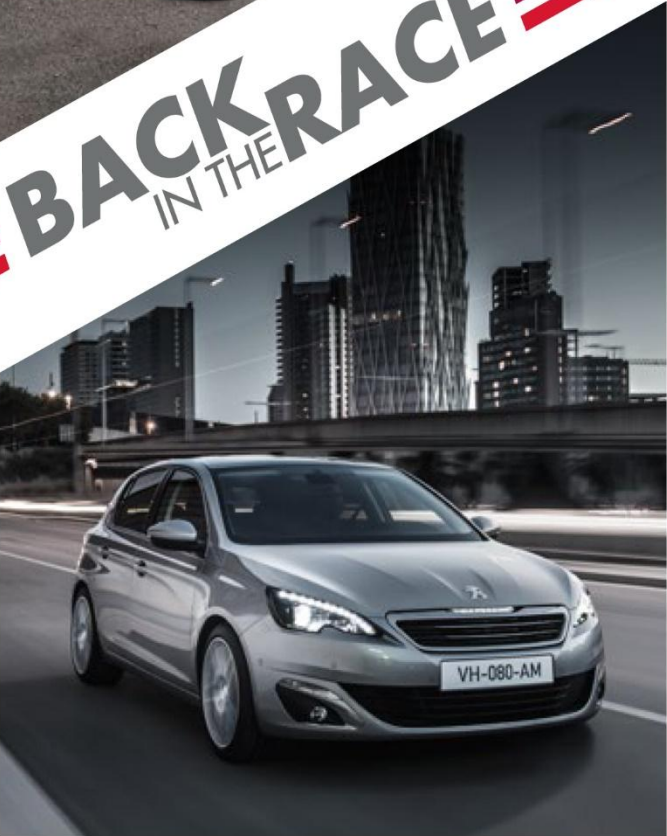


PSA PEUGEOT CITROËN



BACK IN THE RACE

OPERATIONAL
FRAMEWORK
FOR A TURNAROUND
APRIL 14, 2014





First diagnosis: lots of potential!

Peugeot and Citroën brands now differentiated, but....

- Too many models, cannibalizing each other
- DS a breakthrough in premium, not yet a standalone premium brand

Internationalization in progress, with potential for acceleration

- DFM partnership already a success, to be leveraged further in China and ASEAN
- Russia and Latin America not profitable, back to basics!

European restructuring in process, modernization to be tackled

Committed Teams ready for a tough challenge

- Strong know-how, an engineers' company that makes great cars
- Not profit-oriented enough, by far !
- Acknowledgment that “more of the same will not get us there”

A PROFITABLE GLOBAL CARMAKER WITH A FRENCH HERITAGE

Main targets

- Strengthen the acceleration of PSA's transformation, with a strong profit focus and competitive mindset
- Ensure recurrent positive Group operational free cash flow* in 2016 at the latest and €2 bn cumulated operational free cash flow over 2016-2018
- Reach 2% operating margin** in 2018 at the latest for the automotive business, targeting 5% within the timing of the next mid-term plan (2019-2023)

A company project

- 12 working groups made proposals contributing to the project
- 120 managers working on it since January 2014
- 260 action plans already on-going

*Free cash flow without restructuring and exceptional

**ROI Relative to Revenues



4 business objectives

1. Further differentiate brands and improve net pricing
2. Focus on a global core model strategy
3. Ensure profitable growth worldwide
4. Enhance core competitiveness, including Europe

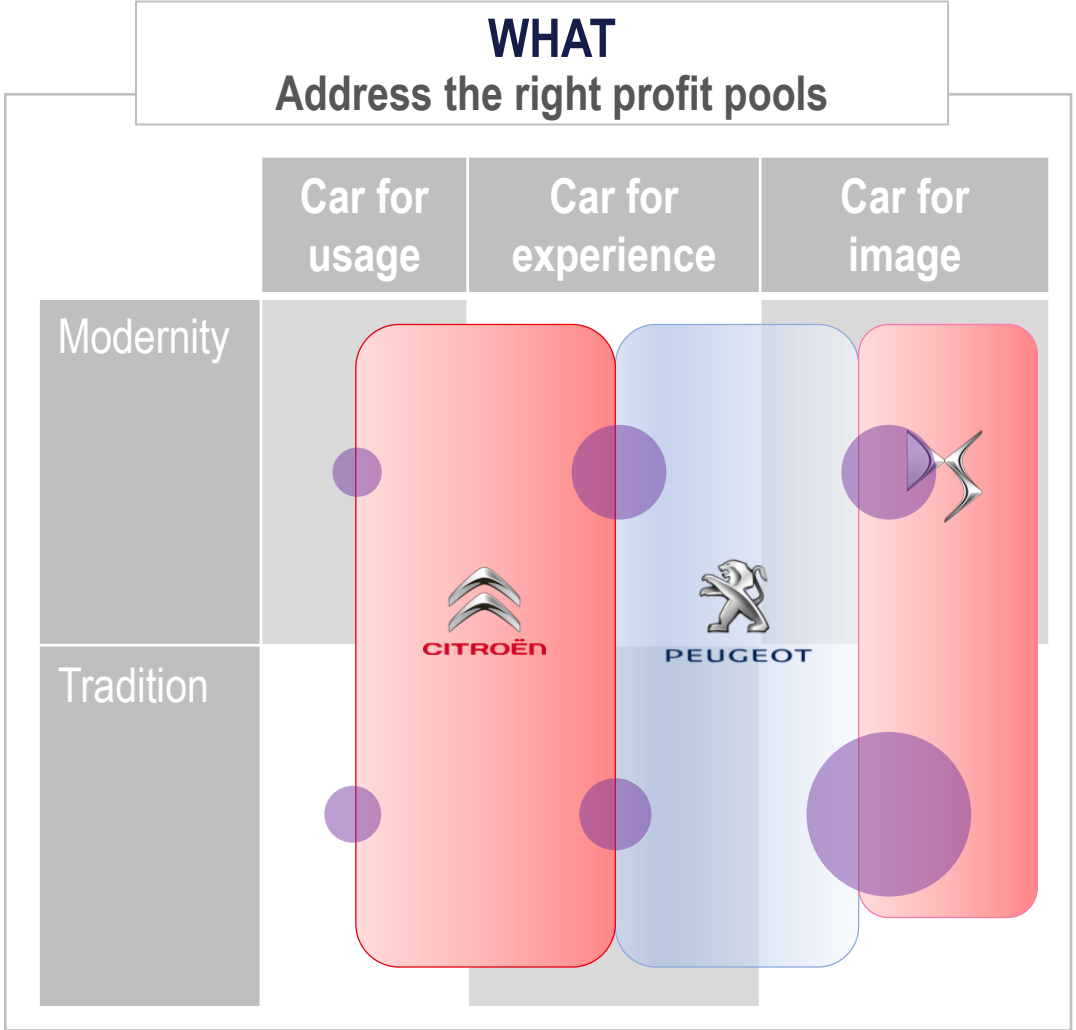
Move the Group's culture towards a fully profit-oriented global mindset



1. Further differentiate brands and improve net pricing

- **Ingrain brands' positioning in the market**
- **Accelerate DS development as an autonomous premium brand**
- **Improve net price positioning of our brands vs benchmarks**

1. Further differentiate brands and improve net pricing DS, Peugeot, Citroën brand positioning



● Segment profit pool

- HOW**
Differentiate brands
- DS as an autonomous premium brand
 - Peugeot as a high-end generalist brand targeting the best competition
 - Citroën as a design-to-value brand with competitive pricing and TCO

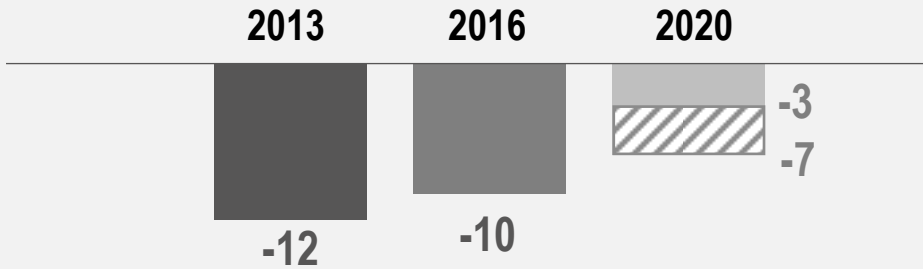
- HOW**
Leverage Group quality
- Among the leaders in all Quality surveys worldwide: appeal, reliability, service
 - Car as new after 3 years
 - Best residual value in top markets

1. Further differentiate brands and improve net pricing Accelerate DS development as a premium brand

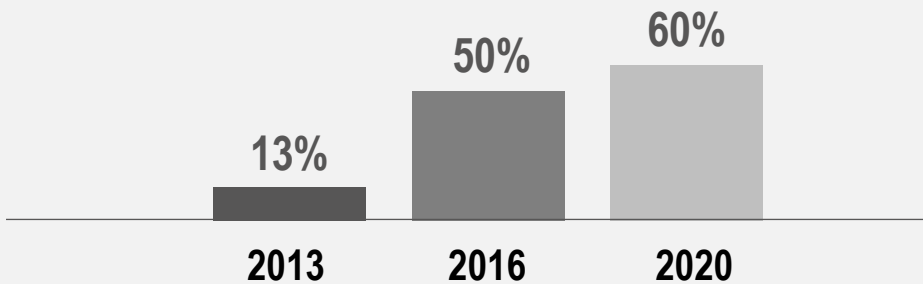


WHAT

Pricing gap to premium benchmark Europe - %



Sales outside Europe - %



HOW

- A dedicated product and marketing organization focused on DS target group's expectations, including high product and service quality level
- Aggressive development in China
 - Network x2 in 2014 vs 2013
 - 3 new product launches in 12 months (Sept. 13 – Sept. 14)
- Geographic development targeting top 200 wealthiest cities worldwide
- Core product range driven by sedan and SUV addressing the largest premium profit pools with 6 products

