

# **2005 EARNINGS REPORT**



**RENAULT**

## 2005 EARNINGS REPORT

<b>In brief</b> .....	<b>2</b>
<b>Key Figures</b> .....	<b>2</b>
<b>Overview</b> .....	<b>3</b>
<b>Outlook for 2006</b> .....	<b>3</b>
<b>Chapter 1 – Sales performance</b> .....	<b>4</b>
<b>Overview</b> .....	<b>4</b>
<b>1.1. Automobile</b> .....	<b>4</b>
1.1.1. <i>Renault Group – Worldwide sales by brand</i> .....	<b>4</b>
1.1.2. <i>Renault brand</i> .....	<b>5</b>
1.1.3. <i>Dacia brand</i> .....	<b>8</b>
1.1.4. <i>Renault Samsung brand</i> .....	<b>9</b>
<b>1.2. Sales financing</b> .....	<b>9</b>
1.2.1. <i>Proportion of new vehicle registrations financed</i> .....	<b>9</b>
1.2.2. <i>RCI Banque's new financing contracts and average loans outstanding</i> .....	<b>9</b>
<b>1.3. Sales and production statistics</b> .....	<b>10</b>
<b>Chapter 2 – Financial results</b> .....	<b>15</b>
<b>2.1. Comments on the financial results</b> .....	<b>15</b>
<b>Overview</b> .....	<b>15</b>
2.1.1. <i>Consolidated income statements</i> .....	<b>15</b>
2.1.2. <i>Automotive debt</i> .....	<b>17</b>
2.1.3. <i>Future-related costs</i> .....	<b>18</b>
2.1.4. <i>Shareholders' equity</i> .....	<b>19</b>
<b>2.2. Consolidated financial statements</b> .....	<b>20</b>
2.2.1. <i>Consolidated income statements</i> .....	<b>20</b>
2.2.2. <i>Consolidated balance sheets</i> .....	<b>21</b>
2.2.3. <i>Changes in consolidated shareholders' equity</i> .....	<b>22</b>
2.2.4. <i>Consolidated statements of cash flows</i> .....	<b>23</b>
2.2.5. <i>Segment information</i> .....	<b>24</b>
<b>Chapter 3 – Financial Information on the Alliance</b> .....	<b>29</b>

Renault is presenting its 2005 consolidated financial statements according to International Financial Reporting Standards (IFRS). All 2004 data have been restated to IFRS.

## KEY FIGURES

- Sales performance:
  - Group worldwide sales: 2.5 million vehicles (+1.7%), comprising 2.1 million passenger cars (+1.5%) and 400,000 light commercial vehicles (LCVs) (+2.8%).
  - Europe: 1.8 million units (-4.0%) in a stable market (-0.3%).  
Renault: Number-one automobile brand, with combined market share (cars plus LCVs) of 10.2% (vs. 10.8% in 2004).
  - Rest of the world: 700,000 units (+21.2%), with growth driven by the three brands: Renault (+11.4%), Dacia (+45.5%) and Renault Samsung (+40.0%).
- Group revenues: €41,338 million (+1.9% on a consistent basis).
- Group operating margin: €1,323 million, or 3.2% of revenues (compared with €2,115 million and 5.2% in 2004).
- Contribution from Nissan Motor: €2,275 million, including non-recurring income of €450 million, compared with €1,689 million in 2004.
- Net income (Renault share): €3,367 million, or €13.19 per share (versus €2,836 million and €11.16 per share in 2004).
- Free cash flow<sup>(1)</sup> of the Automobile Division: €1,226 million (compared with €1,397 million in 2004).
- Net financial debt of the Automobile Division at December 31, 2005: €2,252 million, or 11.5% of Group shareholders' equity (vs. 9.9% at end-December 2004).
- Dividend proposal to the AGM of May 4, 2006: €2.40 (+33.3%).

(1) Free cash flow = cash flow less net capital expenditure before the change in working capital requirement.

## OVERVIEW

The Group's worldwide sales in 2005 grew 1.7% (+43,000 units), despite a flat European market that contracted by 0.3%. Growth was driven by the Group's buoyant performance outside Europe, where sales rose 120,000 units:

- In Europe, Renault pursued a more selective commercial policy amid strong market pressures on transaction prices, and sales slipped by 77,000 units. But Renault held on to its number-one position in the car and LCV market, with a good performance in vans (Trafic and Master), and Mégane once again topping the sales charts in Europe.
- Outside Europe, Renault's sales climbed 21.2%, with advances in all major markets except Turkey and Brazil. Dacia's sales were boosted by the success of Logan, while Renault Samsung Motors saw sales advance as a result of range renewal and expansion.

Group revenues rose 1.9% (on a consistent basis), on the back of the increase in international sales.

Operating margin was €1.3 billion, or 3.2% of revenues, compared with 5.2% in 2004. This fall-off is attributable to a smaller contribution from the Automobile Division in Europe as a result of several factors: a decline in sales, a deterioration in the sales mix and transaction prices amid fierce competition, and a rise in raw material prices, manufacturing and technical costs and R&D spend that was not entirely offset by the ongoing reduction in purchasing costs excluding raw materials. In contrast, operating margin was bolstered by good international performances. The Sales Financing Division made yet another substantial contribution, with €0.5 billion.

