

# Peugeot Citroen Posts \$6.7B Loss For 2012

Greg Keller, AP Business Writer

PARIS (AP) — PSA Peugeot Citroen posted a record €5 billion (\$6.7 billion) loss last year after Europe's cratering car market forced France's largest automaker to book a €3 billion financial charge.

As well as falling demand, which led to a 12.4 percent slump in new vehicle sales to €27.8 billion, the Paris-based company had to contend with the rising cost of steel and other materials. Combined, they contributed to an operating loss of €1.5 billion for the car-making division last year.

Chief Executive Philippe Varin said the loss "reflects the deteriorated environment in the automotive sector in Europe."

The number of new car registrations in Europe fell by 8.2 percent last year to the lowest level since 1995, according to Brussels-based car industry group ACEA. The French car market slumped 13.9 percent in 2012.

Peugeot Citroen, which makes two-thirds of France's cars, is being hit by a deepening recession in many markets in Europe, its main market. The company's share price has sunk nearly 60 percent over the last year. With news of the massive 2012 charge having been unveiled by the company last week, investors were not taken by surprise with Wednesday's announcement. The stock rebounded from recent lows, and was up 2.5 percent at €6.09 in early trading.

Peugeot's troubles, which were already signaled by the near \$1 billion loss it recorded in the first half of the year, have drawn concern at the highest levels of the French government. Last week the budget minister openly floated the idea of the government taking a stake in Peugeot, but the idea was immediately batted down by the finance minister.

"I don't want there to be any panic," finance minister Pierre Moscovici said in a radio interview Wednesday on France Info. He said the government has "done what needed to be done" in terms of helping the company, and he categorically denied the government was considering a partial nationalization of the car maker.

Last year the French government pledged €7 billion in guarantees for the car maker's financing arm, Banque PSA Finance. The first €1.2 billion installment of that aid was cleared by European Union authorities on Monday. The EU gave Peugeot management six months to come up with a restructuring plan for its car business as a condition for receiving the government lifeline.

In Europe, Peugeot Citroen's car sales slump was almost twice the overall market decline, or 16 percent versus 8.6 percent for the overall market.

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The company sold 2.8 million fully assembled cars and light trucks last year, down from 3.1 million in 2011.

In July the company announced a plan to slash 8,000 jobs in France and close a major factory north of Paris, shocking workers and startling the government.

Peugeot's roots run deep in the French culture. It produced its first car in 1891. Peugeot-Citroen now accounts for two-thirds of French car production.

Peugeot's problems highlight the current woes facing Europe's carmakers. Unable to draw on government incentive schemes such as the "cash-for-clunkers" promotions launched in 2008-2009, manufacturers are suffering from falling sales.

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