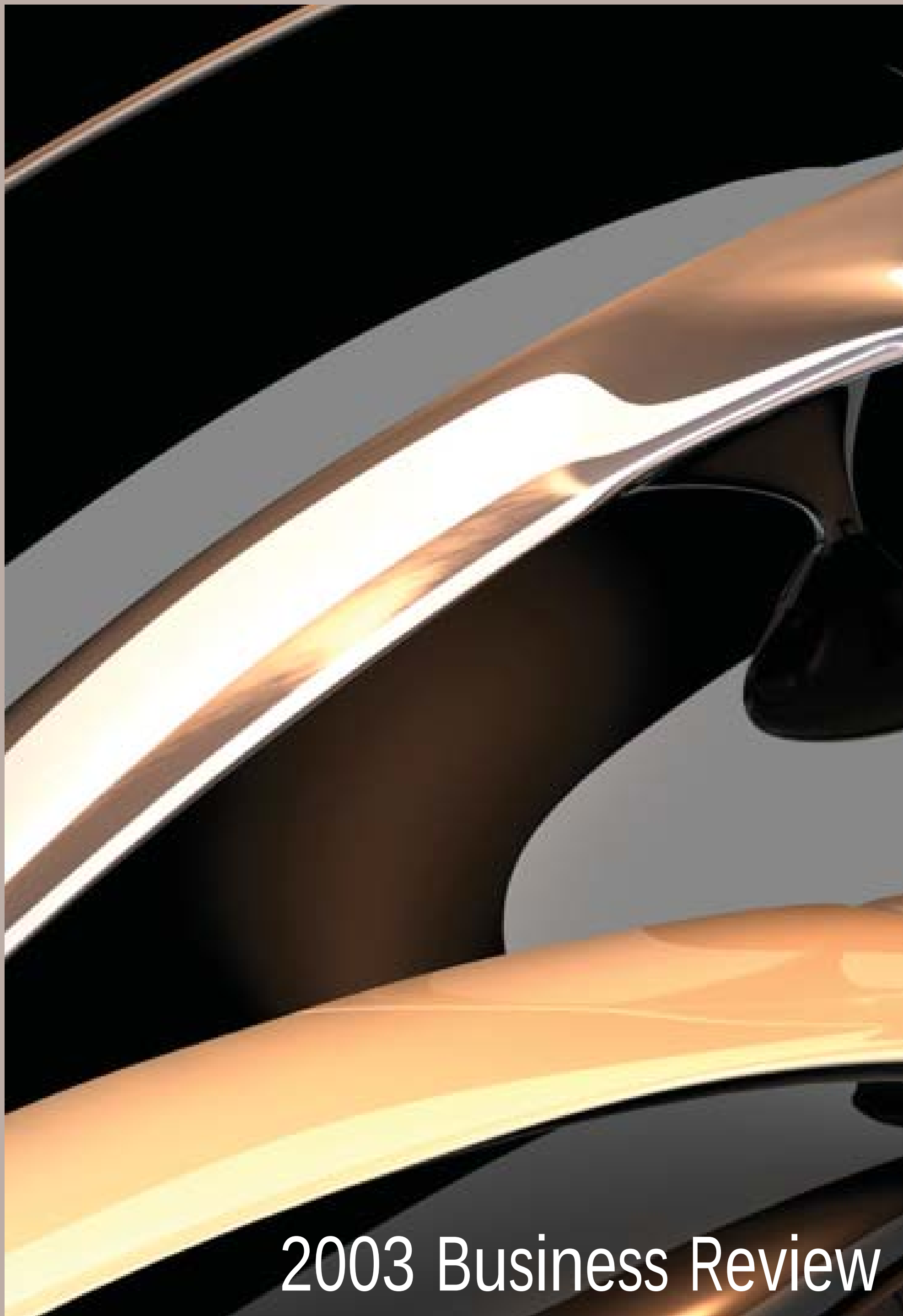
PSA PEUGEOT CITROËN



2003 Business Review

CONTENTS

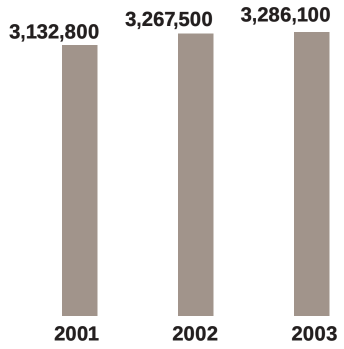
PSA Peugeot Citroën is a world-class automobile manufacturer, supported by two broadline marques and the expertise of its 200,000 employees around the globe.

It is the second largest carmaker in Europe, with 15.4% of the market in 2003. During the year, the Group sold 3.29 million vehicles in more than 140 countries worldwide, generating net sales of €54.2 billion. It is committed to selling four million vehicles a year by 2006.

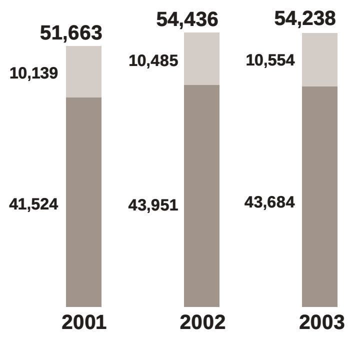
PSA Peugeot Citroën also encompasses the Banque PSA Finance group of automotive finance companies, Gefco, a transportation and logistics company, and Faurecia, an automotive equipment manufacturer.

KEY FIGURES

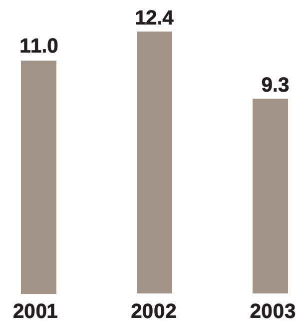
Worldwide sales
(in units)



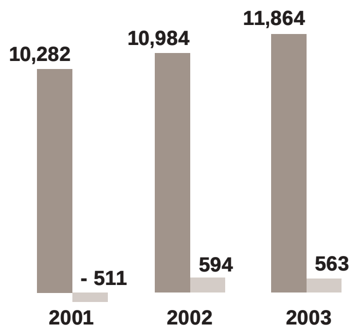
Net sales
(in € millions)
Automobile Division
Other businesses



Return on capital employed
(after tax)
(in %)



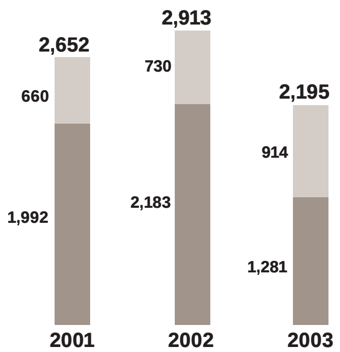
Balance sheet structure
(in € millions)
Stockholders' equity
Net financial position of the manufacturing and sales companies



Operating margin

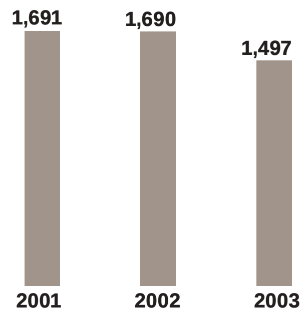
(in € millions)

Automobile Division
Other businesses



Net income

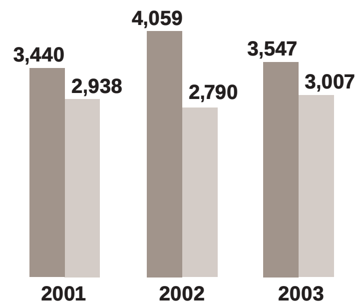
(in € millions)



Working capital provided from operations and capital expenditure

(manufacturing and sales companies)
(in € millions)

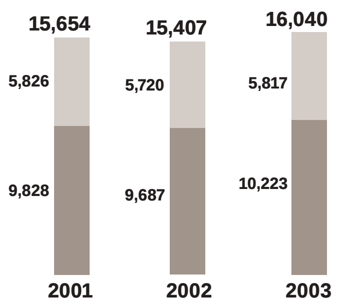
Working capital provided from operations
Capital expenditure



Capital employed

(in € millions)

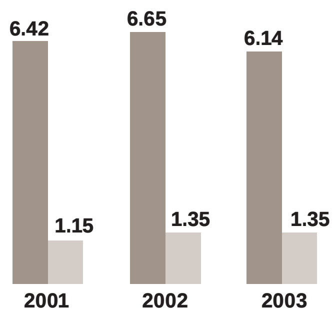
Automobile Division
Other businesses



Earnings per share Dividend

(in €)

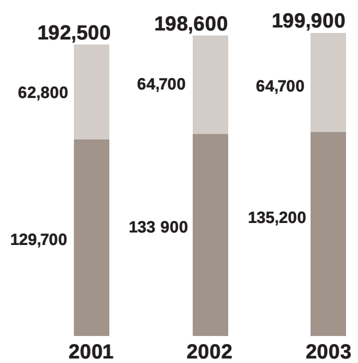
Earnings per share
Dividend



Workforce at December 31

(in units)

Automobile Division
Other businesses



CORPORATE GOVERNANCE AND MANAGEMENT

SUPERVISORY BOARD

Thierry Peugeot
Chairman

Jean Boillot

Jean-Philippe Peugeot
Vice-Chairmen

Pierre Banzet
Jean-Louis Dumas
Marc Friedel
Jean-Louis Masurel
François Michelin
Jean-Paul Parayre
Marie-Hélène Roncoroni
Ernest-Antoine Seillière de Laborde
Joseph F. Toot, Jr.

Roland Peugeot
Bertrand Peugeot
Advisors to the Supervisory Board

MANAGING BOARD

Jean-Martin Folz
Chairman of the Managing Board

Frédéric Saint-Geours
Peugeot Marque

Claude Satinet
Citroën Marque

STATUTORY AUDITORS

PricewaterhouseCoopers Audit
Constantin Associés

AUXILIARY AUDITORS

Yves Nicolas
François-Xavier Ameye

As of March 1, 2004

EXECUTIVE COMMITTEE AND SENIOR MANAGEMENT

Yann Delabrière · Xavier Fels · Jean-Martin Folz · Jean-Louis Grégoire · Jean-Claude Hanus · Liliane Lacourt

Gilles Michel · Jean-Marc Nicolle · Robert Peugeot · Frédéric Saint-Geours · Claude Satinet · Roland Vardanega · Jean-Luc Vergne

EXECUTIVE COMMITTEE

Jean-Martin Folz
Chairman of the Managing Board

Yann Delabrière
Finance, Control and Performance

Gilles Michel
Platforms, Engineering, Purchasing

Jean-Marc Nicolle
Group Strategy and Products

Robert Peugeot
Innovation and Quality

Frédéric Saint-Geours
Peugeot Marque

Claude Satinet
Citroën Marque

Roland Vardanega
Manufacturing and Components

Jean-Luc Vergne
Employee Relations and Human Resources

SENIOR MANAGEMENT

Xavier Fels
External Relations

Jean-Louis Grégoire
Executive Development

Jean-Claude Hanus
Legal Affairs

Liliane Lacourt
Corporate Communications

MESSAGE FROM THE CHAIRMEN


Thierry Peugeot


Jean-Martin Folz

In 2003, PSA Peugeot Citroën faced the triple challenge of slowing demand in Europe, especially in France, a stronger euro and the preparation of new 2004 models that inevitably impacted sales of the cars they will replace. Nevertheless, your company demonstrated firm resilience during the year. In sales, first of all, because we maintained our growth momentum, which, while limited, was significant at a time of market weakness. Sales outside Europe continued their sharp upward trend and, despite our unfavorable position in the product replacement cycle, we more or less maintained our market share in Europe. Our financial results also showed resilience, since most of the decline in operating margin resulted from the surge in the euro, with the other negative factors offset by sustained productivity gains and a healthy marketing strategy.

Our resistance was also supported by the results of Banque PSA Finance, Gefco and Faurecia, which all reported significant improvements in revenues and, to an even greater extent, their earnings. Their performance has validated our strategic vision, which is sharply focused on automobiles, yet attentive to leveraging the full potential of this business by lodging its different segments in efficient organizations.

Nevertheless, 2003 marked a break with the previous four years, during which our automobile sales rose 43% and our consolidated operating margin gained 167%. We therefore need to rededicate all our energies to restoring this growth dynamic. The main priority is obviously to continue implementing the strategies that have driven our development and performance, and which will have an even greater impact in 2004. This is especially the case of the platform strategy that, along with the new car introductions in 2004, will enable us to make major strides in increasing scale economies in components and in improving our industrial organization. The same is true of the cooperation strategy, which will reach maturity in 2004 for the diesel engines developed and manufactured with Ford. It will also see the future introduction of a new platform with Toyota and the family of new gasoline engines with BMW. Then there's the manufacturing efficiency program, which will enable us to deliver best-in-class performance by 2006. And lastly, our international development will enter a major new phase with the doubling of our production capacity in China in 2006 and the start-up of production of several new models in Latin America.

But beyond the sustained implementation of these actions, our primary growth driver will still be our ambitious new car program. More than ever, the auto industry remains dominated by the passion of customers for cars that meet a wide array of needs for mobility, drivability, safety, the pleasure of travel and respect for such citizenship values as environmental protection. It is on our ability to respond to these expectations with equal enthusiasm that our future growth depends. We are therefore determined to speed up our new car launch schedule, with a commitment to introducing twenty-six new body styles between 2003 and 2006.

Technologically, we plan to pursue a strategy based on ambitious objectives and the rapid extension of the latest technical advances across all our model lineups. This is the spirit in which we've developed hybrid cars combining an internal combustion engine and an electric motor. In 2004, we'll be offering a stop-and-start system as standard equipment on certain models, as a first generation of hybrids capable of significantly improving fuel economy and reducing noise in urban driving.

We are also engaged in a broad-based program not only to meet but to exceed the demanding quality standards of our customers. The upcoming models will respond fully to their expectations.

Safe, reliable, comfortable cars, dramatic styling, continuous technological innovation, flawless quality successful model launches and production costs enabling us to offer everyone an affordable car—these are the conditions for success. In 2004, we're going to combine them even more effectively to regain our momentum and improve our profitability.

The success of these action plans naturally depends on the ability of our employees to implement them. To revitalize the skills base and support the development and production programs now underway, PSA Peugeot Citroën will pursue its active hiring policies. In particular, we plan to recruit more than 7,000 new Automobile Division employees in France in 2004, thereby demonstrating our ability to create jobs in our operations. Training will play an important role in enabling these new recruits, like our other employees, to give their best in helping us to meet our ambitious goals. In the same way, a sustained commitment to meaningful social dialogue will ensure that all of our energies are aligned and focused on those goals.

Based on the above, PSA Peugeot Citroën is cautiously optimistic as it starts 2004. The automobile market and currency environment remain difficult and the Group's performance in the first half will not be significantly different from that of the second half of 2003.

However, the second half of the year should see the first effects of the programs underway, with the Peugeot 407 ushering in a large number of new model introductions. 2004 will therefore be a year of transition, paving the way for a return to more resounding growth in 2005.

Thierry Peugeot Jean-Martin Folz

SUPERVISORY BOARD REPORT

In a difficult environment, worldwide sales by Peugeot and Citroën were slightly higher than the previous year, despite the sharp drop in the French market, and the Group's position in Europe remained largely unchanged.

Earnings were down on the previous year, essentially due to the strength of the euro against the Group's other currencies. However, the downturn was limited, with net income amounting to €1,497 million versus €1,690 million the previous year, while cash flow provided from operations more than covered capital expenditure for the year. The Group also remained in a net cash position and made further share buybacks, although the volume was smaller than in previous years.

The trend observed at the end of 2003 continued in the first part of 2004, but volumes should improve in the second half, helped by the launch of new models in the market segments where the Group's position has traditionally been strong.

During the year, we continued to fulfill our oversight role, assisted by the three committees of the Board. The Finance Committee met four times in this, its first full year of activity, the Strategy Committee also met four times and the Compensation and Appointments Committee met three times. Details of the committees' activities are provided in the Corporate Governance section of this report.

At our meeting on April 13, 2004, we re-appointed all the members of the Managing Board for another four-year period, as provided for in the bylaws. We congratulated the Managing Board on the Group's achievements and performance over the past four years and stressed the critical importance of the forthcoming model launches. We also expressed our confidence in the Managing Board's ability to successfully pursue the Group's long-term development strategy.

We support the resolutions presented by the Managing Board to the Annual Stockholders' Meeting.

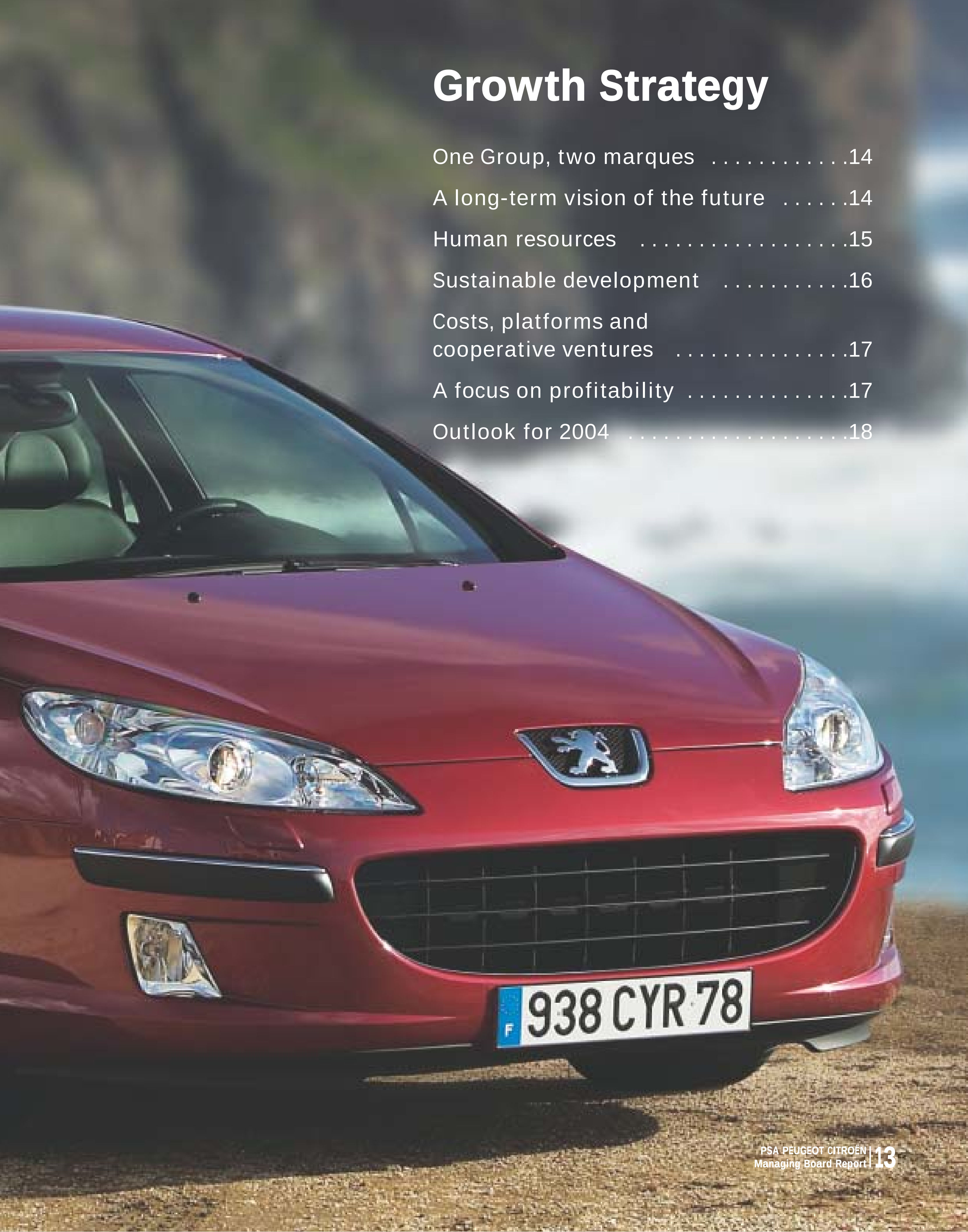
We believe that the proposal to maintain the dividend at the prior year level, in a difficult environment, is consistent with the twin goals of offering stockholders an acceptable return and keeping adequate financial resources to prepare the future.

We invite stockholders to re-elect Thierry Peugeot, whose term as member of the Supervisory Board expires at the Annual Stockholders' Meeting. We also propose adjusting the total amount of directors' fees, which has remained virtually unchanged for the past fourteen years. The new proposed amount reflects the additional tasks performed by the Supervisory Board and also includes the specific fee paid to members of the Committees of the Board, which was previously the subject of a regulated agreement between the Company, and the members concerned.

The other resolutions concern the renewal of authorizations that have expired, related to share buybacks, the issuance of shares and share equivalents while a takeover bid for the Company is in progress, and the granting of options to purchase existing Peugeot S.A. shares to the employees, management and executive directors of Group companies. The terms of these authorizations are unchanged compared with the previous ones and we invite stockholders to approve them.

MANAGING BOARD REPORT

Growth Strategy



ONE GROUP, TWO MARQUES

PSA Peugeot Citroën is building its development on two strong broadline marques, each with a global presence and a clearly defined personality, as part of coordinated international strategies and an aligned product plan. The plan organizes a comprehensive model lineup for each marque and supports the consistency of each one's conceptual and stylistic identity. It also defines a product launch schedule that ensures the steady renewal of the Group's offer in each market segment.

Both marques enjoy the independence needed to lead separate and often competitive strategies in the area of marketing, sales and, more generally, customer relations. On the other hand, the Automobile Division's technological, manufacturing, administrative and financial structures have been combined into a single unit to create greater efficiency and economies of scale.

In addition to its core business of making automobiles, PSA Peugeot Citroën is involved in three other major activities: financing for the two marques' dealers and customers, transportation and logistics, and the design and manufacture of automotive components and systems.

Banque PSA Finance finances new vehicle and replacement part inventory for dealers and offers a comprehensive array of financing and related services for Peugeot and Citroën carbuyers. It operates in 17 countries, corresponding to the two marques' leading markets, and plays a key role in the Group's strategic vision.

Gefco is France's second largest transportation and logistics company and ranks among the top ten in Europe. Supported by its traditional activities of supplying Group plants and distributing Peugeot and Citroën cars and replacement parts, Gefco represents a long-term growth business for the Group and is actively expanding its base of other customers.

PSA Peugeot Citroën is also the majority stockholder of Faurecia, Europe's second largest original automotive equipment manufacturer and a world leader in each of its businesses: vehicle interiors, exhaust systems and front-end modules. An independently managed company, Faurecia supplies not only the Group but also most of the world's leading carmakers.

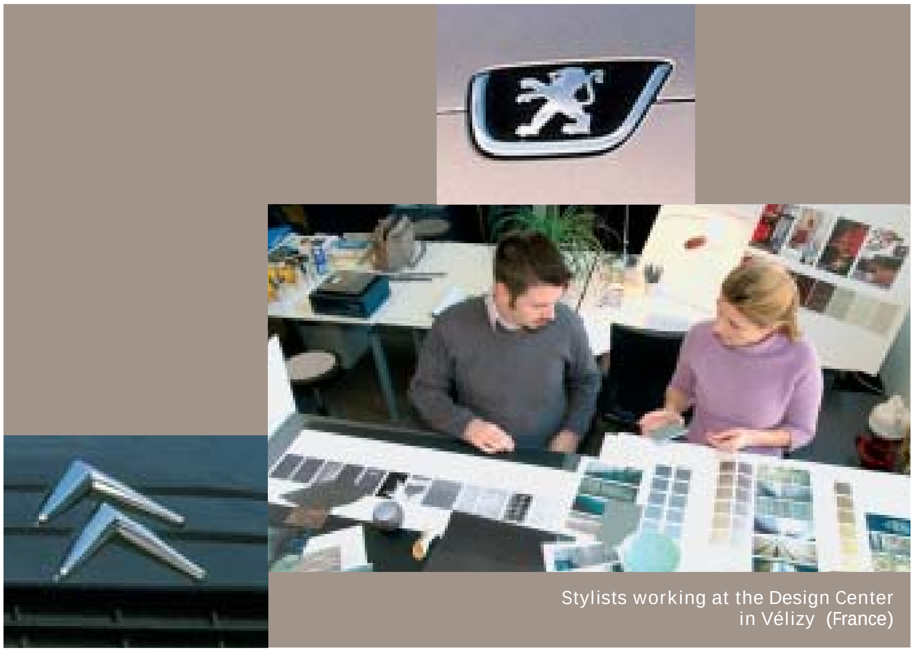
A LONG-TERM VISION OF THE FUTURE

PSA Peugeot Citroën is strategically focused on driving sustained, long-term growth in Europe and around the world, based on satisfying customers, expanding the model lines, innovating and achieving excellence in core automotive technologies, enhancing employee capabilities, demonstrating flexibility, and carefully managing costs.

The Group is firmly engaged in a sustainable sales dynamic, with the goal of selling four million vehicles and CKD units a year by 2006. Sales are expected to expand both in Western Europe, where the Group enjoys a considerable margin for improvement, particularly in countries where its market share is still below potential, and in the rest of the world, notably in Central and Eastern Europe, Latin America and China.

PSA Peugeot Citroën's strategy is shaped by the conviction that in an increasingly segmented and diversified market, a world-class automobile manufacturer's future success depends on the ability to rapidly design and introduce a wide range of vehicles to satisfy an increasingly demanding and diverse customer base. Today’s customers want cars that are attractive, efficient, stylish, comfortable, innovative, fun to drive, and equipped with the technologies most of them want. Yet they also want cars that allow them to respond as responsible citizens to the challenges of road safety, air pollution, recycling and the quality of urban life.

The Group is continuously developing innovative products that significantly enhance brand image and customer appeal, while sustaining its leadership positions in critical automotive technologies in the areas of environmental protection, safety and the driving experience. Diesel technology is now recognized as environmentally friendly, thanks in particular to the Group’s development of high-pressure, direct-injection engines—for which the HDI engine sets the market standard—and its launch of the world’s first particle filter. The range of diesel engines using these technologies is being expanded, and recent developments have confirmed the Group’s leadership in this area. Based on its unique experience in electric vehicles, the Group is developing hybrid vehicle technologies and confirms that first-generation hybrid vehicles will be introduced in Europe in 2004.



Stylists working at the Design Center in Vélizy (France)

HUMAN RESOURCES

In every host country and at every level of the organization, the Group’s strategic vision demands skilled, motivated teams capable of generating and supporting sustained growth and international development. This is why the Group encourages continuous social dialogue, based on an active commitment to contractual negotiations and the recognition of unions in every host country. The goal is for all employees worldwide to have the opportunity of participating in the Group’s strategy and financial results, in particular through profit-sharing systems and defined contribution retirement plans. Another priority concerns training to prepare employees in all countries for the fast changes in the Group’s business and markets.

SUSTAINABLE DEVELOPMENT

PSA Peugeot Citroën's objective is to manufacture vehicles whose features and performance help to safeguard the environment while delivering the styling, safety, drivability and usage satisfaction customers want. Group research primarily focuses on reducing automotive CO_2 emissions. Its findings and their application in series production are helping to efficiently attenuate the greenhouse effect.

So that cars are safe for everyone, major programs are underway to promote responsible vehicle use and to guarantee the active and passive safety performance that customers deserve from the Peugeot and Citroën marques.

PSA Peugeot Citroën is wholeheartedly committed to enabling cars to harmoniously interact with the urban environment. As a carmaker, the Group wants to contribute to the sustainable development of urban mobility without compromising either the quality of air or the quality of life.

The Citroën C5
and Peugeot 407 assembly line
at the Rennes plant (France)

The Sochaux plant (France)

The Group has also embraced the United Nations' Global Compact, demonstrating its dedication to ensuring that its present and future actions, in every country where it operates around the world, contribute to sustainable development, in line with good ethical, social and environmental practices. A priority action plan has been implemented to promote these principles across the organization and among suppliers. In addition, guidelines in the Global Reporting Initiative are being used to report labor, environmental and social data.

COSTS, PLATFORMS AND COOPERATIVE VENTURES

To help control costs, PSA Peugeot Citroën has deployed an ambitious platform strategy. Three new platforms introduced at the end of 2001 serve as the floorplans for all new vehicles, and common parts account for 60% of the production cost of vehicles made on the same platform. Gradually, each assembly plant in Europe is being organized around a single platform, with the exception of the facility in Vigo, Spain, which is dedicated to high vehicles. As it helps diversify the model portfolio, this strategy is also substantially reducing development costs, shortening time-to-market cycles and cutting process engineering outlays, production costs, and purchasing prices for parts and systems. In particular, it is now allowing the Group to control R&D budgets and stabilize capital expenditure, while shortening new model development cycles. In 2006, 90% of all models will be produced on these three platforms.

To speed growth and reduce costs beyond what is being done internally with the platforms, the Group implements strategic cooperation agreements involving specific, ongoing programs to share, with other independent carmakers, the development and production of components for which scale economies make sense. In this area, PSA Peugeot Citroën has for decades demonstrated an ability to forge technological and manufacturing agreements that respect each partner's personality and independence. It has worked with Renault on V6 engines and mid-range automatic transmissions for roughly 30 years, with Fiat on MPVs and light commercial vehicles for some 20 years and with the Ford Motor Company on diesel engines since 1998. The Ford alliance will enable PSA Peugeot Citroën to become the world's leading manufacturer of diesel engines by 2004 and to benefit from related economies of scale.

After the 2001 agreement with Toyota to develop and manufacture entry-level vehicles in a jointly-owned plant in the Czech Republic, a new cooperative venture was formed with BMW in 2002 to jointly develop and produce a new family of small diesel engines, which will equip cars made by both partners.

These agreements let the partners share development costs and pool skills and resources, thereby generating the scale economies a carmaker needs to be competitive. For PSA Peugeot Citroën, this type of alliance, in which each partner remains independent, is the best way to respond to the challenges and opportunities offered by market globalization and changing customer expectations.

A FOCUS ON PROFITABILITY

Return on capital employed has been selected as the relevant indicator for measuring the efficiency of manufacturing and marketing operations. Regardless of business conditions, the Group is committed to achieving an after-tax return on capital employed of at least 8.5%. This covers the cost of capital employed and corresponds to a 3% operating margin in the Automobile Division. However, the Group's goal is to report an after-tax return of at least 13.5%, corresponding to a 6% operating margin.

OUTLOOK FOR 2004

2003 was shaped by the negative impact of the fall in the French market and the appreciation of the euro against all of the Group's other operating currencies.

According to Group projections, the environment is unlikely to improve during the first half of 2004 either for automobile demand in France and the rest of Europe or for the euro. During the period, PSA Peugeot Citroën will focus on managing the major launch of the Peugeot 407 and preparing the introduction of a large number of new models and engines in the second half of the year. In the first months of 2004, the Group therefore expects sales performance in Europe and overall business results to remain at a level close to that of second-half 2003.

The second half of 2004 should see an upturn in Automobile Division performance, with the new model launches having a significant impact on market share and margins. Continued improvement is also expected in the results of the other divisions, especially Faurecia and Banque PSA Finance.

Forecasts for the year as a whole point to moderate sales growth and operating margin about the same as in 2003. All in all, 2004 will be a year of transition, paving the way for a return to more resounding growth in 2005.

Supporting sales
with financing and services solutions

Inauguration of the administration
building at the TPCA plant in Kolín
(Czech Republic)

An engineering office at Faurecia

The Peugeot 407

Corporate Governance

PEUGEOT S.A., a joint-stock corporation with a Managing Board and a Supervisory Board

Since 1972, Peugeot S.A. has been governed by a two-tier management structure, comprising a Managing Board, responsible for strategic and operational management, and a Supervisory Board, responsible for oversight and control. This separation is especially effective in addressing the concern for a balance of power between the executive and oversight functions, as reflected in the principles of good corporate governance.

In accordance with the new corporate governance and internal control requirements introduced in the Financial Security Act of August 1, 2003, the Chairman of the Supervisory Board has produced a report on the organization and preparation of Supervisory Board meetings, and the internal control procedures put in place by PSA Peugeot Citroën.