Renault earned €2.6 billion from its share in associated companies (Nissan and AB Volvo), taking net income (Renault share) to €3.4 billion (+18.7%).

The Automobile Division generated €1.2 billion of free cash flow from operating activities. However, its net financial debt increased €0.7 billion, largely because of a decline in the working capital surplus, the marking to market of redeemable shares (which added €0.3 billion) and the exercise of the option to acquire the Technocentre (€0.6 billion). At December 31, 2005, net automotive debt amounted to €2.3 billion, or 11.5% of shareholders' equity (compared with 9.9% at end-December 2004).

## OUTLOOK FOR 2006

In 2006, Renault expects the automobile market to decline slightly in Europe and to grow in the other main countries in which the company operates.

Renault will not benefit from major product launches in 2006, but will profit from the first full year of sales of the new Clio in Europe, as well as the release of phase-two models of Mégane, Espace and Trafic and the phase-three Master. Outside Europe, two new five- and seven-seater station wagon versions will be brought to market in the second half of 2006 to round out the Logan line. Furthermore, action plans focusing on our cost competitiveness, defined within the framework of the new business plan, will be deployed and start to bear fruit in 2006.

Overall, against a backdrop of higher raw material costs than in 2005, an extremely competitive European market and continuous international growth, Renault plans to achieve an operating margin of 2.5% of revenues in 2006.

# Chapter 1

## Sales performance

### OVERVIEW

#### AUTOMOBILE

- The Renault group's sales exceeded the 2.5 million vehicle mark for the first time in 2005. It grew worldwide sales<sup>(1)</sup> by 43,000 units, or 1.7%, as a result of strong momentum outside Europe.
- In Europe<sup>(2)</sup>, Renault sold 1.8 million units, down 5.4% on 2004, and remained the leading brand for passenger cars and light commercial vehicles (LCVs), with 10.2% of the market. In an automotive market that was broadly stable (down 0.3%) and subject to strong price pressures, Renault maintained its selective commercial policy. Mégane was again the top-selling car in Europe, despite a half-point drop in market share to 4.2%. Sales of Trafic and Master enabled Renault to confirm its leadership in LCVs – a strategic segment – with 14.4%. And with Logan, Dacia recorded an impressive performance in Europe, selling 30,000 vehicles.
- Group sales outside Europe climbed 21.2% to almost 700,000 vehicles, or 27.2% of total worldwide sales, up from 22.8% in 2004. The Group advanced in all regions except Turkey, which was down 1.4%, and Brazil. All three Group brands contributed to sales growth: Dacia's sales surged 45.5% with the successful rollout of Logan; in Korea, the range renewal program enabled Renault Samsung Motors to grow sales by 40.4%; and the Renault brand saw an 11.4% increase in sales volumes.

#### SALES FINANCING

- RCI Banque's average loans outstanding rose by 4.6% in 2005 to €22.9 billion at December 31, 2005.

## 1.1. AUTOMOBILE

### 1.1.1. Renault Group – Worldwide sales by brand

#### PASSENGER CARS AND LCVs

RENAULT	2005 (*)	2004 (*)	% change
Europe	1,814,258	1,917,770	(5.4)
Worldwide excl. Europe	435,737	391,202	11.4
<b>Renault total</b>	<b>2,249,995</b>	<b>2,308,972</b>	<b>(2.6)</b>
<b>DACIA</b>			
Europe	30,790	4,505	583.5
Worldwide excl. Europe	133,616	91,814	45.5
<b>Dacia total</b>	<b>164,406</b>	<b>96,319</b>	<b>70.7</b>
<b>RENAULT SAMSUNG</b>			
<b>Renault Samsung total</b>	<b>119,027</b>	<b>85,046</b>	<b>40.0</b>
<b>WORLDWIDE GROUP SALES</b>	<b>2,533,428</b>	<b>2,490,337</b>	<b>1.7</b>
O/w: - in Europe	1,845,048	1,922,275	(4.0)
- outside Europe	688,380	568,062	21.2
O/w: - Passenger cars	2,141,248	2,108,832	1.5
- Light commercial vehicles	392,180	381,505	2.8

(\*) Provisional figures

(1) The term "sales" includes registrations of new vehicles plus invoicing for certain geographical regions. In Western Europe, the figure includes sales of 29,277 unregistered vehicles in 2005, versus 32,832 in 2004. In line with car industry practice, market share is calculated from previous years' statistics from official bodies or, failing that, from data derived from carmakers' internal product flows, hence sales.

(2) "Europe" refers to Western Europe (France, Germany, Italy, UK, Spain, Netherlands, Belgium, Luxembourg, Portugal, Switzerland, Austria, Sweden, Finland, Norway, Denmark, Iceland, Ireland and Greece) plus Central Europe (Baltic States, Bosnia, Croatia, Czech Republic, Hungary, Macedonia, Poland, Serbia-Montenegro, Slovakia and Slovenia).