1. Further differentiate brands and improve net pricing
Development of DS product range

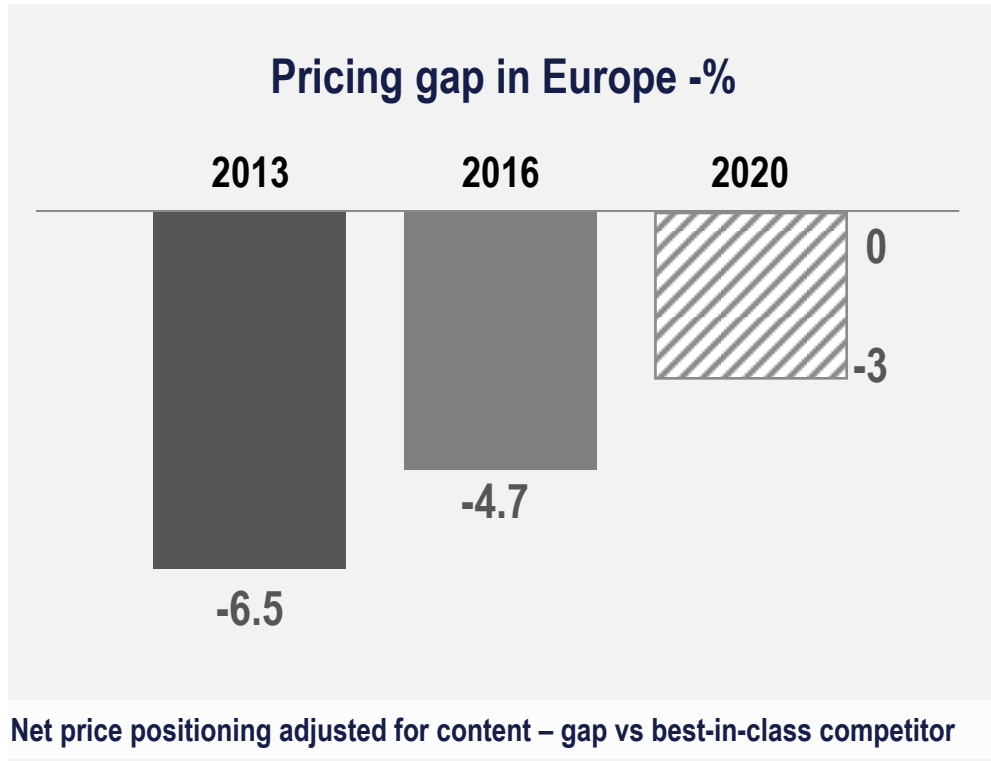


1. Further differentiate brands and improve net pricing

Peugeot net pricing leap as a high-end generalist



WHAT



HOW

- Already under way with 208, 2008 and 308, allowing slower price erosion
- Pursue efforts on product and service quality: roll out of new 308 quality standards for all new models, 'excellent outlet' program
- Worldwide future product launches and mid-life changes enabling significant steps
- Rigorous sales policy: control of sales channels, promotion strategy supporting pricing power

Source: Internal pricing benchmark

1. Further differentiate brands and improve net pricing

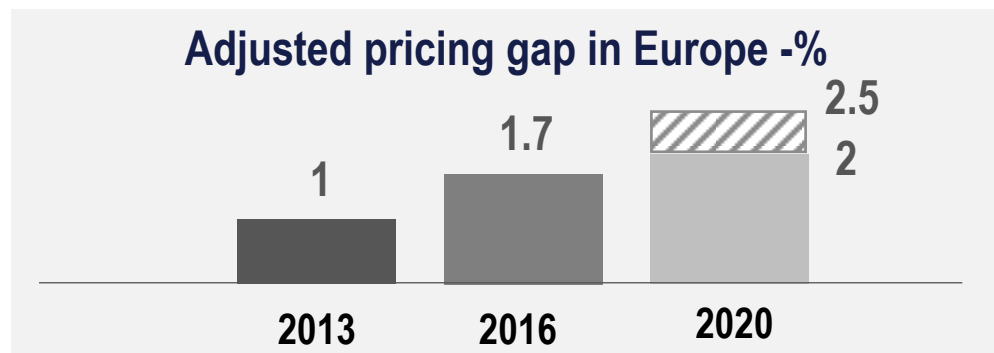
Citroën: Design to value



WHAT

A creative and affordable brand that provides what really counts for mainstream customers:

- Modern Design,
- Comfort,
- Useful Technology,
- Optimised Budget



Net price positioning adjusted for content – gap vs key mainstream competitor

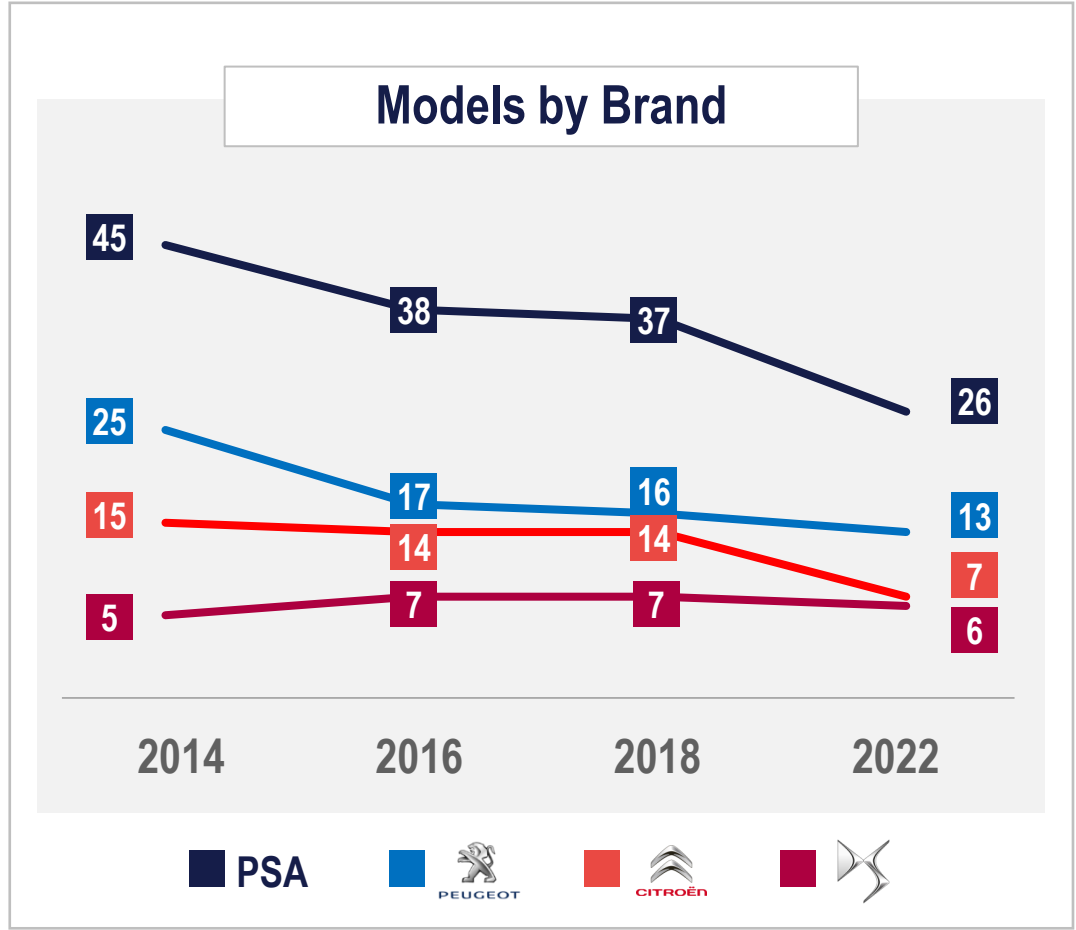
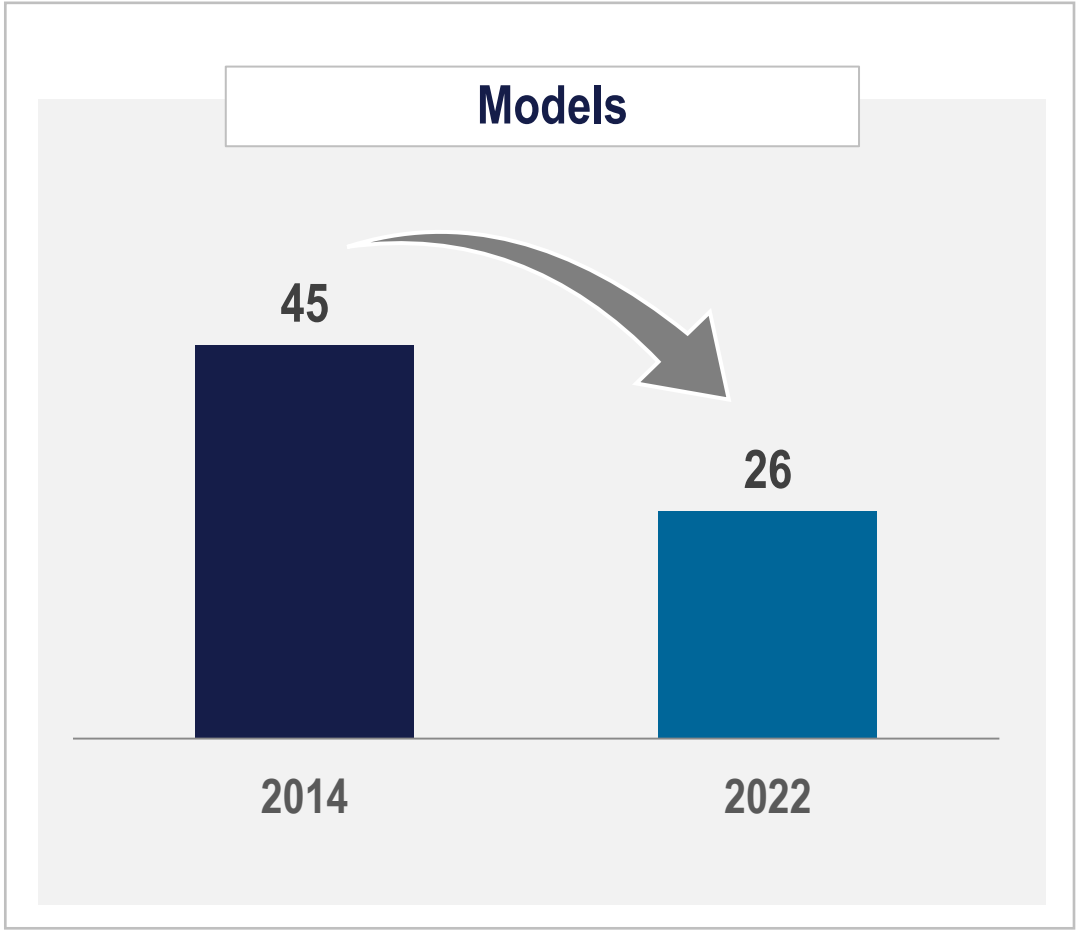
HOW