THE SUPERVISORY BOARD

The Supervisory Board has twelve members plus two non-voting advisors, all of whom are elected by stockholders for six-year terms. The other functions exercised by Supervisory Board members and advisors are listed in the Appendices to the Managing Board Report, as well as the dates when they were elected and when their terms end.

The Supervisory Board believes that its membership appropriately reflects the percentage of capital held by the Company's main stockholder, the Peugeot family. The Board comprises three family members, Thierry Peugeot, Jean-Philippe Peugeot and Marie-Hélène Roncoroni, and two relatives, Pierre Banzet and Marc Friedel.

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

Jean Boillot was chairman of Automobiles Peugeot until 1990 and has since contributed to the Board his experience in automotive manufacturing and marketing.

François Michelin, former legal manager of Compagnie Générale des Etablissements Michelin, contributes his experience in international development.

Ernest-Antoine Seillière de Laborde, chairman of Wendel Investissements, contributes his in-depth knowledge of manufacturing. Wendel is a major stockholder of Valéo, an automotive equipment manufacturer.

Jean-Paul Parayre, former chairman of the Peugeot S.A. Managing Board and Chairman of the Supervisory Board of Vallourec, contributes his knowledge of the automobile industry and the Group's operations.

In accordance with the recommendation of the French securities regulator (COB) dated January 17, 2003, the Board of Directors has reviewed its membership and considers that Jean Boillot, Jean-Louis Dumas, Jean-Louis Masurel and Joseph F. Toot, Jr. can be qualified as independent directors.

No member of the Board exercises any senior executive responsibilities or is a salaried employee of a Group company.

When new Supervisory Board members are proposed for election at the Stockholders' Meeting, the Supervisory Board will select candidates based on the recommendations of the Compensation and Appointments Committee and the independence criteria referred to above.

Board deliberations in 2003

The Supervisory Board met four times in 2003, with an average attendance rate of 87.5%. The meetings were devoted mainly to reviewing the Managing Board's periodic reports on the operations and results of the Group's businesses, reviewing the financial statements of the Company and the Group, and authorizing commitments. The Supervisory Board also approved its internal rules and those of the three Committees of the Board. In future, periodic qualitative assessments will be made of the Board's procedures, the information made available to its members, the preparation of decisions and deliberations and the contribution of each Board member to the activities of the Board and the Committees of the Board.

Board procedures

The Supervisory Board's internal rules set out its stewardship and control responsibilities. In particular, the Supervisory Board is responsible for periodically reviewing the Managing Board's reports, as well as the annual financial statements of the Company and the Group and the Managing Board's report to the Annual Stockholders' Meeting. The internal rules also stipulate that the Supervisory Board is required to authorize, in advance, the following actions by the Managing Board as provided for in Article 9 of the bylaws:

- Stockholder-approved share issues (whether paid up in cash or by capitalizing retained earnings) and capital reductions.
- Stockholder-approved issues of ordinary or convertible bonds.
- The drafting of any merger agreements or agreements for the sale of a business.
- The signature or termination of any manufacturing and sales agreements representing a future commitment for Peugeot S.A., with companies whose corporate purpose is similar or related to that of Peugeot S.A., and generally the execution of any major transaction which substantially alters the business or financial structure of the Company or the Group.

Certain other actions exceeding financial limits set by the Supervisory Board may be carried out only with the unanimous backing of all the members of the Managing Board or, failing that, with the prior authorization of the Supervisory Board. These include the purchase or sale for cash or for shares of any building and business rights used by Peugeot S.A., involving an amount in excess of €50 million, the purchase or sale of any equity interest in any other company directly or indirectly representing an immediate or deferred investment, expense, credit guarantee or seller's warranty involving an amount in excess of €50 million, and any borrowings by Peugeot S.A. other than in the form of bonds, involving an amount in excess of €100 million.

The internal rules describe the information to be made available to the Supervisory Board, the process to be followed to determine the issues to be discussed at Supervisory Board meetings, the terms of reference of each Board committee as well as the obligations of Supervisory Board members, especially those arising from their constant access to insider information.

Supervisory Board committees

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

Created in 1998, the **Strategy Committee** had seven members at year-end 2003: Jean-Philippe Peugeot (Chairman), Jean Boillot, Jean-Louis Dumas, François Michelin, Jean-Paul Parayre, Thierry Peugeot and Ernest-Antoine Seillière de Laborde. It deals with issues relating to the Group's long-term future and its major strategic orientations. It issues opinions and makes proposals and recommendations to the Supervisory Board to prepare for the review of strategic projects, while tracking significant transactions already underway. In particular, the Strategy Committee meets whenever a project likely to engage the Company's future or to substantially modify the scope of business or financial structure of the Company or the Group is submitted to the Board's prior approval.

The Strategy Committee met four times in 2003, to review the main lines of the Group's long-term strategy, its international development projects and certain cooperation agreements.

The **Compensation and Appointments Committee**. Created in 1998, the Committee's duties were broadened in 2003 to include preparing the Board's decisions concerning the appointment of new members of the Supervisory Board and Managing Board. At year-end, it comprised Thierry Peugeot (Chairman), François Michelin and Ernest-Antoine Seillière de Laborde.

The committee makes recommendations to the Board concerning compensation for members of the Managing Board, the Supervisory Board and the Board committees, as well as the grant of any stock options to members of the Managing Board. It also prepares the procedure for selecting members of the Supervisory Board and Managing Board, determining the criteria to be used and recommending people for appointment or renewal. The Committee met twice in 2003 and again in February 2004 to prepare Supervisory Board decisions concerning the determination of fixed salaries and bonuses for members of the Managing Board and the number of stock options to be granted to them. It also met in September 2003 to make recommendations to the Supervisory Board concerning the compensation of the Supervisory Board's Chairman. Lastly, it met in April 2004 to review the directors' fees paid to members of the Supervisory Board and the Committees of the Board.

The **Finance Committee**, set up in 2002, has three members: Marc Friedel (Chairman), Jean-Louis Masurel and Marie-Hélène Roncoroni.

It is responsible for informing the Board of its opinion on the interim and annual financial statements of the Company and the Group. It may be requested to review any corporate actions and other projects requiring prior approval by the Board. The Finance Committee met four times in 2003. During these meetings, it reviewed the procedures for closing the Group's interim and annual accounts, as well as the most significant financial transactions. It also performed an initial review of internal control procedures and the procedures put in place to comply with the new Financial Security Act. On February 5, 2004, the Committee met with the Statutory Auditors to review the procedures for closing the Group's 2003 accounts, prior to their presentation to the Supervisory Board on February 10, 2004.

Compensation of Supervisory Board members

Pursuant to the decision of the Stockholders' Meeting of May 15, 2002, Supervisory Board members and advisors are paid annual attendance fees in an aggregate amount of €192,500 a year, distributed equally. The Chairman and Vice-Chairmen of the Supervisory Board and the members of the Committees of the Board also receive additional compensation voted by the Board under regulated agreements with directors. The amount paid to individual Board members and advisors is disclosed in the Appendices to the Managing Board Report.

EXECUTIVE MANAGEMENT

The Peugeot S.A. **Managing Board** has three members: Jean-Martin Folz, Chairman; Frédéric Saint-Geours, Chief Executive Officer of Automobiles Peugeot; and Claude Satinet, Chief Executive Officer of Automobiles Citroën. They were re-appointed by the Supervisory Board for another four-year term on April 13, 2004.

The nine-member Executive Committee is responsible for the **executive management** of the PSA Peugeot Citroën Group. At January 1, 2004, the Executive Committee was made up of the three members of the Managing Board, plus Yann Delabrière (Finance, Control and Performance), Gilles Michel (Platforms, Engineering, Purchasing), Jean-Marc Nicolle (Group Strategy and Products), Robert Peugeot (Innovation and Quality), Roland Vardanega (Manufacturing and Components) and Jean-Luc Vergne (Employee Relations and Human Resources). It is supported by a Senior Management team, whose four members report directly to the Chairman of the Managing Board. They are Xavier Fels (External Relations), Jean-Louis Grégoire (Executive Development), Jean-Claude Hanus (Legal Affairs) and Liliane Lacourt (Corporate Communications).

The Executive Committee and the Senior Management team meet on a weekly basis to discuss issues concerning the general management of the Group and the Automobile Division. Specific committees have been set up for each of the other businesses, which meet once a month to discuss issues related to the management of the business concerned.

The day-to-day management of the Group is the responsibility of the **Vice Presidents Committee**, made up of senior line executives. As of March 1, 2004, the Vice Presidents Committee comprised 51 senior executives, as well as the members of the Executive Committee and the Senior Management team. It meets on a monthly basis.

Executive compensation

The compensation paid to members of the Executive Committee, the Senior Management team and the Vice Presidents Committee is determined on a similar basis to that of all Group managers. It includes both a fixed salary and a variable bonus, based on the achievement of personal objectives and the Group's operating margin and quality targets for the year. The operating margin target corresponds to the figure publicly announced at the beginning of each year. The target has been set at €2,195 million for 2004.

In 2003, the members of the Managing Board were paid the following compensation:

- Jean-Martin Folz: €1,629,000, including a bonus of €714,220 (43.84%).
- Frédéric Saint-Geours: €735,000, including a bonus of €260,849 (35.49%).
- Claude Satinet: €735,000, including a bonus of €260,849 (35.49%).

Jean-Martin Folz also received €21,000 in fees as director of Faurecia.

Aggregate compensation awarded to the members of the Executive Committee and the Senior Management team for 2003 amounted to €7.3 million, of which the variable bonus accounted for 31.52%. The variable compensation awarded to members of the Vice Presidents Committee serving as of December 31, 2003 amounted to 19.80% of the total.

Stock options

Since 1999, the members of the Managing Board, the Executive Committee, the Senior Management team and the Vice Presidents Committee have been granted options each year to purchase existing shares of Peugeot S.A. stock, in accordance with the general principles underlying the existing plans.

The Managing Board, in full agreement with the Supervisory Board and in compliance with stockholder-approved limits, decided that starting in 2002, the benchmark price for options to purchase existing shares granted in a given year to executives or employees of the Company or related companies would be equal to the average of the opening share price during the 20 trading days following the publication of the Group's first-half consolidated earnings, without any discount.

On August 21, 2003, the Managing Board used the authorization granted by the Annual Stockholders' Meeting of May 15, 2002 to issue 996,500 options to purchase existing shares of Peugeot S.A. stock for €39.09 per share. Under this plan, the Supervisory Board granted 126,000 stock options to members of the Managing Board, as follows: Jean-Martin Folz 60,000 options, Frédéric Saint-Geours 33,000 options and Claude Satinet 33,000 options.

As of December 31, 2003, members of the Managing Board, the Executive Committee and the Senior Management team held 1,373,600 of the 3,827,300 options outstanding at that date.

Details of stock option plans in effect at December 31, 2003, the aggregate number of options granted to the eleven employees other than corporate officers receiving the largest number of stock options under the 2003 plan, and the number of options exercised in 2003 are presented in the Appendices to the Managing Board Report.

Faurecia has its own stock option plans. No options were granted in 2003. During the year, the Board of Directors agreed on the principle of eventually deciding to grant options to purchase new or existing shares of company stock without any discount to the average share price used to determine option prices.

INTERNAL AND EXTERNAL CONTROLS

Controls are performed both internally, by the Supervisory Board and the internal auditors, and externally, by the Statutory Auditors and, in the case of Banque PSA Finance, the Banque de France Banking Commission.

Internal control covers all the processes and procedures implemented by employees to provide reasonable assurance that the following three objectives are met: optimization and execution of operations; reliability of financial transactions; compliance with applicable laws and regulations. Internal control contributes to the fulfillment of performance and profitability targets, but cannot provide absolute protection against the risk of human error.

Based on the Group's operating structure, the overall organization of internal control mirrors the chains of command in the divisions and the cross-functional responsibilities of the corporate technology, manufacturing and finance departments.

The general structure of delegations and sub-delegations of authority reflects the

A Code of Ethics defining standards of conduct and behavior

- Compliance with the law
- Honesty and transparency
- Compliance with occupational health and safety rules
- Respect for workers' rights
- Environmental stewardship
- Professional commitment
- Protection of company property – Confidentiality
- Conflicts of interests
- Relations with customers and suppliers
- Political activities

Group's organization structure. Based on a clear definition of each individual's role and responsibilities, they stipulate the areas in which the delegated authority may be exercised, the related tasks, any regulations to be taken into account and any specific practices to be followed.

In 2003, the Group issued a **Code of Ethics** setting out the standards of conduct and behavior to be met by all employees. The charter is available for consultation on the Group intranet by all employees and the Managing Board has appointed an Ethics Delegate to advise employees who have questions concerning the interpretation or practical application of the Code.

The **Internal Audit** department reports directly to the Chairman of the Managing Board. The Vice President, Internal Audit has direct authority over the corporate-level internal auditors and has a dotted-line reporting relationship with the internal auditors working in various departments of the Automobile Division and the other corporate departments. This organization enables the Vice President, Internal Audit to ensure that all of the Group's activities are covered in an efficient manner, to monitor the quality of internal audits and to track implementation of the action plans recommended by the internal auditors.

The Internal Audit department is responsible for:
- Guaranteeing the implementation of internal controls;
- Verifying compliance with mission-critical processes and methods and assessing their effectiveness;
- Recommending improvements to enhance the performance of corporate departments and subsidiaries.

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

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

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

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

Published financial information is based on the consolidated financial statements approved by the Managing Board and presented to the Supervisory Board, as well as on analyses of consolidated data. The information is audited or reviewed by the Statutory Auditors prior to being published.

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

The Tax department is responsible for managing the Group's overall tax position, monitoring compliance with tax laws and regulations and identifying tax planning opportunities. To this end, it manages the tax position of all of the French entities, deals with the tax administration in connection with tax audits, and analyzes the tax implications of major projects such as acquisitions, disposals and reorganizations, as well as of cross-border transactions. It also supervises operations carried out locally.

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

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

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

The Manufacturing and Components department oversees manufacturing operations at all production sites throughout the world. Its core objective is to ensure that products are manufactured in the required quantities, in accordance with the applicable technical and quality standards, at the lowest cost and with an acceptable lead time. Internal control is based on a comprehensive set of specific operating procedures. It is organized around operational management systems, real-time centralized reporting of physical indicators and a process that drives continuous improvement, as measured by a series of indicators calculated for all production sites.

The Peugeot and Citroën marques are responsible for defining and marketing their products and services throughout the world, enhancing their image and building market share. Each marque's system of internal control is based on a description of operating processes and procedures in effect in the corporate departments, the importer subsidiaries and the dealerships. It is organized around the management of operations by each marque's senior management, relayed to each corporate department, subsidiary and dealership, and a system of control and continuous improvement.

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

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

As an independent company, Faurecia has its own system of internal control, described in the company's annual report.

The procedures and controls performed by the human resources, quality, risk prevention and management, and information systems functions, provide background support for Group operations in the drive for business growth and improved profitability.

Leveraging the high level commitment of all of its managers, the Group intends to continue taking a pro-active approach to internal control with the aim of achieving continuous improvement.

External Auditors

In accordance with French company law, the financial statements of Peugeot S.A. and the consolidated financial statements are audited by two firms of auditors. The two firms jointly audit all of the accounts and examine the processes used to prepare the financial statements, as well as the Group's internal control processes and procedures. The two statutory auditors, PricewaterhouseCoopers Audit and Constantin Associés, were appointed by stockholders at the Annual Meeting on June 2,1999, based on the recommendation of the Managing Board. The choice of auditors was made after an open bidding process. Their appointment expires at the Annual Stockholders' Meeting to be called to approve the 2004 financial statements.

Through the members of their networks in all the countries where the Group operates, PricewaterhouseCoopers Audit and Constantin Associés act as contractual auditors of all the Group's fully consolidated subsidiaries, with the exception of the companies in the Faurecia sub-group. They therefore have access to the information required to audit the consolidated financial statements of the PSA Peugeot Citroën Group. Effective from 2003, they perform continuous audits of the main Automobile Division companies and finance companies in France, therefore improving the overall quality of their audit.

The auditors of Faurecia, which is listed on the Euronext Paris market, are appointed by the Annual Meeting of Faurecia stockholders. The two firms of auditors, PricewaterhouseCoopers Audit and Ernst & Young Audit, were appointed by stockholders at the Annual Meeting on June 1, 2001, for a period expiring at the Annual Meeting to be called to approve the 2006 accounts.

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

The total fees paid to the auditors in respect of 2003 amounted to

€11.4 million, including €9.3 million for PricewaterhouseCoopers, €0.9 million for Ernst & Young and €1.1 million for Constantin. In addition, members of the PricewaterhouseCoopers network and the Ernst & Young network were paid €1.8 million and €0.4 million respectively for non-audit services, consisting mainly of legal and tax advice outside France.

New stricter rules have been established concerning non-audit work performed by the auditors, in accordance with the Financial Security Act.

PSA PEUGEOT CITROËN INVESTOR RELATIONS

Stockholder Information

PSA Peugeot Citroën is committed to providing clear, regular information to all individual and institutional stockholders, in France and abroad. It is constantly improving the effectiveness of all aspects of the investor relations process, including stockholder publications, other sources of investor information, and investor meetings and special events.

All stockholders have access to the following sources of information:

- The Annual Report, available in French and English.
- The Interim Report, also available in French and English.
- Press releases and financial notices.
- The Stockholders' Newsletter.
- The Stockholders' Guide.

All of these publications are available online at www.psa-peugeot-citroen.com, which also displays the Peugeot S.A. share price in real time.

To forge and maintain effective relations with investors, PSA PEUGEOT CITROËN organizes a growing number of events for its stockholders and the entire financial community. Three major meetings are held for the presentation of interim earnings, the presentation of annual earnings and the Annual Stockholders' Meeting. In addition, the Group regularly interacts with investors by inviting them to plant visits, meetings in Europe, the United States and Asia, and invites financial analysts to theme meetings to help improve their understanding of its business operations. The Group also participates in industry presentations by financial institutions active in the capital markets.

Stockholders wishing to receive financial information on a regular basis may register at Company headquarters:

Peugeot S.A.
Investor Relations
75 avenue de la Grande-Armée
75116 Paris
Phone: +33 (0) 1 40 66 37 60
Fax: +33 (0) 1 40 66 51 99
E-mail: communication.financiere@psa.fr

Investor Calendar

April 29, 2004:
First quarter 2004 sales release

May 26, 2004:
Annual Stockholders' Meeting

June 2, 2004:
Payment of the 2003 dividend

July 27, 2004:
First-half 2004 results release

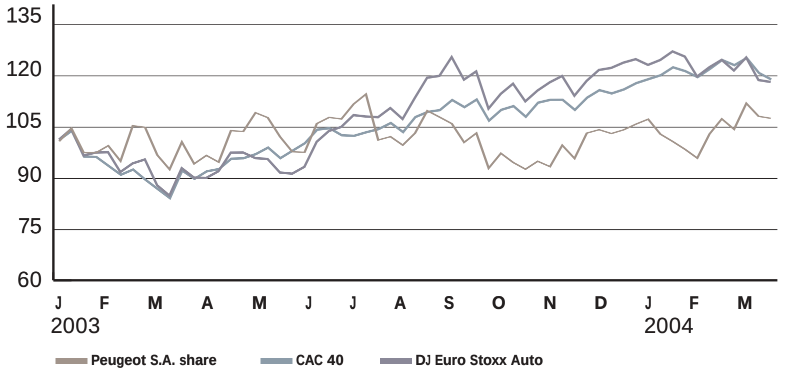
October 28, 2004:
Third quarter 2004 sales release

February 23, 2005:
2004 annual results release

The Peugeot S.A. share

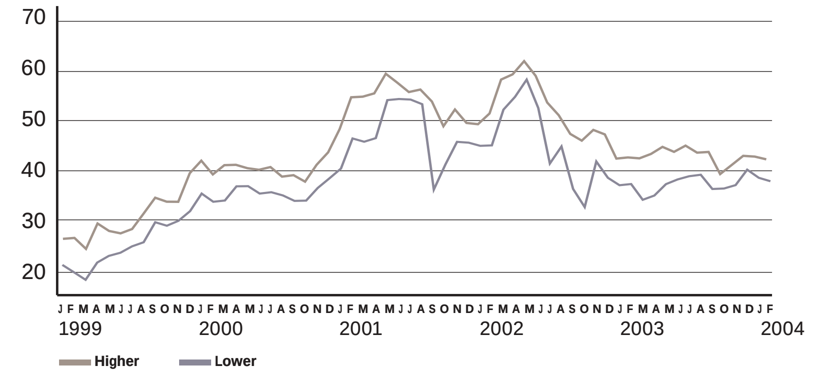
The Peugeot S.A. share gained 3.96% in 2003, ending the year at €40.40 versus €38.86 on December 31, 2002. This compared with a 16.12% rise in the benchmark CAC 40 index and a 22.89% increase in the Dow Jones Euro Stoxx Auto index over the same period.

2003 price performance of the Peugeot S.A. share versus the CAC 40 index and the DJ Euro Stoxx Auto index (base 100)



Source: Euronext

Monthly high and low prices of the Peugeot S.A. share over five years (in euros)



Source: Euronext

Share buyback program

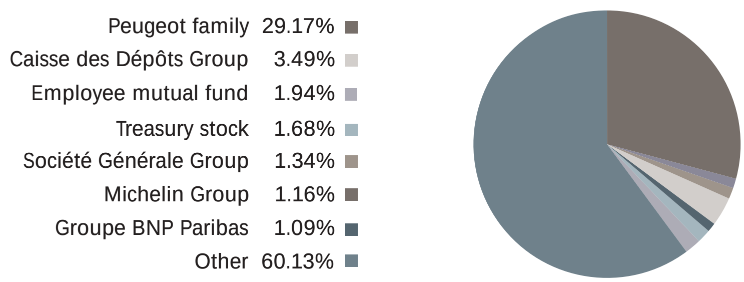
PSA Peugeot Citroën believes buying back its own shares represents an attractive investment opportunity for both itself and its stockholders until such time as its strategic objectives are fully reflected in the share price. In addition, the Group has enough recurring cash flow from operations and cash holdings to carry out the buybacks while maintaining its capital expenditure commitment at €3 billion a year, in order to rapidly renew and extend its model lineups and support expansion in the global marketplace.

As a result, the share buyback program launched in 1999 was pursued in 2003, when a net total of 4,894,675 Peugeot S.A. shares were bought back, at an average price of €38.08, under authorizations granted at the Annual Stockholders' Meetings on May 15, 2002 (seventh resolution) and May 28, 2003 (eighth resolution).

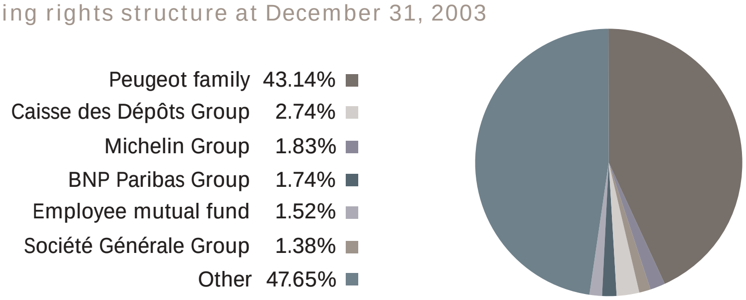
On November 24, 2003, 16,000,000 shares, representing 6.18% of total capital stock, were canceled under the authorization granted at the Annual Stockholders' Meeting on May 28, 2003 (thirteenth resolution). Previously, capital stock had been reduced by 9.3% in November 1999 and 8.3% in November 2001.

At December 31, 2003, Peugeot S.A. held 4,086,884 shares of its own stock in treasury, of which 3,763,200 were allocated to stock option plans.

Stockholder structure at December 31, 2003



Voting rights structure at December 31, 2003



Main shareholders identified on the basis of registered shares and notifications to the Company that disclosure thresholds had been crossed.

Capital Structure and Ownership

Following the November 2003 share cancellations, the Company's capital stock amounted to €243,109,146 at December 31, 2003, represented by 243,109,146 shares with a par value of €1.00 each.

The interests held by the main stockholders identified by the Company are presented in the "Ownership Structure" table in the section entitled "Information About the Company's Capital" in the Appendices to the Managing Board Report.

Apart from the impact of the share cancellations on the percentage interest held by each stockholder, and the impact of purchases of treasury stock on voting rights, changes in ownership structure during 2003 were not material.

The bylaws of Peugeot S.A. stipulate that any stockholder that acquires or raises its interest to 2% of the Company's capital or raises or reduces its interest by any multiple of 1% in excess of the 2% threshold is required to notify the Company. In the case of non-disclosure, at the request of one or several stockholders together holding at least 5% of the capital, the undisclosed shares will be stripped of voting rights for a period of two years from the date on which the omission is remedied.

There are no other bylaw clauses limiting voting rights.

Voting rights at Annual Meetings

Each share carries one vote that may be cast at the Annual Stockholders' Meeting. However, fully paid-up shares registered in the name of the same stockholder for at least four years carry double voting rights. The double voting rights system was maintained following the 1972 change in Peugeot S.A.'s governance structure, with double rights attached to shares held for at least two years. This period was increased to four years at an Extraordinary Stockholders' Meeting on June 29, 1987. The Group invests for the long term and recognizes the importance of stockholder loyalty, which it rewards through the system of double voting rights.

As of December 31, 2003, the 243,109,146 outstanding Peugeot S.A. shares represented a total of 308,888,782 voting rights. Peugeot S.A. shares held in treasury do not carry double voting rights.

ANNUAL STOCKHOLDERS' MEETING OF MAY 26, 2004

Income appropriation

In light of the consolidated results for 2003 and the targets set for 2004, the Managing Board has recommended maintaining the net dividend at €1.35 per share, representing total revenue of €2.025 for stockholders entitled to the maximum tax credit.

Based on the number of shares outstanding at December 31, the 2003 dividend will total €328 million, for a payout ratio of 21.9% of consolidated net income.

In compliance with article 47 of the Law of July 12, 1965, dividends paid in the last three years were as follows:

	2000	2001	2002
Number of shares carrying dividend rights	260,937,984	255,409,004	240,820,430
Dividend before tax credit	€0.83	€1.15	€1.35
Tax credit	€0.42	€0.58	€0.675
Total revenue per share	€1.25	€1.73	€2.025

Financial authorizations

At the Annual Stockholders' Meeting, the Managing Board will seek three financial authorizations.

The first, granted in the seventh resolution, concerns an authorization to buy back up to 24 million Peugeot S.A. shares, or nearly 10% of total Peugeot S.A. shares outstanding. The Group intends to use the authorization to take advantage of price opportunities to buy back shares, within the specified limits and while maintaining control over its net financial position.

The second, granted in the eighth resolution, concerns the renewal, for a period of one year, of the authorization to issue new shares and securities conferring a right to acquire equity while a public offer to acquire or exchange the Company's shares is in progress.

The third, granted in the ninth resolution for a period expiring on August 31, 2005, authorizes the Managing Board to grant to employees, management or executive directors of the Company and its subsidiaries, options to purchase Peugeot S.A. shares held by the Company for this purpose. No more than 2,000,000 options may be granted and the life of the options will not exceed eight years.

Business Review

OPERATING HIGHLIGHTS

JANUARY

New family of small gasoline engines to be produced in Douvrin

A production facility will be built at the Française de Mécanique plant in northern France to manufacture the new family of small gasoline engines, developed in cooperation with BMW. Production is scheduled to begin in late 2005.

JANUARY

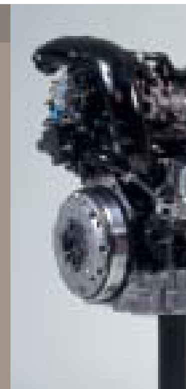
Peugeot production tops 40 million vehicles

One of the great marques in the history of the global automobile industry, Peugeot celebrates the production of its 40 millionth vehicle, after more than a century in business.

FEBRUARY

PSA Peugeot Citroën and Ford Motor Company unveil new common rail diesels developed in second phase of cooperation

Representing an aggregate investment of nearly €1 billion, the 1.6-liter and 2-liter engines will be built at the Trémery plant in eastern France. Output will eventually exceed 1,600,000 units a year.



FEBRUARY

Peugeot 307 to be built in Argentina in 2004

The new mid-range platform will enter production at the Buenos Aires plant in 2004.

APRIL

Peugeot 807 and Citroën C8 earn 5 stars in EuroNCAP safety tests

The vehicles were the first executive MPVs to achieve this level of passenger protection, confirming PSA Peugeot Citroën's superior worldwide passive safety performance.

MARCH

BANQUE PSA FINANCE

Banque PSA Finance begins operations in the Czech Republic and Slovakia

PSA Finance Ceska Republika S.r.o. and PSA Slovaquia S.r.o. now offer financing solutions and services tailored to the Czech and Slovak dealer networks and their customers. With the new companies, Banque PSA Finance is present in 17 countries in Europe, Latin America, and more recently, China.

APRIL

Cornerstone laid on new transmission production unit in Valenciennes

In 2005, the €430-million facility will begin manufacturing the new MCP compact electronic transmission, which will gradually be offered on mid-range Peugeots and Citroëns.

OPERATING HIGHLIGHTS

APRIL

PSA Peugeot Citroën joins Global Compact

PSA Peugeot Citroën has pledged to support the Global Compact, which brings companies together with United Nations agencies, international labor organizations, NGOs and other parties in order to promote nine universal principles in the areas of human rights, labor standards and the environment.

MAY

Gefco opens new international logistics platform in Le Havre

The new facility will supply parts to PSA Peugeot Citroën sites outside Europe, shortening cycle times between order execution and delivery.

APRIL

Porto Real plant in Brazil starts Citroën C3 production

The start-up adds a third model to the Group's Brazilian output, alongside the Citroën Xsara Picasso and the Peugeot 206. All of the models are marketed in Latin America, one of PSA Peugeot Citroën's strategic growth regions.

MAY

Market launch of the Citroën C3 Pluriel

The unique multi-configuration supermini demonstrates Citroën's inventive talent by creating a new motoring experience.

JUNE

Cornerstone laid for PSA Peugeot Citroën plant in Trnava, Slovakia

Located 45 kilometers from Bratislava, the new assembly plant will extend the Group's production base in Europe. It will begin manufacturing small Platform 1 vehicles in 2006, with annual production capacity of 300,000 units.

JUNE

More than 500,000 particulate filter-equipped Peugeots and Citroëns sold

Unveiled in April 1999 and introduced in a world first in May 2000, the particulate filter system reduces diesel engine emissions to nearly zero. Its gradual extension across the model lines confirms PSA Peugeot Citroën's commitment to an ambitious environmental policy.

JUNE

Market launch of the Peugeot 206 RC

The latest member of the 206 family offers sports-car thrills without sacrificing safety.

JULY

Faurecia selected by Chrysler

As part of its expansion in North America, Faurecia will supply complete seats, standard seat frames, instrument panels, center consoles, door panels and exhaust systems for a variety of upcoming Chrysler models.

OPERATING HIGHLIGHTS

SEPTEMBER

Market launch of the Peugeot 307 CC

The market's first four-seat coupe-cabriolet, the elegant 307 CC will appeal to anyone who loves convertibles, sports coupes or sporty sedans.

SEPTEMBER

New paint shop inaugurated at the Mulhouse plant

The new facility introduces major innovations at every phase of the painting process, while responding to high quality standards, environmental concerns, workstation practices and manufacturing flexibility.

SEPTEMBER

Market launch of the Citroën C2

Produced at the Aulnay plant, the Citroën C2 three-door sedan extends Citroën's compact line-up. It offers an innovative, modular interior.

SEPTEMBER

PSA Peugeot Citroën issues 30-year bonds

PSA Peugeot Citroën issues €600 million in 30-year bonds, enabling the Group to increase its long-term capital and thereby strengthen its balance sheet, at favorable interest rates.