RENAULT

In 2005 the Group's worldwide sales totaled 2,533,000 vehicles, a rise of 43,000 units over 2004. This rise breaks down as an increase of 120,000 units outside Europe and a decline of 77,000 units in Europe. It reflects growth of 68,000 units at Dacia and 34,000 at Renault Samsung and a decline of 59,000 units sold under the Renault brand.

### 1.1.2. Renault brand

With 2.2 million passenger cars and LCVs sold in 2005, total **worldwide** sales under the Renault brand were down 2.6%, despite an 11.4% increase in sales outside Europe.

#### In Europe

Renault's sales slipped 5.4% in 2005 to 1.8 million passenger cars and LCVs in a flat market, which contracted 0.3% to 17.5 million units. Renault was once again the leading automobile brand on the passenger car and LCV market in 2005, with market share of 10.2% versus 10.8% in 2004.

→ In a **passenger car** market of 15.3 million units, down 0.8%, Renault was ranked second with 1,476,000 registrations, or 9.6% of the market, compared with 10.2% in 2004.

**Market trends** in individual countries varied:

- In Western Europe, where the market fell 0.3%, three countries posted gains – France (2.7%), Spain (0.8%) and Germany (1.7%) – while the UK (-5%), the Netherlands (-3.8%) and Italy (-1.3%) were all in decline.
- In Central Europe, the passenger car market contracted further (by 9%). The Polish market plummeted 25.9%, the biggest decline in the region, after shrinking 11.2% in 2004.

In **France**, Renault was the number-one brand yet again, with four of the 10 best-selling vehicles. Despite a 15.6% drop in sales, Mégane was again the top-seller, taking a 9.1% share. In a growing market with strong pressure on transaction prices – and with the added effect for Renault of preparing the launch of Clio III in September 2005 – the brand's market share dipped to 25.4% from 27.3% in 2004, with sales down 4.5%.

Renault was also the top brand in **Spain** (12.4%), **Portugal** (13.9%), **Belgium-Luxembourg** (11.0%) and **Slovenia** (22.8%). It ranked number two in the **Czech Republic** (6.8%) and **Croatia** (12.9%) and number three in the **Netherlands** (8.6%).

In the **UK**, the retail market contracted 10.6%, leading to an increase in sales incentives. Overall, the market shrank 5% in 2005 and Renault lost two-tenths of a

point of market share to 7.2%. Sales were down 7.7%, as carbuyers awaited the launch of Clio III.

In **Germany**, Renault vehicle registrations were up, enabling the brand to maintain its position as the leading imported brand with 5% of the market, after a steep loss of market share in 2004. Continuing its selective commercial policy, Renault increased vehicle sales to private carbuyers.

In **Italy**, Renault's market share fell to 6.4% from 7.0% in 2004 and sales contracted 10.0%. On a highly competitive segment, Mégane sales slumped 23.9%. Conversely, Renault advanced on the small-car segment with Modus.

Analyzed by **model**, Renault's performance was varied, but the brand maintained its leadership of the C segment with Mégane and the large minivan segment with Espace:

- On the *A segment (small city cars)*, after 12 years in the showrooms and despite not having a diesel version, **Twingo** still had a significant presence as the top-selling car in its segment in France and number-four in Europe with 7.7% of the market.
- On the *B segment (small cars)*, Renault met its target of increasing market share by selling two models – Modus and Clio II/Clio III. Market share rose to 11.8% from 10.3% in 2004, even though the sales targets initially announced for Modus were not reached.
- **Modus**, released in September 2004, was number two in the small minivan class and took 3.8% of the B segment in 2005. Since its launch, more than 227,000 units have been registered in Europe.
- With the launch of **Clio III** in September 2005, voted Car of the Year 2006 in Europe, Clio led its segment in the fourth quarter and came in second place for the year as a whole, with more than 341,000 passenger cars registered in Europe and 8% of the B segment. Since its launch, sales of Clio III have accounted for 57% of total Clio sales.

Clio III, which has the same Renault-Nissan Alliance B platform as Modus and Micra, is the eighth Renault vehicle to earn the maximum five-star rating in the crash tests run by the independent body Euro NCAP. For this third-generation Clio, Renault implemented a new manufacturing system at the Flins site, which will be extended in 2006 to Bursa (Turkey) and Dieppe (France) for the Renault Sport version, in order to ramp up production and broaden the range. Renault has kept Clio II in its range in order to offer an entry-level vehicle in the B segment.



# Chapter 1

## Sales performance

- **Thalia**, the sedan version of Clio, with almost 13,000 units sold, contributed to Renault's performance on the B segment in Central Europe, taking a 3.7% share in this region, down 1.3 points on 2004.

Renault was number one on the combined A and B small-car segments in 2005 thanks to its triple offering: Twingo, Clio and the Thalia sedan, and Modus.

