RENAULT

PRESS RELEASE

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RENAULT REPORTS NET INCOME OF €599 MILLION AMID SEVERE DOWNTURN

- **Revenues for the year were €37,791 million, down 7% over the year and 28.7% in the final quarter.**
- **Operating margin came to €212 million.**
- **End-2008 inventory was down €666 million compared with 2007.**
- **Automobile's net financial debt increased by €5,856 million to €7,944 million owing to a sharp reduction in activity coupled with yen appreciation.**
- **At end-December 2008, the Group had €4.2 billion in confirmed credit agreements for Automobile, of which €518 million drawn down, and €5.2 billion for Sales Financing, of which €753 million has been used. In addition, the French government has announced a loan of €3 billion, and a two-fold increase in RCI Banque's drawing facilities at Société de Financement de l'Economie Française (SFEF) to €1 billion.**

Commenting on the results, Renault President and CEO Carlos Ghosn said: "*A financial and economic crisis of massive proportions hit the global economy in 2008. Beginning in July, Renault implemented a special action plan that included working down inventory and cutting costs and investments to adjust swiftly to the new market conditions. The Group will step up these measures in 2009 to improve free cash flow*."

2008: RESULTS THAT REFLECT THE SEVERE ECONOMIC REVERSAL

Renault was still on track to hit annual targets in the first half. In the second half, however, performance abruptly deteriorated, especially in the fourth quarter, as the financial crisis spread to the global economy, wiping out almost all the gains made over the previous three quarters.

• **Group revenues** totaled **€37,791 million** in 2008, down 7% on 2007 on a consistent basis. After rising 2.3% to €20,942 million in first-half 2008, revenues declined by 2.2% in the third quarter and then fell 28.7% in the fourth. Exchange rate movements were responsible for 2.5 points of the full-year decline.

Automobile contributed **€35,757 million** to revenues, a decline of 7.4%. Automobile's contribution increased in the first two quarters, before beginning to fall in the third quarter and plunging by 30% in the fourth.

RCI Banque, the **Sales Financing** subsidiary, contributed **€2,034 million** to revenues, an increase of 1.1%.

• **Group operating margin** stood at €865 million in the first half, or 4.1% of revenues, but then shrank by €653 million (-3.9%) in the second half to **€212 million,** or 0.6% of revenues, for the full year.

Amid these difficult conditions, **Automobile's** operating margin fell to a negative €275 million (-0.8% of revenues) in 2008, owing to:

- lower volumes and a substantial decline in production had a negative impact of €504 million on Automobile's operating margin;

- fierce competitive pressures, compounded by commercial aids for dealers to help them reduce inventories of new and used vehicles, and an increase in provisions for a decline in the residual value of vehicles, together lowered operating margin by €816 million;
- rising raw materials prices inflated costs by €271 million;
- foreign exchange differences, chiefly attributable to sterling's decline, produced a negative impact of €174 million.

Cost-cutting efforts were therefore stepped up at every level of the company:
- purchasing savings amounted to €353 million, excluding the impact of raw materials and of supplier support (€71 million);
- G&A expenses were cut by €121 million.

Sales of licenses to AvtoVAZ contributed €165 million.

Sales Financing made a €487 million contribution to Group operating margin, up €15 million on the previous year even though loans outstanding fell by 11%.

• **Group operating income** generated a charge of **€117 million,** compared with income of €1,238 million in 2007.

Other operating income and expenses showed a net charge of **€329 million**, consisting mainly of:
- €489 million in costs and provisions for restructuring and workforce adjustment, including €150 million in range restructuring expenses,
- €150 million in net capital gains on disposals.

• **The net financial result** showed a positive balance of €441 million in 2008, up €365 million on 2007, mainly due to a decrease in the value of redeemable shares.

• Renault recorded a profit of **€437 million** from its share in the **earnings of associated companies,** compared with €1,675 million in 2007, of which €345 million for Nissan and €92 million for the other interests, including Volvo AB and AvtoVAZ.

• **Net income totaled €599 million** (€2,734 million in 2007).

IMPACT OF THE CRISIS ON RENAULT'S FINANCIAL SITUATION

• At December 31, 2008 **Automobile's net financial debt** stood at **€7,944 million**, or 40.9% of shareholders' equity, compared with 9.5% of shareholders' equity at December 31, 2007.

The increase can be attributed to:
- cash flow of €3,061 million, down €1,491 million on 2007. The decrease is attributable to falls in operating margin and dividends from associated companies;
- a €2,704 million increase in the working capital requirement (WCR) in 2008. Although inventory was substantially reduced, WCR rose chiefly as a result of the decline in trade payables due to the steep reduction in the Group's industrial activity at the end of the year;
- €662 million in investments, linked primarily to the acquisition of a 25% stake plus one share of the AvtoVAZ group;
- foreign exchange differences, which had a negative impact of €1,600 million, almost all of which was related to the effects of yen appreciation on the debt taken out to cover the net investment in Nissan.

Overall, **Automobile's free cash flow** came out at a negative €3,028 million.

- **Group liquidity**

At December 31, 2008 the Group had €4.2 billion in confirmed credit agreements for Automobile, of which €518 million drawn down, and €5.2 billion for Sales Financing, of which €753 million has been used. In addition, the French government has announced a loan of €3 billion, and a two-fold increase in RCI Banque's drawing facilities at Société de Financement de l'Economie Française (SFEF) to €1 billion.

- **Renault shareholders' equity** amounted to **€19,416 million** at December 31, 2008.

ACTIONS TAKEN IN 2008

Beginning in July, Renault introduced an action plan to respond to the downturn in economic conditions. The plan was geared to help the Group adjust to the crisis and cut costs, particularly through strict inventory management.