SEPTEMBER

A new R&D center for Faurecia

Faurecia inaugurates a new Research and Development facility in Hagenbach, Germany, dedicated to the design and development of instrument panels and cockpits.

OCTOBER

Group Purchasing Department opens a representative office in China

The new purchasing office in Shanghai will leverage the Group's fast growth in China to broaden automobile components sourcing for the manufacturing operations worldwide.

DECEMBER

Presentation of the new 2-liter, 136bhp HDI engine fitted with a particulate filter

The Peugeot 307 is the first car equipped with the new HDI diesel, developed in cooperation with the Ford Motor Company. The environmentally friendly, high performance engine is quiet running and consumes less fuel. It will be gradually offered on other Group models.

NOVEMBER

Citroën wins World Rally Championship

In the first full year of the Xsara WRC, Citroën won the manufacturer's title of the World Rally Championship, succeeding Peugeot, which won in 2000, 2001 and 2002.

DECEMBER

More than 100,000 vehicles sold in China in 2003

For the first time, DPCA, the Group's joint venture with Dongfeng Motor Corp., produced and sold more than 100,000 Citroëns during the year.

AUTOMOBILE

A Citroën Xsara Picasso in China

A Peugeot dealership in Turkey

A Citroën dealership in Latvia

SLIGHTLY HIGHER GLOBAL DEMAND

In 2003, the world automobile market grew by 2.0% to 57.2 million passenger cars and light commercial vehicles. The Western European market contracted 1.5% to 15,977,600 new vehicle registrations, while demand in North America eased 1.4% to 18,287,000 new vehicle registrations.

Markets in Asia recorded an aggregate gain of 11.3%. In particular, demand in China continued its steep upward trend, as passenger car registrations surged more than 80% during the year to some 2,000,000 units. In Japan, the market edged up 0.8% to 5,750,000 registrations after two years of decline.

Demand in South America declined by an overall 4.5%, with the Argentine market rebounding 42% and the Brazilian market retreating by another 8%.

After several years of weakness, auto markets in Central Europe returned to growth, gaining an aggregate 6.2%, while in Turkey, demand turned sharply upwards, climbing 127% during the year.

3,286,100 VEHICLES SOLD WORLDWIDE IN 2003

PSA Peugeot Citroën’s worldwide sales rose 0.6% to 3,286,100 units from 3,267,500 units in 2002.

In a difficult environment shaped by lower demand in Europe, particularly in France, the Group demonstrated firm resilience, maintaining almost unchanged its positions in Western Europe and continuing to increase sales in the rest of the world. Citroën sales rose 4.6% to 1,372,500 vehicles, while Peugeot sales retreated 2.1% to 1,913,600 units, due entirely to the termination of the Peugeot 106 compact and the phase-out of the Peugeot 406 sedan, to be replaced in second-half 2004 by the Peugeot 407.

These unit sales gave the Group a 5.8% share of the global market.

STABLE MARKET SHARE IN WESTERN EUROPE

Registrations of PSA Peugeot Citroën cars and light commercial vehicles declined 2.1% to 2,460,000 units, tracking the market decrease of 1.5%. As a result, market share eased to 15.4% from 15.5%, primarily due to the sharp fall in French demand during the year.

In the 17-country Europe, market share now exceeds 10% in 14 countries and stands between 9 and 10% in Austria and Ireland. The Group is therefore nearing the target of holding at least 10% of each European market by 2004. The only exception is Germany, where market share rose to 5.9%, approaching the goal of 6.5%.

Europe's top producer of light commercial vehicles, with 354,500 registrations, the Group consolidated its leadership by increasing market share by nearly a point to 20%. It was also once again Europe's second largest manufacturer of passenger cars, with 2,105,500 registrations, down 2.7%, and 14.8% of the market, versus 15% in 2002.

In all, PSA Peugeot Citroën strengthened its position as Europe's second largest carmaker, ranking number one in France, Spain, Belgium, Portugal, the Netherlands and Denmark, and second in Italy, Austria, Greece and Switzerland.

Three-quarters of the decline in Group registrations in 2003 was attributable to the weaker French market, whose 6.2% drop was much steeper than in the rest of Europe. Registrations fell 8.2% to 793,700 units from 864,600 the year before, although the Group remained market leader with a 33.2% share, versus 33.9% in 2002.

The Peugeot 206 CC

The Citroën Berlingo

The Citroën C3 Pluriel

In the United Kingdom, Peugeot and Citroën registrations retreated 9.1% to 343,400 units in a market up 1.9%, making the UK the only European country where the Group's market share significantly declined during the year, to 11.9% from 13.3% in 2002. Both marques adjusted their marketing strategies to reflect the fall in the pound against the euro, which considerably eroded sales margins. They focused on the most profitable markets, withdrawing from segments where margins were unacceptable, such as large corporate and car rental fleets. Market share among UK fleets and car rental companies amounted to 10.4%, compared with 13.8% in the retail segment.

PSA Peugeot Citroën enjoyed another year of strong growth in Italy, led by the 77,300 registrations of the highly popular Citroën C3. Group registrations totaled 265,400 units, up 8.4% in a market down 4.2%. Market share topped the 10% target, gaining more than a point to 10.9% for the year.

The Group continued its steady expansion in Germany, widening market share to 5.9% from 5.4% in 2002, on track to meet the targeted 6.5% in 2004. Both marques offer models meeting the market's demanding safety and environmental standards, with the particulate filter an important selling point. Sales are also being driven by an extensively restructured dealership network and innovative versions like the Citroën C3 Pluriel and the Peugeot 206 CC and 307 SW, which enhance the image of both marques.

The Group maintained its position as Spain's leading carmaker, with a 22.4% of the market compared with 22.6% the year before. Citroën, the local number two in passenger cars and number one in light commercial vehicles, increased registrations by 5.2%, while Peugeot sales rose 2.6%.

In the other European markets, aggregate market share improved substantially, to 15.3% from 14.8% in 2002.

The Group's pricing policy

The Group maintained a healthy pricing policy in 2003 despite prevailing market trends. Even in the face of aggressive competition, real transaction prices continued to rise, reflecting an assertive commitment to:

- Focusing on retail sales, a segment in which the Group's market share is higher than its overall position.
- Limiting sales in the United Kingdom and Brazil, where exposure to the currency effect is highest.
- Driving convergence of car prices in the European markets, where prices show the greatest divergence under new block exemption rules.

STRONG GROWTH IN SALES OUTSIDE WESTERN EUROPE

Sales outside Western Europe rose 15% to 817,300 vehicles in 2003, exceeding the Group's target of selling 800,000 units outside Western Europe a year ahead of schedule.
Comprising 561,500 Peugeots and 255,800 Citroëns, they accounted for an aggregate 24.9% of consolidated unit sales, versus 21.7% in 2002 and 18.8% in 2001.

In Latin America, where economic conditions remained difficult, sales eased by 1% to 108,300 cars.

Sales in Brazil fell 12% in a market down 8%, causing market share to ease to 4.3% from 4.5% the year before. The decline reflected the decision by the Peugeot and Citroën marques to sharpen the focus of their marketing strategies in response to a decline in operating margin as the real weakened against the euro. Greater sales selectivity was supported by a major commitment, undertaken in early 2003, to increasing the proportion of production costs denominated in reals.

After collapsing the previous year, the Argentine auto market rebounded a sharp 42% in 2003, but volumes remained low. Group sales totaled 17,300 units, with market share declining to 12.3%.

Sales rose 17% to 133,200 units in Central Europe, where markets were generally on the mend.
The performance confirmed the Group's position as the region's second largest carmaker, with market share rising to 12.7% from 12.6% in 2002. In particular, share stood at 12.4% in Poland and 11.3% in Turkey.

PSA Peugeot Citroën in China

Present in China since 1992 through Dongfeng Peugeot Citroën Automobile (DPCA), the Group currently serves 5.1% of the local passenger car market, estimated at around two million vehicles.

Peugeot
307 Sedan

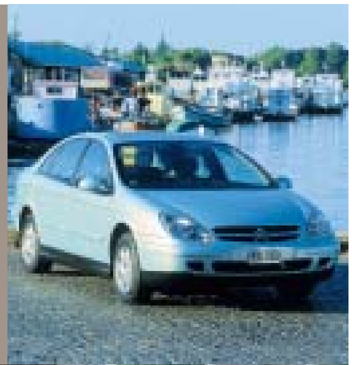
It operates two production facilities in Hubei province: an assembly plant at Wuhan with rated capacity of 150,000 vehicles a year, and a mechanical components plant at Xiang Fan.
On the marketing side, a dense sales network markets Citroën vehicles and provides customer service through more than 350 contact points in over 250 cities nationwide.

To maintain its share of an extremely fast growing market, which surged 83% in 2003 after increasing 53% in 2002, PSA Peugeot Citroën and DongFeng Motor, the two equal partners in DPCA, announced the continued implementation of an ambitious product plan. The first phase involves the first-half 2004 introduction of the Peugeot 307 hatchback, a body style that is especially popular in China. Marketing of the four-door trunked sedan, to be produced at the Wuhan plant, is scheduled to begin in the summer, with sales targeted at 15,000 units in 2004 and 50,000 in 2005. This means that Wuhan will be producing five Citroën models and one Peugeot model, in line with the objective announced during the signing of the 2002 agreement. In addition, production of the Peugeot 206, Europe's best selling car in 2001 and 2002, will also begin in 2005, with other launches following close behind.

Start-up of local Peugeot production is being supported by the creation of a dedicated marketing organization and the gradual deployment of a network of 80 exclusive DongFeng Peugeot dealers in 52 of the country's latest cities, in time for the mid-2004 launch of the new 307. Demand for the broader Group offering will be met by increasing capacity at the Wuhan plant to 300,000 vehicles a year as from the second half of 2006.

The sales target for the joint venture has been set at an aggregate 140,000 cars in 2004.

The Citroën C5



The Citroën Elysée

The Peugeot 206 RC

In Russia, sales climbed 33.9% to 12,200 units or 7% of the import market. Peugeot enjoyed steady growth, to 8,900 vehicles, and announced the creation of a new import subsidiary to manage the marque's importing, marketing and development in Russia starting in 2004.

In China, Citroën sold 104,000 cars, an increase of 21.7%. Sales have practically doubled in two years, led by the successive introductions of the Xsara Picasso (2001), the Elysée (2002) and the Xsara (2003).

In Japan, where demand for imported cars fell by nearly 5% in 2003, sales amounted to 16,400 vehicles, versus 16,900 in 2002.

In Iran, CKD billings increased 27.3% to 199,200 units from 156,500 in 2002, with Peugeot accounting for 192,300.

GROWTH LED BY SUCCESSFUL MODELS

The slight increase in worldwide unit sales confirmed the recognized appeal of the Group's recent models and newly introduced technologies.

Peugeot 206

Sales of the Peugeot 206 remained firm throughout 2003, easing by just 1.5% to 819,700 units. They were supported by the full-year performance of the SW version launched in 2002 and the image capital generated from the early 2003 introduction of the 206 RC version. The 206 was again the year's best-selling car in its category in Western Europe, with 3.8% of the market.

Citroën C3, C3 Pluriel and C2

For Citroën, the highlight of 2003 was the sustained market success of the C3. Launched in April 2002, the C3 exceeded its sales targets for 2003 and made a strong contribution to Citroën's sales growth. It also won a number of awards during the year, notably the car of the year prize in Spain. Launched in May, the Pluriel version enhanced the image of the entire C3 line with the unrivalled ability to be configured in five body styles: hatchback, panoramic, open top, four-seater cabriolet and cabriolet pick-up. In all, 372,600 C3s and C3 Pluriels were sold during the year.

In the final quarter of 2003, Citroën expanded its line of superminis with the C2, a new three-door sedan. Stunningly styled, the C2 also breaks new ground with an innovative modular interior and trunk access concept that can be configured for any situation. Highly popular with customers, the C2 and its sister compacts, the C3 and C3 Pluriel, offer the promise of

The Citroën Xsara Picasso

The Peugeot Partner

The Peugeot 307 SW

further gains as part of Citroën's recent growth dynamic. More than 56,000 C2s were sold by the end of 2003.

Citroën Xsara Picasso

218,000 Citroën Xsara Picassos were sold in 2003. The model's appeal was enhanced during the year with the introduction of a new 16-valve, 137bhp 2.0i engine coupled to an Autoactive automatic transmission with sequential gear change control. It was further broadened by the February 2004 market launch of the new 1.6-liter, 110bhp HDI engine.

Peugeot 307

Peugeot 307 sales rose 3% in 2003 to 559,400 units, with the SW version, launched in March 2002, accounting for 25% of the total. The lineup was expanded in September with a coupe-cabriolet version inspired by the 206 CC concept. Beginning in 2004, the 307 will be produced in Argentina and China.

Citroën Berlingo/Peugeot Partner

Sales of the Citroën Berlingo and Peugeot Partner returned to growth in 2003, led by the restyled versions introduced in October 2002. Berlingo sales rose 8.7% to 180,400 units, while Partner sales gained 15% to 135,100 units.

Peugeot 807/Citroën C8

Sales of executive MPVs more than doubled to an aggregate 62,200 units in 2003, the first full year of the Peugeot 807 and Citroën C8 on the market. In April, they were awarded five stars in EuroNCAP safety tests.

Diesel engines and the particulate filter

European demand for diesel-powered vehicles continued its strong upward trend in 2003. Further enhanced during the year with a new 2-liter version, PSA Peugeot Citroën's line of high-pressure, direct injection (HDI) diesel engines is now available on almost every model, positioning the Group as the benchmark in diesel powerplants, in terms of not only fuel economy and emissions control, but also performance and driving pleasure. Nearly 1.4 million HDI-powered vehicles were sold in 2003, an 8% increase over the prior year. In all, diesels accounted for 49.7% of consolidated sales, while Peugeot and Citroën held a combined 18% of the European market for diesel-powered passenger cars.

PSA Peugeot Citroën remains the uncontested world leader in particulate filters, an especially environmentally friendly technology that was introduced as a world's first in May 2000. By year-end 2003, nearly 600,000 Peugeot and Citroën vehicles had been fitted with the filter, which is now offered on six model families. In November 2002, a second generation was introduced that, depending on the version, can go without servicing for up to 120,000 kilometers, instead of 80,000 kilometers for the previous version. A third generation eliminating servicing altogether will be introduced in 2004.

The new plant being built in Kolín

In April 2003, one year after groundbreaking, PSA Peugeot Citroën and Toyota Motor Corp. held a topping ceremony for the new plant being built in Kolín, Czech Republic by their joint venture, Toyota Peugeot Citroën Automobile (TPCA). During the ceremony, the two partners emphasized the smooth progress of the joint venture. Work on the plant is expected to be completed by the spring of 2004, in line with the initial construction plan. Manufacturing tools will then be installed and, as forecast, the vehicles based on the TPCA joint platform will start rolling off the assembly lines in 2005.

The TPCA plant will manufacture small cars, primarily for European markets.

Outside view of the TPCA facilities in Kolin (Czech Republic)

It will employ around 3,000 people and be able to produce 300,000 cars a year, i.e. 100,000 units for each marque, or 200,000 for PSA Peugeot Citroën. The total budget is estimated at €1.15 billion, of which €510 million to build the plant.

PRODUCTION CAPACITY AND FLEXIBILITY

Assertively engaged in a long-term growth dynamic, PSA Peugeot Citroën remains committed to producing at least four million vehicles in 2006. This growth has resulted in high capacity utilization across the Group's manufacturing base, which comprises nine assembly plants in Western Europe, other facilities in South America and China, and plants operated in cooperation with other carmakers. According to the Harbour index, which measures a plant's utilization based on hourly capacity, an average 16-hour workday, and 235 workdays a year, assembly capacity utilization in Western Europe remained a high 114% in 2003, versus 117% in 2002.

The new work schedules implemented since 1999 proved effective in meeting the need for flexibility and competitiveness in responding to changing market demand during the year. In the first half, for example, output was increased by around 7% year-on-year through the use of temporary employees and additional shifts, while in the second six months, production was cut 4% year-on-year by eliminating certain shifts or through voluntary reductions in working hours.

To meet its growth targets while securing an optimum balance between high capacity utilization and the resulting technical, financial and labor-related constraints, the Group is building new production capacity. The Kolín plant being built with Toyota in the Czech Republic will have capacity to manufacture 300,000 vehicles, including 200,000 Peugeots and Citroëns. It will start producing small, entry-level cars in 2005. The manufacturing base will also be extended by a new assembly plant in Trnava, Slovakia. Dedicated to small platform-1 Peugeot and Citroën vehicles and scheduled to come on stream in 2006, the new unit will also be able to build 300,000 cars a year. Lastly, the Group's joint venture with DongFeng Motor is planning to expand its production capacity in China.

REDUCING AND POOLING COSTS

To improve efficiency, PSA Peugeot Citroën is aggressively pursuing its commitment to reducing costs.

The platform strategy

The Group pursued its platform strategy in 2003, with the objective of having common parts account for at least 60% of the cost of vehicles made on the same platform. The strategy is helping to lower production costs, reduce unit research and development expenses, keep capital expenditure under control and shorten time-to-market cycles. The three new platforms have been available since 2002. Once the old platforms have been phased out and each plant is specialized by platform, then the full savings from the platform strategy can be realized. This is expected to reduce annual production costs by some €800 million from 2002 to 2006.

Improving manufacturing efficiency

PSA Peugeot Citroën is implementing a program to enhance the efficiency of its manufacturing facilities with two action plans. The first, already underway, is extending global best practices across the organization and improving general plant organization. The second is driving significant progress in the assemblability of new models and in working conditions to shorten assembly time and improve manufacturing performance. Average vehicle assembly time has already been reduced by 17% from 2001 to 2003. Together, these two action plans are expected to generate additional savings of around €350 million from 2002 to 2006.

An assertive cooperation strategy

During the year, PSA Peugeot Citroën pursued its strategy of forming cooperative ventures with other manufacturers, preparing for full ramp-up of the ventures with Ford, Toyota and BMW. The Ford

Production of the Citroën C3 Pluriel at the Madrid plant (Spain)

Start-up of Peugeot 307 production in Argentina

Construction of the Trnava plant (Slovakia)

venture will have a full-year impact in 2004 with the production and marketing of three families of direct injection diesel engines, from the 1.4-liter HDI to the 2.7-liter V6. The Toyota venture will reach maturity in first-half 2005, when it will launch a line of small, entry-level cars primarily intended for the European market. Production of the new family of small gasoline engines developed in cooperation with BMW is scheduled to begin in 2006.

Reducing costs more quickly

The Group has decided to accelerate programs to reduce purchasing costs and capital expenditure.

As part of this process, global sourcing is being implemented to increase the volume of automotive parts and components purchased from low-cost suppliers. In 2003, for example, a purchasing office was opened in Shanghai (China).

Unit cost per car sold is also being reduced through a dedicated program to tighten capital expenditure. The target of capping capital outlays at €3 billion a year, including construction of the Trnava plant, remains in effect for 2004 and 2005. Continuing the program beyond 2005 will hold consolidated capital expenditure below €3 billion.

Capital expenditure committed by the Automobile Division totalled €2,547 million in 2003, versus €2,357 million in 2002. Outlays corresponded primarily to the start-up of production of the Citroën C3 Pluriel at the Madrid plant, the Citroën C2 at the Aulnay plant, the Peugeot 407 at the Rennes plant and the Peugeot 307 in Argentina, as well as the production of new models at the Mulhouse and Poissy plants.

Programs to renovate and update the manufacturing base were also pursued during the year, with the construction of a new paint shop at the Mulhouse plant and the modernization of the Poissy car assembly line. Other capital programs concerned the start-up of production of the six-speed manual transmission at the Metz plant, while at the Trémery plant, work was completed on the second manufacturing module for the small diesel engines to be produced by the cooperative venture with the Ford Motor Company.

MODERATE SALES GROWTH IN 2004

The pace of new model introductions slowed somewhat in the second half of 2003, but will pick up sharply in 2004, 2005 and 2006, as the Group maintains its objective of launching 26 new models from 2003 to 2006. For example, six new body styles and two new powertrains will be introduced in 2004.

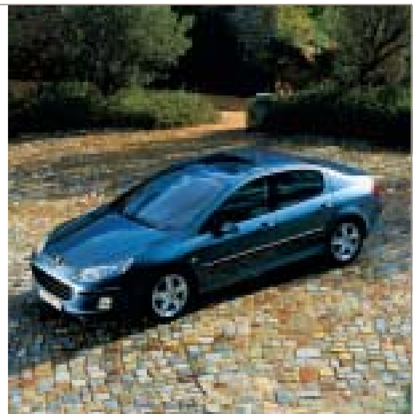
The full-year impact of the models launched in 2003—the Citroën C3 Pluriel, Peugeot 307CC and Citroën C2, plus the two new HDI diesel engines developed in cooperation with Ford that will be rolled out in 2004—should enable the Group to hold first-half 2004 sales in line with second-half 2003 levels.

Beginning in the spring, the sedan and SW versions of the Peugeot 407 will rewrite the rules in the upper midsize segment and exert a substantial positive impact on both market share and consolidated margins.

Other product news will concern the late-year introduction of two versions of a new Citroën model, whose unit sales will enable the marque to restore its predominant position in the midsize segment.

As a result, the Group is expecting moderate growth in sales in 2004.

Introducing the Peugeot 407



In December 2003, Peugeot unveiled the replacement of the 406, intended for a market segment representing a critical strategic challenge for any broadline carmaker. Scheduled for market launch in spring 2004, the Peugeot 407 will mark a bold turning point in the upper midsize sedan market, with stylistic innovation, handling and exceptional active and passive safety features that will all set new standards in the segment.

In the summer, the 407 range will be extended with the SW version. In a radical break with the stylistic codes of the traditional station wagon, the Peugeot 407 SW projects an exciting, elegant styling identity all its own.

Produced at the Rennes plant, the Peugeot 407 will be introduced with four gasoline engines (1.8 liters, 2 liters, 2.2 liters and 3 liters) and two new-generation HDI diesel engines (1.6 liters and 2 liters). With a lineup that will be further enhanced with a third body style in 2005, the Peugeot 407 will enable the marque to strengthen its position in Europe, gaining new market share and enhancing its image. The full-year sales target is 300,000 units.

The ES9 V6 gasoline engine

A Peugeot showroom in Rome (Italy)

The Citroën C8 interior

The Citroën C3 Pluriel

BANQUE PSA FINANCE

A Peugeot dealership in Australia

BANQUE PSA FINANCE

A Citroën dealership in Belgium

In 2003, Banque PSA Finance continued to expand in the global marketplace, upgrade its operating systems and deploy its products and services. These developments drove strong growth in business and a sharp improvement in margins.

During the year, the Bank completed several major steps in its international expansion, as it supported the fast growth of the Peugeot and Citroën marques with an offer of financing solutions and related services similar to those marketed in Western Europe. In Central Europe, it started up operations in the Czech Republic and Slovakia and created a new subsidiary in Hungary, which began operating in early 2004. In China, where banking authorities began at year-end to prepare regulations to govern and support the development of automobile financing, the Bank opened a representative office, the first step in a bolder presence in this fast growing market.

Banque PSA Finance continued to actively revamp its information and management systems in 2003, with the installation in Germany and Austria of the system used since January 2002 by the UK branch. As well, major projects were undertaken to merge with these systems the French operating system. Deployment will continue across Western Europe through 2005. While improving cost control, these extensive investments will enable Banque PSA Finance to substantially enhance its market responsiveness with a more flexible product and service portfolio and improved customer service.

Development of the product range was stepped up with the deployment in Europe of the portfolio of financing services (loan insurance, financial loss insurance) and vehicle-related services (extended warranties, car insurance). These services are generally marketed as comprehensive solutions, comprising both financing and all or part of the related services to enhance the customer experience. These composite products now represent 40% of the Bank’s total originations, a percentage that is likely to increase significantly in coming years.

Banque PSA Finance provided new retail financing for 845,961 new and used Peugeot and Citroën vehicles in 2003, up 5.5% from the previous year.

New vehicle loans rose by 5.5% to 656,779 units, increasing to 26.4% from 25.1% the Bank's penetration rate—i.e. the number of vehicles financed by the Bank as a percentage of total Peugeot and Citroën vehicle registrations in the Bank's country markets. This performance was led not only by the development of composite products, which enabled the Bank to broaden its customer base, but also by improved loan sales support software, deployed as part of the operating systems upgrade, and by the increasing number of programs to train dealers in selling car loans.

The number of financing contracts for previously owned vehicles rose 5.6% to 189,182, due to the growing involvement of the dealer networks in selling used vehicles.

In all, new retail loans rose by 6.6% to €8.6 billion at December 31, 2003.

In the wholesale segment, Banque PSA Finance financed 2,070,975 new vehicles, for a total of €34,681 million. There was sustained growth in financing for replacement parts inventory.

The strong steady increase in the number of loans has driven robust growth in outstandings. Including securitized loans, outstandings ended 2003 up 4.8% at €19,580 million, after gaining 8.6% in 2002 and 17.3% in 2001.

Citroën C2s awaiting shipment at the Aulnay plant (France)

Building a customer relationship in a Citroën dealership in Paris (France)

A Peugeot showroom in Latvia

GEFCO

2003 was a difficult year in the transportation and logistics market, shaped by sluggish economies in most Western European countries, the sharp appreciation in the euro, strikes across the transportation sector and an increasingly constrictive regulatory framework. Despite this unfavorable environment, Gefco pursued its growth strategy in the industrial segment by leveraging three core drivers: globalization, logistics integration and innovation.

Preparing a car for delivery to a dealer

In 2003, Gefco generated 50% of sales outside France and extended its presence to more than 80 countries worldwide. Three new subsidiaries were opened in Tunisia, the Czech Republic and Russia, bringing to 16 the number of countries where Gefco has a company active in all of its core businesses.

The late-2003 creation of the Russian subsidiary was in line with Gefco's commitment to extending its overland network across the European continent. The sustained development of trade with Eastern Europe and the need to support PSA Peugeot Citroën's expansion in the region represents an opportunity for the company to increase its business and maintain its position as Europe's third largest logistics integrator.

In December, Gefco entered the Chinese market with the signing of a memorandum of understanding with DTW, a local logistics and transport group, concerning the creation of a 50/50 joint venture. The new company is committed to becoming a major provider of logistics services in China's fast growing automobile market. It will begin operations by working with Dongfeng Peugeot Citroën Automobile.

In Europe, Gefco opened 40 cross-border lines, linking most European countries to Germany, Russia, Austria, Italy, Turkey and the Czech Republic. Today, the European network comprises some 400 cross-border connections, providing an important source of future growth.

The international network was expanded with new agencies and cross-border lines. The new agencies are involved in overland freight (seven new agencies in Europe), sea and air freight (five agencies in Europe, the Mercosur region and China), logistics (six platforms in Europe) and automobile distribution (a center in Poland). The lines were extended following agreements signed during the year with EmoTrans (North America), GAC (Middle East and Southeast Asia) and DTW (China).

During the year, Gefco enhanced its capabilities as a logistics integrator in response to the growing globalization of trade and the need for companies to shorten cycle times by improving their supply chain management.

The logistics business reported strong 20% growth in sales, even as the company continued to develop its multimodal transport services (overland, sea, rail and air), its global network and its integrated information system.

Sales in the vehicle preparation and renovation business rose 22%, led by expansion in France, Germany, Italy and Portugal, with operations outside France now accounting for 30% of the total.

The container and box management unit, which renovated its leasing and pooled management solutions during the year, increased sales by 18%. It now manages three million reusable containers and eight industrial and supply chain service centers in Europe, including two opened in 2003.

The supply chain integration unit expanded operations to 60 platforms, dedicated either to upstream logistics (forward inventory management, just-in-sequence deliveries, secure supply chain processes, organization of flows, etc.) or to downstream logistics (organization of flows and inventory, active and passive security, distribution, etc.). Sales rose 18% in 2003, led by the commissioning of a new generation of logistics platforms, particularly the international platform in Le Havre and the Eastern France platform. Projects now underway will increase capacity from 600,000 to 800,000 square meters by 2006.

Innovation in 2003 focused on information systems, competitiveness and sustainable development.

The deployment of new information systems led to the well-managed start-up of several technologies:

- Supply Chain Event Management makes it possible to use the Gefco.net portal to track, foresee and, in case of an incident, reschedule supply chain events. The function is now operational for sea freight via the Le Havre and Vigo platforms.

- Onboard telematics enables the real-time tracking of package deliveries and confirmation of customer reception. To perfect the system, the beta is being tested by the German subsidiary,

A first in Europe: electric trucks making deliveries in Paris

In October 2003, Gefco and partners L'Oréal and Electricité de France responded to the challenge of reducing urban air pollution by launching Europe's first program to test downtown deliveries using electric trucks.

The ten-ton, zero emission vehicles deliver L'Oréal products, quietly and pollution-free, to stores in the center of Paris. Should the trials prove successful, they could be extended to other European capitals in the future.

which used it successfully throughout 2003.

- Wi-Fi-enabled workstations are being installed in the smaller agencies to enable wireless connections with the Gefco operations center. Now up and running, the system eliminates costly wiring.

In 2003, Gefco stepped up its program to share competitiveness gains with customers. The partnerships concerned the optimization of supply chain processes with the design of new transportation networks, the development of efficient new modal mixes (shifting between overland, sea, rail and air), and the optimization of loading and unloading times.

In sustainable development, programs focused on optimizing transportation processes, by using the best mode to help reduce CO_2 and other greenhouse gas emissions. The proportion of rail transport, which accounted for 9% of Gefco freight, versus 3% in Europe as a whole, was increased by the purchase of 245 car carriers for merchandise shipped to the Kolín plant in the Czech Republic.

Prevention of transportation risks was improved by the introduction of a “Best Driver Challenge” which helped to reduce the number of incidents by 20% and to prevent accidents with bodily injury. In association with L’Oréal and Electricité de France, an innovative program was initiated to test Europe’s first city-center deliveries using electric trucks.

FAURECIA

Faurecia had identified two key objectives for 2003. The first was to increase sales faster than growth in European automobile production and the second was to drive a significant improvement in margins by leveraging four key value drivers: improving manufacturing practices and redeploying production facilities, the purchasing plan, the Program Management System and effective research and development. Both these objectives were met through the sustained implementation of the company's strategic vision, focused on six critical automotive modules—seats, cockpits, door panels, acoustic systems, front-ends and exhaust systems—and the strengthening of the positions of each of these businesses among the global leaders.

In car seats, Faurecia consolidated its European leadership with 25% of the complete seat market and 50% of the seat frame segment. The business also deepened its presence in the global marketplace by developing complete seat assembly operations in North America, China and Japan. In the United States, since July 2003, Faurecia has been assembling complete seats for the Chevrolet Malibu, built on a platform that Faurecia already equips for European cars. The company has also been approved as a Chrysler supplier, following a major order that consolidated its number three ranking in North America. In China, Faurecia is supplying seats to the local big three, DongFeng Motor, FAW and SAIC.

Five new production units were commissioned in 2003—two for components in Poland and Mexico and three for just-in-time seat assembly in the United States, Japan and the Netherlands—enabling the company to equip 4.8 million vehicles with complete seats during the year.

In other vehicle interior modules, Faurecia strengthened its position as European leader and second largest producer worldwide in instrument panels and consolidated its global market leadership in door panels. In the United States, Chrysler has selected the company to develop and produce the instrument panel, door panel and center console module for models scheduled for introduction in 2006.

These developments are being supported by enhanced innovation capabilities, particularly the new research and development center inaugurated in September 2003 in Hagenbach, Germany. Designed to serve as a major source of innovation in interior modules, the 500-person center offers Faurecia customers state-of-the-art technical skills and resources.

Development is also being supported by SAS, a joint venture with Siemens VDO, whose positions were strengthened in June 2003 when the two partners merged into the venture four additional production units: Faurecia's Ghent, Belgium plant and three Siemens VDO facilities in Germany, the Czech Republic and Spain. The transfer has made SAS Europe's leading source of cockpit modules assembled just-in-time from components primarily supplied by the two partners. It will leverage this base to accelerate growth in Europe and North America.