- **Kangoo car** was number two on its segment with a share of 16.7%, down from 18.6% in 2004.
- **Mégane II**, which in September 2005 entered its third year on the market, was again the top-selling vehicle in Europe across all classes and took 4.2% of the European passenger-car market in 2005. Mégane led the *C segment*, with a share of 12.4% (versus 14.6% in 2004), and was number one in the segment in France, Spain, Belgium-Luxembourg, the Netherlands, Portugal, Slovenia and the Czech Republic.

In 2005 Renault registered nearly 644,000 Mégane passenger cars in Europe, 12.2% fewer than in 2004, taking the number of Mégane II passenger cars sold in Europe to 1.9 million since the first models in the line were released in third-quarter 2002.

In Europe, the Mégane station wagon and Mégane coupé-cabriolet advanced by 3.6% and 11.3% respectively in 2005, whereas the strongest declines were recorded by the sedan version (-37.2%), the three- and five-door hatchback versions (-20.8%) and Mégane Scénic (-9.4%).

The launch on January 20, 2006 and marketing of phase two of Mégane II, powered by the Alliance's new diesel engine, the 2.0 dCi 16V 150hp, should be an opportunity to boost sales. A phase-two model is also scheduled for Scénic in second-half 2006.

- On the *upper midrange D segment*, which contracted by a further 2.4% in 2005, and by 7.6% over the past three years, 106,000 **Lagunas** were sold in 2005 (a decline of 20.1% on 2004). Despite a new version released in March 2005 with new features, Laguna's share of the D segment was lower than the previous year, at 4.2% versus 5.2% in 2004.
- **Vel Satis**, bolstered by a new version launched in April 2005, gained one-tenth of a point on the *upper E1 segment* with a share of 1.1%. However, in a segment that contracted 13.4%, Vel Satis registrations dropped 5.9% to 7,600 units.

- **Espace**, in its fourth year on the market, confirmed its number-one position on the *large minivan segment* with a share of 18.3% in 2005, down 2.0 points. On a segment that shrank by 12.6%, however, sales were down 21.4%. Espace led its segment in France, the Netherlands, Belgium-Luxembourg, Switzerland and Slovenia, and confirmed its high-end positioning with 6-cylinder gasoline and diesel engines and high-specification features. Almost 50,000 units were sold in 2005, which was 16,000 more than its rival in second place. Like Mégane, Espace will enter phase two in March 2006, with the Alliance's new diesel engine, in two versions, 150 and 175hp, fitted with a particulate filter.

→ On the **light commercial vehicle** market, up 3.7%, Renault was number one in Europe, with market share of 14.4%, down four-tenths of a point on 2004. Renault increased its market share by half a point to 15.2% in **Belgium-Luxembourg**, remained stable in the **UK** with 6.8%, but shed one-tenth of a point to 8.4% in **Germany**, half a point to 33.7% in **France**, seven-tenths of a point to 12.3% in **Spain** and half a point to 9.2% in **Italy**. In Central Europe sales fell by 3.7% and Renault's market share fell 1.7 points to 10.8%.

Renault LCV sales in Europe (309,000 vehicles, or +1.1%) were again driven by the good performance of Traffic and Master:

- On the *van segment*, Renault was number two, practically level with Ford, and its market share increased eight-tenths of a point to 13.4%. Sales of **Traffic** swelled by 10.9% and **Master** by 10.1% in 2005.
- On the *car-derived van segment*, **Mégane Van** lost eight-tenths of a point of market share to 6.3% of the segment, while **Clio Van** continued to lead the segment with a share of 15.4% (down 1.4 points in 2005).
- On the *small van segment*, **Kangoo Express** held onto its lead in Europe with a 19.9% share of the segment (down 1.6 points on 2004) and was in second place in the European LCV market across all classes.

### Outside Europe

Renault sales of **passenger cars and LCVs** grew on all the major regions except Turkey and Brazil. Total Renault-brand sales in the rest of the world climbed 11.4% in 2005 to 436,000 units.

### SALES OUTSIDE EUROPE (\*)

#### RENAULT

Passenger cars and light commercial vehicles	2005	2004	% change
Turkey	107,806	112,781	(4.4)
Eastern Europe <sup>(1)</sup> and Russia / CIS	58,824	33,288	76.7
Africa and Middle East	92,389	86,606	6.7
Central and Latin America	161,767	145,019	11.5
Asia Pacific and Indian subcontinent	14,951	13,508	10.7
<b>Total outside Europe</b>	<b>435,737</b>	<b>391,202</b>	<b>11.4</b>

