



Announcement: Moody's places Peugeot's Ba1 ratings under review for downgrade.

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Approximately EUR4.8 billion of debt affected

Frankfurt am Main, July 13, 2012 -- Moody's Investors Service has today placed the ratings of Peugeot S.A. ("PSA") and its rated subsidiary GIE PSA Trésorerie ("GIE") on review for downgrade.

On Review for Possible Downgrade:

..Issuer: GIE PSA Trésorerie

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Downgrade, currently Ba1, LGD4, 51 %

..Issuer: Peugeot S.A.

.... Probability of Default Rating, Placed on Review for Possible Downgrade, currently Ba1

.... Corporate Family Rating, Placed on Review for Possible Downgrade, currently Ba1

....Senior Unsecured Conv./Exch. Bond/Debenture, Placed on Review for Possible Downgrade, currently Ba1, LGD4, 51 %

....Senior Unsecured Medium-Term Note Program, Placed on Review for Possible Downgrade, currently (P)Ba1

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Downgrade, currently a range of Ba1, LGD4, 51 %

Outlook Actions:

..Issuer: GIE PSA Trésorerie

....Outlook, Changed To Rating Under Review From Negative

..Issuer: Peugeot S.A.

....Outlook, Changed To Rating Under Review From Negative

RATINGS RATIONALE

"Moody's decision to initiate a review for possible downgrade of PSA's ratings was triggered by a deterioration in the company's already weak capacity utilisation of its European plants in H1 2012, resulting in a high cash burn rate of EUR200 million per month since mid-2011 and an estimated recurring operating loss at the automotive division in H1 2012 of EUR700 million," says Falk Frey, a Moody's Senior Vice President and lead analyst for PSA. "The review also takes account of PSA's announced reorganisation of its French production base, including the capacity adjustments and workforce reductions that are aimed at achieving a return of operating cash flow to break-even by the end of 2014," explains Mr. Frey.

An additional factor is PSA's downward revision of its outlook for the European car market (EU30 countries), based on the deterioration in the economic environment, in particular in southern European countries. The company now anticipates an 8% decline in European car demand versus a previously expected slowdown of 5% for 2012.

Moody's believes that PSA faces tremendous operational stress with financial metrics, which are currently positioned below the Ba1 rating category and are likely to deteriorate further in the current year and unsustainably high cash

burn from its automotive operations. These negative developments suggest that Moody's guidance for the current rating may not be met in the timeframe previously anticipated.

To address this, PSA announced various initiatives in February 2012 aimed at improving its competitive positioning and operating performance, as well as asset disposals to improve its balance sheet. Those initiatives included, among others, (i) a special dividend payout from its captive subsidiary Banque PSA Finance; (ii) the sale and lease-back of properties for approximately EUR500 million of cash proceeds; (iii) the sale of a stake in its logistics company Gefco for a cash consideration of more than EUR500 million; (iv) a capital increase of EUR1.1 billion underwritten by a pool of banks; as well as (v) a strategic alliance with General Motors ("GM", rated Ba1/positive), which is structured around sharing selected vehicle platforms, components and modules as well as a global purchasing joint venture.

The anticipated cash inflow from the asset disposals was intended to provide the resources and time that would allow PSA to implement the necessary operational and structural measures to turn around the core automotive business over the medium term.

While the announced alliance with GM might result in medium- to long-term cost savings, especially in the areas of purchasing and research and development expenses, Moody's cautions that upfront expenses will negatively impact PSA's results in the short term. Moody's also notes that a number of past mergers and alliances in the automotive industry have very rarely achieved the anticipated competitive advantages and improved performance.

FOCUS OF THE REVIEW

Moody's review of PSA's ratings will focus mainly but not exclusively on: (i) the timely implementation and execution of the announced capacity adjustments; (ii) the costs associated with the reorganisation as well as its cash flow impact and timing; (iii) the cost benefits resulting from a better capacity utilisation over time; (iv) progress on the cost savings programme announced in February; and (v) PSA's sales, inventory and market share development, especially in terms of the success of new model introductions. Moreover, the ability of PSA to stem its free cash flow consumption and improve its financial metrics within the timeframe and maintain a solid liquidity profile will be crucial for the outcome of the review process.

Furthermore, the review will also re-assess whether the current financial arrangements of the group imply a degree of structural subordination for the debt outstanding at the holding level versus the payment obligations at the level of operating subsidiaries and the GIE as described below, whether this needs to be reflected in a notching as well as the extent to which any such issue could be mitigated.

WHAT COULD MOVE THE RATING UP/DOWN

Moody's would consider downgrading PSA's ratings in the event of (i) the company's failure to regain part of the market share losses in Europe through the replacement of the ageing B-segment line; or (ii) an inability to execute on the announced asset disposals (sale and leaseback of properties and the sale of a stake in Gefco), with the aim of achieving EUR1.0 billion worth of cash inflows.

A downgrade could also be triggered in the event that the company is unable to materially improve its operating performance or record a strong recovery of its credit metrics. Moody's currently expects PSA to achieve Net Debt/EBITDA of below 2.0x, and a Cash/Debt of at least in the 30-40 % range by 2013. In addition, strong negative pressure would also develop in the event of a deviation from our base case scenario for 2012, i.e. (i) adjusted EBIT loss of no more than EUR100 million, before exceptional costs; or (ii) Net Debt/EBITDA below 3.0x in 2012 and a cash burn (negative free cash flow as defined by Moody's) of no more than EUR250 million.

Given the current review for downgrade, an upgrade of PSA's ratings is unlikely over the short to medium term. However, a sustainable turnaround of the operating profit in the Automotive Division with margins between 2%-4% and a sustainable positive free cash flow generation could result in an upgrade.

PSA's principal liquidity sources for its industrial business as of 30 December 2011 consisted of cash on balance sheet in the amount of EUR5.2 billion, availability under undrawn committed credit lines of EUR2.4 billion maturing July 2014 (excluding an additional headroom of EUR0.6 billion under Faurecia's facility), as well as potential cash flow generation from operations over the next 12 months. These cash sources provide adequate coverage for the major liquidity requirements that could arise during the next 12 months. These consist of short-term debt maturities as of year-end 2011 of approximately EUR2.2 billion, capital expenditures, working capital funding and day-to-day

needs.

STRUCTURAL CONSIDERATIONS

Peugeot's funding policy is based on borrowing at the holding company level (Peugeot S.A.), and on-lending to its operating subsidiaries via GIE PSA Trésorerie. Based on a cash pooling agreement between Peugeot S.A. and GIE, all payment obligations of the operating subsidiaries towards GIE rank pari-passu with trade payables at the subsidiaries' level. The ratings of PSA's outstanding notes and bonds are currently not notched below the group's CFR according to Moody's Loss Given Default Methodology.

RATING METHODOLOGY USED

The principal methodology used in rating PSA was Moody's "Global Automobile Manufacture Industry Methodology", published in June 2011. Other methodologies used include Loss Given Default for Speculative-Grade Non-Financial Companies in the U.S., Canada and EMEA published in June 2009. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

Peugeot S.A., headquartered in Paris, is Europe's second-largest maker of light vehicles with its two main brands Peugeot and Citroën. Other industrial operations include Faurecia, one of Europe's leading automotive suppliers in which PSA held a 57.43% interest at year-end 2010, and Gefco, France's second-largest transportation and logistics service provider. The group also provides financing to dealers and end-customers through its wholly owned finance subsidiary, Banque PSA Finance. In 2011, the group generated revenues of EUR59.9 billion and operating income of EUR0.9 billion.

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