A new production facility also came on stream in Gorzow, Poland. It will be followed by two additional plants in Slovakia in 2004 and 2005 to support expanding automobile production in the region.

The acoustic systems division continued to gain market share, led by its exceptional expertise in new materials like Sommold, a proprietary fiberglass/polypropylene composite. The division's manufacturing competitiveness is now being backed by the ramp-up of a new plant in Legnica, Poland, in line with initial objectives.

In exhaust systems, Faurecia is the preferred supplier to almost all of the world's leading carmakers. A large number of new orders helped to renew the revenue base in Europe, drive strong growth in the United States and support sustained business in Asia. Major new contracts were also won from new customers like Hyundai in South Korea and Chrysler in the United States. As well, the company benefited from carmaker interest in particulate filters and mechanically welded manifolds. Faurecia supplied the world's first particulate filter using the washcoated process, which equips Mercedes Benz C Class models in Germany. This technological leadership has enabled the exhaust system division to capture a significant share of these markets, with contracts from Hyundai, PSA Peugeot Citroën, Renault, Volkswagen and other carmaker.

To drive expansion of the business in Asia, Faurecia acquired the exhaust systems assets of Chang Heung Precision Co. Ltd in South Korea. The acquisition, which made Faurecia the country's second largest supplier of integrated exhaust systems, also broadened the portfolio of solutions marketed since 2002 in partnership with Daeki, a South Korean catalytic converter manufacture. In China, the company now consolidates operations conducted through two joint ventures, Shanghai-based SHEESC, which produces catalytic converters for Shanghai-Volkswagen, and Wuhan-based TEEC, which primarily supplies integrated exhaust lines to Dongfeng Peugeot Citroën Automobile.

To support these developments, and particularly the start-up of series production on major worldwide programs in the United States for Ford, General Motors and Chrysler, new facilities will be brought on stream in the United States and Mexico.

Faurecia strengthened its positions in the European market for front-end modules, bumper fascia and cooling fan systems, by maintaining or increasing market share among leading customers. The year saw start-up of production of front-end assemblies for the BMW 3 series and of metal-plastic hybrid front fascia for the BMW X3. This is the first BMW to be fitted with the new technology, in which Faurecia is the European market leader.

Production continued to be globalized, backed by the company's worldwide operations and partnerships, which enabled the fulfillment of orders from customers in South Africa, Slovenia and Turkey. A new bumper fascia plant came on stream in France, while in Germany, production of hybrid front fascia was consolidated at Ingolstadt. At the same time, a new front-end module production unit was commissioned in Neutraubling, Germany to deliver up to 1,000 modules a day in sequence to the BMW plant in Regensburg. A fully robotized bumper paint shop was installed in Bains-sur-Oust to ensure superior quality production.

Throughout 2003, Faurecia continued to strengthen and enhance the capabilities demanded by its new scope and global reach. These programs were shaped by a constant concern for supporting employees through the change process, for improving their safety and for getting them more actively involved in their jobs, so as to drive continuous improvement. After increasing sharply in recent years, the number of employees stabilized in 2003, at 59,500 people. The percentage of employees based outside Europe rose slightly, however, in line with the growth in business in these markets.

2003 also saw the deployment of the Faurecia Excellence System program across the organization. The program is designed to:

- Improve management of new production start-ups. A particularly large number of new products were launched in 2003, and recent order intake will maintain the fast pace of start-ups in the years ahead. Implementation of the Program Management System reduced start-up costs by 36% in 2003.
- Improve production quality to world-class levels.
- Increase productivity by continuously improving manufacturing practices and redeploying the production base.
- Continue to implement the purchasing plan, focused on reducing the number of suppliers, managing quality, sourcing in low-cost countries and increasing the use of online auctions.

While forecasting slower organic growth in 2004, Faurecia nevertheless expects expansion to pick up towards the end of the year, led by business outside Europe. As a result, it maintains its objective of steadily improving operating margin, one half-year after another.

An instrument panel
for the Renault VelSatis

A Faurecia designer

A door panel
for the Volkswagen Polo

OTHER BUSINESSES

The Peugeot Jet Force scooter

An engine production line at PCM

PEUGEOT MOTOCYCLES

The European motorcycle and scooter market contracted for the fourth year in a row in 2003, declining 9.3% to 1,116,000 units from 1,230,000 in 2002, for a cumulative 38% drop since 1999. In Italy and Spain, demand continued the downward trend begun that year, while it began to weaken in France, the United Kingdom, Germany, Belgium and the Netherlands—all very important markets for Peugeot Motocycles (PMTC).

The softer markets held PMTC sales volumes nearly flat, at 160,000 units versus 162,000 the year before. Sales rose 2.1% to €271.4 million, however, due to a favorable product mix following higher sales of premium scooters requiring registration like the Elystar and the Jet Force. Because unit sales did not decline as far as the overall European market, PMTC widened its share of the moped, multi-gear motorbike and scooter segment in the region's seven leading country markets to nearly 12.2% from 11.7% in 2002. The improvement was significant in Italy (3.2% versus 2.8%), Germany (17.8% versus 16.8%), Belgium (38.8% versus 33.3%), Spain (5.7% versus 4.2%) and the United Kingdom (13.8% versus 12.6%). Market share held firm in France (28.5%) and the Netherlands (26.3%).

Weaker demand and a difficult early-year start-up at the new parts warehouse caused the company to report an operating loss of €23.2 million.

During the year, PMTC pursued its strategic focus on developing products and modernizing facilities. Highlights included:

- Market launch of the Jet Force, a sports scooter with a fuel-injected engine, ABS-assisted braking and, in a world first, a supercharger. 18,200 units were sold during the year.

- Presentation of Ludix, an affordable new scooter offering exceptional value for the money, with prices starting at €999. Deliveries are scheduled to begin in early 2004.

- Completion of the Downstream Project to upgrade assembly lines and install a new, fully-computerized highly reliable parts warehouse.

PMTC expects demand to edge up slightly in 2004, when new product introductions should drive stronger growth in unit sales.

SOCIETE DE CONSTRUCTIONS MECANIQUES PANHARD & LEVASSOR (SCMPL)

SCMPL designs and builds wheeled armored vehicles. In 2003, sales declined to €61.7 million from €64.7 million the year before, while operating margin amounted to €2.4 million.

During year, the company continued to deliver VBL light armored vehicles to the French Army and various export customers, while pursuing programs to rebuild VBLs and retrofit powertrains on ERC Sagaie armored reconnaissance vehicles for the French Army.

Order intake during the year helped to stabilize backlog at €97 million, as SCMPL maintained its commitment to developing new products to secure its long-term future.

PROCESS CONCEPTION INGENIERIE (PCI)

PCI designs and manufactures industrial equipment for assembly, stamping, body-in-white and machining processes. Sales totaled €362 million in 2003, while order intake declined to €247 million following a reduction in capital spending among the company's major customers.

Operating margin amounted to €18 million, while the company maintained its position as a tier-one supplier to its main customers.

PEUGEOT CITROËN MOTEURS (PCM)

In a persistently tight market, PCM continued to grow, increasing sales 28.8% to €142 million from €110 million in 2002. The number of engines sold rose 24.7% to 48,833 from 39,150 in 2002. The company expects to see further growth in 2004, led by sustained expansion in Japan, China and India.

The Process Conception Ingénierie plant in Rennes (France)

The Peugeot Elystar scooter

The 1.6-liter HDI diesel engine

The Ludix line of scooters from Peugeot Motocycles

Corporate Policies

HUMAN RESOURCES

PSA Peugeot Citroën's employee relations and human resources policies are a source of competitive strength in driving the Group's expansion and sustainable business performance. To combine this performance with continuous improvement in the work-life experience, they also encourage a sense of community built on strong shared values, open dialogue, solidarity and respect for people in all their diversity. Applied in all operations worldwide, the policies are designed to anticipate changes in the Group and its markets, and to implement innovative, forward looking systems and processes capable of supporting the increasing globalization of the business base.

In line with this vision, employee relations processes are organized around four major principles:
- An active hiring policy to attract the finest talent.
- Responsive organizations adapted to the Group's challenges and a commitment to improving working conditions.
- Compensation linked to Group earnings.
- Sustained, constantly renewed dialogue, in every country, with employees and employee representatives.

AN ACTIVE HIRING POLICY TO ATTRACT THE FINEST TALENT

A NEW HIRING DYNAMIC

The Group's strategic focus on growth and innovation has helped drive a new hiring dynamic:
- The Group now employs nearly 200,000 people worldwide.
- More than 74,600 people have been hired under permanent contracts over the past five years, including nearly 43,000 in France.
- More than 15,200 people were hired in 2003, increasing headcount by more than 1,300 employees worldwide.
- Nearly half of all employees at December 31, 2003 had been hired over the past seven years.

Over the past four years, worldwide headcount has risen by more than 20%, or more than 34,000 people, of which an aggregate 8,100 in the Automobile Division, Banque PSA Finance and the other businesses. At the same time, human resources have become more international, with 75,200 employees based outside France in 2003 compared with 28,400 in 1996.

Employees by Business and Region at December 31, 2003

	France	Rest of Europe	Outside Europe	Total
Automobile	97,050	33,900	4,230	135,180
Banque PSA Finance	900	1,210	40	2,150
Gefco	4,930	3,150	270	8,350
Faurecia	19,650	25,210	7,000	51,860
Other Businesses	2,180	50	140	2,370
Total	**124,710**	**63,520**	**11,680**(1)	**199,910**

(1) Not including the 6,480 employees, at December 31, 2003, of the Dongfeng Peugeot Citroën Automobile (DPCA) joint venture in China.

Net jobs created, 1999-2003

	Employees at Dec. 31, 1998	Net jobs added (lost) through acquisitions/ disposals	Net jobs created	Employees at Dec. 31, 2003
France	114,000	(80)	10,790	**124,710**
Rest of world	43,260	13,470	18,460	**75,200**

Creating jobs around the world

Excluding acquisitions and disposals, a net 29,250 jobs have been created over the past five years, of which 18,020 have been in the Automobile Division. More than 10,790 jobs have been created in France, of which 9,770 in the Automobile Division. In addition, the operations sold between 1999 and 2003 have also continued to expand and create jobs.

Hiring to support expansion in the global marketplace

The Group's growth strategy, which has driven an increase in unit sales to 3,286,100 vehicles in 2003 from 2,282,000 in 1998, has required the recruitment of more than 74,600 people over the past five years, with a clear focus on attracting the finest talent.

Hiring across all core competencies

In a commitment to integrating a variety of educational, cultural, professional and international backgrounds, people were recruited in a broad range of disciplines, including marketing and sales, engineering, innovation, design, project development, manufacturing, information technology, management, finance and human resources. New hires included not only young graduates and highly qualified people, but also people with few job skills or training. In France, PSA Peugeot Citroën is one of the leading employers of untrained and unskilled workers. In 2003, 800 young people without diplomas were hired on one of the French production sites, while in the Group's worldwide operations, nearly 2,700 people without diplomas were hired, or 27% of the 9,900 recruitments during the year.

Agreement signed with France's National Employment Agency

On October 22, 2003, PSA Peugeot Citroën signed a three-year framework cooperation agreement with France's National Employment Agency (ANPE). It is designed to expand local partnerships and harmonize them nationwide, in a commitment to successfully recruiting new workers and strengthening cooperation in support of employment and first-time access to jobs.

As part of the agreement, the Group has agreed to use, whenever possible, simulation methods, so that job seekers can be evaluated on their capabilities and not just on their education or experience.

In addition, the Group has agreed to review applications from people with widely varying backgrounds, to participate in events and programs organized by ANPE to promote jobs in the automobile industry and, more broadly, to discuss changes in skills and jobs with ANPE.

Attracting the best

A survey conducted in France in 2003 by the TNS Sofrès public opinion firm showed that engineering students once again considered PSA Peugeot Citroën as France's best company to work for. Another survey carried out in the United Kingdom, Spain and France by the Centre d'Etudes et de Recherches sur les Qualifications (CEREQ) for the Group's European Works Council indicated that young people believe the Group offers attractive salaries and working conditions.

In 2003, the Group received nearly 170,000 job applications, including more than 77,000 via the Internet. During the year, in a commitment to further enhancing the diversity of its recruitment channels in France, the Group signed a three-year cooperation agreement with the country's National Employment Agency.

Promoting diversity in hiring

Hiring policies are designed to recruit people from highly diverse backgrounds, in terms of professional or international experience, education, culture and national origin.

In the Group's 37 host countries, 90% of employees are locals, providing a broad, rich palette of cultural viewpoints and knowledge. Hiring practices carefully avoid any form of discrimination and promote diversity, which enhances the skills base, nurtures a sense of community and drives greater business efficiency.

Increasing jobs and equal opportunities for women

As the job market continues to evolve, the continuous improvement in ergonomics and other working conditions is supporting the development of jobs for women. This is the case at PSA Peugeot Citroën, where women accounted for nearly 23% of new hires, compared with just 18% of Group employees as a whole. In 2003, nearly 22% of engineers and managers hired worldwide were women. In France, the proportion of women among new hires in the Automobile Division rose to nearly 23% from 11.7% four years ago.

Responsibly managing fixed-term contracts

The use of fixed-term employment contracts reflects the nature of the automobile industry, which is a labor-intensive business serving highly competitive markets shaped by wide swings in demand. In France, for example, the market fell 5.2% in 2002 and another 6.2% in 2003.

PSA Peugeot Citroën hires people under such contracts in response to temporary surges in business at many of its facilities. In this way, the workforce can be adjusted to meet fluctuations in demand, manage new product launches, prepare 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. Increased demand for a given model, for example, can

France's first corporation to sign a major gender diversity agreement

On November 4, 2003, PSA Peugeot Citroën became France's first large corporation to sign a gender diversity agreement to develop equal employment opportunities for women. Signed with the Group's six unions, the agreement represents an important step forward and formalizes the commitment of all the stake-holders.

The agreement supports gender equality in a number of ways. It encourages the Group to hire, in each job category, the same percentage of women as the percentage of women applicants, which in turn reflects the percentage of women graduates in a given discipline. Dedicated programs will also seek to recruit women in jobs and disciplines that have traditionally been held by men. Equal compensation and career advancement will be guaranteed, with annual raises and promotions attributed, on an aggregate basis, prorata to percentage of women in each job category. Other programs will attract women applicants by improving working conditions, employee benefits and training opportunities.

Under the three-year agreement, progress toward meeting these objectives will be tracked at both corporate and unit levels. Employee representatives are closely involved in implementation, in particular through Gender Equality Commissions in each unit.

An assembly line at the Caen plant (France)

A new charter governing employment conditions for temporary workers in France

On September 12, 2003, a charter was signed with seven temporary employment agencies—Adecco, Adia, Alliance, CRIT Interim, Manpower, Synergy and Vediorbis—to harmonize best practices across the production base and define a number of fundamental guarantees.

The Group agreed to limit to two the number of successive assignments, regardless of the reason, for a total period not to exceed eleven months, so as to allow temporary workers at least a month's vacation. Temporary workers will be given sufficient notice before the assignment ends. A variety of support services will be available, both to orient workers on a new assignment and to help them find a job when the assignment ends.

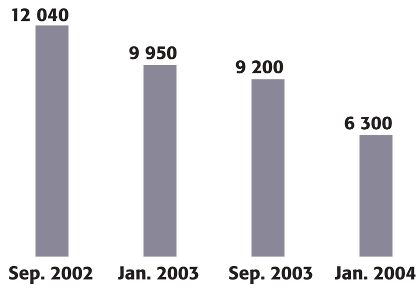
The charter provides that temporary employment terms and conditions will be similar to those enjoyed by Group personnel, i.e. equal opportunity without discrimination, practical health and safety measures, and access to employee services, training, benefits and insurance. Working hours are to be accounted for in the same manner as Group employees.

These commitments have been formalized in contractual agreements with local unions, which approved the charter on December 12, 2003.

temporarily require an additional production shift, which represents up to 1,000 people. A new product launch requires an average of more than 500 additional employees over a nine-month period. Over the past three years, the Group's commitment to reducing the use of temporary workers has led to the hiring of more people under permanent contracts and a preference for structural solutions whenever possible.

Number of temporary workers

(Automobile Division France)



Temporary employees are integrated onsite under the same conditions as people hired under permanent contracts. In particular, they participate in orientation sessions devoted to safety, quality and environmental issues and are offered training corresponding to their duties. In addition, in 2003, a charter was signed with seven temporary employment agencies to offer temporary workers employment terms and conditions similar to those enjoyed by Group personnel.

A training room at the Poissy Office Complex (France)

A hiring interview

A training workshop at the Melun-Sénart plant (France)

Internships and work-study programs to integrate young people

Every year, the Group hires a large number of interns under agreements with schools and universities in France and abroad. In 2003, 7,600 students, of whom 28% were women, pursued their education as interns at a Group unit. Gefco Argentina, for example, signed a partnership agree-ment with the Universities of Buenos Aires and Cordoba, while Gefco Spain has programs with the University of Madrid, in transportation and logistics, and the University of Seville, for administration degrees. In addition, 1,087 young people, of whom 19% were women, were hired in 2003 under work-study or apprenticeship programs.

ENHANCING SKILLS AND NURTURING HUMAN CAPITAL

Skills planning and management

A process has been implemented to plan and manage the skills the Group will need in the medium to long term. In the main corporate departments and divisions, multi-disciplinary groups are developing a vision of the current and emerging capabilities required in the Group's businesses. The process is helping to prepare a training plan aligned with the Group's strategic developments and to improve the management of transfers, promotions and career development.

Understanding and developing employee capabilities

The link between career management, training and skills development is reflected in the annual performance review, a practice that is being deployed in every Group unit. In the Automobile Division, for example, 78% of employees were reviewed in 2003.

Offering real opportunities for career development and mobility

PSA Peugeot Citroën offers employees extensive opportunities for career development and social improvement, in particular by posting transfer openings on the corporate intranet. Some 30% of managers have risen through the ranks, while around 18% of employees are promoted or change job categories every year. The Group is committed to preparing career development for young people and in 2003 began discussions with employee representatives on the issue of career development for operators. Particular attention is also paid to motivating older employees, with annual reviews of the training plan and the policy governing individual raises for employees over 50.

Managing skills and human resources internationally

In 2003, nearly 2,900 employees were involved in foreign postings or long-term temporary assignments abroad. The number of inter-country transfers also continued to increase, with 8,700 employees carrying out foreign assignments in 2003.

As it expands across the globe, PSA Peugeot Citroën focuses on hiring locally. Responsibility for managing both manufacturing operations and sales processes is primarily assigned to local employees, in a commitment to supporting the sustainable development of the Group's business around the world. Expatriates are used only when local capabilities are lacking for a given job. Currently around 720 expatriate experts or executives are on temporary assignment abroad, particularly in China and Latin America.

Created in 2002, the global employee information database was expanded in 2003, with around 60 indicators compiling employee relations results and accomplishments for every Group facility and company worldwide. Each year, data related to jobs, training, integration, skills management, work organization, working hours, safety, occupational healthcare, compensation, labor relations and other factors are analyzed to track employee trends, improve the Group's understanding and compare performance unit by unit.

The same human resources management principles are applied in all operations worldwide, despite differing local situations.

- Since 2002, profit-sharing incentive systems have been gradually extended to all the international subsidiaries.
- Defined contribution retirement plans co-funded by the Group and employees are being extended to fulfill the commitment to enabling every retiring employee to receive a pension equal to or exceeding 50% of his or her salary. In 2003, this type of pension system was set up in Brazil.

- In the area of training, the Group is constantly forging new partnerships with local school systems, as illustrated in 2003 by the partnership agreement with Tsinghua University in China and the presence of French high school and university teachers in China (and soon in Slovakia).

Preparing future capabilities with sustained training

Nearly four million hours of training were provided in 2003, about the same as in 2002. The training budget corresponded to almost 4% of total worldwide payroll of the Automobile Division manufacturing companies, with each employee attending an average 26 hours of training during the year.

Average hours of training per employee in 2003

	France	Rest of Europe	Outside Europe	Average worldwide
Average number of hours	26	21	59	26

In 2003, training focused on four main areas: general management, project management, quality and critical skills. In addition, all the programs continued to emphasize workstation proficiency.

A large part of the annual training plan is devoted to orientation courses for new employees, which accounted for more than 10% of training hours in 2003. To support the extensive hiring of young people, programs have been developed to facilitate skills transfer. As part of this process, nearly 3,000 part-time trainers spend one or two days conducting courses in their fields of expertise. In addition, the Group makes sure employees over 50 attend courses to maintain their employability.

In late 2003, the Employee Relations and Human Resources Department introduced a regularly audited training quality control process. Six months after a course, the training department contacts the employee and his or her manager to assess the skills acquired.

Detecting high potential employees

Career development potential is determined not only on the basis of an employee's motivation and aspirations but also on his or her achievements, ability to evolve and grow, managerial skills or unique expertise, and ability to adapt, particularly to international environments. Since September 2003, the Institut Supérieur du Management has been conducting high-level, six-week courses for managers aged 35-40, in a commitment to training and preparing future Group executives.

RESPONSIVE ORGANIZATIONS ADAPTED TO THE GROUP'S CHALLENGES AND A COMMITMENT TO IMPROVING WORKING CONDITIONS

NEGOTIATING NEW ORGANIZATIONAL ARRANGEMENTS TO MANAGE FLEXIBILITY

The introduction of new production organizations has led to the development of new working practices like three or four rotating shifts, consolidated four-day workweeks, night work and shorter weekend shifts. New vacation schedules adapted to today's more globalized demand have been negotiated with employee representatives in France and the rest of Europe, enabling plants to run non-stop through the summer. After being introduced at the Mulhouse facility and the mechanical component plants in 2001, non-stop operation was applied at the Ryton and Vigo plants in 2002 and then at the Sochaux plant in 2003, for the sections in charge of the Peugeot 307.

In adjusting working hours, PSA Peugeot Citroën engages in open dialogue with employees and emphasizes flexible solutions adapted to each person's needs. In 2003, for example, more than 4,400 employees worked part-time worldwide. The agreements concerning working hours negotiated during the year helped to improve the ability to program working hours, as calculated on an annual basis, and to schedule shifts.

MANAGING THE LABOR IMPACT OF A CHANGING BUSINESS

PSA Peugeot Citroën is committed to supporting employees throughout the entire process of adapting to constantly evolving business conditions and markets. When this process requires the elimination of jobs, the employees involved are offered a variety of internal placement and other support programs. In 2003, these measures avoided any dismissals in the Automobile Division. In every country, all of these reorganizations, particularly those involving employee retraining, are the subject of information and consultation procedures with local unions or employee representatives.

New subsidiary created to manage maintenance and utilities at plants in Eastern France

In 2003, a new subsidiary, Société d'Environnement et de Services de l'Est (SENSE), was created in partnership with Veolia Environnement, a global environmental services management company, to deliver maintenance, utilities management and other services to the plants in Mulhouse, Sochaux and Vesoul, France. The move has enabled the Group to focus resources on developing the product plan and the manufacturing base, while optimizing its service operations.

The 1,100 transferred employees have retained their job classifications and benefits.
In addition, as majority shareholder, the Group is carefully tracking the labor relations and human resources policies implemented in the new organization.

DEMANDING CONTRACTOR COMPLIANCE WITH LABOR AND SAFETY RULES

Workplace organization is also changing as a growing number of people employed by outsourcing contractors work on Group sites in such areas as services, technical maintenance and civil engineering projects. For example, there were an average 15,000 full-time contractor employees working on Group sites worldwide in 2003. During the year, the Employee Relations and Human Resources Department joined with the Purchasing Department to implement action plans to ensure that these companies comply with the Group's labor and safety rules. These rules are now stipulated in service contracts, while site access procedures and the monitoring of contractor performance have been strengthened.

Stricter contractor audits

In 2003, human resources and purchasing managers on Group sites worldwide were provided with a contractor compliance audit kit offering a more extensive employee relations section.

Group experts are now able to verify service compliance with specifications and contractor compliance with the employee relations commitments stipulated in the contractual agreements. In particular, the audits verify that the contractor has filed all the necessary pre-startup certificates, that the situation of employees is diligently tracked as long as the service is provided, and that contractor employees comply with PSA Peugeot Citroën access procedures when arriving onsite.

Auditors make sure the contractors carefully apply site safety rules, and that their teams have been allocated appropriate resources and are led by a manager responsible for successfully delivering the service. The contractor must also show that employees have proper medical supervision.

These audits help to eliminate contractors unwilling or unable to comply with the employee relations standards required to deliver superior quality services on a Group site.

A TOTAL COMMITMENT TO WORKPLACE SAFETY

PSA Peugeot Citroën is totally committed to achieving maximum workplace safety in all its host countries worldwide. The concerted efforts of everyone involved in the safety and risk prevention process helped to drive an improvement in performance in 2003. In the Automobile Division, the worldwide accident rate fell to 3.8 from 5.3 in 2002, compared with 27.9 in the French metalworking industry in 2001. The objective is to reduce this rate to 3.4 in 2004 and to 3.0 by 2005.

The objectives of workplace safety policies were redefined in 2003. Applied in all Group operations worldwide, they now focus on:

- Designing accident and risk prevention into all new projects and facilities.
- Getting everyone involved in preventing occupational risks.
- Coordinating measures to prevent risks involved in outsourcing.

- Diligently applying access procedures to contractor employees working onsite.
- Integrating roadway transportation risks, for production inputs, business travel and employee travel to and from their homes.

CONSTANTLY IMPROVING WORKING CONDITIONS AND ERGONOMICS

PSA Peugeot Citroën has been engaged in an ambitious process of improving working conditions since March 2001, when an agreement on this issue was signed with five unions in France. Today, this process is underway in every host country with the same objectives, the same methods and the same resources:

- The process of improving working conditions and ergonomics is designed into vehicle and industrial projects from the beginning. Supported by the METEO work and organization assessment software, the process is based on a series of milestones described in car development roadmaps.

A stylist selecting fabrics at the Vélizy Design Center (France)

Training in robot operation at the Caen plant (France)

Mounting an instrument panel at the Rennes plant (France)

- A program is underway to enhance equipment usage conditions and the workplace environment. Improvement drivers have been identified and described in every department on every site.
- An appropriate organization has been deployed across the Group since 1999. A structured team of 55 ergonomists is actively implementing best practices in every host country around the world.

The proportion of workstations rated as “heavy” has declined to 18% from 35% in 1999. The goal is to reduce this number to 14% by 2006 and 8% by 2008.

OFFERING THE DISABLED FULFILLING JOB OPPORTUNITIES

In France, the agreement on jobs for the handicapped signed with employee representatives on March 17, 2000 demonstrated the Group's commitment to pursue programs underway to integrate and hire disabled people and to support their career development. These programs are being implemented in partnership with AGEFIPH, which manages funds for hiring the handicapped, and ANACT, the national agency for improving working conditions. In addition, partnerships between the production plants and work-based assistance centers and sheltered workshops are enabling the disabled to find jobs in the automobile industry. Career development opportunities for employees classified as handicapped are discussed during salary negotiations.

Worldwide, the Group employed more than 6,500 disabled people in 2003, as defined under local legislation. In France, including sheltered workers under contract, nearly 11% of employees are classified as handicapped, compared with the legally targeted 6% nationwide.

AN ACTIVE COMMITMENT TO HEALTHCARE, A CRITICAL DRIVER OF THE GROUP'S HUMAN RESOURCES AND BUSINESS PERFORMANCE

The Group's occupational healthcare policies are based on three principles:

- Preventing any adverse impact from working conditions on employee health and any diseases capable of affecting an employee's ability to work.
- In the event of disease, enabling the employee to continue working under the best possible conditions.
- Helping employees maintain their health over the course of their career.

These policies are supported by teams of physicians and medical caregivers, as well as by inter-company occupational medical offices serving certain production facilities, most of the sales companies and the finance division units.

In addition employees across the Group are trained in emergency response and first aid.

In the same way, public health information and prevention programs have been deployed worldwide. Many units have introduced sessions to raise employee awareness of the dangers of tobacco, alcohol and drugs, while all employees have been informed about AIDS. Flu and hepatitis vaccination campaigns have also been conducted among employees in France and abroad.

COMPENSATION LINKED TO GROUP EARNINGS

COMPENSATION POLICY CONSISTENT WITH EMPLOYEE COMMITMENT AND GROUP EARNINGS

The Group's wage policy led to the signing of a large number of agreements in most countries in 2003, which ensured that employee purchasing power was maintained or, in most cases, increased, depending on the unit's growth and earnings performance.

In France, the 2003 wage agreement was signed on January 28 by five of the six unions, following similar agreements signed with the same unions in 2000, 2001 and 2002. Special attention was paid to the lowest salaries with the creation of an annual guaranteed gross compensation. In addition, under the November 2003 agreement on gender diversity and equal employment opportunities for women, the Group has guaranteed that equally qualified men and women will be paid the same wage and will be offered the same career development paths and possibilities of transfer and promotion.

In every host country, compensation always exceeds any legal or industry minima.

A manager's compensation depends on individual performance, the ability to carry out his or her respon-sibilities and local salary levels. In addition, senior executives receive a performance-related bonus, which was paid to nearly 2,300 persons in 2003, compared with 800 when the system was introduced in 1999.

ALIGNING EMPLOYEES WITH GROUP OBJECTIVES AND EARNINGS

To recognize their membership in the corporate community, all employees around the world are paid an incentive bonus based on operating margin. In 2003, these bonuses amounted to an aggregate 2.32% of payroll. In all, depending on local legislation, €172 million will be allocated under both this incentive system and the legally-mandated French profit-sharing on 2003 income.

EMPLOYEE SAVINGS AND RETIREMENT PLANS

Developing employee savings

For the past five years, in response to employee concerns about the amount of their pension benefits, the Group has been developing new employee savings systems to offer employees a broader range of investment possibilities, depending on their personal timeframe and risk profile. Employees in France, for example, can participate in three corporate savings plans:

- A plan invested in Company shares.
- A retirement savings plan.
- A diversified savings plan, created under an employee savings agreement signed on June 17, 2003, which allows employees to invest in socially responsible funds.

The Group matches employee funds invested in Company shares and in the retirement plan, as well as incentive bonuses reinvested in Company shares. In 2003, these matching payments totaled €14.5 million. To harmonize compensation policies across the Group, employee savings plans have been introduced in Spain in 2002 and the United Kingdom and Germany in 2003.

Preparing satisfactory retirement benefits

Supplemental defined contribution retirement plans have been set up in a number of countries since 2001. In France, the plan, which came into effect on July 1, 2002, concerns nearly 44,000 employees whose compensation exceeds the social security ceiling on contributions. It is financed two-thirds by the Group and one-third by the employees. In Spain, the United Kingdom and Germany, the plans are intended to supplement State retirement (social security) systems and offset the forecast decline in the replacement rate. In September 2003, a similar plan was introduced for Group employees in Brazil.

Employee Benefits

Depending on national and local 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, €125 million, or more than 2.7% of consolidated payroll, was paid out in employee benefits in 2003, covering such areas as housing, transportation, food services, medical and social services, and supplementary healthcare and insurance coverage. In addition, such payments include subsidies paid to Works Councils in France and to similar organizations in the rest of the world.

A new supplemental retirement plan in Brazil

As part of the Group's commitment to harmonizing retirement coverage around the world and encouraging employee loyalty, a defined contribution retirement plan was introduced in Brazil in September 2003. The optional plan is being offered to all employees, who can choose how much to invest each year. Company matching payments are capped depending on the employee's job classification, with a maximum of 150% for the investment of 5% of an employee's annual salary.

The plan is based on an insurance policy that allows affiliated employees to chose how their investment is managed, while the matching payments are invested in low risk funds.

Employees responded favorably to the new system, with 57% opting to participate.