(\*) Provisional figures

- In **Turkey**, after a tough first-half, the automotive market started expanding again, totaling 3.3% growth for the year as a whole in 2005. In this environment, Renault sales decreased by 4.4%, offset by Dacia's 63.0% surge on the Turkish market. Renault still led the passenger-car market, with a share of 17.4% (versus 18.8% in 2004), ranking number one on both the B segment, with a 20.2% share with Thalia, Clio and Modus, and on the C segment with Mégane (20.3% of the segment). Mégane and Thalia ranked first and second across all classes.
- In **Eastern Europe** and **Russia / CIS**, Renault boosted sales by a hefty 76.7%.
  - In **Russia**, sales surged 80.9%, buoyed by a market that grew 22.8%, by the success of Mégane and Clio Symbol (a sedan version of Clio), and by the launch of Logan, assembled at the Avtoframos plant in Moscow and marketed since September 2005 under the Renault brand. More than 29,000 Renault vehicles were sold in Russia in 2005.
  - In **Romania**, Renault's strong 97.2% increase in sales highlights the impact of the success of Logan – marketed by Dacia – on the whole Renault range, with significant sales growth for Clio and Mégane in particular.
- In **Africa** and the **Middle East**, Renault sales grew by 6.7% to more than 92,000 units.
  - With more than 19,000 vehicles sold, **South Africa**, together with Namibia, was Renault's premier market on the continent, where it had 4.9% of the passenger-car market (up four-tenths of a point on 2004) and was the number-one imported brand. Sales expanded by 35% in 2005.
  - Renault sales were also up by a strong 24.3% in **Tunisia**.
  - Renault led the market in **Morocco** with a 19.2% share. In 2005 sales were up 8.9% with more than 12,000 vehicles sold. In April 2005 Renault increased its stake in SOMACA to 54% and invested €30 million in the Casablanca plant for the assembly of Logan from July onwards, using CKD kits sourced mainly from Romania.
- In **Central and Latin America**, Renault sales grew 11.5% to almost 162,000 units:
  - In **Mexico**, where the automotive market expanded 4%, Renault's share slipped one-tenth of a point to 2.1% and sales were stable at more than 24,000 units.
  - In **Colombia**, where Logan was launched under the Renault brand in September 2005, sales jumped 35.9%. With more than 24,000 vehicles sold on a buoyant market (up 28.9%), Renault consolidated its number-two position.
  - In **Argentina**, the auto market expanded by a further 35.3%, after almost doubling in 2004. In this environment, buoyed by Clio's 0.4-point rise, Mégane II's highly promising debut (up half a point) and a strong performance from Kangoo (up one-tenth of a point), Renault increased its market share by 1.1 points to 10.4% from 9.3% in 2004, selling almost 38,000 units, a 51.1% rise in sales.
  - Conversely, Renault sales in **Brazil** dropped 11.3% on 2004 to around 48,000 units. Flex-fuel engines contributed to the market's 9.4% growth and accounted for 73% of the Brazilian market across 43 models. Renault does not yet have a sufficiently tailored product offering and therefore did not take full advantage of this growth. Renault's market share fell back seven-tenths of a point to 2.9%. The release of Mégane Sedan in March 2006 followed by the Mégane station wagon in September should however enable Renault to boost sales. Other significant introductions are planned to enhance Renault's range in Brazil and the Curitiba plant's export potential.

(1) "Eastern Europe" includes Romania, Bulgaria and Moldavia. In this region and in Russia/CIS, Renault sales are significant in Romania, Ukraine, Bulgaria, Belarus and Russia.



# Chapter 1

## Sales performance

### TOP 10 MARKETS OUTSIDE WESTERN AND CENTRAL EUROPE (\*)

RENAULT Passenger cars and light commercial vehicles	2005	2004	% change
Turkey	107,806	112,781	(4.4)
Brazil	47,528	53,588	(11.3)
Argentina	37,597	24,884	51.1
Russia	29,176	16,126	80.9
Colombia	24,167	17,777	35.9
Mexico	24,086	24,091	0.0
Romania	23,968	12,156	97.2
South Africa + Namibia	19,112	14,152	35.0
Algeria	15,608	22,098	(29.4)
Morocco	12,364	11,352	8.9
<b>Total top 10 markets outside Europe</b>	<b>341,412</b>	<b>309,005</b>	<b>10.5</b>

(\*) Provisional figures

#### 1.1.3. Dacia brand

In 2005 Dacia sales of **passenger cars and light commercial vehicles** expanded strongly, rising 70.7% to almost 165,000 units. This growth can be attributed to the success of **Logan** released in Romania in September 2004 and since then in many other countries.

In **Romania**, Dacia boosted its sales by 41.6% to almost 113,000 units and took 45.1% of the market. This growth was attributable to the popularity of **Logan**, which accounted for 41% of passenger cars sold in Romania. Logan was a major success, with more than 158,000 vehicles sold since its launch both on its domestic market and export markets (over 31% of total sales were recorded outside Romania).

The **rollout of Logan** outside Romania continued in 2005 on 25 new markets: after Central Europe and Turkey, Logan was released in Eastern Europe, Algeria, the Middle East, in three Western European countries – France, Germany and Spain – since June 2005, and in Russia since September 2005. Logan is now marketed in 36 countries under the Dacia brand and in four countries under the Renault brand (Russia, Colombia, Venezuela and Ecuador). Since launch, almost 158,000 Logans have been sold under the Dacia brand and 10,000 under the Renault brand.

