RENAULT

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Patrick Pélata - COO

Good morning Ladies and Gentlemen.
12 months ago we presented a plan to achieve Renault's one key objective for 2009; positive free cash flow. At that time, the European car market was running at a 20% decline, and a large number of our plants were in shut down in order to reduce inventory.

At the time, our outlook was received with scepticism. My presentation today will cover how we achieved a positive automobile free cash flow of 2.1 billion euros. I will than present you the financial results of 2009.

The plan we presented covered the three elements of free cash flow generation: maximizing revenues, which meant taking market shares, managing working capital and cutting costs from our business.

Out of the eight actions, there was one item that we did not carry out to the level of our initial expectations; the sale of some real estate assets. Due to the positive development of our FCF generation during the year, we were not forced to sell these assets at any price in the depressed real estate market.

So let's start with a review of markets and Renault group sales. In Europe, the first half of the year saw TIV down around 13.5%, with plus 7.3% in the second half due to the scrapping programmes. Markets halved in Eurasia and saw a 13% decline in the Euromed Region. The second half saw more supportive markets in Asia-Africa and Americas.

Renault's global market share increased only slightly by 0.1 point for the full year, with an improvement on the second half of 0.2 point globally but a significant 1.4 points in Europe.

Turning to Renault's top 15 markets, which corresponds to 85% of our global sales, the market share increase and dynamic is clear. For the full year we gain market share in 11 of these 15 markets, with the second half of the year seeing gains in 13 of these markets.

Nine of the top 15 markets are located outside of the Europe region.

Zooming in on our performance in Europe by quarter on the left hand side, we can see the slow start of the year. Renault took the decision to cut production heavily in the last

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quarter of 2008 and the first quarter of 2009 to resolve the inventory situation and adjust the company to lower TIV levels.
While this was the right decision to take, we were ahead of competitors in doing so, and we suffered from a lack of vehicles when the wave of scrapping incentives has spread across Europe.

Our order-book rose. And when we were able to return production levels to a higher demand, the result was the delivery of these vehicles, and increased market share, more specifically during the second semester.

On top of this, we have benefited from strong new product launches, and in 2009 we had one of the youngest ranges in Europe, allowing the group to achieve excellent performances in market share in Europe.

In terms of performance by brand, the Renault brand was at the top of the league tables of market share gains in the second half in Europe. Our partner Nissan was number two spot and the Dacia brand was number three.

This performance also needs to be analysed by segment in Europe. The segment that reflected the most the impact of the depressed economic environment was LCV. This segment fell 30% compared to last year, with smaller vans performing better than large ones.This was not a good mix move for profitability.

The small car segments, I1 et I2, were boosted by the scrapping incentives. In both cases the group won market share with a strong performance from Twingo, Sandero and Clio 3 phase II.

Despite the M1 segment decline in Europe, Renault's new product launches have come off to a strong start thanks to the renewal of the Mégane family.

The Mégane Hatch and Coupé, launched end of 2008 knew their first full year of commercialisation. Scenic gained momentum during the second semester. The model has taken the lead in sales of its segment in Europe with a 20% market share.

The product offensive was not limited to Europe. In June we launched the SM3 in South Korea. Taking straight away 25% of the segment, the order book build is largely outstripping supply. Its sister version in Europe, the Fluence, was launched at year end and is already off to a good start.

Last but not least, the Sandero. In France in December 2009, Sandero ranked 4th among the best selling I -segment-models. World sales of Dacia are up 20% in 2009.

Moving on to the second part of the Free Cash Flow plan, managing working capital. After improving by over 1.6 billion euros in the first half, mainly due to inventory reductions, the second half added another 1.3 billion euros of efficiency.

Inventory reduction improved in the second half. While initial efforts concentrated on the number of new cars in stock, the gain in 2009 has come from a complete, bottom-up review of all processes on all stock items: new cars, used car, parts and accessories, raw-material inventories and our own dealer inventories.

Accounts payable were held steady at the end of December versus June as production now matches demand. We improved significantly customer receivables. Our Working Capital Requirements improved by 2.9 billion euros.
Coming back to inventories, I would like to provide some explanations. On this slide you see the developments in our physical new vehicle stock, on both our balance sheet, and that of our dealers. As you can see, in volume terms the major reduction had happened by the end of the first quarter. As you can see, the volume has been reduced significantly at the end of 2008, beginning of 2009, with the reduction of our production.