- Focus on product features and innovations valued by customers
 - e.g. C4 Cactus in-roof airbag allowing new interior design, airbumps, touchscreen
- Roll-out of “Citroën & You” quality program
- Competitive pricing vs. selected peers
- Roll-out of C4-Cactus optimized TCO approach on all new models
- Roll-out of C4-Cactus innovative PAYD / ‘just add fuel’ approaches on all new models

2. Focus on a global core model strategy

- **Focused core model strategy addressing most profitable market segments**
- **Rationalize platforms and programs portfolio**
- **Enhance R&D and CAPEX efficiency and further develop cooperations**

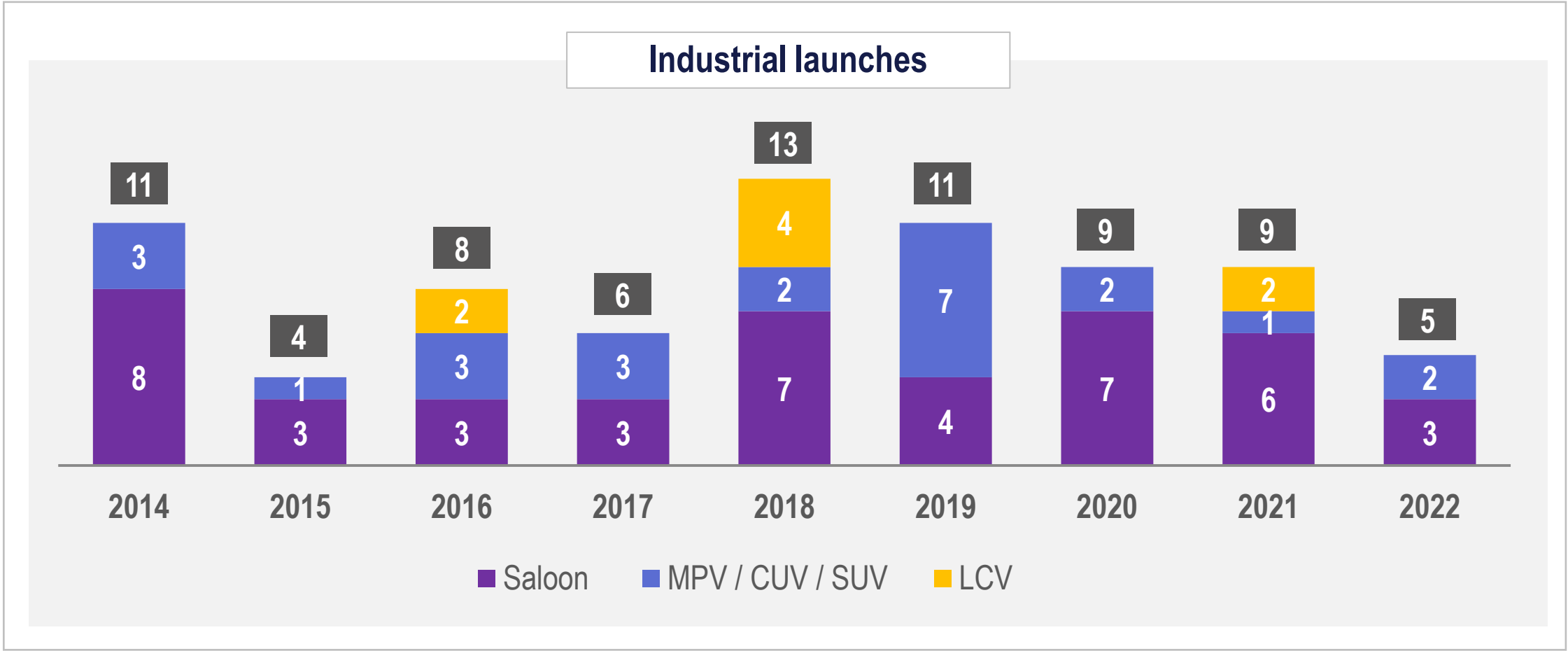
2. Focus on a global core model strategy Product proliferation aggressively reduced by 2022



Passenger Car (PC) Offers (excluding LCV)
Excluding non-PSA platforms and Fengshen

2. Focus on a global core model strategy

Sustained launching activity

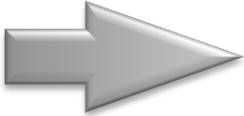


Excluding Mid-life
Excluding Fengshen range

2. Focus on a global core model strategy More global models

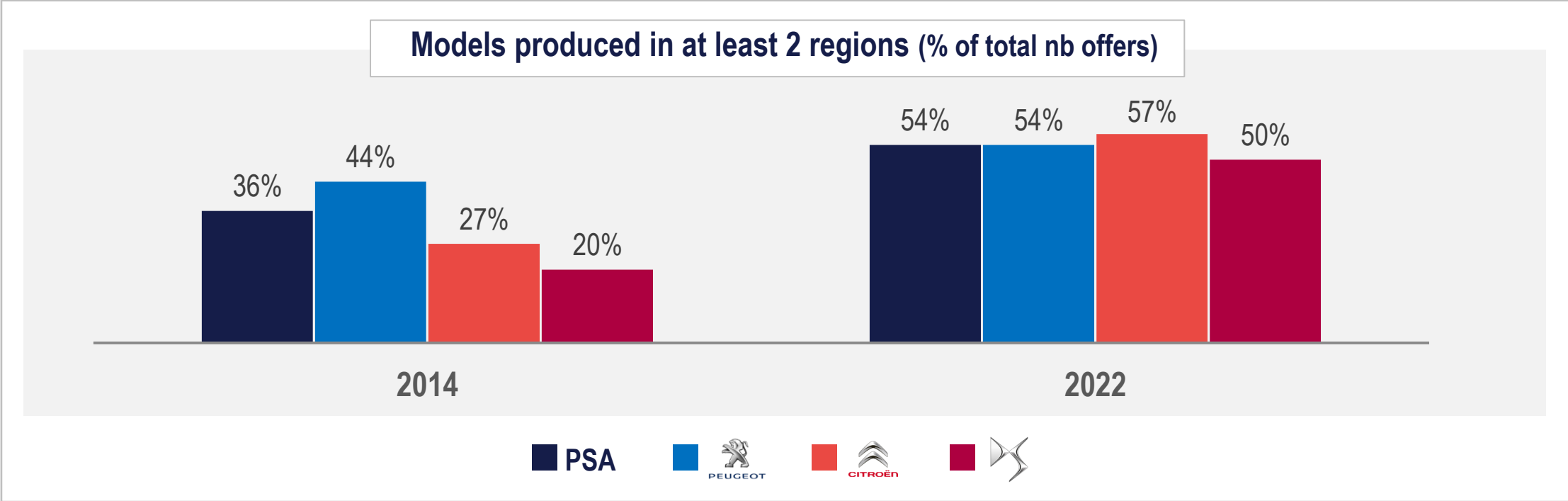
2014

29 models produced in one single region



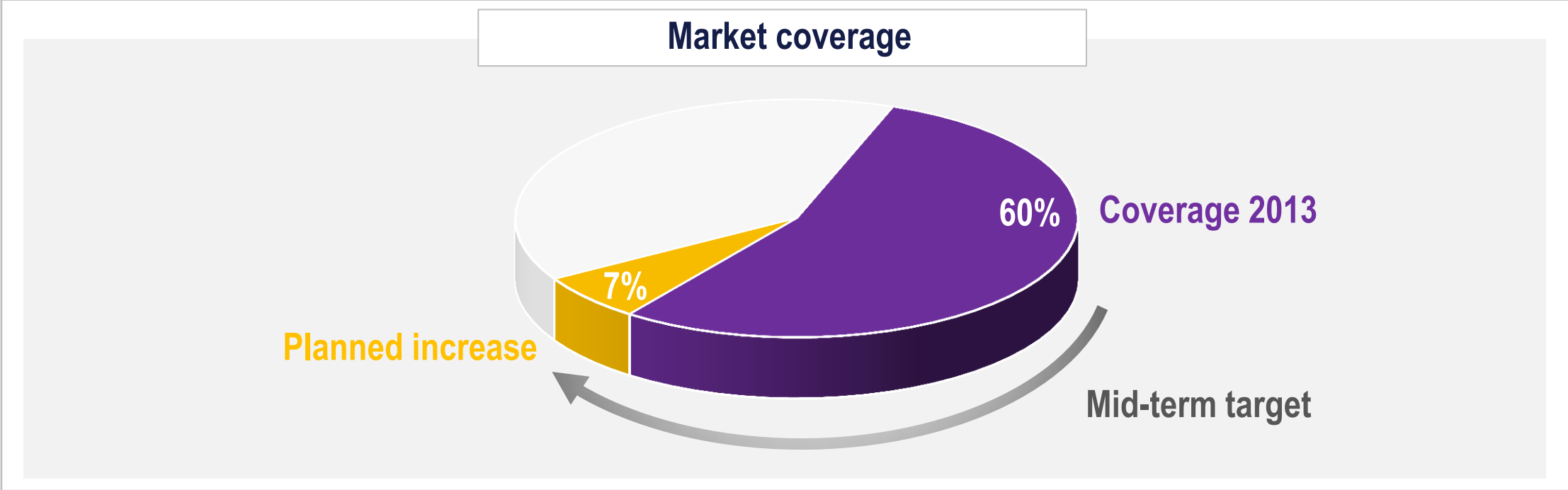
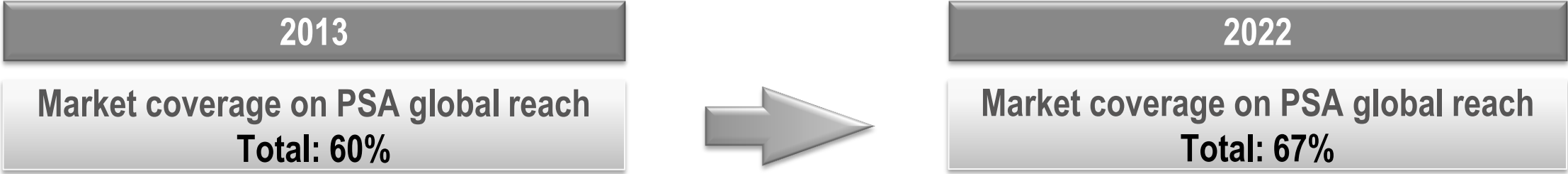
2022

12 models produced in one single region



Passenger Car (PC) Offers (excluding LCV)
Excluding non-PSA platforms and Fengshen range