### WORLDWIDE ROLLOUT OF LOGAN PROGRAM (\*)

DACIA BRAND	2005	2004	Total since Sept. 2004
Romania	88,275	20,274	108,549
Turkey	8,317	477	8,794
Central Europe	16,631	2,074	18,705
Eastern Europe	1,450	0	1,450
Western Europe	13,714	6	13,720
Africa, North Africa, Middle East	6,532	37	6,569
Asia-Pacific	309	0	309
Latin America (Guadeloupe, French Guiana, Martinique)	162	0	162
<b>Total Logan under the Dacia brand</b>	<b>135,390</b>	<b>22,868</b>	<b>158,258</b>
<b>RENAULT BRAND</b>			
Russia	7,057	0	7,057
Latin America (Colombia, Venezuela, Ecuador)	2,876	0	2,876
<b>Total Logan under the Renault brand</b>	<b>9,933</b>	<b>0</b>	<b>9,933</b>
<b>TOTAL LOGAN</b>	<b>145,323</b>	<b>22,868</b>	<b>168,191</b>

(\*) Provisional figures

In addition to the Pitesti site in Romania, production of Logan was extended to three new sites in 2005: the Avtoframos plant in Moscow, Russia, the SOMACA plant in Casablanca, Morocco, and in Colombia. Production will be ramped up at these three plants in 2006. Production and sales of Logan are due to be launched in Iran in 2006, followed by India in 2007 where Renault signed an agreement with one of the leading local carmakers, Mahindra & Mahindra, in March 2005, and then Brazil.

This rollout will also extend the Logan range with, alongside the sedan, a five-seater and a seven-seater station wagon (which will be launched at end-2006 in Romania first then in other Central European countries), a small van, a pickup and a five-door hatchback.

### 1.1.4. Renault Samsung brand

After a slump that began in second-half 2003, the **Korean passenger-car** market leveled off in first-half 2005 and recorded growth of 7% for the full year. By segment, demand was varied, with rises of around 27.8% on the segments where Renault Samsung Motors operates, at the expense of SUVs, which declined 9.8%.

Having completely renewed the product line in less than a year, Renault Samsung Motors grew its market share in Korea by 2.9 points to 12.2%, from 9.3% in 2004. It thus reached third place on the Korean passenger-car market for the first time:

- The **SM7**, released in November 2004, sold more than 25,000 units in Korea, taking 18.4% of the large and luxury segment and coming in second position.
- The new **SM5**, released in early 2005, has sold almost 62,000 units in Korea, a 7.1% increase on sales in 2004. RSM's share of the mid segment reached a record 27.6%.
- The **SM3** was extensively restyled in August 2005 and sales for the whole of 2005 totaled 27,816 units, a 37.9% increase on 2004. The SM3's share of the sub-mid segment, which reached 18.5% for the year, jumped 25% after the launch of the new model.

Total Renault Samsung Motors sales (including exports) surged 40% to a new record of 119,000 units.

## 1.2. Sales Financing

### 1.2.1. Proportion of new vehicle registrations financed

In 2005, RCI Banque financed a large share of Renault, Nissan and Dacia registrations in **Western Europe** (34.9% versus 35.4% in 2004). RCI Banque's performance was stable for the Renault brand (36.2% versus 36.1% in 2004), but contracted for the Nissan brand (30.0% versus 32.4% in 2004). The good performance recorded in Spain for the Nissan brand did not offset the declines in Italy and the UK.

**Outside Western Europe<sup>(1)</sup>**, RCI Banque continued to expand with the consolidation of financial activities in the Czech Republic, Slovakia and Hungary:

- in Poland, the Czech Republic and Hungary, it financed 33.5% of Renault and Dacia registrations combined;
- in Romania, it gained 6.1 points to 33.3% for Renault, Dacia and Nissan.

### 1.2.2. RCI Banque's new Financing contracts and average loans outstanding

RCI Banque recorded €10.36 billion in new financing contracts excluding "card" business in 2005 (compared with €10.55 billion in 2004, a decline of 1.9%), with 1,036,650 new contracts in 2005 (compared with 1,058,491 contracts in 2004).

In 2005, RCI Banque's average loans outstanding grew 4.6% to €22.9 billion (on a consistent basis).

(1) Hungary, Poland, Czech Republic, Slovakia, Romania, Argentina and Brazil.