INTERACTIVE PARTICIPATION BY EMPLOYEES AND EMPLOYEE REPRESENTATIVES WORLDWIDE

SUSTAINED, REVAMPED SOCIAL DIALOGUE

In France, the Group's social dialogue principles were described in the June 2001 agreement on union rights, signed by all the unions:

- The affirmation of the important role played by open, independent unions in preserving social harmony has led to new guidelines concerning the exercise of union rights. Measures focus on enhancing job enrichment and career development for employee representatives and on defining the terms of their union duties, with appropriate resources.
- The need for unions to be representative partners, close to the front line and therefore credible in the eyes of both employees and management, is being supported by measures to help employees exercise their professional responsibilities while serving as union representatives.
- All of the organizations signing the agreement recognize that discussions or negotiations supporting effective contractual relationships must be based on a clear understanding of the Group's situation. As a result, the agreement improves information processes and training for employee representatives.

A union rights agreement was negotiated in Spain in 2003.

In France as in other countries, every employee working in a production plant, service facility or major sales organization is represented by independent unions or elected representatives. In addition, European employees are represented by a European Works Council created in 1996, whose role, resources and European membership were expanded in 2003.

In the Automobile Division alone, nearly thirty agreements were signed worldwide in 2003. In France, seven agreements were signed during the year, three by five out of six unions and four by all the unions.

INFORMING EMPLOYEES AND ENCOURAGING THEIR PARTICIPATION

Employees receive a wide variety of detailed, transparent information. In addition to bulletin boards, posters and management memos, a number of corporate newsletters, websites and intranet sites deliver extensive news and information, particularly concerning compensation systems, transfers and training opportunities.

By enabling individual employees or teams to submit comments, recommendations and suggestions, participatory programs are also directly contributing to an improvement in working conditions in the production plants. In 2003, 1,700 improvement groups were active in the Automobile Division's plants in France. 180,000 improvements were suggested and an aggregate €5 million was awarded to employees making suggestions.

PROMOTING DIVERSITY

Ensuring equal opportunity

Group hiring policies guarantee equal opportunity and reflect the diversity of peoples around the world. Selection processes objectively appraise a candidate's ability to fill a given position. For Automobile Division operators, the Group uses a battery of skills tests to determine a person's ability to comply with assembly instructions and quality control procedures, as well as his or her ability to organize tasks, work in a team, take initiative, manage workload fluctuations and act independently.

Adopted in 2003, an Ethics Charter has been distributed to all employees and is regularly presented and discussed during management training programs for engineers and managers. Under its terms, any employee having difficulty in interpreting the Charter's standards of conduct and behavior, or having doubts about how they are to be applied in a given situation, can contact the Group's Ethics Delegate.

Agreement concerning the European Works Council

The role and powers of the European Works Council were strengthened in 2003 with the October 23 signing of an agreement with the European Metalworkers' Federation (representing all the trade unions in the Group's European subsidiaries), the European Federation of Managers in the Steel Industry and the Group's six French unions. The agreement calls for the integration of the French Works Council into the European body, in order to centralize discussions of important issues and the Group's major objectives in a single institution.

To support the Group's international development and prepare the European Works Council for the forthcoming enlargement of the European Union, the agreement:

- Introduces a guideline for assigning seats on the Council by country so that membership can be adapted to the Group's European presence. The guideline is designed to increase the number of countries represented on the Council and the number of non-French members.
- Allows all members to serve as Secretary and Deputy Secretary, two positions that were formerly open only to French members.
- Increases the Council's operating resources.

Closing the generation gap

In light of the extensive hiring since the end of the 90s, Group units are paying careful attention to the alignment of teams comprising employees of different generations. In the production plants, training programs have been conducted since 2000 with recognized experts to help management improve their understanding of the behavior and expectations of younger employees. In addition, the Group has asked France's National Center for Scientific Research (CNRS) to conduct a study of inter-generational dynamics in the Platform, Technical Affairs and Purchasing Department.

Integrating the disadvantaged

Every year, as part of their hiring policies, a number of Group facilities and units conduct or participate in programs to help disadvantaged people and get them back into the mainstream. These initiatives are part of the Group's social responsibility activities. In France, for example, the Aulnay, Melun and Vesoul plants conducted job initiation sessions, while th Mulhouse plant worked in association with temporary employment agencies and the National Employment Agency to facilitate the integration of the long-term unemployed with training programs and on-the-job internships. In November 2003, the Caen plant hosted former employees of Moulinex, a failed French appliance manufacturer based in the region, under an employment support initiative financed by the regional government. In South Africa, the Peugeot sales subsidiary is participating in a government sponsored integration program.

ENVIRONMENTAL STEWARDSHIP

PSA Peugeot Citroën’s environmental policy is based on the principles of sustainable development and forms an integral part of its strategic vision. Covering both production facilities and cars, which are designed to seamlessly interact with their environment, the policy is focused on preserving the quality of life of host communities, reducing automotive emissions and contributing to the harmonious development of urban areas.

CARS AND THE ENVIRONMENT

For PSA Peugeot Citroën, the major environmental challenge is to seamlessly integrate vehicles into their environment and, in particular, to abate the greenhouse effect. As a carmaker, the Group believes that it should make a proactive commitment to reducing carbon dioxide emissions, and that one way of achieving this is to develop technologies that reduce fuel consumption. It also assertively promotes the use of biofuels, sponsors environmental initiatives and invests to make its vehicles as recyclable as possible.

MEETING THE PERMANENT CHALLENGE OF REDUCING GREENHOUSE GAS EMISSIONS

After successfully reducing pollutant emissions from its cars, PSA Peugeot Citroën is now focusing on curbing their CO_2 emissions. As part of this commitment, the Group has developed new technologies for both gasoline and, especially, diesel engines, which for equivalent performance, use less fossil fuel and therefore emit less CO_2 than gasoline engines.

The second generation of the Group’s common-rail, direct-injection HDI diesel reduces CO_2 emissions by 20% compared with a conventional injection diesel and by 25% compared with a gasoline engine. In addition to the environmental advantages, these powerplants also deliver exceptional drivability and rank among the most efficient in Europe. In 2003, when 43% of cars sold in Europe were diesel-powered, PSA Peugeot Citroën produced 1.6 million HDI engines, bringing to four million the number made since 1998.

In addition, the Group is pursuing ts commitment to “downsizing”, so that smaller, and therefore more fuel efficient, engines deliver equivalent performance as the preceding larger models. Illustrated by the 2002 introduction of the 1.4-liter HDI, this policy has enabled a 10% reduction in fuel consumption while maintaining equivalent torque and power. As of the end of 2003, the Group had sold more than 200,000 vehicles powered by the 1.4-liter HDI, which emits less than 120 grams of CO_2 per kilometer. Sales are expected to total 1.7 million units by 2006.

Stop-and-start hybrids for everyone

Hybrid vehicles, which combine an internal combustion engine with a small electrical device, offer a highly promising long-term solution for significantly improving automotive environmental performance, particularly in city driving. In the short to medium term, however, it would not be economically feasible to mass produce full hybrid vehicles, equipped with two powertrains and capable of running in fully electric mode, because they are not yet cost-competitive with diesel-powered cars of equivalent performance.

As in all its technological developments, the Group is taking a pragmatic approach to hybrids, in a commitment to quickly bringing to the wider market technology capable of driving real progress.

With stop-and-start, the first stage in hybridization, the Group wants to offer a rapidly available solution that provides the best possible cost/benefit ratio. Stop-and-start powertrains integrate a low-power electrical device that 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. This system results in a 5 to 8% reduction in fuel consumption and, consequently, in CO_2 emissions. 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-and-start technology.

Beginning in 2004, vehicles equipped with stop-and-start systems will be gradually introduced in the Group's product lines, a first in Europe for this emerging technology. Several tens of thousands of Peugeot and Citroën vehicles are expected to be equipped by the end of 2006. Looking to the future, the Group's confidence in the development potential of this innovation is based on the driving pleasure and fuel efficiency it offers, especially in cities. Substantial growth is therefore expected, over the medium term.

IMPROVING AIR QUALITY

Colza

Downtown Gothenburg (Sweden)

A particulate filter

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 latest development in emissions control technology. PSA Peugeot Citroën was the first carmaker in the world to offer particulate filter technology, in a clear demonstration of its 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, 307, 406, 607 and 807 and the Citroën Picasso, C5 and C8. It will be extended to other models in the future.

The particulate filter has been highly popular since it was introduced in May 2000, and is already installed on 600,000 diesel vehicles. By 2006, the Group expects to have sold some 1.7 million particulate filter-equipped vehicles. Unveiled in June 2003, the filter's third-generation uses an entirely new filter medium architecture known as "octosquare" and is designed for service-free operation. It will equip Peugeot and Citroën vehicles beginning in 2004.

The particulate filter has won a number of awards since launch, including:

- The Paul Pietsch Prize, presented by Auto Motor und Sport magazine, Germany.
- The Environment Prize, awarded by Quattroruote magazine, Italy.
- The ARBÖ Award, presented by the Automobile Club, Austria.
- The Environment Prize, awarded by Automobile Club, United Kingdom.
- The Equip'Auto Grand Prize, France.

PROMOTING BIOFUELS

Another way to lower vehicle CO_2 emissions is through the efficient 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. Biodiesels, such as the Group's trademarked Diester®, consist of vegetable oil methyl esters (VOMEs) blended with automotive diesel fuel, while ethanol or its derivative ethyl tertiary butyl ether (ETBE) is used with gasoline.

Derived from cereals, sugar beets (ethanol and its ETBE derivative), or oilseeds such as rapeseed or soybeans (biodiesels), biofuels are exceptionally well suited to combating the greenhouse effect since the plants from which they are made trap atmospheric CO_2 through photosynthesis. Adding them to fossil fuels therefore reduces CO_2 emissions. The Group estimates that replacing 1,000 liters of diesel fuel with biofuels would reduce CO_2 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. Biofuels can be used in any Peugeot or Citroën vehicle without any technical modifications, and the Group strongly encourages this option. 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 Club des Villes Diester, an association of French cities created in 1994 to encourage the use of Diester® in three ways:

Sporty performance from a biofuelled concept car

Peugeot RC Cup

Developed from the HDI-engined Peugeot RC Diamond concept car unveiled at the 2002 Geneva Auto Show, the Peugeot RC Cup will be the most exciting newcomer to the European circuit-racing scene in 2004. More than just a new version, the RC Cup is a truly revolutionary vehicle powered by a particulate filter-equipped HDI diesel running on a biofuel mix containing 50% Diester®. The monocoque chassis is made from aluminum while power output of the 2.2-liter, central-rear located HDI engine is 178bhp. Combined with a sequential six-speed gearbox and particulate filter, the weight of the car (empty) is 790 kilograms. Its development offers compelling evidence that style, performance and environmental sensitivity are by no mean incompatible.

The 25 cars are now ready for their drivers to take the wheel for the seven-round series (based on selected rounds of FFSA's Super Series and Series weekends), as well as two non-championship excursions outside France, in Spa, Belgium as part of the Peugeot Sport Encounters program and in Valencia, Spain for the World Series.

Pronovial supports the development of non-food uses of renewable biomaterials

Pronovial is an association that promotes the use of renewal plant resources in such non-food applications as cosmetics, automobiles, lubricants, packaging, detergents, solvents and agri-materials. PSA Peugeot Citroën is a founding member, along with ADEME, Sofiprotéol, L'Oréal and Unigrains.

Pronovial collects, processes and publishes high value-added information about markets, products and producers in these sectors and supports customers in planning and developing their biomaterial projects. It provides member companies, institutions and farm associations with information services, based on an analysis of reliable sources and the opinions of internationally renowned experts. In particular, it publishes a monthly intelligence bulletin concerning renewable raw materials.

- Nurturing 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.

ECO-DESIGNING FOR DISASSEMBLY AND REUSE

PSA Peugeot Citroën designs its cars for recycling. It has embraced the principles of eco-design, using easily recyclable materials, such as metals and certain polymers, and reducing the variety of materials to facilitate resource recovery after shredding. In the case of polymers, for example, materials used to make cars have to meet increasingly stringent criteria:

- Using a single family of plastics per major function, so that an entire sub-assembly can be recycled without prior disassembly.
- Reducing the variety of plastics in a car, to optimize the related recovery processes and ensure their profitability.
- Marking plastic parts with standardized codes, to ensure identification, sorting and traceability.
- Using recycled materials.

The Group applies each of these criteria and complies with the relevant European Union directives. Since 2002, more than 800 suppliers have agreed to provide compliance certificates for all their deliveries or for each part supplied for forthcoming vehicles. In particular, the parts are guaranteed to be totally free of mercury, cadmium, lead and hexavalent chromium. At least 95% of the average mass of new Peugeot and Citroën vehicles is reusable and recoverable.

PRODUCTION PLANTS AND THE ENVIRONMENT

STRONG PRINCIPLES

PSA Peugeot Citroën is also engaged in assertive environmental stewardship in it production facilities, in a commitment to ensuring that their operations safeguard the neighboring environment and the quality of life in host communities. To support and enhance pollution abatement programs, the Group's 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 has its own capital plan and coordinates general activities in this area. 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 in its different competencies and an environmental engineering office that provides technical support for the plants, particularly during capital projects. In 2003, around 500 people were involved in managing the Group's industrial environment.

AN ACTIVE CERTIFICATION POLICY

Environmental management systems have been introduced at all production facilities worldwide, with the aim of earning ISO 14001 certification, the internationally recognized standard for environmental management and organization. It 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. This is true as well for interns, temporary employees and employees hired under fixed-term contracts, who are familiarized with environmental issues during their orientation process.

Two new sites, Metz in France and Mangualde in Portugal, earned ISO 14001 certificates in 2003, bringing to 22 the number of certified Group sites. Two others are engaged in the certification process.

As part of that process, the sites have developed procedures for communicating transparently with their host communities. Data pertaining to plant self-monitoring is transmitted to the public authorities, while requests for information from neighbors are answered and, where necessary, corrective actions are taken, such as soundproofing smokestacks or building anti-noise barriers.

CURBING GREENHOUSE GAS EMISSIONS

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:

- Optimizing current 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 to incinerate VOCs.

These measures have helped reduce VOC emissions from the French paint shops to an average 5.33 kilograms per vehicle in 2003, from a range of 10 to 13 kilograms per vehicle, depending on the site, in 1988. Worldwide, VOC emissions totalled 5.62 kilograms per vehicle in 2002.

Continued systematic implementation of the best, most cost-effective solutions will enable the Group to further improve its performance, dropping below five kilograms per vehicle in the next few years before ultimately heading towards four kilograms.

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

Cleaner technologies drive continue improvement in paint shop VOC emissions

PSA Peugeot Citroën has been working to reduce its VOC emissions since 1988. During the first phase, paint volumes were reduced and cleaning solvents were recovered for disposal or recycling.

In the second phase, the Group deployed clean technologies, comprising water-based primer and enamel lines (cutting solvent content from 80% to 15%) and incinerators for VOCs released in the drying oven. Installed at the Poissy plant, these technologies cut VOC emissions from 3,500 tons in 1988 to 950 tons in 2003. Similar technology has been implemented at the Porto Real plant in Brazil.

The new paintshop
at the Mulhouse plant (France)

Installation of these technologies at the Mulhouse plant offered an opportunity for further improvement. Primers are now totally solvent-free, making Mulhouse a global benchmark, with forecast VOC emissions of only around three kilograms per vehicle.

Future production facilities, including the new plant in Trnava, Slovakia, will be equipped with these state-of-the-art technologies.


Sorting waste at the Metz plant (France)


The wastewater treatment facility at the Sochaux plant (France)

A steady decline in other regulated emissions

By substituting natural gas—or low or very low-sulfur fuel oil—for conventional fuel oil, worldwide sulfur dioxide (SO_2) emissions from the Group's power plants have been reduced by 68% since 1995. At the Vigo plant in Spain, for example, SO_2 emissions dropped from 731 tons in 1989 to zero when natural gas replaced fuel oil (13,500 tons) as the main source of energy. Worldwide SO_2 emissions will continue to decline, eventually reaching 600 tons from 1,040 tons in 2003.

Worldwide nitrogen oxide (NO_x) emissions have declined by around 15% since 1995, according to data from the Industrial Environment Observatory set up by the Group to track the environmental performance of its facilities. This figure will also continue to decline in coming years.

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 automobile plants. Among the most remarkable initiatives undertaken in recent years has been the installation of waste-to-energy units at the Rennes, Mulhouse and Sochaux facilities.

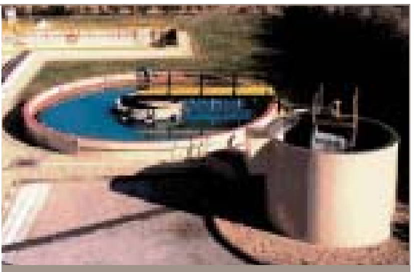
REDUCING WATER CONSUMPTION

Conserving water is a key objective at all plants, in particular through the use of metering systems and the display of the least water-intensive operating parameters for each workstation. These measures helped to reduce water consumption per vehicle produced by 39% between 1995 and 2003.

Production facilities are either connected to the public wastewater treatment

Treating and recycling effluent and wastewater from the mechanical component plants

In building its two new HDI engine lines, the Tremery plant installed the latest generation evapo-concentration systems to support the facility's existing conventional ultra-filtration units and physical chemical plant.



The physical chemical treatment facility at the Trémery plant (France)

Evapo-concentration makes it possible to recycle effluent from the machines used to clean certain metal parts, thereby lengthening mean time between water changes and reducing the volume of effluent to be treated in the ultra-filtration units or the waste treatment plant. It can also process laundry effluent and end-of-life cutting fluids.

And lastly, the technology currently generates two reusable by-products: a distillate that can be reintroduced into the preparation of other fluids and a concentrate that can be burned as fuel.

Evapo-concentration technology is also being implemented at the Metz transmission plant.

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 1989 and 2003, daily releases of suspended solids and COD in France were each reduced by 55%. Given the nature of effluent from the Group's car plants, the risk of eutrophication and acidification is negligible.

REDUCING AND EFFICIENTLY RECOVERING WASTE FROM AUTOMOBILE PLANTS

Programs in place for more than ten years to reduce, reuse, recover and recycle automotive process waste enabled the production plants to recover and reuse 76% of their worldwide waste in 2003 (excluding metal waste, which is nearly 100% recycled). Over the past decade, this extensive recovery, recycling and reuse have resulted in a steep decline in waste disposed of in landfills in France, from around 66% in 1989 to just 15% in 2003.

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 700,000 tons a year, 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 91% of their process waste.

In 2003, the Group's iron foundries directly used 100,000 tons of this metal waste, while indirectly recycling around 200,000 tons of scrap iron purchased from outside suppliers.

UNDERSTANDING SOILS TO IMPROVE PROTECTION

PSA Peugeot Citroën is committed to identifying any contamination pre-existing at its sites. In France, at the instigation of public authorities and in compliance with the procedure developed by the Geological and Mining Research Bureau (BRGM), soil contamination was assessed at the Sochaux, Mulhouse, Poissy, Caen, Asnières-sur-Seine, Saint-Ouen, Sept-Fons and Valenciennes sites. Similar investigations were carried out at the Trémery and Metz plants. After in-depth surveys conducted between 1999 and 2002, the experts concluded that only self-monitoring was required at the ten facilities. Strict procedures are in place to prevent soil pollution, in particular through the use of retention basins for liquid storage.

Recycling used casting sand to reduce waste and conserve resources

A cylinder block mold in regenerated casting sand Sept-Fons (France)

The Charleville plant has invested around €8 million in a very large facility to treat and recycle the some 100,000 tons of used casting sand produced by its aluminum casting operations each year. The new facility comprises a series of mechanical pre-treatment processes (iron removal, crushing, metal removal, sieving, sorting, etc.), followed by a fluidized-bed heat treatment process equipped with a heat recovery post-combustion system and a bag dust collector.

The treated sand can be reused on site instead of new sand, or sold to third parties. The fine sand waste produced by the heat treatment is sold to construction companies.

The new facility came on stream in 2003, when it processed 50,000 tons of used sand, or half the plant's output.

A similarly broad-based program was implemented at the Sept-Fons foundry, with a mechanical treatment process that delivered equally conclusive results. Some 39,000 metric tons of sand were recycled, equivalent to 60% of the total.

The 2-liter HDI diesel engine

The Porto Real plant (Brazil)

CORPORATE CITIZENSHIP

BUILDING SAFER CARS FOR EVERYONE

PSA Peugeot Citroën's overriding priority is to ensure the safety of drivers and other road users. In 2003, nearly 10% of the Automobile Division's research and development budget was allocated to safety-related programs. While continuing to assertively develop technological solutions that help to avoid accidents (active safety) and reduce their impact when they do occur (passive safety), 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. The Group also works closely with public authorities in charge of road infrastructure, proposing a variety of innovations that enhance safety.

INTEGRATING DRIVERS INTO THE SYSTEM

Driver empowerment is fundamental to automotive safety. The behavior of drivers and their ability to control their vehicles and perceive the environment are the key factors that underpin road safety. Today's cars offer a multitude of features that make driving easier, more pleasant and more comfortable. To enable people to focus on driving at all times, PSA Peugeot Citroën develops driver support systems such as ESP or ASR that actively contribute to the safety of both drivers and passengers by improving vehicle control.

ACTIVE SAFETY: A CENTER OF EXCELLENCE FOR PSA PEUGEOT CITROËN

Accident avoidance, a critical challenge

Active security is a pivotal focus of PSA Peugeot Citroën research because accident avoidance is obviously a top priority. Studies by the joint PSA Peugeot Citroën/Renault Laboratory of Accidentology, Biomechanics and the Study of Human Behavior show that nearly 40% of the victims of fatal accidents could not have been saved by passive safety systems alone. Leveraging the universally recognized qualities of its cars, the Group is continually improving the comfort/performance tradeoff that translates into greater safety. The inherent features of Peugeot and Citroën cars are a benchmark in this regard, illustrated by the Peugeot 407's new rear axle. Advanced technology ensures perfect positioning of each wheel whether moving or not, thus guaranteeing the car's balance under all circumstances.

The ABS Anti Blocking System is now standard equipment on all models, accounting for 90% of all Peugeots and Citroëns sold in Europe. The electronic stability program (ESP), which helps drivers maintain control even in a skid, was further extended across the Peugeot and Citroën line-ups in 2003, enhancing safety on platforms that are already extremely stable.

Studies in cognitive ergonomics (i.e. how drivers exchange information with their environment) and postural ergonomics are designed into new car projects, in a commitment to delivering exceptional comfort for occupants, regardless of their age or morphology. This expertise in cognitive research makes certain that information provided by the vehicle is correctly interpreted by drivers under all conditions, allowing them to focus on safe driving.

A simulated side impact test
on a Peugeot 307

The Peugeot 807 interior

A braking test on multi-grip track
at the Technical Center of Belchamp (France)

Track tests

PSA Peugeot Citroën operates two highly sophisticated test centers capable of reproducing every imaginable type of driving conditions and of subjecting cars to maximum constraints to ensure extremely high levels of safety—all areas in which PSA Peugeot Citroën engineers enjoy world-class expertise. The multi-grip track at the Belchamp Test Center can simulate winter driving conditions during the summer to allow year-long testing of braking systems under actual road conditions. In addition, the Center's roadhandling track is used to develop electronic stability program (ESP) and acceleration skid control (ASR) systems. In this way, all types of road conditions can be recreated to validate ongoing vehicle improvements.

PASSIVE SAFETY: STATE-OF-THE-ART PASSENGER PROTECTION SYSTEMS

Platforms and structures designed for protection

In situations where accidents cannot be avoided, Peugeot and Citroën vehicles afford protection that is best-in-class worldwide. From the initial design of the shared platforms through every phase in a vehicle project, passive safety is a primary determinant of size. 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 vehicle 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 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 DaN, and airbags with dual energy levels equip some models. Everything is calculated to guarantee to maximize protection for everyone in the vehicle.

Load limiting retractors on front seatbelts are now 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.

Airbags are also being continuously improved with new dual-force deployment systems that adjust to the severity of the impact. The Peugeot 407 is equipped with up to nine airbags, including a new steering column airbag to protect the driver's knees.

Data from the accidentology lab 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 light and audible signal as soon as the vehicle reaches a certain speed, while unbuckled front passengers are alerted as soon as a presence is detected.

Another advance is active footrests, which help prevent often seriously incapacitating ankle injuries from accidents. Active headrests and seat-backs also alleviate the effects of rear impacts, preventing whiplash, which is very difficult to treat.

The need to protect pedestrians is also designed into new vehicle projects. Front-end structures and styling take into account potential collisions with pedestrians, while complying with regulatory preventive measures. Hoods, bumpers and lower skirts are tested to make pedestrian contact as harmless as possible. This imposes considerable constraints on front-end design and automotive styling, which must also reflect other potential types of collision.

Protecting children

The Group completely upgraded its suite of child restraint solutions in 2003, with Peugeot and Citroën now offering a new range of car seats and boosters for children of all ages. These solutions use the latest technology to provide optimum protection against all types of impact.
In addition, all Group vehicles are equipped with Isofix attachment points to ensure correct installation of children's seats in cars. This is essential since only properly installed seats can improve safety.

DRIVER ASSISTANCE SYSTEMS

Some PSA Peugeot Citroën cars already include an “emergency call” function. In the event of an accident that triggers airbag deployment, the vehicle can link the driver to a 24/7 highway assistance service. Thanks to GPS technology and onboard GSM mobile phones, assistance personnel can remotely locate the scene of the accident, even if the driver is unconscious. This feature considerably enhances the effectiveness of emergency response to accidents.

Automotive Safety Facts & Figures

Two road test centers in Belchamp and La Ferté-Vidame.

18 million kilometers of road tests in 2003 (450 times around the world).

A patented multi-grip track for braking tests.

A **roadhandling track** for ESP/ASR.

A **passive safety center** with a full-size catapult, reverse catapult, pedestrian impact bench, etc.

750 complete crash tests and 500 physical tests on automotive subsystems in 2003.

25,000 digital crash simulations a year (entire vehicles and subsystems).

175,000 hours of simulation on a Cray supercomputer (complete crash simulations).

Aggregate computation capacity of **1,013 gigaflops**, up from 160 gigaflops at end-1999 (1 gigaflop = 1 billion operations per second).

60 crash test dummies (unit value: €150,000).

Improving safety accounts for more than **10% of the Automobile Division’s R&D budget.**

PROMOTING ROAD SAFETY

PSA Peugeot Citroën recognizes that today, changing driver behavior is fundamental to improving road safety. That's why the Group is continuing to invest to deepen understanding of the role human factors play in accidents and to develop programs that promote safer driving habits.

Don't drink and drive: support for designated driver program

Since 1999, Citroën has supported the Voiture & Co association that organizes car pools for young people after parties. Active since 2000, Voiture & Co finds rides with drivers who have first passed a breathalyzer test provided by the association. If no drivers are available, young people are taken home in Citroën cars. In 2003 Voiture & Co participated in nearly 50 events, distributing leaflets and free breathalyzer tests, and sending teams to talk to young people about the dangers of drinking and driving.

PARTNERING TO IMPROVE ROAD SAFETY

Better road safety through education

PSA Peugeot Citroën has renewed its partnership with the French Ministry of Education, with a commitment to implementing programs to teach road safety to young people. These programs are governed by agreements involving local school districts, Group plants, and the marques' regional offices.

Citroën partnership with the French highway safety agency

Citroën and France's highway safety agency have published a brochure on "Children in Cars" to heighten parental awareness concerning the risks to which children are exposed if they are not properly secured in cars. The document is available on the Internet (www.preventionroutiere.asso.fr) and from local highway safety authorities across France. More than a million copies have been printed.

PURSUING SAFETY AWARENESS INITIATIVES

Greater safety for young drivers

Gradually deployed at all the French sites in 2003, the "Safe Driving" program offers special courses to both employees and young drivers who recently got their licenses. The free courses include both on-the-road and classroom sessions, enabling drivers to better understand their own limits and those of their car.

In Spain, a new series of "Safe Driving" seminars, conducted in partnership with the regional government of Galicia, was attended by 2,700 young people. The 2003 program included special sessions for the disabled. In addition, the Mulhouse plant teamed up with the Alsace Automobile Club to organize a "Safety at the Wheel" session, training nearly 500 people, including a large number of recently hired young people.

“Drive Right” with Peugeot

In 2003, Peugeot continued its partnership with the driving school run by former Formula 1 driver Jean-Pierre Beltoise. More than 500 people took the free “Peugeot Drive Right” seminar. The day-long class covers a car’s active and passive safety features and includes practical exercises to learn braking skills and to estimate distances. The seminar illustrates Peugeot’s commitment to training its sales teams, so that they can raise awareness among customers of the importance of road safety.

The “Good Driver” contest with Gefco

Gefco, the Group’s logistics subsidiary, has extended the “Good Driver” contest for its truck drivers. The contest rewards the best performance in obeying European road regulations and preventing accidents. It also improves knowledge of responsible driving practices among employees, so that appropriate remedial training can be applied as necessary.

A safe-driving course at the Vesoul plant (France)

A child surveillance mirror on the Citroën C8

The Peugeot 407 is the marque’s first car equipped with nine airbags

HELPING TO ENHANCE THE QUALITY OF MOBILE LIFE

The mobility of people and goods is fundamental to efficient access to jobs, healthcare and culture, and represents a key driver of economic and social progress in less developed countries. While indispensable, mobility nevertheless raises important issues concerning inalienable rights to access and the free flow of automobile traffic. PSA Peugeot Citroën contributes to the development of effective solutions, supports initiatives that expand our understanding of mobility and participates in innovative experiments.

MAKING SUSTAINABLE MOBILITY A DAILY REALITY

The world's leading manufacturer of electric vehicles

PSA Peugeot Citroën is the world's leading manufacturer of electric vehicles, with more than 9,000 vehicles produced since 1995. Both quiet and emission-free, EVs are ideal for carrying people and delivering goods in city centers. A growing number of municipalities and state agencies have acquired electric vehicle fleets. The Group is taking part in several groundbreaking experiments in new ways to use EVs, including the Liselec initiative in La Rochelle, which provides self-service access to electric vehicles, and the ELCIDIS (Electric Vehicle City Distribution System) project, which promotes city center deliveries using electric vans.

"Sustainable driving" for employees

Car-pooling at the Vélizy and Poissy plants

PSA Peugeot Citroën is particularly committed to car-pooling. Nearly 10% of the 4,000 employees at the Vélizy technical center use the car-pooling system introduced in 1998. Situated in a busy Paris suburb, the center is exposed to heavy traffic during rush hours, as well as parking problems, both exacerbated by insufficient public transportation. Each car carries an average of three people who either share travel expenses or take turns driving their own car. Drivers who car-pool receive priority parking spaces. Now well-established at Vélizy, the system has helped improve traffic around the center. The Group's new office complex in Poissy has also created special software to help it promote car-pooling among employees.

Travel diagnostics

In 2003, the Sochaux plant completed pilot studies for a company travel plan. In cooperation with mobility specialists from the nearby city of Belfort, the plan will be finalized in 2004, with the goal of rationalizing travel in and around the Sochaux facility and reducing the number of accidents during trips to and from work. Innovative solutions combining public transportation and car-pooling, along with better information for employees will be studied ahead of deployment starting in 2005.

Support for mobility experiments

In 2003, the Group provided support for the "Mobility Center" program launched by Voiture & Co as part of the broader "Urban Mobility for Everyone" project overseen by France's Ministry of Transportation. The program is designed to create a service center that allows people to access different means of travel in the Paris region. The center will provide personal "mobility consulting" with information on traffic, costs, travel time and current conditions. It will also comprise car-pooling, bicycle rental and maintenance services, as well as two satellite Mobility offices. Additional services like car sharing and on-demand transportation may also be developed in the future.

IMPROVING URBAN MOBILITY THROUGH BETTER AWARENESS AND INNOVATIVE TRIALS

Institut pour la Ville en Mouvement (IVM)

Created in June 2000, PSA Peugeot Citroën's Institut pour la Ville en Mouvement (IVM) is a non-profit association that develops innovative social, organizational and technical programs and research to improve urban mobility in France and other countries. Supported by a multi-disciplinary scientific council, IVM serves as a forum where stake-holders in urban mobility – urban planners, researchers, non-profit associations, government agencies and businesses–can interact and work in partnership on practical initiatives. It is implementing ten projects focused on three main issues: improving access to mobility, increasing the efficiency and quality of mobility, and developing a positive culture of mobility anchored in awareness and good citizenship.

