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The Associated Press

PARIS (AP) — French carmaker PSA Peugeot Citroen announced Tuesday it is looking to raise €1 billion (\$1.3 billion) in new capital to fund its tie-up with U.S. giant General Motors.

The companies, which are struggling in Europe's fiercely competitive, oversupplied car market, said last week that sharing vehicle platforms and pooling the purchasing of components and services will save them \$2 billion a year within five years. The benefits are expected to be split roughly equally.

The combination of a large number of manufacturers and low prices has heaped the pressure on carmakers.

The subscription rights issue laid out in a statement Tuesday will offer 16 new shares for 31 existing shares at a price of €8.27. That's a significant discount from Peugeot's closing price of €14.205 on Monday.

In early morning trading on the Paris bourse, the company's shares fell 6.5 percent to €13.295.

Peugeot said that it and GM had already agreed to take 31 percent of the shares issued.

The Peugeot family, which has controlled its namesake enterprise since its founding over two centuries ago, will put in €140 million (\$185 million) when it exercises just under half of its subscription rights.

It will remain the main shareholder with 25.2 percent of the capital and 37.9 percent of the voting rights.

GM, meanwhile, will pay €304 million (\$402 million) for a 7 percent stake in Peugeot, according to the statement. That will make it the second-largest shareholder after the Peugeot family.

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