# Chapter 1

## Sales performance

### 1.3. SALES AND PRODUCTION STATISTICS

#### TOTAL INDUSTRY VOLUME – REGISTRATIONS (IN UNITS) (\*)

MAIN RENAULT MARKETS	2005	2004	% change
<b>Passenger cars</b>			
France	2,067,789	2,013,709	2.7
Germany	3,321,292	3,266,825	1.7
UK	2,439,717	2,567,269	(5.0)
Italy	2,234,174	2,264,688	(1.3)
Spain+Canary Islands	1,528,798	1,517,286	0.8
Belgium+Luxembourg	528,564	532,991	(0.8)
<b>Western Europe</b>	<b>14,481,841</b>	<b>14,524,389</b>	<b>(0.3)</b>
Poland	235,663	318,111	(25.9)
<b>Central Europe</b>	<b>851,020</b>	<b>935,469</b>	<b>(9.0)</b>
<b>Europe</b>	<b>15,332,861</b>	<b>15,459,858</b>	<b>(0.8)</b>
Argentina	296,473	218,648	35.6
Brazil	1,440,696	1,316,697	9.4
Turkey	438,597	451,209	(2.8)
<b>Light commercial vehicles</b>			
France	420,065	408,450	2.8
Germany	198,629	195,092	1.8
UK	330,434	335,967	(1.6)
Italy	218,514	221,743	(1.5)
Spain+Canary Islands	386,623	334,302	15.7
Belgium+Luxembourg	65,852	62,171	5.9
<b>Western Europe</b>	<b>2,014,218</b>	<b>1,951,868</b>	<b>3.2</b>
Poland	35,645	37,025	(3.7)
<b>Central Europe</b>	<b>133,031</b>	<b>119,737</b>	<b>11.1</b>
<b>Europe</b>	<b>2,147,249</b>	<b>2,071,605</b>	<b>3.7</b>
Argentina	65,251	48,633	34.2
Brazil	182,645	166,661	9.6
Turkey	276,615	241,192	14.7
<b>Passenger cars and LCVs</b>			
France	2,487,854	2,422,159	2.7
Germany	3,519,921	3,461,917	1.7
UK	2,770,151	2,903,236	(4.6)
Italy	2,452,688	2,486,431	(1.4)
Spain+Canary Islands	1,915,421	1,851,588	3.4
Belgium+Luxembourg	594,416	595,162	(0.1)
<b>Western Europe</b>	<b>16,496,059</b>	<b>16,476,257</b>	<b>0.1</b>
Poland	271,308	355,136	(23.6)
<b>Central Europe</b>	<b>984,051</b>	<b>1,055,206</b>	<b>(6.7)</b>
<b>Europe</b>	<b>17,480,110</b>	<b>17,531,463</b>	<b>(0.3)</b>
Argentina	361,724	267,281	35.3
Brazil	1,623,341	1,483,358	9.4
Turkey	715,212	692,401	3.3
<b>MAIN DACIA AND RENAULT SAMSUNG MARKETS</b>			
Romania	251,150	176,142	42.6
South Korea	943,400	881,305	7.0

(\*) Preliminary figures based on data supplied by official bodies or manufacturers

# Chapter 1

## Sales performance

### RENAULT GROUP - REGISTRATIONS (REG'S) AND MARKET SHARE (MKT SH.) (\*)

RENAULT - SALES PERFORMANCE ON MAIN MARKETS	2005		2004	
	Reg's (in units)	Mkt Sh. (as a %)	Reg's (in units)	Mkt Sh. (as a %)
<b>Passenger cars</b>				
France	524,415	25.4	549,192	27.3
Germany	166,840	5.0	164,520	5.0
UK	174,743	7.2	189,342	7.4
Italy	142,465	6.4	158,236	7.0
Spain+Canary Islands	188,894	12.4	193,811	12.8
Belgium+Luxembourg	57,964	11.0	62,936	11.8
<b>Western Europe</b>	<b>1,405,983</b>	<b>9.7</b>	<b>1,489,261</b>	<b>10.3</b>
Poland	16,238	6.9	29,855	9.4
<b>Central Europe</b>	<b>69,930</b>	<b>8.2</b>	<b>89,939</b>	<b>9.6</b>
<b>Europe</b>	<b>1,475,913</b>	<b>9.6</b>	<b>1,579,200</b>	<b>10.2</b>
Argentina	31,501	10.6	20,957	9.6
Brazil	44,292	3.1	50,388	3.8
Turkey	76,378	17.4	84,642	18.8
<b>Light commercial vehicles</b>				
France	141,635	33.7	139,856	34.2
Germany	16,727	8.4	16,594	8.5
UK	22,623	6.8	23,148	6.9
Italy	20,024	9.2	21,467	9.7
Spain+Canary Islands	47,671	12.3	43,421	13.0
Belgium+Luxembourg	10,005	15.2	9,150	14.7
<b>Western Europe</b>	<b>294,756</b>	<b>14.6</b>	<b>290,842</b>	<b>14.9</b>
Poland	3,700	10.4	3,988	10.8
<b>Central Europe</b>	<b>14,352</b>	<b>10.8</b>	<b>14,896</b>	<b>12.4</b>
<b>Europe</b>	<b>309,108</b>	<b>14.4</b>	<b>305,738</b>	<b>14.8</b>
Argentina	6,096	9.3	3,927	8.1
Brazil	3,236	1.8	3,200	1.9
Turkey	31,428	11.4	28,139	11.7
<b>Passenger cars and LCVs</b>				
France	666,050	26.8	689,048	28.4
Germany	183,567	5.2	181,114	5.2
UK	197,366	7.1	212,490	7.3
Italy	162,489	6.6	179,703	7.2
Spain+Canary Islands	236,565	12.4	237,232	12.8
Belgium+Luxembourg	67,969	11.4	72,086	12.1
<b>Western Europe</b>	<b>1,700,739</b>	<b>10.3</b>	<b>1,780,103</b>	<b>10.8</b>
Poland	19,938	7.3	33,843	9.5
<b>Central Europe</b>	<b>84,282</b>	<b>8.6</b>	<b>104,835</b>	<b>9.9</b>
<b>Europe</b>	<b>1,785,021</b>	<b>10.2</b>	<b>1,884,938</b>	<b>10.8</b>
Argentina	37,597	10.4	24,884	9.3
Brazil	47,528	2.9	53,588	3.6
Turkey	107,806	15.1	112,781	16.3
<b>DACIA AND RENAULT SAMSUNG – SALES PERFORMANCE ON MAIN MARKETS</b>				
Romania – Dacia (PCs + LCVs)	113,276	45.1	80,013	45.4
South Korea – Renault Samsung (PCs)	115,425	12.2	82,220	9.3