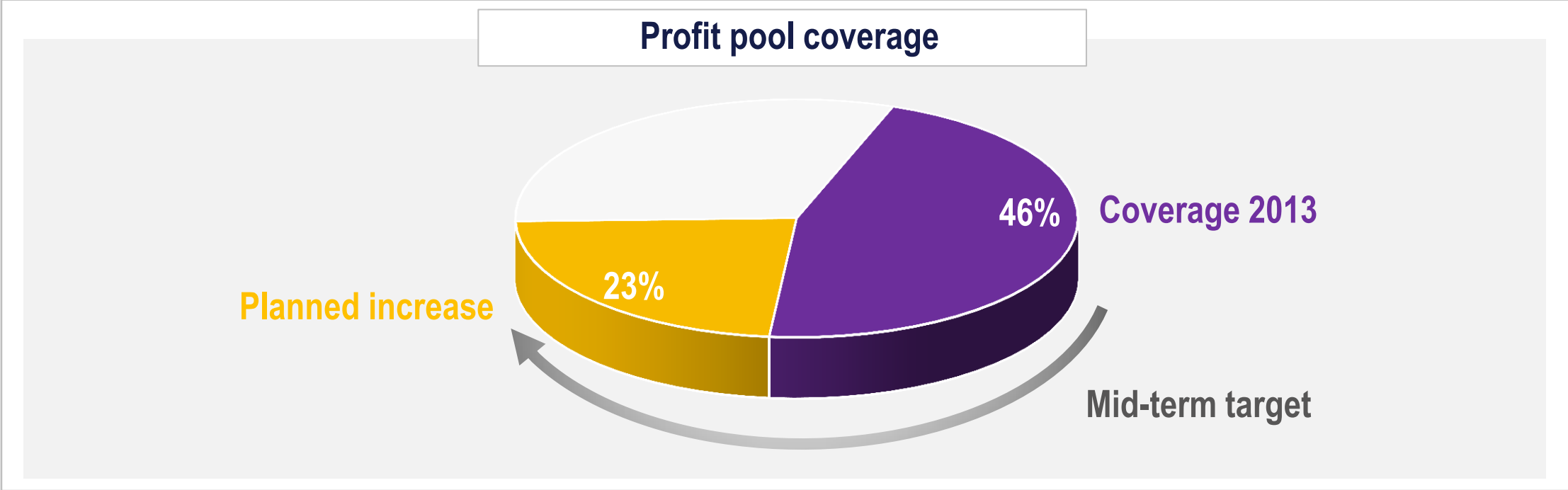
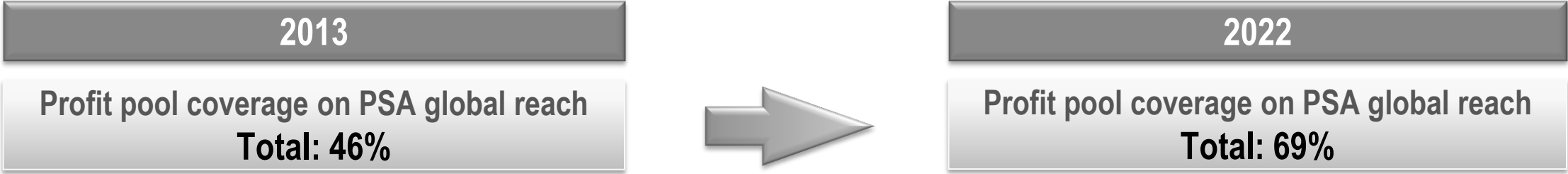
2. Focus on a global core model strategy Market coverage improved



Passenger Car Offers – China, Europe & Latin America
Excluding Fengshen range

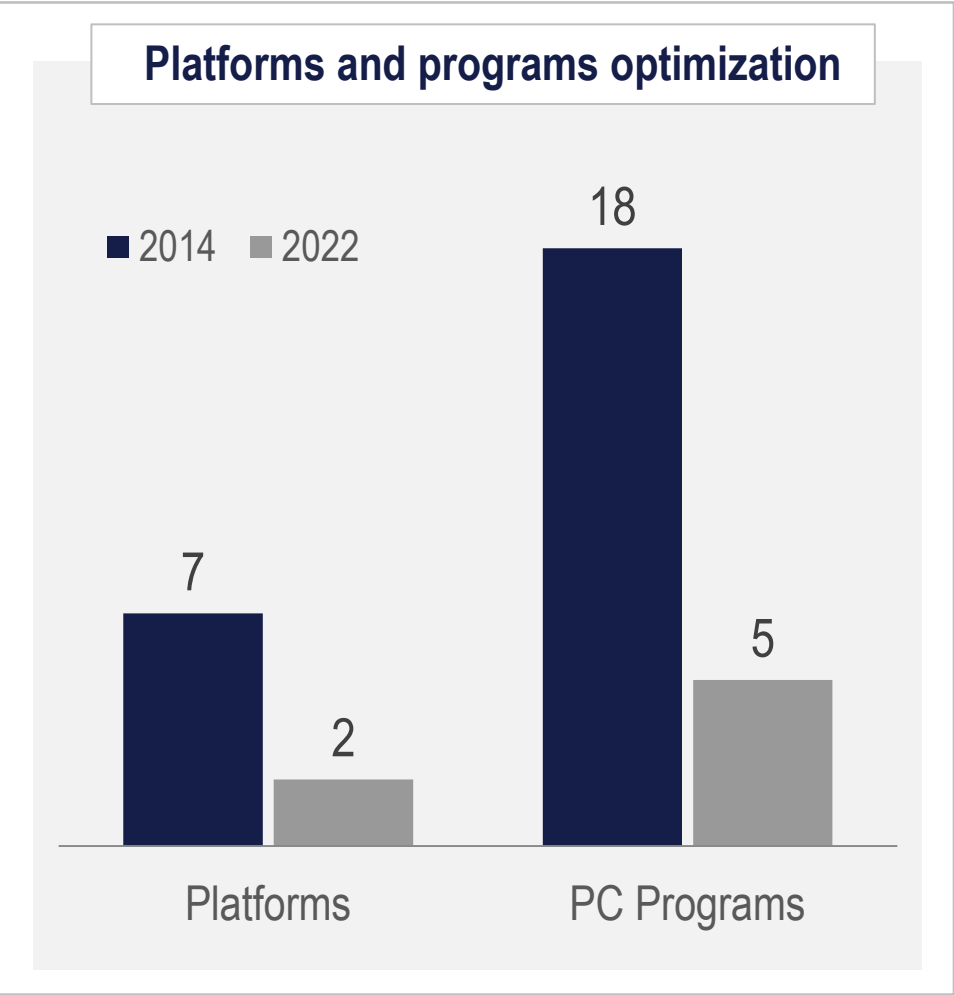
2. Focus on a global core model strategy

Profit pool coverage sharply improved by 50 %

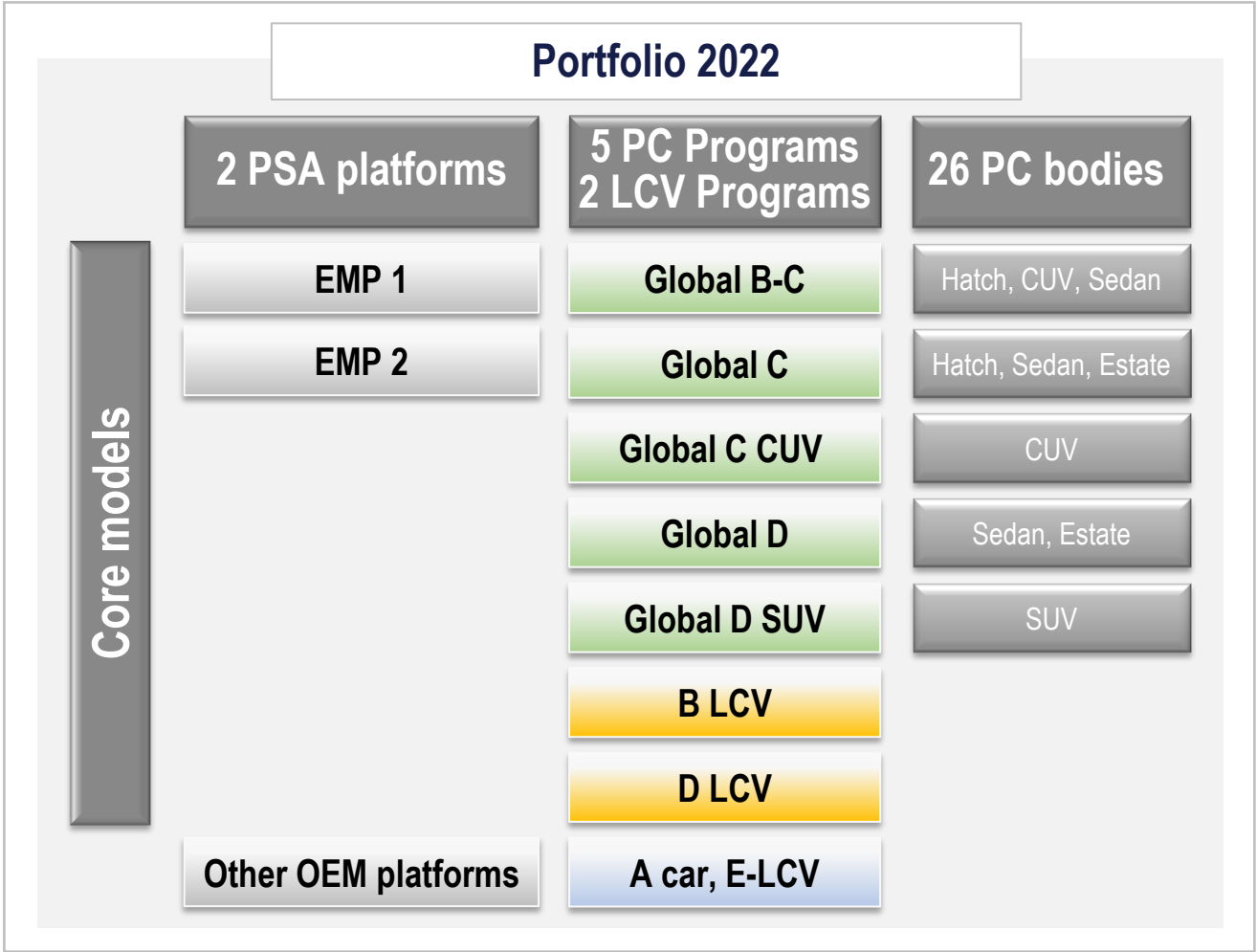


Passenger Car Offers – Launches China, Europe & Latin America
Excluding Fengshen range