The first half saw our sales performance impacted by the low availability of the right quality of stock. By the second half this had been structurally improved. In addition, we have worked on the speed to market and speed to dealer angle of our logistics set-up.
All in all, while stocks were flat in total numbers in the second half, our commercial performance demonstrates the quality of this stock, the speed-to-market and managing this on a higher base of sales than in the first half. I believe our logistics system is on its way to becoming top-class in terms of months of future sales in stock.

Moving from working capital, to the third and final chapter of the 2009 plan; fixed costs. As announced, the task was to reduce fixed costs at least by the level of the revenue decline, measured against 2007; the year before the start of the crisis.

As the results show, we achieved an impressive task. Several actions helped achieve this result: we have delayed or cancelled our non strategic investments – while preserving the strategic ones such as electric vehicles development or renewal of our internal combustion engines. We have changed workload balances in order to in-source many of the tasks that were being paid for externally, both in factories and in engineering.

Throughout several of these items you will see the impact of the reduction of fix costs. Contracted employees fell from 129 thousand at end 2008 to 121 thousand at end 2009. In addition, we set-up a crisis-period labour deal in the second half, taking white collar staff in France to a 4 day week. We also reduced travel costs with 40% compared to 2008.

So to conclude on 2009; positive FCF was achieved both in the first and second half of the year. Looking back to our original scenario presented 12 months ago; TIV was more supportive, essentially for Renault in Europe. Although the segment mix proved to be a headwind for profits as the LCV segment fell significantly compared to small cars, and transaction pricing in several markets was tough.
We ended the year ahead of our plans on both the management of working capital items and on fixed cost reductions. RCI turned in an outstanding performance.

And finally in terms of the difference in performance of the first and second half of the year, as explained, we lacked some cars in stock to be able to respond to the demand in H1, which was corrected by H2.

Let's turn now to see the translation of this stronger operational performance in the second half of 2010 on our full year financial accounts. After having fallen 23.7 percent in the first half of the year, the delivery of our order book backlog, and the strong performance of the new vehicle launches, meant that the second half saw revenues increase by 5.3 percent. This takes the full year decline to 10.8 percent compared to 2008.

Let's turn now to the traditional analysis of the group operating margin. 2008 included a 165 million positive for the licenses invoiced to Avtovaz. Currencies impacted negatively for 293 million euros, especially the exchange rate between the euro and the ruble, the pound sterling and the polish zloty.

The volume impact accounted for 746 million euros of decrease including the bigger impact of small vehicles and decrease of the transfer price. Cost reduction impacted positively for 496 million euros. RCI's performance added another 28 million.

Other operating charges equal 559 million euros, including 218 million euros restructuring expenses. Our net financial charges are negative for 404 million euros.

Let 's take a closer look at the associated companies. Nissan released its third fiscal quarter results just two days ago underlying a better operational result and cash flow. The translation of this quarter's results into Renault's accounts impacted positively for 175 million euros. Both Volvo and Avtovaz's second half results impacted negatively for 105 and 188 million euros respectively. In total, associated companies impacted negatively in the year for over 1.5 billion euros, entirely concentrated in the first half.

And lastly for the P&L, tax charges came in flat at 148 million euros, resulting in a total net loss of 3 billion and 68 million euros.

The inflexion seen in nearly every item of the P&L was positive in the second half, resulting in a net loss for the second half alone of 356 million euros.

As for the financial results, the positive impact of working capital, and the strong decrease in investments, resulted in a positive FCF for the year of 2 billion and 88 million euros, or 1.24 billion euros for the second half.

We carried out some financial investments, mainly relating to our participation in the supplier fund in France (FEMA). In total, the positive FCF resulted in a reduction of net debt of 2 billion and 23 million euros. Net auto debt now stands at 35.9% of equity, down 500 basis points over the end of 2008.

I will pass the floor over to Mr Ghosn. Thank you.

Carlos Ghosn – CEO

Good morning ladies and gentlemen,

As you have seen, external factors made 2009 a challenging year. However, Renault stepped up its efforts, and achieved its goal : achieving a positive free-cash-flow. With the whole company focused on our Free cash flow plan, we walked the talk and outperformed our initial objectives.

Looking now to the challenges in 2010.
Worldwide TIV should slightly increase, with a 3% gain compared to 2009. However, there are significant differences region by region. Global growth will be driven mainly by China, India, North America and Russia, while the traditional strongholds for Renault such as Europe and Euromed will see a 10% decline. This downturn of TIV is primarily the consequence of ending government incentives.