- **Inventory**: production fell twice as fast as sales in the fourth quarter. This made it possible to substantially reduce inventory to €5.3 billion, beating the target, which had been to get back to end-December 2007 levels by the end of 2008. The policy was also applied to independent dealers, with a continued focus on the most profitable sales areas (individuals and fleets).
- **The workforce adjustment plan** is proceeding in line with expectations. Under the Renault Voluntary Plan for Renault s.a.s., some 1,700 employees have already officialized their departure from Renault s.a.s. and another 5,300 have applied to leave. A reduction of 1,100 jobs will be achieved at the European subsidiaries, mainly through natural attrition.
- **R&D expenditure** was reduced by 9.2% compared with 2007, in line with Renault's aim of moving closer to the sector average.
- **Nine new products** were launched in 2008, including the renewed Mégane family, which lies at the heart of Renault's line-up. There were further technological advances, with the successful launch of the 4Control system on Laguna GT and the V9X engine developed by the Alliance. The Dacia range received the eco^2 signature for its new gasoline and diesel engines and added new bioethanol and GPL powertrains. Dacia is showing that affordability and respect for the environment can go together.
- **Quality** was constantly improved: Laguna III is on the way to meeting the 2009 target of reaching the top three in its segment, and the German Automobile Club (ADAC) gave the models in the small car segment an "excellent" rating.
- The Group's **international expansion** continued, with the extension of the Entry range to meet the needs of particular markets, such as Sandero Stepway in Latin America.

These efforts enabled Renault to maintain market share in 2008 as markets fell steeply.

2009: OUTLOOK AND PRIORITIES

Renault expects market conditions to worsen in 2009. This environment has led the Group to focus its efforts on optimizing free cash flow and has rendered unachievable the commitments on volumes and operating margins made under Renault Commitment 2009.

The priorities for the Renault group in 2009 will be to:

- **control working capital requirements**, in particular by reducing inventories by a further €800 million to €1 billion;
- **focus capital expenditure** and research and development programs on strategic projects, including electric vehicles and environment-friendly engine performance. Investments already made at the international level will be exploited to the full. Investments for vehicle projects have been put on hold at Chennai (India) and postponed at Tangiers (Morocco). Total investments in 2009 will be at least 20% lower than in 2008;
- step up the policy of **cutting fixed costs**, notably by controlling total salary costs and reducing G&A;

- **strengthen operational synergies** with Nissan to seize new opportunities, in particular by converging the engine range and working together on electric vehicles.

The Board of Directors meeting on February 11, 2009 decided to recommend to the Annual General Meeting of May 6 that dividends not be paid on 2008 earnings.

In 2009, Renault can look forward to **eight product launches** (including New Renault Scénic) as well as New Mégane Renault Sport, Clio phase 2 and Trafic phase 3. These launches will give Renault the youngest range in Europe, with performances that meet the market's new environmental standards and quality standards that reflect the advances made in the past years.

Renault will take rapid steps to adjust these measures should the economic environment deteriorate further.

These measures are designed to mobilize the entire company around a single priority in 2009: namely aiming for positive free cash flow.

STRATEGIC VISION

The current crisis runs deep. It will reshape the automobile industry. In this regard, the Alliance remains a key advantage for Renault and Nissan in a sector that is heading for a new wave of consolidation.

Renault is facing a two-fold challenge:

In the short term, the company needs to weather the crisis. For this, Renault will rely on its action plan, while continuing to work with public policymakers worldwide to find the resources to make the necessary changes.

In the medium/long term, Renault also has to get ready for the post-crisis period. Renault is transforming itself to adjust to the new automotive era. Strategic projects have already been launched to address new needs in individual mobility, such as the Entry range and electric vehicles.

Carlos Ghosn, President and CEO of Renault, said: "*The automobile industry has lost none of its potential. It will come out of this crisis with products that are more environmentally friendly and better suited to the new economic conditions. There is still no substitute for the automobile*".

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Renault group: consolidated revenues by division

€ million	2008	2007 restated [1]	2007 published	2008 /2007 Change restated
Automobile	35,757	38,608	38,679	-7.4%
Sales Financing	2,034	2,012	2,003	+1.1 **%**
Total	**37,791**	**40,620**	40,682	**-7.0 %**

[1] *On a consistent basis with 2008*

Operating margin by division

€ million	2008			2007
	H1 2008	H2 2008	FY 2008	
Automobile *% of divisional revenues*	*598* *3.0%*	*(873)* *-5.5%*	**(275)** *-0.8%*	882 *2.3%*
Sales Financing *% of divisional revenues*	267 *25.3 %*	*220* *22.5%*	***487*** *23.9%*	472 *23.6 %*
Total *% of Renault group revenues*	865 *+4.1%*	*(653)* *-3.9%*	**212** ***+0.6%***	1,354 *3.3%*

Consolidated revenues of the Renault group

€ million	H1 2008	H2 2008	2008	2007
Operating margin	865	(653)	**212**	1,354
Operating income	845	(962)	**(117)**	1,238
Financial result	315	126	**441**	76
Share in earnings of associated companies:	729	(292)	**437**	1,675
- o/w Nissan	509	(164)	**345**	1,288
- o/w Volvo AB	218	8	**226**	352
Pre-tax income	1,889	(1,128)	**761**	2,989
Current and deferred taxes	(308)	146	**(162)**	(255)
Net income	1,581	(982)	**599**	2,734
Minorities	30	(2)	**28**	65
Net income – Group share	1,551	(980)	**571**	2,669