2. Focus on a global core model strategy Streamlined platforms, programs and modules portfolio



Passenger Car Offers
Excluding cooperation & Fengshen range

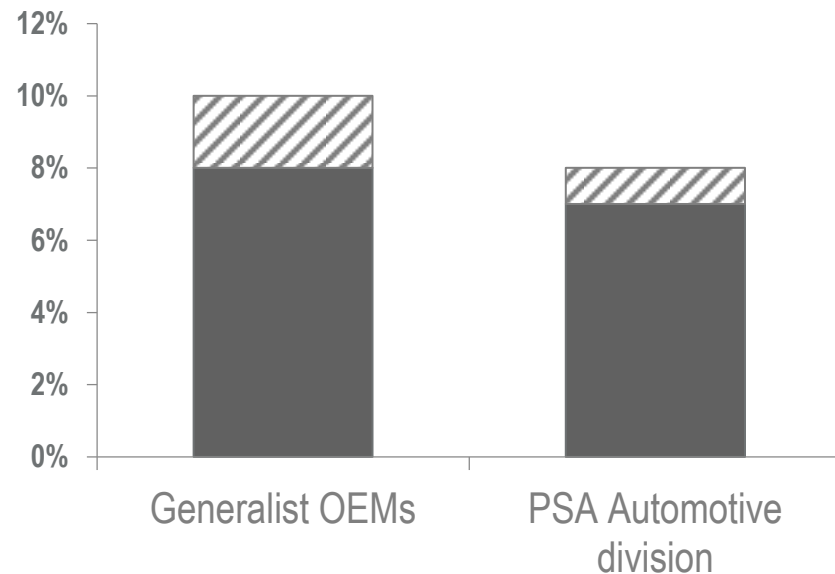


2. Focus on a global core model strategy More efficient R&D and CAPEX

WHAT

Current R&D and CAPEX level between 8 and 10% of revenues for generalist OEMs

Maintain Automotive division level between 7 and 8% of revenues



HOW

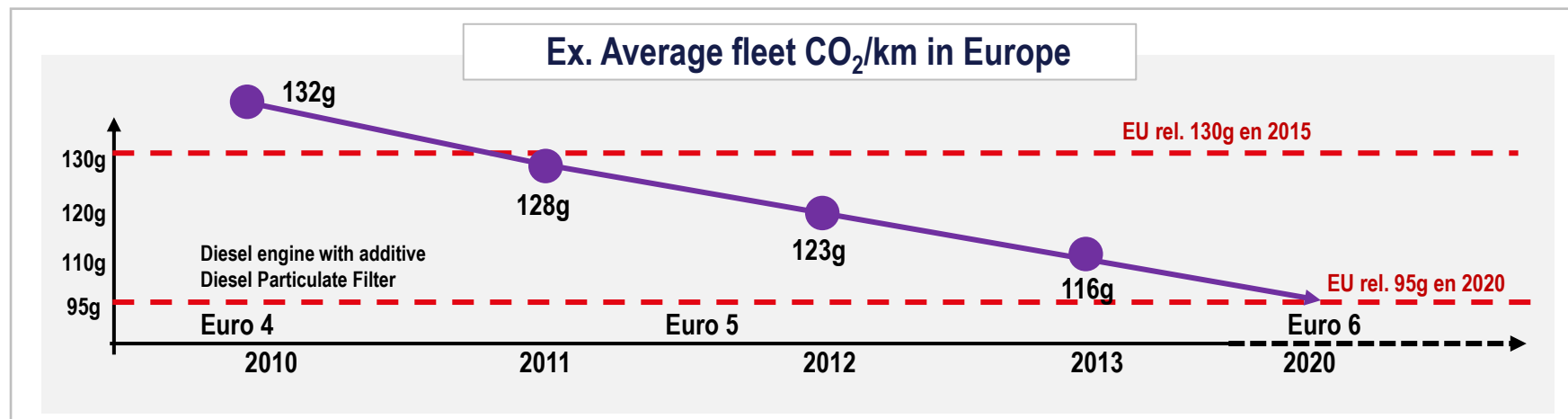
Core model strategy and R&D efficiency levers

- Renewed cooperations kilo units per year
 - GM Alliance: 3 joint programs 700
 - TOYOTA: A segment + D-LCV 450
 - FIAT: E-LCV 100
 - FORD: Diesel engine 2 300
 - ca. **€100M** yearly synergies
- Dongfeng synergies:
 - Joint R&D center
 - DFM branded cars fitted with PSA technology
 - ca. **€100M** yearly R&D cost savings by early 2020s out of €400M synergies
- From 45 models to 26 core models by 2022
 - ca. **€300M** yearly cost savings
- Effective outsourcing up to 20% of R&D efforts
 - ca. **€100M** yearly cost savings

2. Focus on a global core model strategy

Upgraded technology portfolio in line with brands' positioning

- Development of 4WD powertrain
- Next generation Hybrid offer with state-of-the-art technologies to keep our strong market position
- Competitive internal combustion engines line-up on par with best CO₂ competition on each market worldwide



- Autonomous driving experience by early 2020s

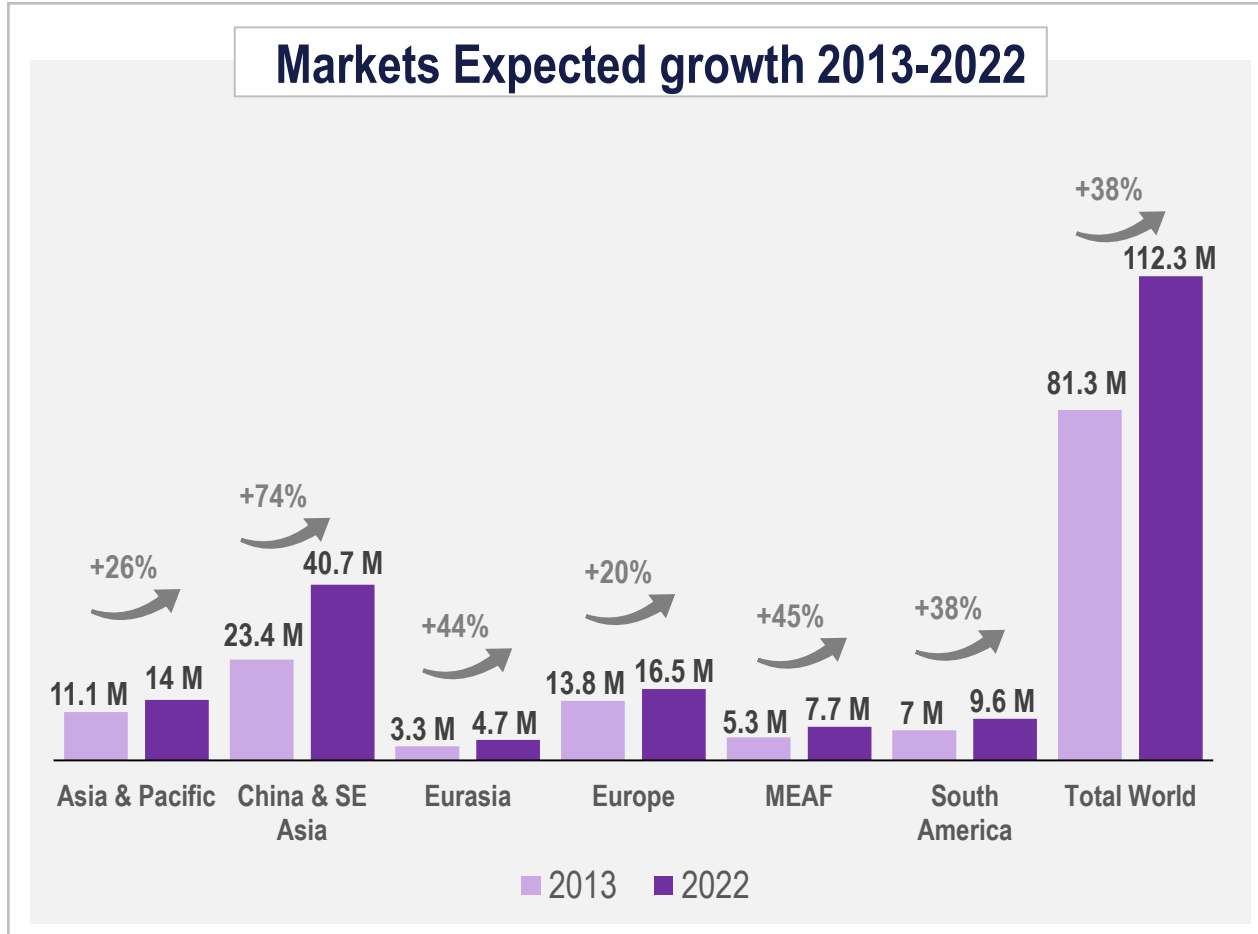
3. *Ensure profitable growth worldwide*

- Reinforce regional organization
- Improve European profitability
- Implement turnaround in Russia
- Change business model in Latin America
- Reinforce development in China
- Trigger development in “next BRIC” markets with a reinforced regional sourcing



For all: implement core model strategy with appropriate localization

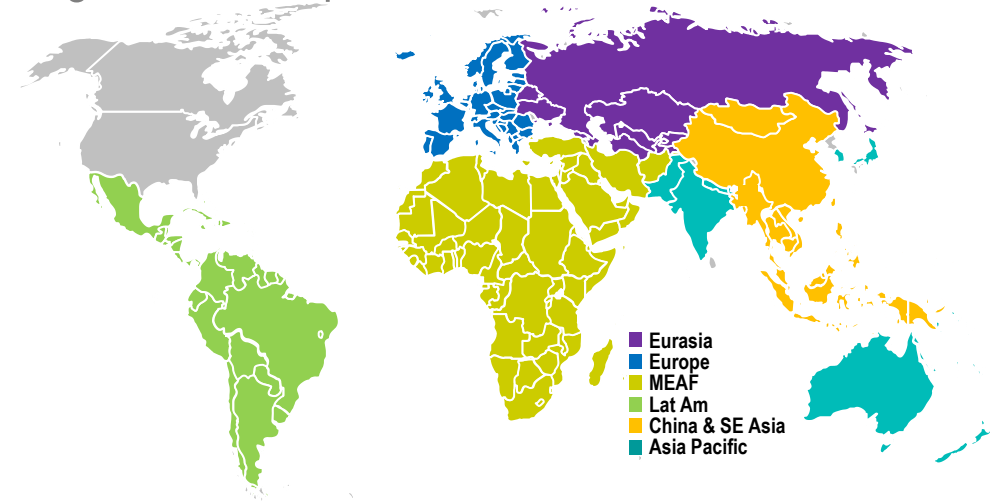
3. Ensure profitable growth worldwide Reinforce regional organization