With a net result in the red in 2009 and core markets expected to continue falling, 2010 will remain a challenging year for Renault. Consequently, we remain focused on securing a positive Free cash flow in 2010, consistent with our focus in 2009.

In order to obtain a positive Free cash flow in 2010, our levers are as follows: Renault is aiming to increase market share in our the main markets. We will also continue to benefit from the step-up in Alliance synergies, with additional actions bearing fruits in 2010. Further cost savings measures will be taken, both on fixed and variable costs. We will also work to sustain the high level of WCR efficiency achieved in 2009.

Let me start with market share progression. Our commercial performance was particularly robust in the second half of 2009. Last year saw the completion of our C-segment lineup renewal with the New Scenic launch in the second half. The ramp-up of sales has been strong – with Scenic currently representing almost one-in-five C-segment MPV sales in Europe. In 2009 New Megane has also more than doubled its sales volumes in a declining segment.

Our entry range and our small cars have also out-performed the European market, and we expect this to continue in 2010 with a full year of the facelifted Clio 3.

2010 will not only benefit from the full year effect of products launches made last year. It will also build on a strong product momentum, with 6 new models, most of them being launched in the first half of the year, enabling a stronger impact on Renault's annual sales. The new SM5 from Renault Samsung was revealed in South Korea just a few weeks ago. With this model, the group now has a fully competitive upper range sedan capable of competing in international markets. Outside Korea, the car will mainly be sold in Asia and the Middle East.

With Duster, its new four-wheel drive, Dacia will have a brand new category breaker in the SUV market. Duster is a genuine off-roader, robust and roomy, but with low CO2 emission levels for the category and a very competitive price and utilization cost.

Two convertibles will also be launched during the summer, with new Megane CC and Wind.

New Megane Coupé Cabriolet rounds off the renewal of Megane range, with style, comfort and a large folding glass roof.

Wind is a new roadster aimed at motorists who desire a distinctive convertible car that is practical enough for everyday use. Wind is the only convertible car of its class to provide just as much luggage space regardless of the position of the roof.

As of March we will also renew our large van range with the new Master, in both front and rear-wheel drive versions. 2009 was a very low year for LCVs, with businesses postponing their renewals and fleet expansions. We believe the bottom for this market has been reached, but we do not expect see any significant growth in 2010.

Renault will continue to move forward this year, on the strong base of market share gains taken in 2009 and the extension of our line-up. Kangoo's range will be expanded with a bigger-sized model. The Trafic will get a mid-cycle change. The completely renewed Master range will benefit from lower total cost of ownership, lower CO2 emissions and a larger range including bigger volume versions, and a new rear-wheel drive powertrain.

The second lever to sustain positive free cash flow in 2010 is the contribution of Alliance synergies. In 2009, we announced a 1.5 billion Euro synergy objective for the Alliance, impacting the free cash flow of both companies for their respective fiscal years. Although Nissan still has a quarter to go, I can announce to you today that the 1.5 billion euros target had already been achieved by the end of December. The implementation of the dedicated Alliance Team within RNBV that I announced in May last year has brought faster and deeper results than initially expected.

Let me remind you what we consider a synergy.
First we have pure cost saving synergies: these allow both companies to reduce their costs or capital expenditures compared to previous year. These synergies can be read directly in both companies free cash flow statements. One example of cost saving synergy is the work undertaken on logistics. In addition to exchanging best practices to enhance Alliance Logistics total performance, a significant step was achieved by bundling the two company's volumes to optimize the flows and maximize the benefits through common tenders. A common logistics organization has also been set-up in Europe. It is responsible for in and out-bound logistics for both companies across Europe, and the Euromed and Eurasia regions.

The second kind of synergy is cost-avoidance. This defines synergies that allow the Alliance to reduce its costs or capital expenditures compared to a reference scenario – not compared to previous year expenses. They cannot be read in the free cash flow statements but they allow each company to do more with less. For instance, instead of developing its own 1.6L diesel engine, Nissan will benefit from Renault's development. The D&D costs planned in Nissan's budget are therefore avoided. Cost avoidance on this project accounts for 50million euros in 2009 - while Renault's entry ticket is now shared with Nissan, and therefore reduced by 20M€ - those are integrated within the pure cost savings synergies.

The last kind of synergies are joint opportunities for additional revenue. It consists in investments in projects that would not be sustainable for each partner alone. Together, the cost load becomes bearable, while the volume effect makes the project competitive. The most obvious example is the mass-marketed Zero Emission vehicle, for which neither Renault nor Nissan could have supported the required expenditures alone.

