

Munich and Paris – 2 February 2011

**BMW Group and PSA Peugeot Citroën
Create Joint Venture to Enhance Cooperation on Hybrid Technologies**

- The joint venture will focus on developing and producing hybrid components, a fast-growing sector.
- Cooperation will leverage significant economies of scale.

The BMW Group and PSA Peugeot Citroën have decided to enter into a new phase of their collaboration, by signing an agreement to set up a 50-50 equity joint venture named BMW Peugeot Citroën Electrification. The agreement was signed on February 1st by Norbert Reithofer, Chairman of the Board of Management of BMW AG, and Philippe Varin, Chairman of the Managing Board of PSA Peugeot Citroën. In October 2010, the two companies had signed a Memorandum of Understanding designed to expand their existing cooperation to hybrid systems.

BMW Peugeot Citroën Electrification will focus on developing and producing hybrid components, including battery packs, E-machines, generators, power electronics and chargers, while also developing software for hybrid systems. Joint research and development, production and component purchasing will leverage significant economies of scale for both companies.

First and foremost, this initiative of BMW Group and PSA Peugeot Citroën aims to develop standard hybrid components for the electrification of their vehicle ranges. Its goal is also to create an open European platform on those technologies, that will help the European industry to structure itself in the field of hybridization. To that extent, the joint venture will both integrate suppliers by outsourcing development work and could sell hybrid components to other companies beside its two shareholders.

Subject to approval by the relevant competition authorities, the joint venture is expected to launch its operations in the second quarter of 2011. The new hybrid components will equip both partners' vehicles from 2014 onwards.

The joint venture’s management, as well as the rest of its workforce, will be drawn from employees of both companies. Additional external staff will also be hired. The key management positions will be equally shared among the two companies. Wolfgang Güllich, currently responsible for BMW Group’s Purchasing Strategy, will be appointed Chief Executive Officer of BMW Peugeot Citroën Electrification, and Jean Leflour, currently Director Customer Satisfaction and Quality Planning at PSA Peugeot Citroën, will be appointed Managing Director.

“This cooperative venture will enable us to achieve significant economies of scale in the field of electrification. It also represents an important step on the road to sustainable mobility,” said Norbert Reithofer. *“With this joint venture, we are sure to develop and expand our expertise and to build a European leader in the field of automotive hybrid innovation,”* noted Philippe Varin.

The BMW Group and PSA Peugeot Citroën have been successfully cooperating on engines for several years, building together more than 1.8 million units from 2006 to 2010. In February 2010, the two companies agreed to develop the next generation of their jointly designed 4-cylinder petrol engine, which will also meet EU 6 requirements. The joint engine is currently built into a number of MINI, Peugeot and Citroën brand models.

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