Source: internal PSA

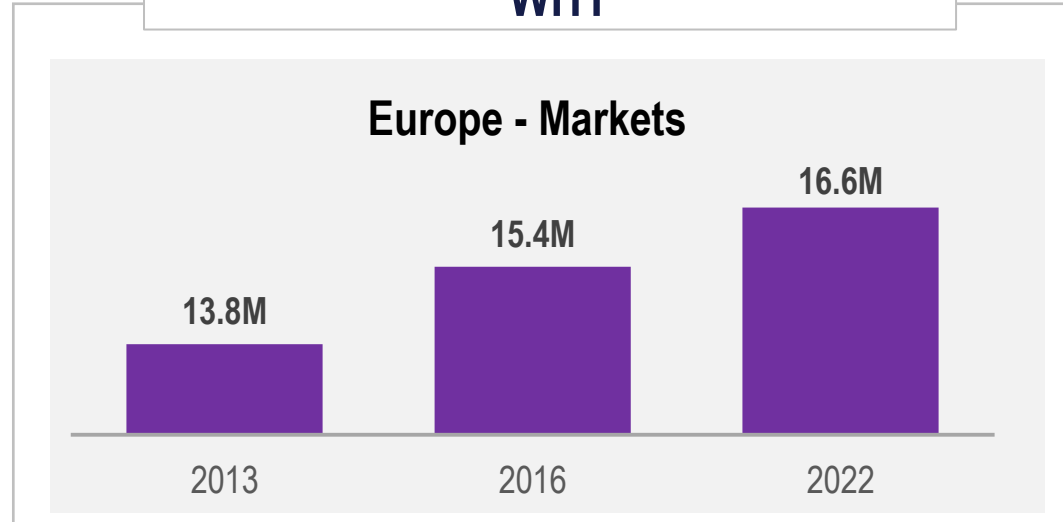
A new structure with 6 regions to grasp growth opportunities

- China & SE Asia, Europe, Eurasia, Asia Pacific, Latin America, Middle-East & Africa
- Increased focus on growth markets
- Empowered Region Leaders accountable for growth and profit of their region, including Europe
- Brand CEOs accountable for global profit and pricing power
- More global corporate functions supporting regional development



3. Ensure profitable growth worldwide Improve European profitability

WHY



Source: internal PSA

WHAT

Leverage market recovery

- Focus on pricing power
- Continue to deliver on cost reduction
- Address sales financing competitiveness issue

HOW

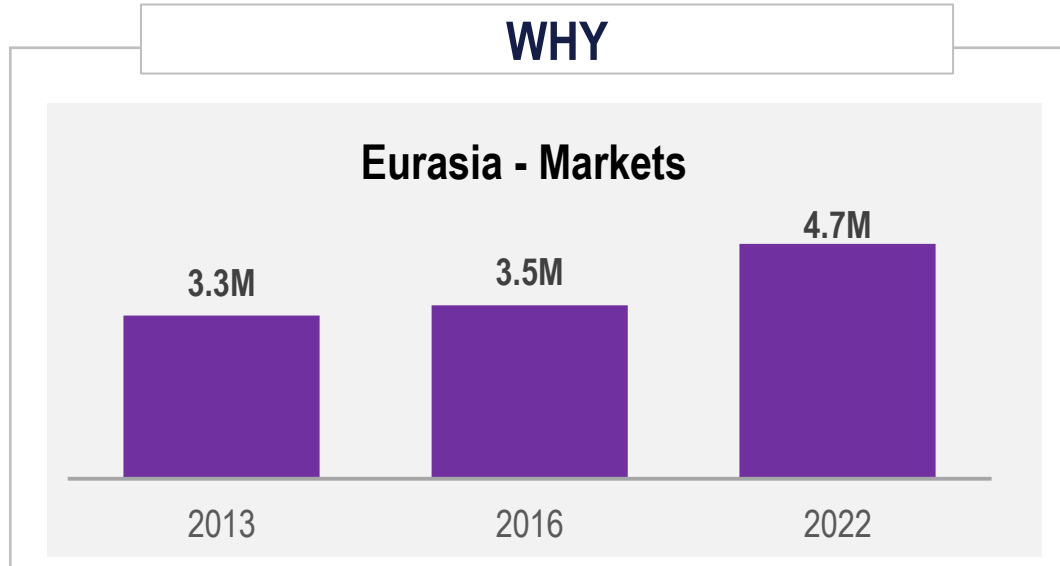
- Leverage brands differentiation and quality efforts combined with market recovery to restore pricing
- Increased competitiveness with our envisaged financing partnership with Santander*
- Continued fixed costs reduction
- Increased operations performance through regional management

*Subject to signing of binding documentation and regulatory clearances

3. Ensure profitable growth worldwide

Turnaround Russia

WHY



Source: internal PSA

WHAT

Keys for a turnaround

- A core model strategy
- An optimized utilization of Kaluga
- Overall total expected savings: €400/car (estimated) on 2016 volumes

BREAK-EVEN IN 2017*

HOW

- Brands differentiation and reduction of segment overlaps: reduction of models from 26 to 17 over the plan, with a focus on profitable and growing segments
- Deeper local integration, targeting 50% in 2018 (vs 30% in 2013)
- Drastic reduction of overheads: savings up to -18% of 2016 expenses (vs 2013)

*Recurring Operating Income

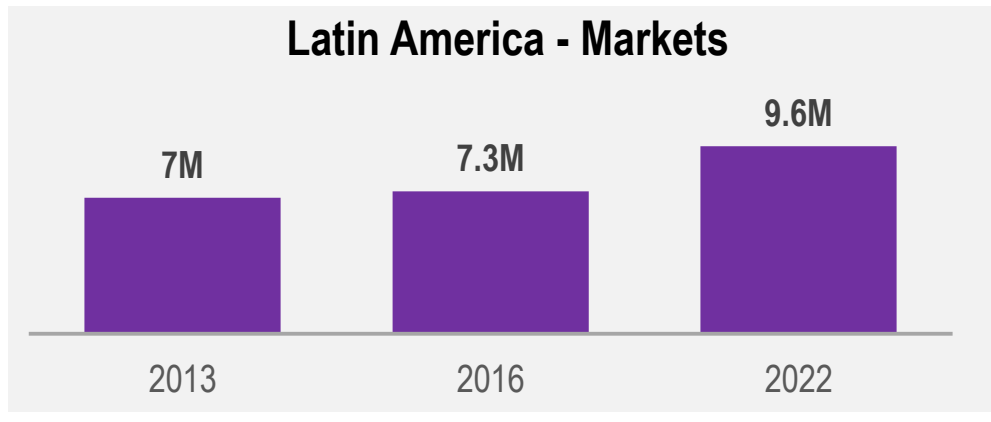
3. Ensure profitable growth worldwide Change business model in Latin America

BREAK-EVEN IN 2017*

WHY

Continuous growth of the region

Latin America - Markets



Source: internal PSA

WHAT

A new business Model

- From 3 to 1 competitive platform in the region
- Use of a competitive, locally sourced powertrain
- Total expected savings: €450 /car (2016 vs 2013)

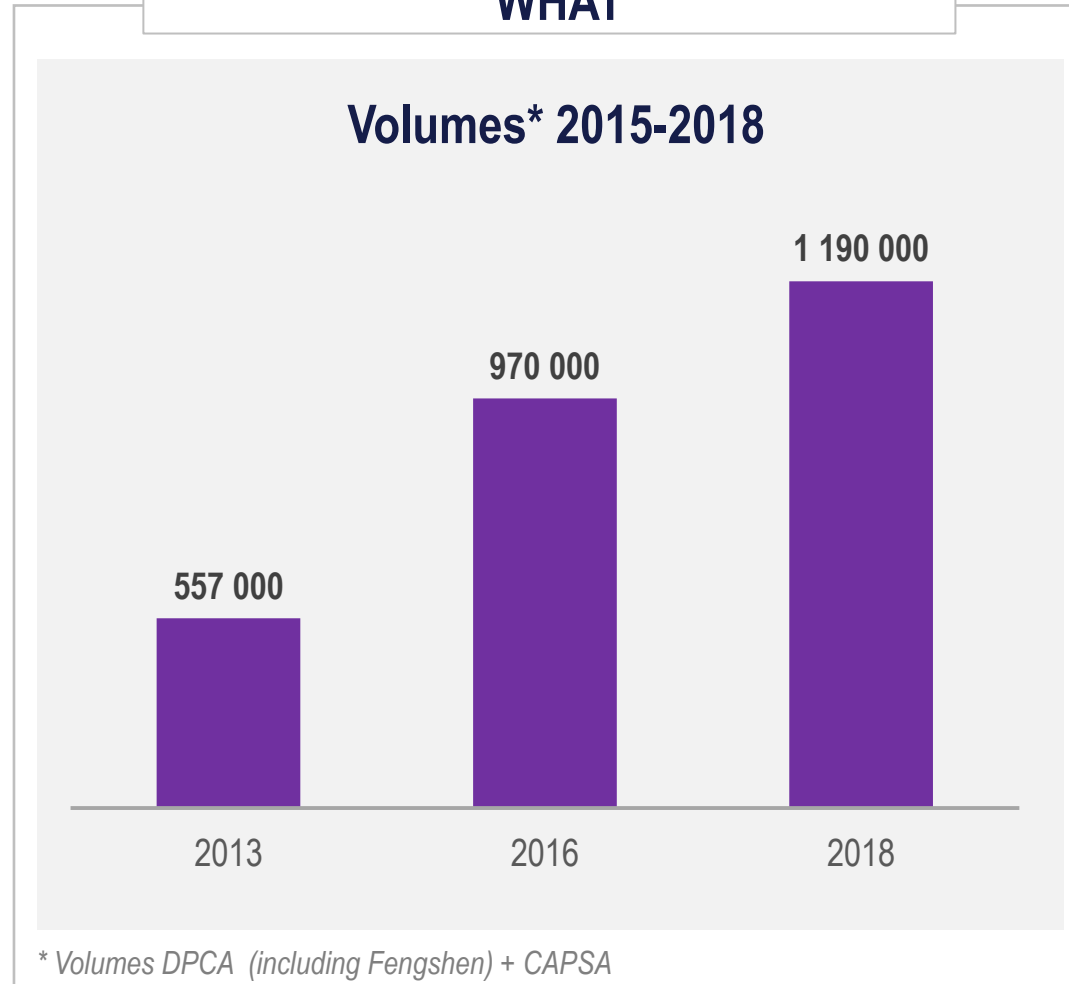
HOW

- Brands differentiation and segment overlaps reduction: reduction of models from 29 to 17 over the plan, focusing on growing and profitable segments
- Accelerated local integration and adaptation leveraging Innovar Auto (+22 pts of local content in 2018 vs 2013)
- Reduction of fixed costs: -14% in 2016 (vs 2013)