Another good example is our Entry price point strategy for emerging markets.
Offering a competitive entry price car is essential if we are to reach customers as soon as they enter the new car-market. To achieve the entry-price level without destroying value, manufacturers must be able to produce locally, with high localization ratios and low entry tickets. By entering together into the entry price segment in each new market,

Renault and Nissan will be able to bundle their volumes, and to get the full benefit from the economies of scale. Beyond this entry price strategy, the Alliance will further open manufacturing capacities for each partner, enabling us to enter new markets.
Within the next three years, 12 additional models will be cross-manufactured – twice as many as today : five models in Russia, five in India, one in Brazil and one in Mexico.

For 2010, we have set an objective for an additional one billion-euro worth of free cash flow savings for the Alliance. Vehicle and powertrain development will account for 40% of this one billion-euro objective. Local content will account for 30%. Support functions, including IS, and logistics, will represent another 10% each. If we include the carry-over of previous years' synergies, the effect on 2010 free cash flow will be more than 2 billion euros for Renault and Nissan together.

Thanks in large part to the Alliance leverage, Renault has been able to do more with less. Compared to 2007, our annual fixed cost budget has been reduced by more than 2 billion euros. This has been achieved without jeopardizing the company's product and technology development. Looking at our international projects, the line-up renewal, our powertrain improvements or our zero-emission investments - all have been carried out on a leaner budget

This improvement is now structurally part of our process. We have learned how to be more frugal and how to better cross develop projects with Nissan. This experience will bring benefits long after the crisis has passed. In 2010, we will continue the pressure on our investment decisions to drive down costs. Even if we integrate the development cots of the electric vehicle, which is 400 million euros in 2010, the level of investment will be stable versus 2009.

As for variable costs, purchasing savings accounted for 253 million euros in 2009. Our aim for 2010 is to increase our performance, with a 400-million-euro target.

Regarding Working capital requirements, we have already reached a very good efficiency level. All these progress are structural, and we can expect another slight step improvement in 2010 with a further reduction by 0,3 points of our inventories levels.

Through improving our market shares, accelerating Alliance synergies, reducing our fixed and variable costs and sustaining our WCR efficiency, we expect to have a positive Free cash flow in 2010.

Let us now take a look at the risks and opportunities that we foresee in 2010. On the opportunity side, we have our internal improvement plan, featuring new products, cost reduction and Alliance synergies. As for external opportunities, non-Western European

TIV could recover quicker and stronger than we forecast today.

On the risk side, there is the aftereffect of terminating scrapping incentives, with risk on Western European TIV falling to lower-than-expected levels. There is also a risk of increasing commercial pressure and discounts. Raw materials costs are another unknown factor, with unpredictable tensions on prices.

In conclusion, we consider 2010 to be another challenging year for our industry. This is why we maintain our focus on free cash flow and debt reduction. While being driven in the short term by a concentrated FCF plan, our vision of the future has not diminished. The challenges that our industry faces are fully taken in consideration.

As you know, growth will come from emerging markets. TIV from outside Europe, Japan and the US is expected to double within the next 10 years. Manufacturers are forced to work together and find innovative solutions in order to stay fully cost competitive and meet the increasing demand for new products and technologies.

Of particular concern is the need to respond to regulatory and consumer pressure in the reduction of CO_2 and other tailpipe emissions.

As for Renault, our priorities are clear : we will pioneer on mass marketed electric cars and continue to offer low CO_2 affordable cars. We will aggressively pursue our sales development in emerging markets, especially by building on our existing positions such as in Russia, India or Brazil. We will reinforce our leadership on low-cost cars, with the Logan platform, and our development on the ultra-low cost segment will be part of our international development. We will improve the position of our two brands in Europe and the Euromed Region. And we will continue to strengthen the Alliance, which is one of the main levers to make all these developments possible.

A precise and clear mid-term plan is an essential part of the Renault corporate DNA. Based on a more stable economic environment, we expect to announce our new mid-term plan next year.

Right now, everyone at Renault is focused on the immediate task in front of us: executing on the action plan to get through the crisis and building a clear strategic direction for the upcoming post-crisis challenges.

Les femmes et les hommes de Renault sont mobilisés autour de notre plan d'action 2010, afin que Renault soit en position de force pour relever les défis de l'après-crise et autour de notre cap stratégique.

The future belongs to those who have been able to safeguard their economic situation while seizing the crisis as an opportunity for change. I am confident that the company is ready to rise to the challenges ahead and, with Nissan, rank among the leading players in tomorrow's automotive industry.

Thank you for your attention.