A parking lot reserved for car-poolers at the PSA Peugeot Citroën facility in Velizy (France)

IVM's "Architecture on the Move!" exhibition

An electric Citroën Berlingo

The IVM's Mobility and Integration Program

Mobility as an inalienable right

As lifestyles, work and leisure pursuits become increasingly diverse and the boundaries between them more porous, mobility has emerged as an indispensable component of both social and economic integration. This was demonstrated by a nationwide IVM study conducted in 2003 in association with the Observatoire Social de Lyon and Rennes University. Since January 2002, IVM has worked closely with public and private sector organizations to carry out a program of research and experiments aimed at helping reintegrate the long-term unemployed through better mobility. One example is an on-demand transport program set up with Abeilles Aide & Entreaide, an association that combats exclusion through employment. During its first full year of operation in 2003, the program deployed two minivans, with service coordinated using special computer software. The program makes it easier for people to travel to jobs, as well as appointments at government offices, healthcare providers and training organizations.

The "Architecture on the Move!" exhibition

Increasing the efficiency and quality of mobility in modern cities

As cities spread and become more complex, the quality of mobility increasingly depends on how space and facilities are organized and interact with both transit times and different means of movement. To promote real-world improvements implemented in countries around the world, IVM developed the "Architecture on the Move!" exhibition.

Inaugurated at the Paris Auto Show in 2002, the exhibition traveled to European cities in 2003, serving as the backdrop for conferences on the theme of mobility in today's cities. The exhibition also represented France at the Rotterdam Architecture Biennial. It will travel around the world in 2004, including stops in China, where an international symposium on urban mobility issues will be held in Beijing in October.

Ideas from students on how to improve mobility

Promoting understanding of mobility issues and good citizenship

Cities around the world face similar issues linked to growing demand for better mobility. Sharing experience and ideas is an especially fruitful path to progress, which is why IVM organizes a special international competition every two years, inviting students from around the world to present instructive projects from their cities. The 2003 prizes went to a project for a mobility service in Barcelona and to a study on how to make it easier to get into central Grenoble from the surrounding suburbs.

AN INTEGRATED PART OF LOCAL COMMUNITIES

PSA Peugeot Citroën plays an active role in the local communities where the Group operates.

HELPING TO IMPROVE EDUCATIONAL SYSTEMS

Automotive maintenance training centers

In partnership with the French Ministry of Education, PSA Peugeot Citroën operates automotive maintenance training centers in countries where there is a shortage of technical skills. Designed to train employees, these centers have also systematically welcomed local teachers and students since they were opened in 1999. In 2003, for example, the six centers operating in Mexico, Brazil and China trained nearly 1,000 people, including 230 local teachers and students. These numbers will rise significantly as 300 technical teachers in the Chinese province of Hubei receive training in automotive production techniques between 2004 and 2006.

In 2004, a campus will be opened in Slovakia to train employees of the future plant in Trnava. The Group will supply the necessary equipment to the high schools and universities participating in the project, which will also train Slovakian teachers.

"Technical Teachers Without Borders"

Another joint initiative with the French Ministry of Education is a program that organizes intensive technical training courses in other countries. Each course systematically includes two or three local technical teachers among the dozen students. In 2003 the program delivered 26 weeks of training in Senegal, Cuba, Algeria, Chile, Colombia, Kuwait and Angola. It will be extended to 14 countries in 2004.

ADDRESSING THE NEEDS OF LOCAL COMMUNITIES

Responding to emergencies

In 2003, following the outbreak of Severe Acute Respiratory Syndrome (SARS) in China, PSA Peugeot Citroën contributed to international efforts to combat the disease by donating funds to the Wuhan Institute of Virology. The Group also donated funds to Iranian authorities to rebuild a hospital damaged in the earthquake that destroyed the city of Bam in December.

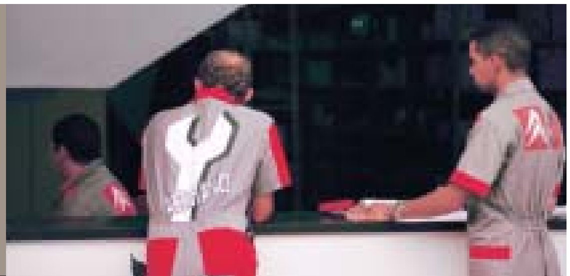
Better living and educational conditions for young people

Working with the Porto Real and Confiar Foundations, the Group continues to support health, education and environmental initiatives in Brazil, adding new projects to promote literacy and computer education. The Porto Real plant also joined the Sul Fluminense Regional Committee for Social Responsibility in the southern part of the state of Rio.

In Argentina, PSA Peugeot Citroën renewed its support for primary and technical schools through significant donations of computer hardware and mechanical equipment. The Group also provided construction material for the city of Tres de Febrero to help renovate one of the city's poorest neighborhoods.

Combating exclusion

In addition to a partnership to replace the vehicle fleet operated by the Paris emergency social services agency, the Group supports 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,



A Citroën repair shop (Brazil)

A Citroën Dispatch used by the Paris emergency social services agency

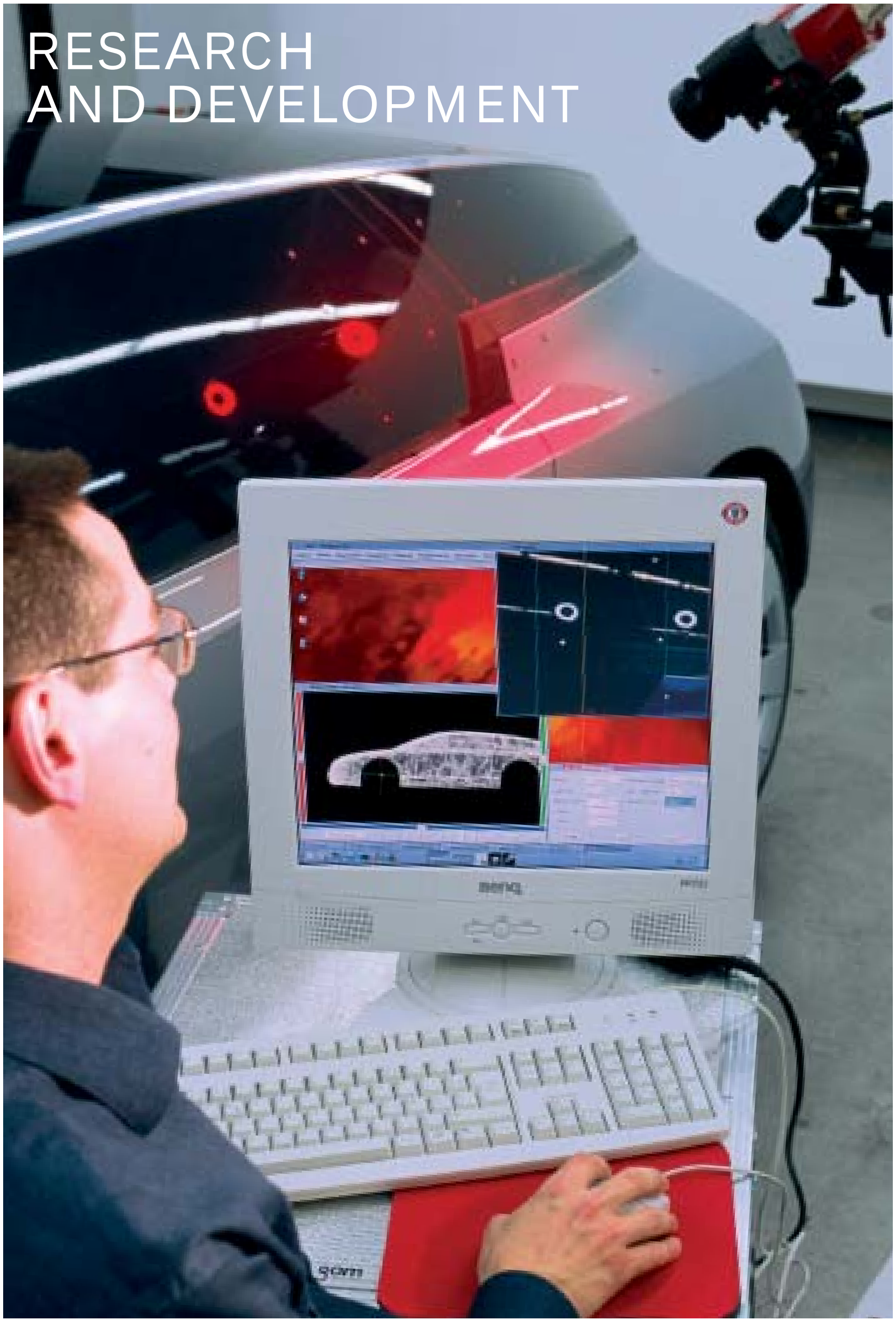
Maintenance training at the Saint-Ouen plant (France)

such as outings for disabled young people, travel assistance for senior citizens, aid for street children, development of an on-demand transport service to allow the long-term unemployed to get to jobs, low-cost vehicle rental for people in social reintegration programs, low-cost driver training for people in need, or transport to allow children to visit parents in prison.

Personal commitment by employees

Many employees are personally involved in local volunteer initiatives. In the U.K., for example, the Peugeot Citroën Charity Trust provides support for employee initiatives, more than 50 of which received funding in 2003. Corporate support was also renewed for Macmillan Cancer Relief, a British association that helps people in their fight against cancer.

RESEARCH AND DEVELOPMENT



PSA Peugeot Citroën's research and development strategy is driven by four fundamental objectives: reduce CO_2 emissions, improve air quality, enhance safety, and develop new automotive concepts. To meet them, the Group is committed to identifying and developing the emerging technologies that deliver the greatest benefits to the greatest number. Its technological innovations are always bold, yet practical and consistent with mass production. It believes that all its customers must be able to enjoy the benefits of technological progress.

The overarching aim of these technologies, whether short or long term, is to reduce CO_2 emissions. Positive results have already been achieved in this area through engine developments, in particular with the HDI. But research is continuing in other key technologies, such as electronic transmissions, hybrid vehicles and fuel cells.

The Group takes an active role in public research projects both in France and across Europe, particularly within the scope of the European Union's 6th PCRD framework R&D program. In addition, it marshals the expertise of laboratories from around the world.

TECHNOLOGY THAT MATTERS

ONGOING IMPROVEMENTS TO THE HDI ENGINE

PSA Peugeot Citroën's reputation as Europe's leading manufacturer of diesel-powered cars is supported by a steady stream of innovations not only in the engine itself, but also in the associated emissions control technologies. The Group has already produced more than four million common rail high-pressure direct injection (HDI) diesels, whose success stems from several factors:

- Fuel consumption 20% less than a prechamber diesel, resulting in a similar decrease in CO_2 emissions.
- Ease of driving due to low-speed torque, with sound and vibration levels comparable to a gasoline engine.
- Excellent environmental performance through precise control of combustion due to the common rail, along with powerful emissions control systems.

Research into diesel engines is continuing, with the goal of further reducing CO_2 emissions. The Group now offers a range of models with very low CO_2 engines (less than or equal to 120g of CO_2 per kilometer). To date, it has sold more than 200,000 Peugeot 206s and Citroën C3s with the 1.4-liter HDI engine, emitting 113g and 110g of CO_2/km, respectively. Between now and 2006, PSA Peugeot Citroën expects to produce and sell 1.7 million low-CO_2 vehicles.

Since 2000, the highly fuel-efficient HDI technology has been coupled with a particulate filter system that completely eliminates diesel particulate matter of any size, by reducing their emissions to below the measurement threshold. After making its world premier on the Peugeot 607, the particulate filter is now fitted on the Peugeot 307, 407 and 807, and the Citroën C5 and C8. By the end of 2003, the Group had sold a total of 600,000 filter-equipped vehicles. Boosted by the recent introduction of the new service-free version, sales are projected to reach 1.7 million units by 2006.

GASOLINE ENGINES

Work is also continuing on conventional gasoline engines, most notably through the cooperative venture with BMW. Research programs are designed to improve engine performance-in terms of comfort, noise and size-while reducing fuel consumption and therefore CO_2 emissions. The future EP family of supercharged, direct-injection engines will offer world-class emissions control.

THE MCP TRANSMISSION

PSA Peugeot Citroën will soon roll out the innovative MCP compact electronic transmission. Based on a manual 6-speed gearbox and designed for either automatic or manual mode, the unit features a clutch and electronically controlled gear shifting, using electrohydraulic actuators, to deliver exceptional performance and remarkable drivability. It should reduce fuel consumption by 5% under normal operating conditions.

The MCP transmission will be gradually deployed on both gas and diesel-powered cars in the Peugeot and Citroën ranges.

MCP project development represents a total investment of €430 million and a team of 150 employees. The MCP transmission will be built at a new facility in the Valenciennes plant, which will employ 960 people. Production is targeted at 400,000 units a year.

HYBRID VEHICLES

Hybrid vehicle research is another priority at PSA Peugeot Citroën, which in 2004 will introduce a mild hybrid using stop and start technology. Combining an internal combustion engine with a low-power electric starter-alternator, stop and start systems cut the engine whenever the car stops, at a stoplight for example, or in a traffic jam, and then automatically starts it again as soon as the driver touches the accelerator.

Fighting loss of attention and distraction

Simulated reading of highway barcode markings

In 2003, PSA Peugeot Citroën introduced an innovative driver support system to avoid accidents on expressways and highways when drivers start to lose attention. Infrared sensors embedded in the front bumper enable a car to continuously “read the road” and alert drivers when they begin to involuntarily drift out of the lane, thus considerably reducing risks.
Based on this technology, PSA Peugeot Citroën has offered government authorities a solution that will enable cars to read white stripes applied across the roadway, forming a sort of “highway barcode”. Rolling over these barcodes will transmit data to the vehicle that is then displayed on the dashboard, reinforcing existing signals.

PSA Peugeot Citroën joins Autosar

On December 11, 2003, PSA Peugeot Citroën joined the Automotive Open System Architecture consortium (Autosar), which was formed by carmakers and automotive equipment manufacturers to develop a standardized international electric/electronic architecture concept for automobiles. The other core partners include BMW, DaimlerChrysler, Ford Motor Co., Volkswagen AG, Toyota Motor Corp., Bosch, Continental and Siemens VDO.

The partnership's objective is to specify and supply a common software architecture standard to all Autosar members. The domains covered include body, drive train and suspension electronics, as well as multimedia, telematic and human-machine interface systems.

PSA Peugeot Citroën’s membership in Autosar reflects its strategic focus on simplifying and standardizing electronic functions. In addition, membership is expected to drive major gains in development costs and time, while enhancing the reliability and robustness of vehicle electronics.

TOMORROW'S TECHNOLOGIES

FUEL CELLS

Fuel cells are an integral part of PSA Peugeot Citroën's environmental strategy. This very promising technology should come into its own in the auto industry towards 2015-20.

Fuel cells offer a number of advantages, including lower CO_2 emissions, which contribute to the greenhouse effect, improved quality of life in cities, thanks to silent operation, and elimination of NO_x, particles and other pollutants. Fuel cell-powered vehicles are considered zero emission vehicles (ZEV). Despite a promising future, however, this technology must still overcome a number of technical and economic hurdles before it is ready for the market. In addition to the cost inherent to the production of the cell itself, and issues linked to hydrogen storage, there are a number of technical problems to be solved.

PSA Peugeot Citroën is engaged in a rational, deliberate process to investigate the different technologies possible, drawing on the capabilities of its expert networks. For example, the Group has signed a strategic agreement with France's National Center for Scientific Research (CNRS) to bring these concepts to maturity, and another with France's Atomic Energy Commission (CEA) to deepen understanding of the technology involved in both the fuel cell itself and in hydrogen storage. Findings from these programs enabled the Group to build two fuel cell demonstrators: the Taxi PAC and the H_2O. In both cases, the fuel cell is used as a range extender or auxiliary power unit.

Fuel cell-powered cars are well-suited to city driving, in particular because electric motors considerably reduce noise. In addition, their range of about 300 kilometers is enough for city and suburban travel. Energy is consumed only when the vehicle advances, and it is regenerated when the vehicle brakes.

EFFICIENT-C FOR ULTRA-LOW AUTOMOTIVE CO_2 EMISSIONS

PSA Peugeot Citroën teamed up with Ricardo UK Ltd. and QinetiQ to submit a proposal to the UK Government's Ultra Low Carbon Car Challenge. Codenamed Efficient-C, the £3 million project will develop and demonstrate a parallel hybrid powertrain system, for installation in a Citroën Berlingo Multispace passenger car.

The Efficient-C vehicle is targeted to achieve CO_2 emissions of about 89.5g/km during combined urban and extra-urban driving cycles, which equates to a well-to-wheels CO_2 emissions level of 100g/km, using pump grade diesel fuel. Legislated exhaust emissions will be within Euro IV levels.

Vehicle performance targets include a 0-100 kph acceleration time of less than 13 seconds and a top speed in excess of 150 kph.

R&D OUTREACH

PSA Peugeot Citroën works closely with public research organizations and a network of scientific laboratories, either through contractual arrangements or as part of public programs initiated by the French government or European authorities and open to other partners, including France's National Center for Scientific Research (CNRS), Atomic Energy Commission (CEA) and laboratories in other countries.

CNRS

A framework agreement signed with the CNRS in 2001 has fostered the development of a variety of joint research activities. In 2003, these activities included support for 31 theses funded by the CIFRE program (an agreement with industry to promote training through research), two theses co-financed by ADEME (the French energy management and environmental agency), two grants for engineering PhDs, and 32 studies financed by PSA Peugeot Citroën. They involved a network of 47 laboratories with a wide array of expertise that fits closely with the Group's own capabilities.

Cross-fertilization of skills is highly effective in multidisciplinary, cross-functional research areas. For example, research into sensorial analysis combines the skills of the Cognitive Psychology laboratory at the University of Paris VIII, and the signal processing and data analysis laboratory at the Compiègne Institute of Technology.
PSA Peugeot Citroën is taking a similar approach with a call for proposals from the CNRS, covering both basic and applied research to promote cross-disciplinary solutions for the automotive industry.

CEA

Discussions with the CEA in early 2000 led to a framework agreement in 2001, whose signature was announced at the same time as the agreement with the CNRS, as part of the fuel cell research program. The partnership covers three main areas: fuel cells and hydrogen; man-machine interface and virtual reality; sensors, micro-sensors and associated systems.

The largest project with the CEA is GENEPAC, which concerns the design, construction and bench testing of a medium-power (60 kW) generator fueled by hydrogen. In another project concerning diphase cooling of fuel cells, the CEA is providing scientific supervision for a CIFRE thesis. Contacts have also been initiated in other areas covered by the agreement, with joint reviews of the related scientific advances.

LABORATORIES IN OTHER COUNTRIES

The Group also nurtures scientific partnerships with laboratories outside of France. For basic research, it has formed partnerships with world-leading institutions, such as:

- The Massachusetts Institute of Technology (MIT) in the United States, on engine lubrication and on electronics, especially in the area of operating reliability.
- The Chalmers University of Technology in Sweden, on signal analysis to provide multidimensional mechanical data.

In addition, the Group has developed a network of cooperative endeavors with the world's leading specialists, most notably in dynamic vehicle control, virtual sensors and sub-assembly energy management.

The Citroën C2's SensoDrive gearshift

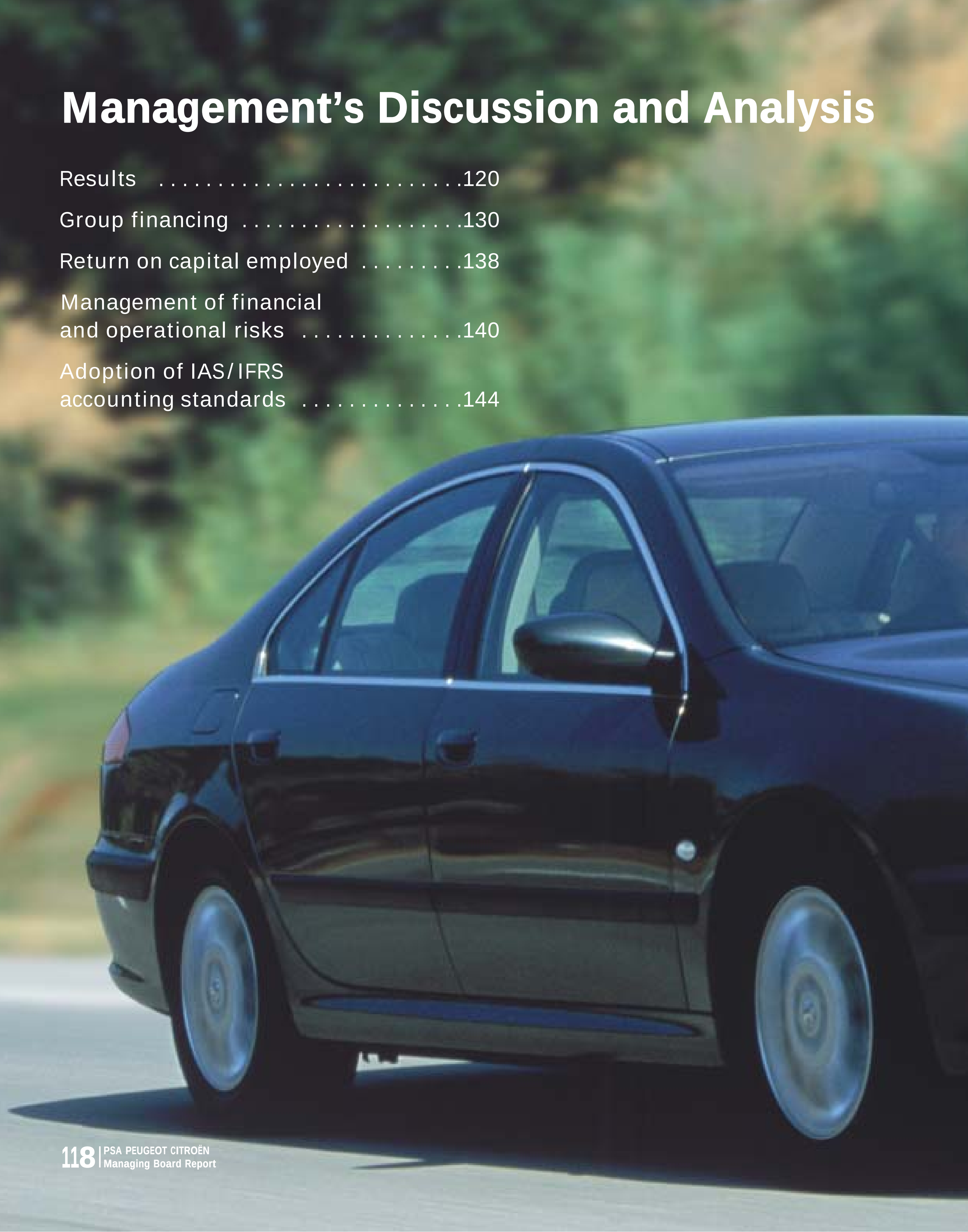
The 1.4-liter HDI diesel engine

The Peugeot H_2O fuel cell demonstrator

CIFRE contracts: building a bridge between Industry and Research

Each year, working closely with scientific laboratories and France's National Research Association (ANRT), PSA Peugeot Citroën recruits 20 young researchers under CIFRE work-study contracts. Following their three-year contract, the researchers submit a thesis on a scientific subject applicable to the auto industry.

Management's Discussion and Analysis

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RESULTS

In a difficult environment shaped by lower demand in Europe, particularly in France, PSA Peugeot Citroën demonstrated firm resilience in 2003, holding European market share steady at 15.4% versus 15.5% in 2002 and driving further growth in sales outside Western Europe. All told, worldwide sales by the Peugeot and Citroën marques totaled 3,286,100 vehicles, compared with 3,267,500 the previous year, representing a global market share of 5.8%.

In February 2003, the Group announced that it had set as its target for the year an operating margin of €3,000 million, including a 5% operating margin for the Automobile Division. Starting in April, the fall in the French market accelerated, while the euro strengthened more rapidly, particularly against the British pound and the East European currencies. In light of these developments and their impact on results for the first six months of the year, at the end of July the Group announced revised operating margin targets of 3.7% for the Automobile Division and 4.7% for the Group as a whole. During the second half of the year, demand continued to decline and the euro grew even stronger, leading the Group to adjust its targets at the end of October, to around 3% for the Automobile Division and €2,100 million for the Group as a whole.

Operating margin ended the year in line with this final forecast, at 2.93% of sales for the Automobile Division, compared with 5% in 2002, and €2,195 million for the Group as a whole, versus €2,912 million the previous year. These results testify to the Group's solid financial resilience at a time of weak markets in Europe, and especially France, and in an unfavorable exchange rate environment, in which the stronger euro reduced consolidated operating margin by €588 million. Net income for the year came to €1,497 million compared with €1,690 million in 2002, representing earnings per share of €6.14 versus €6.65. The manufacturing and sales companies generated free cash flow of €200 million and their net financial position held firm at €563 million at December 31, 2003 compared with €594 million one year earlier.

1. SALES

Consolidated sales dipped 0.4% to €54,238 million from €54,436 million in 2002. The decline was entirely due to the fall in all the Group's currencies against the euro; at constant exchange rates, sales rose 1.5% year-on-year.

1.1. Manufacturing and sales companies

The following table shows the contribution of the manufacturing and sales companies to consolidated sales:

(in millions of euros)	**2003**	2002	2001
Automobile Division	**43,684**	43,951	41,524
Gefco	**2,742**	2,646	2,643
Faurecia	**10,123**	9,866	9,611
Other businesses	**968**	1,003	976
Inter-company eliminations	**(4,834)**	(4,560)	(4,466)
Total PSA Peugeot Citroën	**52,683**	52,906	50,288

1.1.1 Automobile Division sales

Automobile Division sales contracted 0.6% to €43,684 million. The fall in all the operating currencies against the euro reduced revenues by 1.6%. An unfavorable sales mix also had a negative impact, offset by the slight 0.6% increase in Peugeot and Citroën worldwide volumes and a 1.5% average increase in selling prices.

1.1.2 Gefco revenues

Gefco's 2003 revenues totaled €2,742 million, up 3.6% on 2002. Excluding the currency effect, revenues climbed 4.4% over 2002. Network (part and full-load transportation) revenues expanded 2.4% to €1,407 million, reflecting the development of international services, especially in Eastern Europe and the Mercosur region, which helped to offset the effects of lackluster economic conditions in France and Germany. Automotive (vehicle preparation and distribution) revenues totaled €1,021 million, an increase of 3.5%. Supply (logistics and sea and air freight) revenues grew 8.1% to €295 million, powered by steadily rising throughput at the logistics platforms, particularly the Le Havre international automobile parts platform and the Peugeot Motocycles platform.

1.1.3 Faurecia sales

Faurecia reported sales of €10,123 million, an increase of 2.6% over 2002. On a like-for-like basis (excluding the effect of changes in prices of the precious metals used in the manufacture of exhaust systems, exchange rates and the scope of consolidation), the increase was 8.3%.

Car seat sales totaled €4,353 million, an increase of 8% over 2002 and 10.3% excluding the currency effect. In the first half of the year, volumes were boosted by production ramp-ups for a large number of models, as well as by the full-year contribution of the new Vigo plant in Spain, which came on stream during the summer of 2002. In the second half, market conditions were more difficult and European automobile production declined; in spite of this, car seat sales expanded 3.2%, helped by the ramp-up or launch of new models.

Sales of other vehicle interior modules came to €3,506 million, up 1.2% over 2002. At constant exchange rates and scope of consolidation, the year-on-year increase was 7.3%.

Exhaust system sales retreated 10.7% on a reported basis but inched up 0.4% like-for-like, excluding catalytic converters and at constant exchange rates and scope of consolidation.

Front-end sales totaled €676 million, up 13.9% over 2002.

1.2. Banque PSA Finance revenues

Banque PSA Finance's outstanding loans totaled €19,580 million as of December 31, 2003, including securitized loans which have been removed from the balance sheet. In June 2001, Credipar, the Bank's French subsidiary, sold €1,000 million worth of automobile loans to a special purpose vehicle which in turn issued asset-backed securities to international institutional investors. After deducting the loans that have matured since June 2001, the asset pool as of December 31, 2003 stood at €721 million. In July 2002, Credipar and the Bank's Spanish branch sold €1,500 million worth of automobile loans to the special purpose vehicle. The asset pool has been kept at this level ever since, through the sale of new automobile loans to replace the original loans when they reach maturity. As of December 31, 2003, automobile loans totaling €2,144 million were securitized under the two transactions described above.

Including securitized loans, outstanding loans as of December 31, 2003 were 4.8% higher than at end-2002. Growth in retail and lease financing compensated for a decline in wholesale financing to just above the end-2001 level.

(in millions of euros)	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Outstanding loans, including securitized loans			
- Retail and lease financing	**15,068**	13,878	12,863
- Wholesale financing	**4,512**	4,809	4,352
Total Banque PSA Finance	**19,580**	18,687	17,215

After deducting automobile loans sold under the two securitization programs described above, year-on-year increases were as follows:

(in millions of euros)	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Outstanding loans, excluding securitized loans			
- Retail and lease financing	**12,924**	11,378	11,863
- Wholesale financing	**4,512**	4,809	4,352
Total Banque PSA Finance	**17,436**	16,187	16,215

On this basis, Banque PSA Finance financing revenues break down as follows:

(in millions of euros)	2003	2002	2001
From third parties	**1,555**	1,530	1,375
Inter-company	**169**	170	212
Total Banque PSA Finance	**1,724**	1,700	1,587

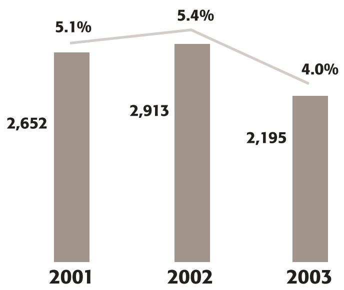
Total revenues climbed 1.4% in 2003 compared with the previous year. Revenues from the sale of maintenance, insurance and other financing-related services increased 10.8% to €123 million.

2. OPERATING MARGIN

Reported operating margin came to €2,195 million, down 24.6% on €2,913 million in 2002. The margin rate stood at 4% of consolidated sales, versus 5.4% the previous year. The downswing was entirely attributable to the Automobile Division—all of the other businesses increased their margin contribution. Automobile Division profitability was weakened by the sharp rise in the euro and the unfavorable change in the sales mix, caused primarily by the sharp decline in the French market.

Operating margin

(in millions of euros – as a % of sales)



2.1. Operating margin by business: manufacturing and sales companies

(in millions of euros)	2003	2002	2001
Automobile Division	**1,281**	2,183	1,992
Gefco	**143**	134	119
Faurecia	**303**	251	262
Other businesses	**50**	26	31
TOTAL	**1,777**	2,594	2,404

2.1.1 Automobile Division operating margin

Automobile Division operating margin came to €1,281 million versus €2,183 million in 2002, representing a fall of 41.3%. The margin rate retreated to 2.9% of sales from 5.0% the previous year. The main factors underlying this decline were as follows:

- Changes in exchange rates reduced operating margin by €567 million. The 10% rise in the euro against the British pound (the average exchange rate climbed to 0.692 from 0.629) had a negative impact of €308 million, and its appreciation against the Central European currencies trimmed €79 million from the total. All told, the stronger euro cut the margin rate by 1.3 points.

- Changes in volumes and the sales mix had an adverse impact of €548 million. This includes €154 million arising from changes in the geographic mix—mainly due to the fall in the French market—and €311 million attributable to changes in the product mix, reflecting the impact of the Citroën model replacement cycle and weakness in the upper midsize segment in the run-up to the Peugeot 406 replacement.