*Recurring Operating Income

3. Ensure profitable growth worldwide Reinforce development in China

WHAT



HOW

- **DPCA:**
 - Appropriate product range including DFM-Fengshen development
 - Accelerate IP sharing to generate more cash through royalties and dividends for PSA
 - Accelerate commercial development with fast-growing network: > 1M Peugeot and Citroën veh. by 2020*
 - Larger supplier base and sourcing (4th plant), supporting at least current margin levels

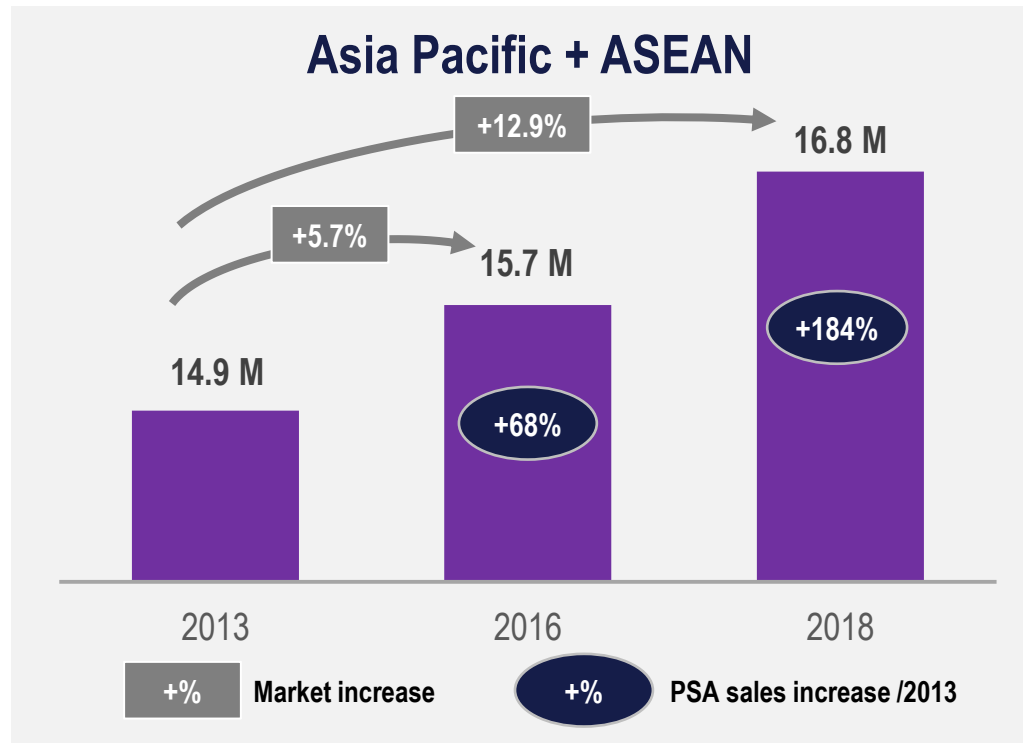
- **CAPSA:**
 - Continuous investment in DS development

* Excluding Fengshen volumes

3. Ensure profitable growth worldwide Trigger development in Asia beyond China

WHAT

- Promising Markets
- Grasp the potential for PSA

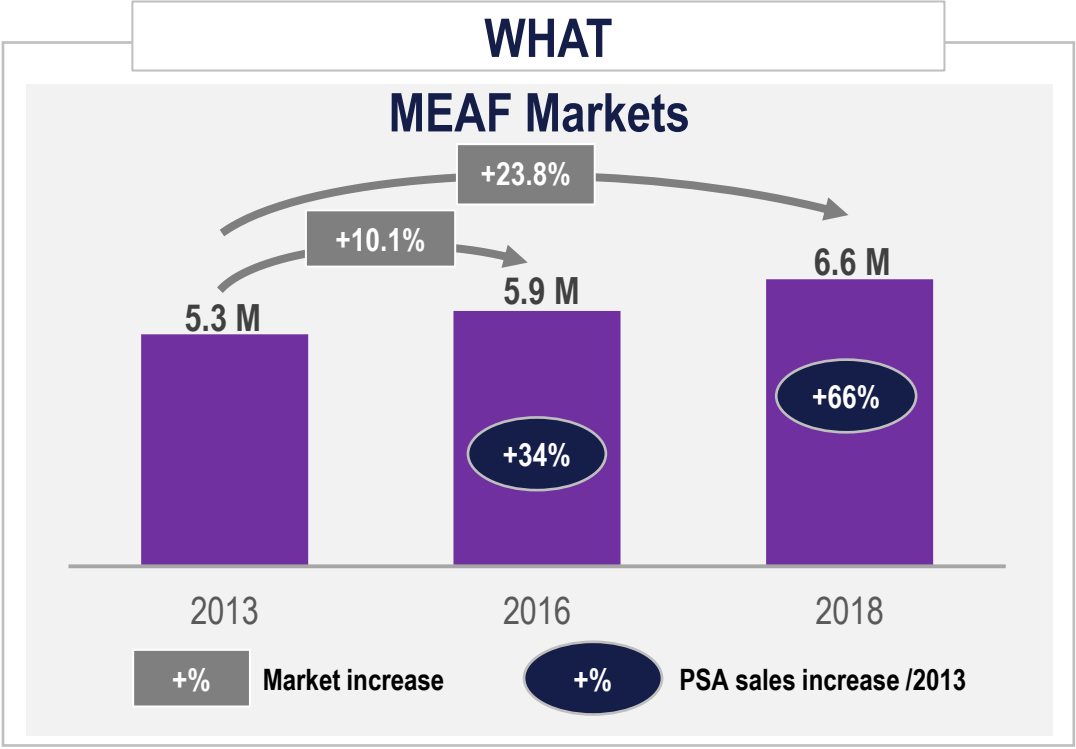


Asia Pacific + ASEAN w/o China

HOW

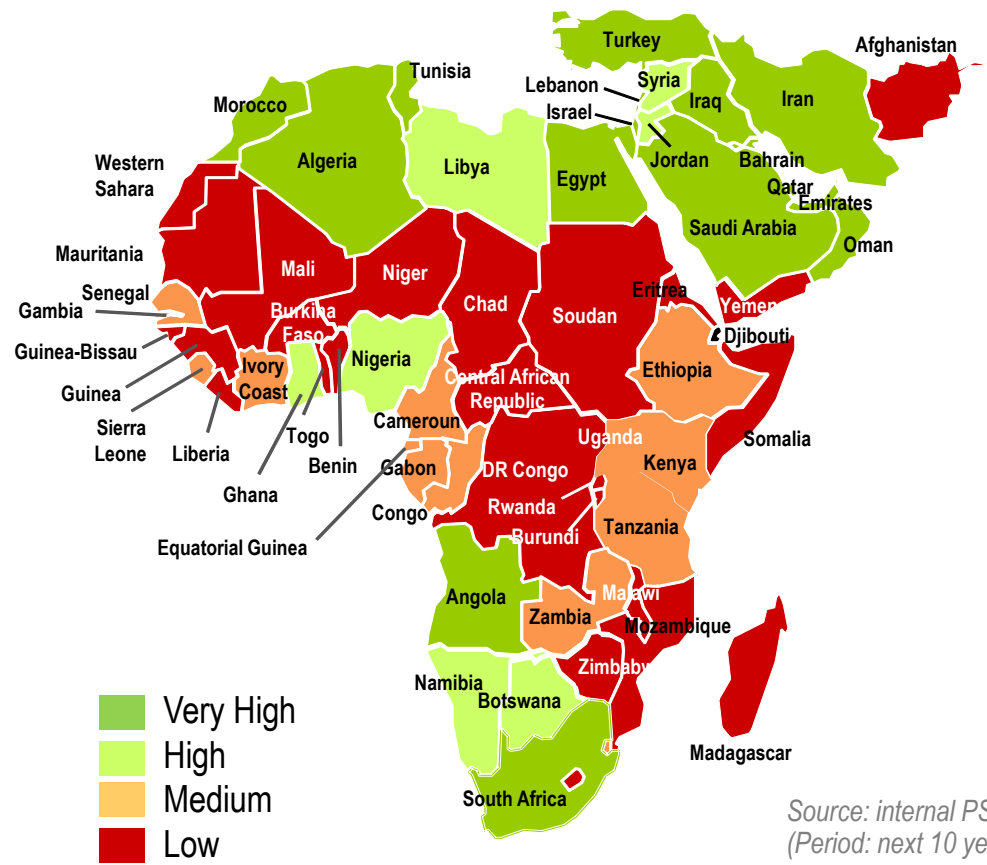
- Export from China with DFM partnership (ASEAN)
- Increase volumes, develop local production when / where appropriate: CKD projects
- Develop Asia Pacific operations with adapted offer

3. Ensure profitable growth worldwide Trigger development in Africa and the Middle East



- HOW**
- Iran: ready to go fast when back to normality
 - Algeria / Turkey: capitalizing on current presence
 - Nigeria / South Africa: building the future
 - DS “World Big Cities” program

Expected market attractiveness per country



4. Enhance core competitiveness, including Europe

- Continue to reduce Group break-even point and fixed costs
- Accelerate the improvement of working cap requirements
- Develop cost competitive European industrial base
- Strengthen financing arm with envisaged Santander partnership*

**Subject to signing of binding documentation and regulatory clearances*

4. Enhance core competitiveness, including Europe Reduce Group break-even point

The Group sold 2.8 M assembled cars in 2013, meaning 2.3 M units excluding China
In 2013, break-even point = 2.6 M (excluding China)

On the base of 2013 actual figures, break-even point at **2 Million cars as a goal**
would be reached for instance with the combination of:

**€ 250 M reduction
of fixed costs**



**4% improvement
of product costs**



**2% improvement
of pricing power**

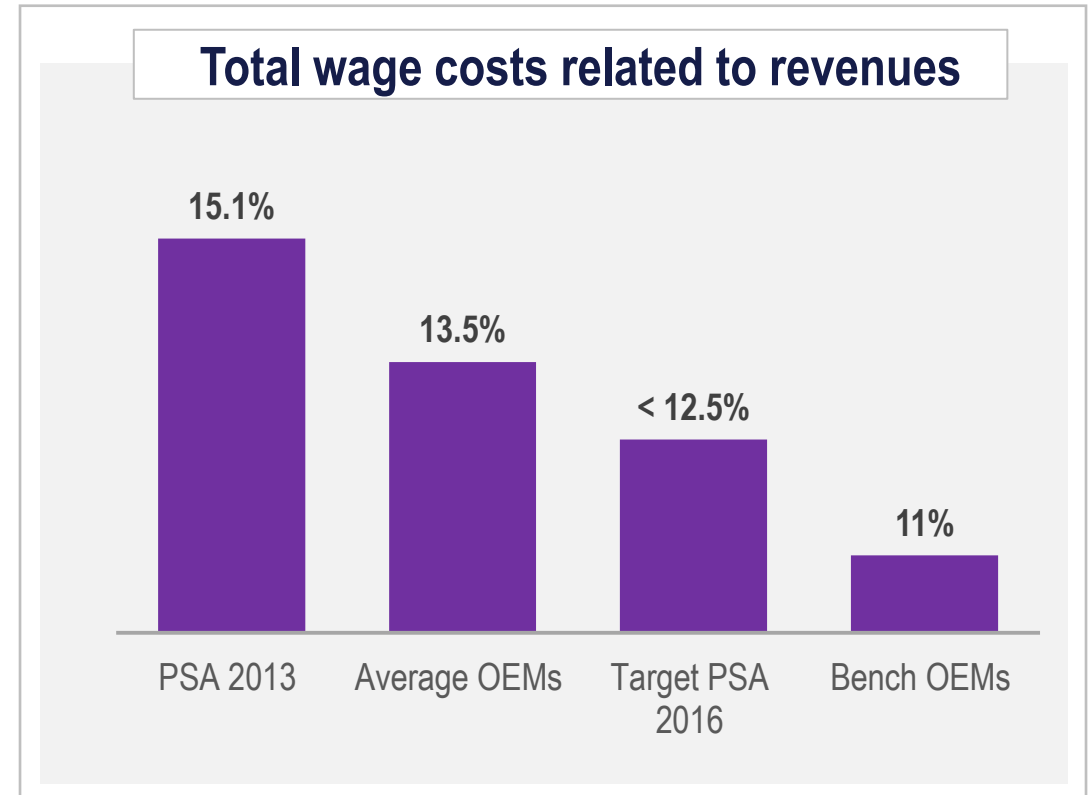
4. Enhance core competitiveness, including Europe

Continue to reduce Group total fixed costs

Break-even point monitored through the reduction of our fixed costs:

- Overheads and production fixed costs
- Marketing costs
- R&D
- IT systems

Target: reach below 12.5% by end of 2016

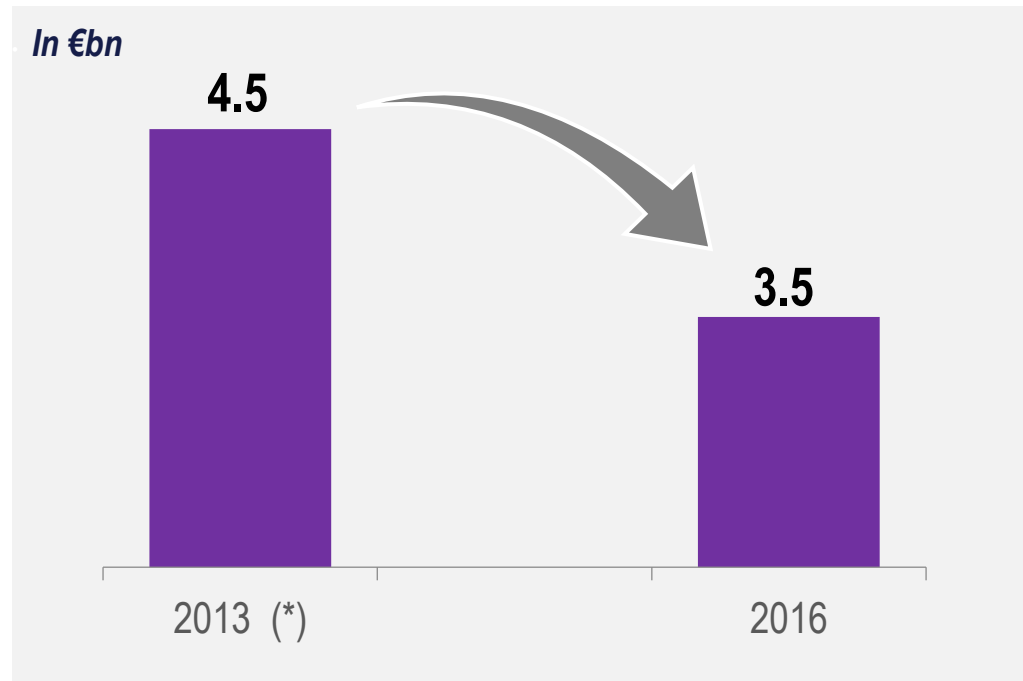


Source: internal PSA

4. Enhance core competitiveness, including Europe Accelerate the improvement of working cap requirements

WHAT

Reduction of Automotive division inventory's structural needs



(*) restated IFRS11

HOW

- Core model strategy
- Local integration
- Supply chain optimization
- Local actions to reduce inventories
- 'Cash is king' culture

4. Enhance core competitiveness, including Europe

Develop cost competitive European industrial base

WHAT

- Secure cost competitiveness of industrial footprint thanks to New Social Contract
- Social agreements in European countries for flexibility and competitiveness as per New Social Contract
- Aggressive cost-cutting plan including more competitive parts sourcing to secure competitiveness of West European plants

HOW

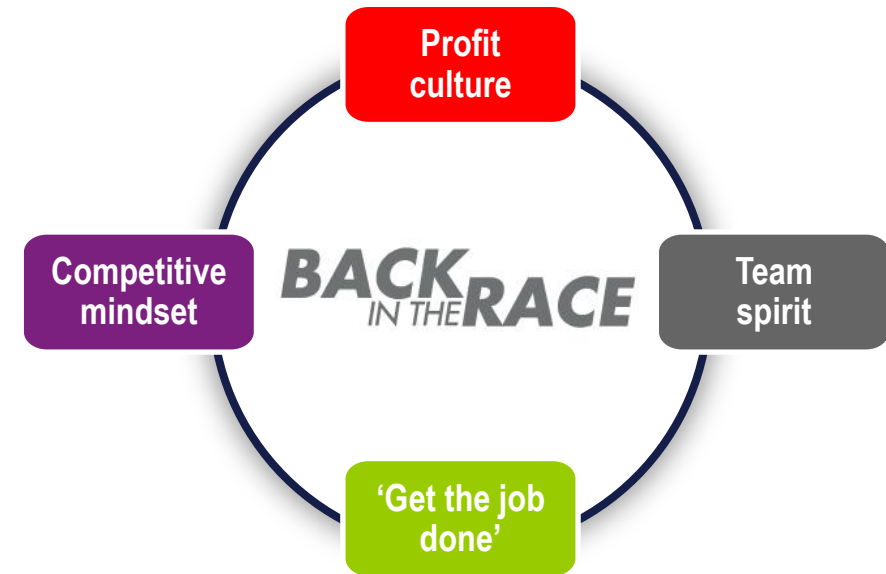
- Accelerate improvement of our plants' industrial performance: **“excellent extended plant”**
- **Rightsizing and modernization** of French industrial capacities
- Industrial utilization rate: **115% harbour rate** by 2022
- **Landed cost reduction:** €600 2012-2014 (product mix neutral internal measure)
-€500 2015-2018 (including €6 regulation impact)
- Double **low-cost parts sourcing** from **20% to 40%** 2013-2020

WHAT

- Competitive mindset: focus energies on beating competition
- Move from a European OEM selling cars globally to a truly global OEM
- Focus on execution: “get the job done”
- Accountability and profit culture

HOW

- Each brand with a clear target among peers
- Regional organization and renewed corporate functions
- ‘Back in the race’ culture



Framework for a turnaround: key points

1

Further differentiate brands and improve net pricing

- Reduced pricing gap vs selected benchmark by 2020
- Half of the objective achieved by 2016

2

Focus on a global core model strategy

- From 45 to 26 models by 2022
- Reduced to 38 models by 2016

3

Ensure profitable growth worldwide

- Leveraging Asian growth with strengthened DFM partnership: 970,000 veh. by 2016
- Latin America and Russia break-even by 2017 at the latest

4

Enhance competitiveness, including Europe

- Total wages cost < 12.5% revenues by 2016
- Utilization rate Europe 115% by 2022
- Target: €500 reduction in total product costs, 2015-2018
- Reduction of working cap by €1bn by 2016

- **Transform PSA business model in Latin America and Russia to go back to profit**
- **Develop best-in-class CO₂ and Advanced Driver Assistance Systems (ADAS) technologies**
- **Invest for a competitive European footprint**
- **Reduce net debt**



Appendix: Outlook

2014 Markets assumptions

- Europe: +3%
- China: +10%
- Latin America: -7%
- Russia: -3%

Updated outlook: sustainable cash generation

- Positive Group operational free cash flow* by 2016 at the latest
- €2bn positive Group cumulated operational free cash flow over 2016-2018
- Reach 2% operating margin** in 2018 for the automotive business, targeting 5% within the timing of the next mid-term plan 2019-2023

**Free cash flow without restructuring and exceptional*

***ROI Relative to Revenues*



Appendix: **Banque PSA Finance's new partnership with Santander**

BPF contemplates entering into a partnership with the European leader thanks to a 50/50 cooperation*

- Creation of JVs across 11 European countries
- Activity expected to begin mid-2015

Accelerate the withdrawal of the French State guaranty

Enhance BPF cost of funding and profitability

- Bridging gap with peers: local JVs to obtain lower funding costs and better rating
- BPF profitability improved

A strengthened commercial tool for the Brands

A total of c. €1.5bn of cash could be upstreamed to Group PSA by 2018, thanks to capital release and dividend distribution

**Subject to signing of binding documentation and regulatory clearances*