- For the second year running, the price effect was positive, adding €36 million to operating margin. Prices were raised in most markets. The biggest hikes were in certain European markets, as part of the process of driving gradual price convergence across Europe, as well as in countries whose currencies had depreciated the most against the euro. These adjustments more than offset increased promotional spending in response to stiffer competition.

- Gross production cost savings came to €570 million. However, the effect on operating margin was partly offset by the estimated €16 million impact of higher raw materials costs (mainly steel), with the result that net production cost savings were at €554 million.

- Increases in employee compensation had an estimated impact of €154 million. This figure takes into account a €71 million reduction in statutory employee profit-sharing and incentive bonuses, which are based on operating margin. In all, €179 million were granted to Group employees under these programs, including €161 million to Automobile Division employees.

- Research and development spending was increased by €209 million, to support the major program of model and engine range replacements and extensions scheduled for 2004, 2005 and 2006.

2.1.2 Gefco operating margin

Gefco's operating margin grew 6.7% to €143 million from €134 million in 2002. The margin rate climbed to 5.2% of sales from 5.1% the previous year, led by:

- Increased business, reflecting the continued commitment to globalization and the development of logistics services.

- Sustained efforts to enhance competitiveness, by raising prices, bringing down operating and purchasing costs and improving network efficiency.

The related benefits were partly offset, however, by higher costs, the effect of passing on price reductions to customers, exchange losses and increased information system depreciation and amortization costs.

2.1.3 Faurecia operating margin

Faurecia's operating margin rose to €303 million from €256 million in 2002, representing 3% of sales versus 2.6%. In addition to the 8.3% growth in sales, the improvement reflected the following factors:

- The new purchasing plan set up in 2002 helped to limit the impact of higher raw materials and steel costs.

- Productivity increased, thanks to the restructuring measures decided in 2001 and 2002, and to improvements in the small number of low-margin programs.

- Rollout of the new PMS (Program Management System) helped to reduce start-up costs for the 2003 programs.

- Administrative and selling expenses were tightly controlled, remaining flat at the equivalent of 2.9% of sales.

2.2. Research and development costs: manufacturing and sales companies

As in prior years, the Group's total 2003 research and development costs were recorded directly in the income statement. This accounting policy differs from that followed by the other leading European carmakers, which capitalize part of their development costs and amortize them through the income statement over several years.

Research and development costs for 2003 totaled €2,098 million, an increase of 12.5% on the previous year.

2.2.1 Automobile Division research and development expenditure

Automobile Division research and development outlays were increased by 12.8% in 2003 to €1,840 million, to support the major program of product and engine range replacements and extensions scheduled for 2004, 2005 and 2006. The Group is standing by its goal of bringing out 26 new models in the period 2003-2006. After slowing in recent years, the product introduction program will be stepped up in 2004, when six new models and two new engine families will be unveiled.

In 2003, the Division spent the equivalent of 4.2% of its sales on research and development. Development costs on existing vehicles, for new versions, new engines and restyles, are reported under "cost of sales" in order to reflect actual production cost more accurately and provide a better measure of sales margins. Including these costs, aggregate research and development spend by the Automobile Division came to €2,250 million, representing the equivalent of 5.2% of the Division's sales.

2.2.2 Faurecia research and development expenditure

Gross research and development outlays in the Automotive Equipment business totaled €532 million, or the equivalent of 5.3% of sales. After deducting costs billed on to customers, the net spend rose 12.1% in 2003, to €241 million or 2.4% of sales.

2.3. Banque PSA Finance operating margin

Banque PSA Finance operating margin surged to €418 million in 2003 from €319 million the previous year, lifted by improved lending margins and a significant rise in outstanding loans, two factors that also shaped the Bank's performance in 2002. Growth in average net outstanding loans added €52 million to operating margin, and improved lending margins had a positive impact of €77 million. Credit losses rose by a modest €16 million in 2003, while the loss rate inched up to 0.48% of outstanding loans before securitizations, a level above the previous year's 0.40% but still significantly below the banking industry average. Changes in exchange rates had a negative impact of €9 million, corresponding mainly to the conversion into euros of the results of operations in the United Kingdom. General operating expenses remained flat, after the currency effect, confirming the benefits of the restructuring plan underway since 2000 that will gradually lead to the creation of an integrated organization across Europe. Under Group accounting policies related to loan securitizations, the lending margin on securitized loans is included in the revenues from Banque PSA Finance's retained interest on an accruals basis. Consequently, the 2001 and 2002 securitizations have no impact on operating margin.

The operating margin rate improved significantly, rising to 2.2% of outstanding loans from 1.8% in 2002.

2.4. Personnel costs

Personnel costs break down as follows:

(in millions of euros)	2003	2002	2001
Automobile Division	**5,775**	5,569	5,339
Gefco	**320**	290	276
Faurecia	**1,863**	1,877	1,745
Other businesses	**150**	184	178
Total manufacturing and sales companies	**8,108**	7,920	7,538
Banque PSA Finance	**109**	115	111
Total PSA Peugeot Citroën	**8,217**	8,035	7,649

Personnel costs rose 2.3% compared with 2002, reflecting individual pay rises (see 2.1 above) and a small increase in the number of employees:

	2003	2002	2001
Automobile Division	**134,700**	133,300	129,700
Gefco	**8,400**	8,000	7,700
Faurecia	**51,900**	52,200	49,700
Other businesses	**2,700**	2,900	3,300
Total manufacturing and sales companies	**197,700**	196,400	190,400
Banque PSA Finance	**2,200**	2,200	2,100
Total PSA Peugeot Citroën	**199,900**	198,600	192,500

3. NET INCOME

Net income for the year contracted to €1,497 million from €1,690 million in 2002, representing 2.8% of sales versus 3.1%. Earnings per share stood at €6.14 versus €6.65 in 2002. There were no dilutive instruments outstanding.

The average number of shares outstanding during the year used to compute earnings per share was 243,902,478 in 2003 versus 254,201,332 in 2002.

3.1. Early-termination plan costs: manufacturing and sales companies

The €19 million charge recorded in the 2003 income statement corresponds to the adjustment of the reserves booked in prior years in respect of the early-termination plan for older employees of the Automobile Division and Automotive Equipment business in France.

The plan will remain open until February 2005 to all front-line workers at the Automobile Division's Sochaux plant aged 56 and over, all other front-line workers in the Automobile Division aged 57 and over, and all technical and plant supervisory staff aged 58 and over. The aim of the plan, which was extended to Faurecia in 2001, is to speed up the pace of improvement in manufacturing efficiency, while maintaining jobs in a period of steady business growth. There are no plans to further extend the eligible population.

As of December 31, 2003, the early-termination plan reserves carried in the consolidated balance sheet totaled €423 million, including €405 million for the Automobile Division and €13 million for Faurecia. At that date, 12,994 employees were concerned by the plan, including 746 employees at Faurecia.

3.2. Restructuring costs: manufacturing and sales companies

In 2003, restructuring costs amounted to €42 million. The bulk of this amount (€34 million) concerned the restructuring of Faurecia facilities in France and Germany.

3.3. Net interest expense: manufacturing and sales companies

Net interest expense for 2003 stood at €23 million compared with €25 million in 2002.

3.4. Other income and expense

Other income and expense represented net income of €204 million in 2003 versus income of €19 million the previous year, broken down as follows:

(in millions of euros)	2003	2002	2001
Manufacturing and sales companies	**209**	22	193
Finance companies	**(5)**	(3)	(4)
Total PSA Peugeot Citroën	**204**	19	189

The 2003 figure includes €160 million in gains on the sale of marketable securities.

3.5. Income taxes on income of fully-consolidated companies

Income taxes break down as follows:

(in millions of euros)	2003	2002	2001
Manufacturing and sales companies	**563**	666	750
Finance companies	**122**	111	85
Total PSA Peugeot Citroën	**685**	777	835

The €685 million tax charge on income of fully consolidated companies in 2003 represents an effective tax rate of 29.6% based on pre-tax income of €2,315 million. The 2002 tax charge was €777 million and the effective tax rate was roughly the same as in 2003.

3.6. Net earnings of companies at equity

Companies accounted for by the equity method contributed €46 million to Group income, up from €22 million in 2002. This amount corresponds primarily to the Group's equity in the earnings of entities set up to manage cooperation agreements between PSA Peugeot Citroën and other carmakers. These include the joint ventures with Renault, for the manufacture of engines and transmissions, and with Fiat, as well as Toyota Peugeot Citroën Automobiles (TPCA), which will manufacture entry-level Toyota, Peugeot and Citroën vehicles based on a common platform, starting in 2005.

The 2003 and 2002 figures also include the contribution of the DPCA joint venture in China, for €32 million and €10 million respectively. The accounts of DPCA were produced far more quickly in 2003 and its reporting periods now match those of the Group, whereas in 2002 the joint venture was accounted for by the equity method based on accounts closed at September 30. Consequently, the 2003 figure covers the fifteen-month period from October 2002 to December 2003. In addition, the Group's interest in DPCA's capital was raised to 31.9% in January 2003 from 26.9% previously.

DPCA's sales for the 12 months from January to December 2003 totaled CNY 10,879 million, an increase of 17.6% on the previous 12-month period. The company's operating margin stood at CNY 976 million, representing 9% of sales. This amount is stated net of a CNY 326 million impairment charge on intangible assets. Net interest expense came to CNY 190 million and exchange losses—mainly on DPCA's euro-denominated debt—represented CNY 282 million. After deducting income taxes of CNY 57 million, the company ended the year with net income of CNY 447 million.

3.7. Amortization of goodwill

Goodwill amortization amounted to €158 million in 2003 versus €163 million in 2002.

In the Finance Division, goodwill amortization concerns Credipar and amounted to €5 million in 2003. Goodwill amortization in the Automotive Equipment business concerns Bertrand Faure (€42 million), Faurecia Exhaust Systems (€9 million) and the Sommer Allibert automobile business (€69 million). In addition to these routine amortization charges, calculated over 20 years, an impairment charge of €28 million was recorded in respect of the Gefco KN goodwill. Efforts to restore Gefco KN's margins have been frustrated by the economic slowdown in Germany that has lasted since 2001. The company is expected to return to break-even in 2004.

GROUP FINANCING

1. FINANCING STRATEGY

The PSA Peugeot Citroën Group comprises both manufacturing and sales companies and finance companies, whose financial characteristics are very different. They therefore require the use of specific, yet strategically coordinated financing strategies.

1.1. Manufacturing and sales companies

The financing strategy for the manufacturing and sales companies focuses on consistently generating sufficient cash flow from operating activities to finance the capital expenditure required to support the development of these businesses and to achieve world class manufacturing efficiency. The businesses also need to generate sufficient free cash flow to finance dividend growth, steadily improve the companies' net financial position and fund the Group's share buyback policy.

In addition to a net cash position, the strategy is designed to provide the manufacturing and sales companies with substantial cash reserves to overcome any difficulties that may come their way. To this end, the Group raises long-term borrowings, whenever this can be done on attractive terms, either on the financial markets or from national or supranational lending institutions dedicated to financing investments of the type made by the Group. In September 2003, Peugeot S.A. carried out a €600 million 30-year bond issue placed with a wide range of international investors. Strong investor interest enabled the Group to obtain a post-swap spread of 93 bps above the three-month rate, in line with its goal of an average 100 bps spread.

Faurecia also has specific financing, obtained primarily to pay for the acquisitions made in recent years. Reflecting this strategy, as of December 31, 2003, the manufacturing and sales companies had cash and cash equivalents, net of bank overdrafts, of €4,357 million.

To top up these cash reserves as needed, Peugeot S.A. also has unused confirmed lines of credit, which are regularly renewed and are available for use by all Group companies. These lines amounted to €2,400 million as of December 31, 2003. Faurecia has additional sources of financing, in the form of €1,545 million worth of confirmed lines of credit, of which only €450 million had been drawn down at end-2003.

1.2. Banque PSA Finance

Banque PSA Finance's strategy is also designed to ensure that the Bank has sufficient financial resources to pursue its business in all circumstances, whatever the conditions on the financial markets. These resources consist primarily of liquidity reserves representing at all times more than €2,250 million, to cover the Bank's short-term liquidity risk. As of December 31, 2003, these reserves stood at €2,746 million. Financing strategies also focus on ensuring that retail loans and the related financing are matched in terms of maturities. The Bank maintains, at all times and across all maturities, financial resources in excess of the assets to be financed, thereby covering its longer-term liquidity risk. Lastly, it also has undrawn confirmed lines of credit. In June 2003, the Bank obtained a €2,700 million confirmed line of credit from a syndicate of thirty leading international banks and canceled a €1,850 million confirmed line of credit expiring in March 2004. Following this transaction, as of December 31, 2003, Banque PSA Finance had undrawn confirmed lines of credit totaling €5,700 million, including €3,000 million expiring in July 2005 and €2,700 million in June 2008.

The Bank's strategy also focuses on achieving the broadest possible spread of financing sources, including the interbank, commercial paper, certificate of deposit, bond and medium-term notes markets. Considerable emphasis is also placed on diversifying the investor base. This strategy of diversification shelters operations from the effects of any upsets on a given financial market. Since the beginning of 2001, the Bank has increased the volume of financing raised on the European asset-backed securities market. This market is now highly liquid and spreads are comparable to those obtained from other financing sources. In June 2001 and July 2002, pools of automobile loans totaling €1,000 million and €1,500 million respectively were sold to a special purpose entity which issued asset-backed securities placed with a broad range of European investors. In 2003, the Bank prepared a new €1,500 million securitization which was launched in February 2004.

Lastly, the Bank's capital, as determined for capital adequacy purposes, is kept at around 7.5% of total outstanding loans, including securitized loans. This is a high ratio given the quality of the loan book. As of December 31, 2003, Banque PSA Finance's capital represented 7.8% of outstanding loans and its European capital adequacy ratio stood at 9.4%.

1.3. Financial covenants

To safeguard all the sources of financing available to Banque PSA Finance, PSA Peugeot Citroën and Faurecia, including undrawn facilities, the Group imposes strict limits on clauses in loan agreements allowing lenders to require payments to be rescheduled or to modify the financial terms of the agreement. None of its loan agreements contain any rating triggers and the only agreements containing material adverse change clauses are with certain supranational lenders that are required to insist on this type of protection. Acceleration clauses required by lenders in line with standard market practice are drafted in such a way as to limit the potential impact. At Group level, only the undrawn line of credit obtained by Peugeot S.A. currently includes an acceleration clause, which would be triggered if the net debt of the Group's manufacturing and sales companies were to rise to above one-and-a-half times stockholders' equity. As of December 31, 2003, these companies' cash and cash equivalents exceeded their debt by €563 million. In the case of Banque PSA Finance and Faurecia, additional safeguards are provided by the absence of any cross-default clauses, between the companies in these divisions and the other divisions of the PSA Peugeot Citroën Group.

2. RATING

Peugeot S.A. and Banque PSA Finance have obtained ratings from Standard & Poor's and Moody's Investor Service for their short- and long-term debt issuance programs and the debt issuance programs of subsidiaries backed by Peugeot S.A. or Banque PSA Finance guarantees. On June 25, 2002, Standard & Poor's confirmed the A- long-term rating and A2 short-term rating attributed to debt issues by Peugeot S.A., Banque PSA Finance and their subsidiaries. Standard & Poor's also changed the outlook from stable to positive. The agency stated that assuming the Group's operating margin remains above 5% of sales and the net cash reserves of the manufacturing and sales companies increase to more than €1 billion, it may decide to upgrade the ratings in the future, provided that Banque PSA Finance's capital adequacy ratio remains satisfactory. The ratings and outlooks were confirmed for Peugeot S.A. on October 1, 2003 and for Banque PSA Finance on January 6, 2004.

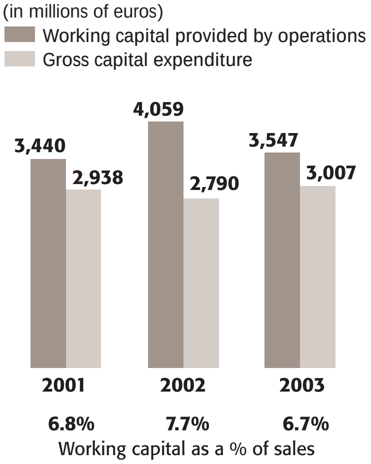
On May 28, 2002, Moody's Investor Service upgraded Banque PSA Finance's long-term rating from A3 to A2 and its short-term rating from P2 to P1. On November 15, 2002, Moody's Investor Service confirmed the A3 long-term rating and P2 short-term rating attributed to Peugeot S.A. and to its subsidiaries for debt issues guaranteed by Peugeot S.A. It also changed the outlook from stable to positive. The ratings and outlooks were confirmed for Peugeot S.A. on September 5, 2003 and for Banque PSA Finance on February 11, 2004.

3. FINANCING FOR THE YEAR

3.1. Cash flows from operating activities: manufacturing and sales companies

Net cash provided by operations of the manufacturing and sales companies totaled €3,323 million in 2003 compared with €4,389 million the previous year.

Working capital provided by operations and gross capital expenditure - manufacturing and sales companies
(in millions of euros)



Working capital provided by operations of the manufacturing and sales companies contracted by 12.6% in 2003 to €3,547 million. The decline was directly related to the contraction in the Automobile Division's operating margin. Working capital of the manufacturing and sales companies increased €224 million in 2003, after being reduced by €330 million in 2002.

Working capital breaks down as follows by division:

(in millions of euros)	2003	2002	2001
Automobile Division	**(297)**	372	(367)
Gefco	**(23)**	27	17
Faurecia	**(71)**	84	(127)
Other businesses	**167**	(153)	55
Total manufacturing and sales companies	**(224)**	330	(422)

Automobile Division working capital increased by €297 million after decreasing by €372 million in 2002. New vehicle inventories—including inventories of the captive dealer network—rose by 19,000 units compared with their December 31, 2002 level. However, the number was down by 59,000 units compared with June 30, 2003, in keeping with the goals of the inventory reduction program announced last July.

(units)	Manufacturer	Captive dealer network	Total
December 31, 2001	222,900	49,400	272,300
June 30, 2002	229,000	51,000	280,000
December 31, 2002	216,500	53,000	269,500
June 30, 2003	287,000	60,500	347,500
December 31, 2003	**239,600**	**48,900**	**288,500**

Working capital in the Automotive Equipment business rose €71 million, after decreasing €84 million in 2002.

3.2. Cash flows from operating activities: Banque PSA Finance

Operating activities of the finance companies generated a net cash inflow of €251 million in 2003 as opposed to a net outflow of €43 million in 2002. Working capital provided by operations—corresponding more or less to net income—amounted to €343 million in 2003 compared with €239 million the previous year. Changes in operating assets and liabilities had a negative impact of €92 million in 2003 and €282 million in 2002. These figures correspond to the combined effect of changes in outstanding loans, invested funds designed to guarantee the Bank's liquidity, and refinancing, plus the effect of changes in other operating receivables and payables.

3.3. Cash flows from investing activities

Gross capital expenditure totaled €3,020 million in 2003, versus €2,802 million in 2002. These figures are in line with the

Group's medium-term target of capping capital budgets at €3,000 million per year. The main programs concern new product launches, expansion of the Group's geographic footprint and the construction of new production capacity in Eastern Europe. The platform strategy has proved highly effective in containing capital expenditure by allowing dedicated plant and tooling to be reused for all vehicles developed on the same platform.

Capital expenditure breaks down as follows by business:

(in millions of euros)	2003	2002	2001
Automobile Division	**2,574**	2,357	2,398
Gefco	**54**	51	85
Faurecia	**354**	351	436
Other businesses	**25**	31	19
Total manufacturing and sales companies	**3,007**	2,790	2,938
Banque PSA Finance	**13**	12	9
Total PSA Peugeot Citroën	**3,020**	2,802	2,947

Proceeds from fixed asset disposals amounted to €148 million in 2003, close to the €177 million generated in 2002.

Cash outlays for acquisitions of shares in consolidated and non-consolidated companies represented €257 million in 2003. PSA Peugeot Citroën took up its share of the Dongfeng Peugeot Citroën Automobile (DPCA) share issue, carried out to finance the second phase in the development of the Group's Chinese operations, and also bought out the interests in DPCA held by Chinese financial institutions. These transactions represented a total investment of €73 million and had the effect of raising the Group's stake in DPCA from 26.9% to 31.9%. The Group also injected a further €118 million in capital in Toyota Peugeot Citroën Automobile (TPCA), to help finance the construction of the Kolín plant in the Czech Republic. As from 2005, the new plant will manufacture three models—one Peugeot, one Citroën and one Toyota—based on the platform developed jointly by the two groups. In 2002, cash outlays for acquisitions of shares in consolidated and non-consolidated companies represented €81 million, corresponding mainly to the Group's contribution to the initial capital of TPCA.

3.4. Cash flows from financing activities

Including the finance companies, financing activities generated a net cash outflow of €71 million in 2003, compared with a €2,474 million net outflow in 2002.

Dividend payments by Peugeot S.A. totaled €325 million versus €294 million in 2002. A total of €186 million were invested in the buyback of 4,894,675 Peugeot S.A. shares (net of shares sold during the year) at an average price of €38.08 per share. Of the total, €147 million are included in stock-holders' equity under "Treasury stock" and €39 million—corresponding to shares acquired for allocation on exercise of stock options—are included in assets under "Short-term investments".

4. CONSOLIDATED FINANCIAL POSITION

4.1. Stockholders' equity

Net income for 2003 helped to further increase stockholders' equity, which rose to €11,864 million as of December 31, 2003 from €10,984 million one year earlier. Based on the number of shares outstanding excluding treasury stock, net assets per share rose 10.2% to €49.64 as of December 31, 2003 from €45.03 at the previous year end. As of December 31, 2003, net assets per share represented 1.23 times the share price.

4.2. Net financial position: manufacturing and sales companies

The net financial position of the manufacturing and sales companies represents the best indicator of the Group's financial position with regard to outside sources of financing. For the manufacturing and sales companies, it represents net cash and cash equivalents—corresponding to cash and short-term investments less short-term financing—and the difference between long-term borrowings and long-term loans.

As of December 31, 2003, the manufacturing and sales companies had net cash of €563 million, compared with €594 million as of end-2002.

Net cash provided by operating activities, in the amount of €3,323 million, more than covered the €3,123 million in net cash used by investing activities, leaving free cash flow of €200 million. The €366 million paid out in dividends and the €186 million invested in share buybacks were offset by the €160 million in gains realized on the sale of marketable securities, the €126 million in dividends paid by Banque PSA Finance, and the classification under "Short-term investments" of €39 million worth of Peugeot S.A. shares acquired for allocation on exercise of stock options granted in 2003.

5. SUPPLEMENTARY PENSION AND OTHER POST-RETIREMENT BENEFIT OBLIGATIONS

PSA Peugeot Citroën Group employees in certain countries are entitled to pension or supplementary pension benefits, payable annually, or lump sum retirement bonuses paid at the time of retirement. Some of these plans are defined benefit plans, under which benefit payments are determined based on a range of criteria including the employee's age, years of service, salary level and benefit entitlements under the social security system. Others are defined contribution plans entitling employees to fixed benefits determined by reference to the capital built up through employee and employer contributions to external funds, including the reinvested yield from the investment of these funds on the financial market.

Group policy emphasizes defined contribution plans, which are more effective in guaranteeing future benefits and also avoid exposing the Group to financial risks related to benefit obligations. In 2002, the Group set up defined contribution plans in Spain and Brazil.

In France, the Group has curtailed its defined benefit plan. Under the terms of the curtailment, participating employees no longer acquire any further benefit entitlements under the plan beyond June 30, 2002 except for those employees who were over 59 years old at that date. The plan has been replaced by a defined contribution plan set up for all employees whose compensation exceeds the ceiling for French social security contributions. The new plan is funded by employer and employee contributions set at 4% and 2% respectively of the portion of salary in excess of the social security ceiling. The Group's benefit obligations under the former defined benefit plan at June 30, 2002, towards employees who were less than 59 years of age at that date, have been transferred in full to a leading insurance company, in exchange for a lump sum payment of €384 million.

Along with this major change in pension benefit arrangements in France, the defined benefit plans set up by the Group for the employees of its UK subsidiaries have been closed to new entrants effective from May 2002. Employees recruited after the plans were closed are covered by a new defined contribution plan whereby the employer adds to contributions paid by each employee. Other employees continue to be covered by the former defined benefit plans, to which they contribute.

The present value of the Group's benefit obligations under the remaining defined benefit plans is calculated in accordance with U.S. Statement of Financial Accounting Standards (SFAS) 87.

The obligations are funded by contributions to external institutions responsible for managing the funds set up to finance future benefit payments. The type of institution depends on the applicable legislation in each country concerned. The level of funding is adjusted at regular intervals to take account of changes in the amount of related benefit obligations, in line with the Group's policy of externally funding its obligation. Reserves have been booked in the consolidated balance sheet to cover any shortfall in funds.

The total benefit obligation is calculated at the end of each year as explained above. The periodic pension cost, determined after taking into account funds managed by external institutions, corresponds to:

- The service cost, representing the additional rights acquired by employees during the year, generally based on their period of service with the Group.

- Interest cost, corresponding to adjustments to the present value of the opening vested rights of employees to take account of the fact that the period to the future benefit payment date has been reduced by one year.

- Amortization of deferred items resulting from changes in certain assumptions underlying each three-yearly actuarial valuation, and the difference between the actual return on external funds and the standard return on long-term investments.

- Less the standard yield on the external funds for the year.

In 2003, the Group reviewed the assumptions used to calculate benefit obligations and periodic pension cost, in the light of the year's developments. The discount rate applied to future benefit obligations under euroland plans was lowered from 5.25% to 4.50% and the rate for UK plans was reduced from 6% to 5%. The inflation rate for euroland plans was raised by 0.25 points to 2%. Lastly, the expected yield on external funds was lowered from 6.50% to 6.00% for French plans and from 7.25% to 7.00% for UK plans.

As of December 31, 2003, the discounted present value of future benefit obligations stood at €3,194 million versus €2,725 million at end-2002. Changes in actuarial assumptions had the effect of increasing the projected benefit obligation by €478 million. The main changes concerned the economic and financial parameters used to determine the discount rate. In 2003, the total impact of the changes in these parameters was €364 million, including €252 million related to the reduction in the discount rate applied in the UK and €68 million arising from the lower euroland discount rate. The service cost, mainly under UK plans, and discounting adjustments had the effect of increasing the projected benefit obligation by €220 million, while the inclusion of the "Pensionskasse" plan for Peugeot Deutschland employees added €58 million. These increases were partly offset by the €124 million in benefits paid during the year and the €105 million in translation adjustments.

As of December 31, 2003, deferred items amortized over the average remaining service lives of employees, amounted to €1,242 million, compared with €981 million at end-2002. The increase includes €364 million in actuarial differences arising from the change in economic and financial parameters discussed above, partly offset by €57 million in amortization for the year and €46 million in translation adjustments.

External funds used to finance benefit payments rose to €1,792 million as of December 31, 2003 from €1,668 million at end-2002. The increase reflects the funds' yield, as well as the inclusion of €66 million in external funds related to the "Pensionskasse" plan for Peugeot Deutschland employees.

Reserves carried on the balance sheet in respect of the portion of benefit obligations not covered by external funds amounted to €307 million as of December 31, 2003 and €247 million at end-2002.

The Group has no obligation to pay additional contributions to external funds, other than in the United Kingdom, apart from the obligation to pay benefits when they fall due. In the United Kingdom, based on the present value of external funds, the Group may be required by local regulations to pay a maximum of €70 million in additional contributions in each of the next three years.

The charge recorded in accordance with the standards described above amounted to €165 million in 2003, compared with €130 million in 2002 excluding the effect of the curtailment of the French plan. The estimated charge for 2004 is €210 million. The increase compared with 2003 mainly relates to higher amortization charges on deferred items and changes in actuarial assumptions.

RETURN ON CAPITAL EMPLOYED

1. DEFINITION AND METHODS

Return on capital employed (ROCE) has been selected as the standard indicator of the Group's overall financial performance. Capital employed includes the value of all operating assets and liabilities used by the Group in its business operations. Return on capital employed is measured on the basis of income generated by capital employed, which corresponds mainly to operating margin plus or minus the other income and expense items included in the ROCE calculation.

Pre-tax ROCE corresponds to the ratio of income generated by capital employed to total capital employed at December 31 of each year. The definition and the calculation of capital employed, income generated by capital employed and return on capital employed are presented in note 43 to the consolidated financial statements.

After-tax ROCE is calculated on the basis of a standard income tax rate of 33 1/3%, corresponding to the average tax rate applied to the Group's recurring results of operations.

2. CAPITAL EMPLOYED

Capital employed stood at €16,040 million as of December 31, 2003, an increase of €633 million over the year-earlier figure. The growth in Automobile Division capital employed stemmed from the modest rise in capital expenditure in 2003, and the temporary increases in inventory. The rise in Banque PSA Finance capital employed is attributable to the growth in equity capital to support the expansion of the loan portfolio. Faurecia's capital employed contracted due to goodwill amortization, and tight control over capital expenditure and working capital.

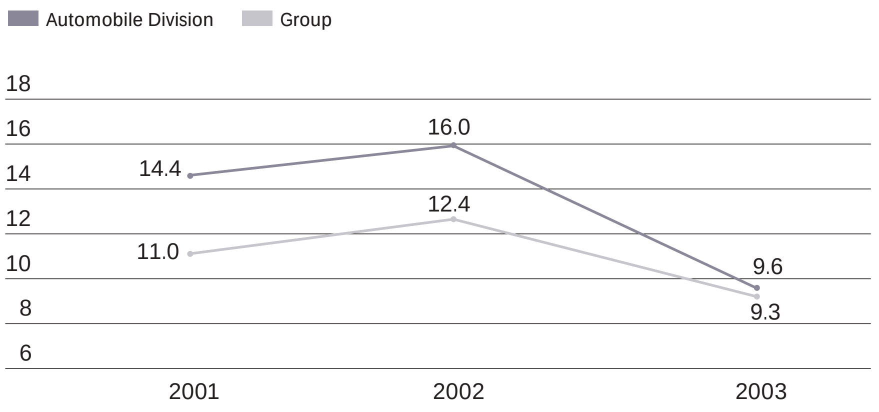
(in millions of euros)	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Automobile Division	**10,223**	9,687	9,828
Banque PSA Finance	**1,786**	1,680	1,490
Gefco	**448**	405	430
Faurecia	**3,871**	3,943	4,071
Other businesses and consolidation adjustments	**(288)**	(307)	(165)
Total PSA Peugeot Citroën	**16,040**	15,407	15,654

3. RETURN ON CAPITAL EMPLOYED (ROCE)

After-tax ROCE declined to 9.3% in 2003 from 12.4% in 2002. The decrease stemmed from the lower operating margin of the Automobile Division in a very difficult economic and exchange rate environment. Automobile Division after-tax ROCE fell to 9.6% from 16.0%.

Nevertheless, ROCE was significantly higher than the cost of capital employed, estimated by the Group at around 8% to 8.5%.

Return on capital employed (%)



MANAGEMENT OF FINANCIAL AND OPERATIONAL RISKS

1. OPERATIONAL RISKS

The Group has created a risk prevention and management organization charged with implementing appropriate measures to limit the consequences of events affecting Group operations and prevent, to the extent possible, the risk of project management failures or organizational dysfunctions.

The corporate Risk Prevention and Management Department guarantees the consistency of operational risk management initiatives and their cross-functional implementation. It defines risk identification and assessment methods, and helps to define and control risk management plans. It is supported by a network of correspondents or experts working in the Group's various departments and facilities, who are responsible for deploying Group risk prevention policies in their units and monitoring the status of preventive and corrective action plans. Risks are assessed in detail using a Group-wide method and annual programs are implemented to manage them. This means that potential vulnerabilities are identified early and that protective or preventive measures are commensurate with the risks involved.

The main operational risks are risks likely to disrupt or halt the Group's design, production or distribution activities, or to pose a threat to the Group's employees or its tangible or intangible assets. They include the risk of damage to research facilities, data processing centers, production or distribution units, due to severe weather conditions or human action, as well as incidents affecting the integrity, confidentiality and use of Group information systems and computerized data, and damage to the Group's reputation.

1.1. Manufacturing risk

Systematic prevention programs deal, in particular, with fire risks, risks concerning the supply of components and the protection of vehicle inventories. The Group invests in data protection and back-up programs, data processing center security programs and training in data control techniques for employees. Special attention is paid to the environmental impact of manufacturing facilities. The design specifications of plant and equipment include processes and devices to control pollution and environmental risks. The corporate Risk Management and Prevention Department centrally manages environmental risks related to manufacturing operations and regularly publishes Group-level environmental reports.

The structures dedicated to managing environmental risks, at the Automobile Division's production plants and elsewhere in the organization, comply with ISO 14001 environmental management standards. Worldwide, the 22 main Automobile Division production plants were ISO 14001-certified as of end-2003.

The ISO certification program is supported by annual capital expenditure budgets for environmental projects. All industrial projects are reviewed by the design department, the plant concerned, technical department experts and Group environmental specialists in order to identify the potential risks and devise appropriate responses.

1.2. Supplier risk

Manufacturing processes are dependent on bought-in parts and components that represent over 70% of vehicle production cost. Risks related to the quality of suppliers and their financial and commercial viability, as well as to the reliability of parts and components that they deliver are closely monitored.

Suppliers are selected according to seven main criteria: price competitiveness, quality, the ability to develop new products and manufacture them in large quantities, supply chain efficiency, research and development capabilities, geographic reach and long-term viability. Each supplier's viability is assessed from a financial and strategic standpoint, based on:

- Financial position
- Strategy and growth outlook
- Changes in the level of dependence.

Procurement strategies are decided by the Executive Procurement Committee during monthly procurement policy meetings, based on the above criteria.

1.3. Risks associated with the activities of the finance companies

The Group finance companies provide financing for dealer vehicle and replacement parts inventories and offer a wide range of loans and lease financing solutions to customers, together with related services. As a result, they are exposed to credit risks. Wholesale financing credit risks are spread across a large number of dealers and are managed internally by Credit Committees set up in each country as well as by a Group Credit Committee, based on clearly defined, closely monitored credit limits. Retail financing credit risks, which are spread across an even larger number of customers, are managed using credit-scoring procedures. In addition, significant individual credit risks are managed using procedures similar to those applied to manage wholesale financing credit risks.

Reserves are booked for residual risks, on a statistical basis, as soon as the financing is granted. The percentage of the total risk covered by a reserve is adjusted at regular intervals based on the Group's loss experience, determined country-by-country. Specific allowances are booked for significant individual risks, as soon as they are identified.

1.4. Insurance policy

Group policy in the area of insurance focuses on risk prevention. All major risks are insured and deductibles are set at appropriate levels. All insurance cover is taken out with leading insurers and reinsurers based on the recommendations of top ranking insurance advisors specialized in major risks. The Group's global insurance programs at January 1, 2004 cover the following main risks:

- Damage to property and resulting business interruption, up to a maximum of €1,500 million, excluding Faurecia, and €228 million for Faurecia.
- Liability claims resulting from personal injury or tangible or intangible losses arising from the use of the Group's products or otherwise, up to a maximum of €152 million excluding Faurecia, which has taken out specific cover for these risks.
- Theft or damage to new vehicles held on storage lots, up to a maximum of €45 million, and to vehicles and components during transport, up to a maximum of €40 million.

Thanks to its good insurance record and the more favorable conditions in the insurance market, the Group has been able to renew the high level of cover provided by its insurance programs for 2004 at lower premium rates than in 2003.

2. LEGAL RISKS

The PSA Peugeot Citroën Group is exposed to legal risks as an employer and in connection with the design and distribution of vehicles, the purchase of components and the supply of services. To manage these risks, the Group implements preventive policies in the areas of workplace hygiene and safety, the manufacturing environment, industrial and intellectual property. Priority is also given to vehicle safety and the quality of the Group's products and services.

The Automobile Division may become involved in claims and litigation arising from its dealings with the dealer network and customers. Motor vehicle distribution and after-sales services in Europe are subject to the new European Union Block Exemption Regulation 1400/02 dated July 31, 2002, which came into effect on October 1, 2003. To comply with the new regulations, the two marques have each reorganized their previous policy of selective distribution through dealers offering both sales and after-sales service, chosen according to quantitative criteria. Relations with the distribution network are now based on three separate contracts:

- A new vehicle sales contract signed with a fixed number of dealers in each country, selected on the basis of qualitative and quantitative criteria.

- An accredited vehicle repair shop contract and a replacement part sales contract, awarded based on qualitative criteria.

Relations with the networks have been governed by these three types of contract since October 1, 2003. To date, claims arising from their introduction and implementation have not been material.

As of December 31, 2003, no Group company was involved in any claims or litigation that had or were likely to have a material impact on the Group's accounts.

Following initial verifications performed in 1999 at Automobiles Peugeot and Automobiles Citroën, during 2003 the European Commission conducted further investigations at Automobiles Peugeot and among its German and Dutch subsidiaries to ascertain whether they were involved in any practices aimed at restricting cross-border sales in Europe. As of December 31, 2003, the Commission had not notified Automobiles Peugeot of any complaints.

3. FINANCIAL RISKS

3.1. Liquidity risk

Risks arising from the possible unavailability of financing and the measures taken to limit these risks are described in the section "Financing Strategy". They include the risk related to acceleration clauses in the Group's loan agreements and clauses restricting access to loan facilities in certain circumstances.

3.2 Currency and interest rate risk

PSA Peugeot Citroën is exposed to financial risks in connection with its automobile business and other manufacturing activities, including the risk of losses due to unfavorable changes in exchange rates affecting the currencies of countries where it manufactures products—primarily in the euro zone—and the countries in which these products are sold. The introduction of the euro at the beginning of 1999 has had the effect of reducing these risks, which now primarily concern the British pound and, to a lesser extent, the Central European currencies, the Argentine peso, the Brazilian real and the Japanese yen.

Currency risks of the Automobile Division are managed primarily by having the manufacturing companies bill the sales companies in the sales companies' local currency, except in those rare cases where the sales company's local currency is not convertible. Currency risks on these inter-company billings are systematically hedged by means of forward contracts maturing on the invoice settlement date, which is determined based on the subsidiaries' operating cycle. The hedges are set up by a specialized subsidiary, PSA International, or on PSA International's instructions in the case of non-convertible currencies.

In accordance with these principles, currency risks on future sales are not hedged, with the result that future operating margin may vary depending on exchange rates. As of December 31, 2003, the Automobile Division held Japanese yen and British pound put options to guarantee a minimum exchange rate for its vehicle sales in Japan and the United Kingdom. The Japanese yen put options are on a nominal amount of JPY 59.4 billion and hedge all 2004 sales in Japan and 80% of sales until September 2005. The options' average strike price is JPY 117 per euro in 2004 and JPY 122 per euro in 2005. The British pound put options are on a nominal amount of GBP 1,602 million and cover 80% of 2004 sales in the UK. The average strike price is GBP 0.7073 per euro. The Group intends to purchase additional British pound put options in early 2004, in order to hedge all of its forecast sales for the year.

On the basis of 2003 figures, the Group estimates that a 1% fluctuation in the euro against all of the Group's other currencies would have an impact of around €64 million on consolidated operating margin. A 1% change in the pound-euro exchange rate would have an impact of around €31 million on consolidated operating margin. These estimated sensitivities do not take into account the effect of exercising the currency options described above.

The exposure of the Group's manufacturing and sales activities to changes in interest rates is not material.

The bulk of the finance companies' refinancing needs are covered by the equity capital allocated to these companies, the issuance of debt securities and bank borrowings. The finance companies are therefore exposed to the risk of mismatches between assets and liabilities, in terms of maturities, currencies and interest rates. The Group's policy consists of neutralizing the impact of changes in interest rates and exchange rates on the finance companies' operating margin by using appropriate financial instruments to match interest rates and currencies between assets and liabilities.

3.3. Counterparty risk

The Group places significant emphasis on guaranteeing the security of payments for the goods and services delivered to customers. Relations with Peugeot and Citroën dealers are managed within the framework of the sales financing system described above. Appropriate mechanisms have been set up to guarantee the security of payments from other Group customers. Inter-company settlements are systematically covered against political risks whenever necessary.

The Group is exposed to counterparty risks on transactions carried out on financial markets in connection with the management of currency and interest rate risks and payment flows. It keeps these risks to a minimum through internal control procedures requiring all transactions to be carried out solely with leading counterparties.

ADOPTION OF IAS/IFRS ACCOUNTING STANDARDS

In order to prepare the transition to International Financial Reporting Standards (IFRS), which will be applicable as from 2005, during 2003 the Group conducted an in-depth review to identify:

- The main differences between the Group's current accounting policies and IFRS, in terms of accounting treatment and methods of valuation and presentation

- The additional accounting disclosures required under IFRS

- The required changes to information systems and circuits

- The historical data to be obtained and analyzed to draw up the January 1, 2004 opening balance sheet under IFRS.

The main differences affecting consolidated stockholders' equity as of January 1, 2004 and/or future results of operations are as follows:

- Development costs fulfilling the criteria set out in IAS 38, which are currently recorded as expenses, will be capitalized. The amount capitalized as of January 1, 2004 will correspond to the cumulative value of qualifying development costs incurred in prior years, net of accumulated amortization. Stockholders' equity as of January 1, 2004 will be increased by an equivalent amount. In the statement of income, in periods of rising development expenditure, the change of method will have the effect of increasing consolidated operating margin, as the amounts capitalized will exceed the amortization charge on expenses capitalized in prior years.

- In accordance with IFRS 1, actuarial differences existing on projected pension benefit obligations as of January 1, 2004 will be posted to opening stockholders' equity at that date, and an equivalent amount will be recorded under "Reserves for pensions and other post-retirement benefit obligations". These actuarial differences are currently recorded off-balance sheet and amortized over the remaining service lives of the employees concerned. In the statement of income, these amortization charges will no longer be included in future periodic pension cost. Actuarial differences arising after January 1, 2004 will be recorded off-balance sheet and amortized over future periods.

- Financial assets held for sale will be valued at fair value and the resulting unrealized gain or loss will be held in stockholders' equity up until the date of sale. At present, financial assets held for sale are carried in the balance sheet under non-current and current financial assets at historical cost. Effective from January 1, 2004, when the assets are sold, the disposal gain or loss will be taken to the income statement and the revaluation difference will be written off from stockholders' equity.

- Recognition of revenues from vehicle sales with a buyback commitment will be deferred until the used vehicle is sold, whatever the duration of the buyback commitment and the sales channel. Currently, new vehicle sales with a buyback commitment expiring within a maximum of three years are not recognized at the time of delivery but accounted for as operating leases. The difference between the sale price and the buyback price is recognized over the leasing period. The profit corresponding to the difference between the resale value of the vehicle on the used car market and the cost of the new vehicle is recognized in the period when the vehicle is sold.

Transactions in progress as of January 1, 2004 will be restated and consolidated stockholders' equity at that date will be reduced by the amount of the margin realized on vehicles sold prior to January 1, 2004 with a buyback commitment. The vehicles concerned will be recorded under assets and the corresponding revenue will be recorded under deferred income. The effect on the statement of income will be limited to the change, from one year-end to the next, in the volume of vehicles sold with a buyback commitment.

- Peugeot S.A. shares acquired for allocation on exercise of stock options granted to the management and employees of Peugeot S.A. and related companies, which are currently recorded as assets under "Short-term inves-tments", will be deducted from stockholders' equity. This change of method will have no impact on the statement of income. For the purpose of computing earnings per share, these shares will be considered as no longer being outstanding. This will have the effect of increasing earnings per share.

- Depending on the final provisions of the new draft standard on business combinations, it is probable that goodwill will no longer be amortized but will continue to be subject to an impairment test at each year-end. Goodwill is currently amortized by the straight-line method over a maximum of 20 years.

The additional information system developments required to produce IFRS accounts mainly concern Banque PSA Finance and have already been launched. The Group has also started collecting and analyzing the historical data needed to draw up the opening IFRS balance sheet, including data related to development costs and vehicle sales with a buyback commitment. 2004 will be devoted to completing this work, defining the required new information channels, auditing opening balance sheet data and monitoring developments concerning IFRS.

The Group will publish a full set of IFRS accounts for the 2004, in addition to the consolidated financial statements prepared according to current French GAAP.

Statistics

STATISTICS

PASSENGER CAR REGISTRATIONS IN EUROPE BY COUNTRY

	2003	2002	2001
France	**2,009,200**	2,145,100	2,254,700
Austria	**300,100**	279,500	293,500
Belgium-Luxemburg	**502,400**	511,000	531,500
Denmark	**96,100**	111,600	96,200
Finland	**147,200**	116,900	109,500
Germany	**3,236,900**	3,252,900	3,341,700
Greece	**257,300**	268,500	280,200
Ireland	**145,400**	156,100	164,700
Italy	**2,251,300**	2,279,600	2,413,500
Netherlands	**489,000**	510,700	530,200
Norway	**89,900**	88,700	92,000
Portugal	**189,800**	226,100	255,200
Spain	**1,383,000**	1,331,900	1,425,600
Sweden	**261,200**	254,600	246,600
Switzerland	**270,200**	295,000	316,600
United Kingdom	**2,579,100**	2,563,600	2,458,800
TOTAL WESTERN EUROPE (17 countries)	**14,208,100**	14,391,800	14,810,500

Source: C.C.F.A.

LIGHT COMMERCIAL VEHICLE REGISTRATIONS IN EUROPE BY COUNTRY

	2003	2002	2001
France	**381,600**	404,900	433,900
Austria	**25,200**	22,400	24,100
Belgium-Luxemburg	**55,800**	54,000	64,400
Denmark	**32,700**	32,300	31,500
Finland	**15,500**	15,400	15,100
Germany	**185,900**	193,200	206,300
Greece	**18,100**	18,800	20,600
Ireland	**30,900**	35,000	38,700
Italy	**194,900**	272,800	230,700
Netherlands	**77,500**	81,100	84,200
Norway	**27,000**	24,800	33,800
Portugal	**69,200**	79,500	98,900
Spain	**296,500**	269,100	287,700
Sweden	**28,400**	28,800	29,200
Switzerland	**20,900**	22,500	25,400
United Kingdom	**309,500**	271,600	259,800
TOTAL WESTERN EUROPE (17 countries)	**1,769,600**	1,826,200	1,884,300

Source: C.C.F.A.

PASSENGER CAR AND LIGHT COMMERCIAL VEHICLE REGISTRATIONS IN EUROPE BY MANUFACTURER

	2003		2002		2001	
	Units	**Market share (%)**	Units	Market share (%)	Units	Market share (%)
Peugeot Marque	**1,356,100**	**8.5**	1,437,600	8.9	1,443,600	8.7
Citroën Marque	**1,103,900**	**6.9**	1,074,500	6.6	1,060,400	6.3
PSA Peugeot Citroën	**2,460,000**	**15.4**	2,512,100	15.5	2,504,000	15.0
Volkswagen Group	**2,713,200**	**17.0**	2,800,600	17.3	2,965,100	17.8
Renault	**1,774,500**	**11.1**	1,830,100	11.3	1,863,100	11.2
Ford Group	**1,772,900**	**11.1**	1,828,700	11.3	1,863,400	11.2
General Motors Group	**1,517,700**	**9.5**	1,548,600	9.6	1,688,600	10.1
Fiat Group	**1,294,700**	**8.1**	1,460,100	9.0	1,686,200	10.1
Daimler-Chrysler	**1,072,400**	**6.7**	1,115,200	6.9	1,121,000	6.7
Toyota Group	**763,100**	**4.8**	711,000	4.4	635,000	3.8
BMW	**631,500**	**4.0**	622,200	3.8	545,000	3.3
Other Japanese marques	**1,263,600**	**7.9**	1,151800	7.1	1,137,300	6.8
Korean marques	**501,300**	**3.1**	424,100	2.6	449,800	2.7
Other marques	**212,800**	**1.3**	213,500	1.3	236,300	1.5

PSA PEUGEOT CITROËN GROUP - PASSENGER CAR REGISTRATIONS IN EUROPE BY COUNTRY

	2003		2002		2001	
	Units	**Market share (%)**	Units	Market share (%)	Units	Market share (%)
France	**650,700**	**32.4**	720,200	33.6	761,900	33.8
Austria	**28,800**	**9.6**	24,300	8.7	23,300	7.9
Belgium-Luxemburg	**112,000**	**22.3**	109,700	21.5	104,400	19.7
Denmark	**24,800**	**25.8**	30,400	27.2	24,500	25.4
Finland	**17,700**	**12.0**	14,500	12.4	12,200	11.1
Germany	**189,100**	**5.8**	174,600	5.4	158,400	4.7
Greece	**31,500**	**12.3**	39,600	14.8	36,600	13.0
Ireland	**11,700**	**8.1**	13,500	8.6	12,100	7.3
Italy	**249,600**	**11.1**	226,100	9.9	195,400	8.1
Netherlands	**80,500**	**16.5**	75,100	14.7	69,300	13.1
Norway	**10,500**	**11.7**	10,100	11.4	9,200	10.0
Portugal	**37,200**	**19.6**	41,500	18.4	42,500	16.7
Spain	**303,200**	**21.9**	295,200	22.2	311,900	21.9
Sweden	**27,800**	**10.7**	22,500	8.9	16,400	6.7
Switzerland	**27,900**	**10.3**	27,000	9.1	26,600	8.4
United Kingdom	**302,500**	**11.7**	339,300	13.2	334,800	13.6
TOTAL WESTERN EUROPE (17 countries)	**2,105,500**	**14.8**	2,163,600	15.0	2,139,500	14.5

PSA PEUGEOT CITROËN GROUP - LIGHT COMMERCIAL VEHICLE REGISTRATIONS IN EUROPE BY COUNTRY

	2003		2002		2001	
	Units	**Market share (%)**	Units	Market share (%)	Units	Market share (%)
France	**142,900**	**37.5**	144,400	35.7	151,500	34.9
Austria	**2,600**	**10.4**	2,000	8.9	2,400	10.1
Belgium-Luxemburg	**14,500**	**25.9**	14,100	26.1	16,800	26.1
Denmark	**6,400**	**19.5**	6,500	20.0	6,800	21.7
Finland	**2,500**	**15.9**	1,900	12.5	1,700	11.3
Germany	**11,700**	**6.3**	11,800	6.1	12,900	6.3
Greece	**1,400**	**7.7**	1,400	7.4	1,700	8.1
Ireland	**4,200**	**13.5**	4,700	13.5	5,500	14.1
Italy	**15,800**	**8.1**	18,800	6.9	14,200	6.2
Netherlands	**12,000**	**15.5**	12,200	15.0	14,400	17.1
Norway	**3,600**	**13.5**	3,400	13.4	5,700	16.8
Portugal	**15,800**	**22.8**	15,900	20.0	17,100	17.3
Spain	**72,600**	**24.5**	66,100	24.6	70,400	24.5
Sweden	**5,300**	**18.5**	4,900	17.0	4,300	14.6
Switzerland	**2,400**	**11.7**	2,000	8.8	2,100	8.2
United Kingdom	**40,800**	**13.2**	38,500	14.2	37,000	14.3
TOTAL WESTERN EUROPE (17 countries)	**354,500**	**20.0**	348,600	19.1	364,500	19.4

PSA PEUGEOT CITROËN GROUP - PASSENGER CAR AND LIGHT COMMERCIAL VEHICLE REGISTRATIONS IN EUROPE BY COUNTRY

	2003		2002		2001	
	Units	**Market share (%)**	Units	Market share (%)	Units	Market share (%)
France	**793,700**	**33.2**	864,600	33.9	913,400	34.0
Austria	**31,400**	**9.7**	26,300	8.7	25,700	8.1
Belgium-Luxemburg	**126,500**	**22.7**	123,800	21.9	121,300	20.4
Denmark	**31,200**	**24.2**	36,900	25.6	31,300	24.5
Finland	**20,100**	**12.4**	16,400	12.4	13,900	11.2
Germany	**200,700**	**5.9**	186,300	5.4	171,300	4.8
Greece	**32,900**	**12.0**	41,000	14.3	38,200	12.7
Ireland	**15,900**	**9.0**	18,200	9.5	17,600	8.6
Italy	**265,400**	**10.9**	244,900	9.6	209,600	7.9
Netherlands	**92,500**	**16.3**	87,200	14.7	83,600	13.6
Norway	**14,100**	**12.1**	13,400	11.8	14,900	11.8
Portugal	**53,000**	**20.5**	57,500	18.8	59,700	16.8
Spain	**375,800**	**22.4**	361,400	22.6	382,300	22.3
Sweden	**33,100**	**11.4**	27,400	9.7	20,700	7.5
Switzerland	**30,300**	**10.4**	28,900	9.1	28,700	8.4
United Kingdom	**343,400**	**11.9**	377,900	13.3	371,800	13.7
TOTAL WESTERN EUROPE (17 countries)	**2,460,000**	**15,4**	2,512,100	15.5	2,504,000	15.0

PEUGEOT MARQUE - PASSENGER CAR AND LIGHT COMMERCIAL VEHICLE REGISTRATIONS IN EUROPE BY COUNTRY

	2003		2002		2001	
	Units	**Market share (%)**	Units	Market share (%)	Units	Market share (%)
France	**450,700**	**18.9**	507,800	19.9	543,400	20.2
Austria	**20,100**	**6.2**	17,600	5.8	17,200	5.4
Belgium-Luxemburg	**64,000**	**11.5**	64,300	11.4	62,700	10.5
Denmark	**17,700**	**13.7**	21,200	14.8	18,500	14.5
Finland	**10,700**	**6.6**	8,500	6.5	7,900	6.3
Germany	**128,200**	**3.7**	113,200	3.3	106,200	3.0
Greece	**16,600**	**6.1**	22,700	7.9	18,100	6.0
Ireland	**9,500**	**5.4**	10,700	5.6	10,400	5.1
Italy	**125,900**	**5.1**	143,500	5.6	126,400	4.8
Netherlands	**59,100**	**10.4**	55,900	9.4	55,400	9.0
Norway	**9,400**	**8.1**	8,700	7.6	10,200	8.1
Portugal	**29,900**	**11.6**	31,900	10.4	32,500	9.2
Spain	**176,400**	**10.5**	171,900	10.7	182,300	10.6
Sweden	**19,800**	**6.8**	17,200	6.1	13,100	4.8
Switzerland	**17,100**	**5.9**	18,200	5.7	18,700	5.5
United Kingdom	**201,000**	**7.0**	224,300	7.9	220,600	8.1
TOTAL WESTERN EUROPE (17 countries)	**1,356,100**	**8.5**	1,437,600	8.9	1,443,600	8,7

CITROËN MARQUE - PASSENGER CAR AND LIGHT COMMERCIAL VEHICLE REGISTRATIONS IN EUROPE BY COUNTRY

	2003		2002		2001	
	Units	**Market share (%)**	Units	Market share (%)	Units	Market share (%)
France	**343,000**	**14.4**	356,800	14.0	370,000	13.8
Austria	**11,300**	**3.5**	8,700	2.9	8,500	2.7
Belgium-Luxemburg	**62,500**	**11.2**	59,500	10.5	58,500	9.8
Denmark	**13,500**	**10.5**	15,600	10.9	12,800	10.0
Finland	**9,500**	**5.8**	7,900	6.0	6,000	4.9
Germany	**72,500**	**2.1**	73,200	2.1	65,200	1.8
Greece	**16,300**	**5.9**	18,200	6.4	20,000	6.7
Ireland	**6,400**	**3.6**	7,500	3.9	7,100	3.5
Italy	**139,500**	**5.7**	101,400	4.0	83,300	3.2
Netherlands	**33,400**	**5.9**	31,300	5.3	28,300	4.6
Norway	**4,700**	**4.0**	4,800	4.2	4,700	3.7
Portugal	**23,100**	**8.9**	25,500	8.4	27,100	7.7
Spain	**199,400**	**11.9**	189,500	11.8	200,100	11.7
Sweden	**13,300**	**4.6**	10,300	3.6	7,600	2.8
Switzerland	**13,200**	**4.5**	10,700	3.4	9,900	2.9
United Kingdom	**142,300**	**4.9**	153,600	5.4	151,300	5.6
TOTAL WESTERN EUROPE (17 countries)	**1,103,900**	**6.9**	1,074,500	6.6	1,060,400	6,4

PSA PEUGEOT CITROËN GROUP - PRODUCTION BY MODEL

(passenger cars and light commercial vehicles)	2003	2002	2001
Peugeot Marque			
106	**35,900**	69,500	112,400
206	**816,500**	843,900	820,100
306	**1,200**	15,500	124,900
307	**573,300**	534,500	308,200
405	**126,100**	124,000	80,000
406	**101,000**	125,500	192,100
504/Paykan	**3,200**	3,100	4,900
607	**21,500**	27,200	37,800
806	**-**	-	20,000
807	**35,100**	14,800	-
Expert	**28,500**	28,600	32,300
Partner	**135,700**	118,100	130,000
J9	**3,200**	-	-
Boxer	**40,600**	42,500	43, 600
Others	**800**	-	-
TOTAL	**1,922,600**	1,947,200	1,906,300
(of which diesel-powered versions)	**(911,600)**	(888,700)	(852,000)
(of which passenger cars)	**(1,744,100)**	(1,764,500)	(1,720,100)
(of which light commercial vehicles)	**(178,500)**	(182,700)	(186,200)
Citroën Marque			
Saxo	**59,900**	155,600	242,800
C2	**71,000**	-	-
C3	**383,100**	204,300	300
ZX	**96,000**	79,400	52,900
Xsara	**353,800**	449,800	459,600
C5	**110,700**	157,100	157,100
Xantia	**3,800**	-	26,300
Synergie	**-**	-	17,500
C8	**27,700**	11,900	-
Dispatch	**29,800**	24,900	26,700
C15	**29,200**	30,600	34,600
Berlingo	**179,400**	162,300	170,400
Relay	**42,100**	39,000	41,800
TOTAL	**1,386,500**	1,314,900	1,230,000
(of which diesel-powered versions)	**(740,900)**	(735,300)	(689,300)
(of which passenger cars)	**(1,188,700)**	(1,129,500)	(1,037,600)
(of which light commercial vehicles)	**(197,800)**	(185,500)	(192,400)
TOTAL PSA PEUGEOT CITROËN	**3,309,100**	3,262,100	3,136,300
(of which diesel-powered versions)	**(1,652,500)**	(1,624,000)	(1,541,300)
(of which passenger cars)	**(2,932,800)**	(2,894,000)	(2,757,700)
(of which light commercial vehicles)	**(376,300)**	(368,100)	(378,600)

PSA PEUGEOT CITROËN GROUP - WORLDWIDE SALES

(passenger cars and light commercial vehicles)	2003	2002	2001
WESTERN EUROPE			
France:			
Peugeot	**445,100**	513,300	550,500
Citroën	**343,300**	358,000	364,700
PSA Peugeot Citroën	**788,400**	871,300	915,200
Other Western European countries:			
Peugeot	**907,000**	948,500	934,500
Citroën	**773,400**	737,200	695,800
PSA Peugeot Citroën	**1,680,400**	1,685,700	1,630,300
TOTAL WESTERN EUROPE:			
Peugeot	**1,352,100**	1,461,800	1,485,000
Citroën	**1,116,700**	1,095,200	1,060,500
PSA Peugeot Citroën	**2,468,800**	2,557,000	2,545,500
REST OF THE WORLD			
Central and Eastern Europe and Turkey:			
Peugeot	**142,100**	109,100	89,700
Citroën	**74,800**	59,600	45,400
PSA Peugeot Citroën	**216,900**	168,700	135,100
Africa:			
Peugeot	**56,700**	55,400	53,000
Citroën	**19,000**	17,300	18,500
PSA Peugeot Citroën	**75,700**	72,700	71,500
The Americas:			
Peugeot	**89,100**	90,700	89,200
Citroën	**29,800**	30,200	29,800
PSA Peugeot Citroën	**118,900**	120,900	119,000
Asia-Pacific:			
Peugeot	**246,100**	212,800	156,800
Citroën	**128,900**	105,600	76,500
PSA Peugeot Citroën	**375,000**	318,400	233,300
Other:			
Peugeot	**27,500**	25,600	25,500
Citroën	**3,300**	4,200	2,900
PSA Peugeot Citroën	**30,800**	29,800	28,400
TOTAL SALES REST OF THE WORLD			
Peugeot	**561,500**	493,600	414,200
Citroën	**255,800**	216,900	173,100
PSA Peugeot Citroën	**817,300**	710,500	587,300
TOTAL WORLDWIDE SALES			
Peugeot	**1,913,600**	1,955,400	1,899,200
Citroën	**1,372,500**	1,312,100	1,233,600
PSA Peugeot Citroën	**3,286,100**	3,267,500	3,132,800

WORKFORCE

	2003	2002
AUTOMOBILE DIVISION	**135,200**	133,900
Of which:		
* France	**97,100**	96,200
* Other countries	**38,100**	37,700
FAURECIA	**51,900**	52,200
GEFCO	**8,300**	8,000
BANQUE PSA FINANCE	**2,200**	2,200
OTHER BUSINESSES	**2,300**	2,300
TOTAL PSA PEUGEOT CITROËN	**199,900**	198,600
Of which:		
* France	**124,700**	123,700
* Other countries	**75,200**	74,900

MANUFACTURING FACILITIES

Assembly plant	Models produced as of January 1, 2004	2003 Output
MANUFACTURING CENTERS		
Aulnay (France)	C2, C3	**412,900**
Madrid (Spain)	C3, C3 Pluriel, Xsara	**159,700**
Mangualde (Portugal)	Citroën Berlingo, Peugeot Partner	**52,600**
Mulhouse (France)	206, 206 CC, 307	**410,800**
Palomar (Argentina)	206, Citroën Berlingo, Peugeot Partner	**24,600**
Poissy (France)	206	**329,400**
Porto Real (Brazil)	206, C3, Xsara Picasso	**44,900**
Rennes (France)	Xsara, C5, 407	**215,100**
Ryton (United Kingdom)	206, 206 SW	**209,600**
Sochaux (France)	307, 307 SW, 406, 607	**432,300**
Vigo (Spain)	Xsara Picasso, C15, Citroën Berlingo, Peugeot Partner	**484,900**
MECHANICAL COMPONENT PLANTS AND FOUNDRIES		
Asnières (France)	Free-cutting, hydraulic systems	**-**
Caen (France)	Wheels, axles suspension systems, transmissions	**-**
Charleville (France)	Aluminium and iron castings	**-**
Melun-Sénart (France)	Replacement parts	**-**
Metz (France)	Gear boxes	**1,776,000**
Saint-Ouen (France)	Stamping	**-**
Sept-Fons (France)	Iron castings	**-**
Trémery (France)	EW gasoline engines and DV, DW diesel engines	**1,594,900**
Valenciennes (France)	Gear boxes	**1,693,300**
Vesoul (France)	CKD shipments, replacement parts	**-**

JOINT PLANTS WITH OTHER MANUFACTURERS (as at December 31, 2003)

Facility	Production	Annual output
FRANCE		
Française de Mécanique		
50% Peugeot Citroën Automobiles	Iron castings	
50% Renault	Engines: *TU + TUF + TUD	1,170,100
	*DV	497,100
	*D (Renault)	397,100
	*ES	13,200
Sevelnord	Peugeot 807	Total output:
50% Peugeot Citroën Automobiles	Peugeot Expert	169,200
50% Fiat	Citroën C8	
	Citroën Dispatch	
	Fiat Ulysse	
	Fiat Scudo	
	Lancia Phedra	
OTHER COUNTRIES		
Società Europea Veicoli Leggeri - (Italy)		Total output:
50% Peugeot Citroën Automobiles	Peugeot Boxer	183,200
50% Fiat	Citroën Relay	
	Fiat Ducato	

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