(\*) Preliminary figures based on data supplied by official bodies or manufacturers

# Chapter 1

## Sales performance

### RENAULT - REGISTRATIONS IN EUROPE <sup>(1)</sup> BY MODEL (IN UNITS) <sup>(\*)</sup>

Passenger cars and light commercial vehicles	2005	2004
Twingo	78,288	87,274
Clio / Clio III	383,786	443,039
Modus	166,474	60,810
Thalia	12,849	19,728
Mégane / Mégane II	661,300	753,541
Laguna	106,959	133,783
Vel Satis	7,592	8,066
Espace / Espace IV	50,557	64,388
Kangoo	163,933	176,101
Trafic / Trafic II	74,768	66,928
Master / Master II	68,055	61,679
Mascott <sup>(2)</sup> / RWD Master	9,844	9,211
Other (Messenger, Avantime)	616	390
<b>Registrations in Europe <sup>(1)</sup></b>	<b>1,785,021</b>	<b>1,884,938</b>

<sup>(\*)</sup> Preliminary figures

<sup>(1)</sup> Western and Central Europe

<sup>(2)</sup> Mascott is distributed by Renault Trucks, a subsidiary of AB Volvo

### RENAULT - SALES PERFORMANCE IN EUROPE <sup>(1)</sup> BY MODEL <sup>(\*)</sup>

RENAULT MARKET SHARE (as a %)	2005	2004	Change (pt)
<b>Passenger cars</b>			
Twingo	0.5	0.6	(0.1)
Clio / Clio III	2.2	2.6	(0.4)
Thalia	0.1	0.1	0.0
Modus	1.1	0.4	0.7
Kangoo	0.4	0.4	0.0
Mégane / Mégane II	4.2	4.7	(0.5)
Laguna	0.7	0.9	(0.2)
Vel Satis	0.0	0.0	0.0
Espace / Espace IV	0.3	0.4	(0.1)
Trafic / Trafic II / Master / Master II	0.1	0.1	0.0
<b>Total passenger cars</b>	<b>9.6</b>	<b>10.2</b>	<b>(0.6)</b>
<b>Light commercial vehicles</b>			
<i>Car-derived vans:</i>			
Twingo	0.0	0.1	(0.1)
Clio / Clio III	2.0	2.3	(0.3)
Modus	0.1	0.0	0.1
Mégane / Mégane II	0.8	1.0	(0.2)
<i>Small vans:</i>			
Kangoo	4.9	5.3	(0.4)
<i>Vans:</i>			
Trafic / Trafic II	2.9	2.7	0.2
Master / Master II	3.1	2.9	0.2
Mascott / RWD Master	0.5	0.4	0.1
<i>Other:</i>			
Messenger, Espace, Express, Laguna, etc.	0.1	0.1	0.0
<b>Total light commercial vehicles</b>	<b>14.4</b>	<b>14.8</b>	<b>(0.4)</b>
<b>TOTAL PASSENGER CARS AND LCVS</b>	<b>10.2</b>	<b>10.8</b>	<b>(0.6)</b>

<sup>(\*)</sup> Preliminary figures

<sup>(1)</sup> Western and Central Europe

# Chapter 1

## Sales performance

### RENAULT - SALES PERFORMANCE IN EUROPE OF MODELS BY SEGMENT (\*)

Passenger cars	Segment	% Change TIV 2005/2004	Renault market share (%)		Change (pt) 2005/2004	Rank 2005
			2005	2004		
Twingo	A	(1.3)	7.7	8.5	(0.8)	4
Clio / Clio III	B	(3.4)	8.0	8.9	(0.9)	2
Thalia	B	(3.4)	0.3	0.4	(0.1)	33
Modus	B	(3.4)	3.8	1.4	2.4	11
Kangoo	Passenger-carrying vans	(1.1)	16.7	18.6	(1.9)	2
Mégane / Mégane II	C	2.9	12.4	14.6	(2.2)	1
Laguna	D	(2.4)	4.2	5.2	(1.0)	10
Vel Satis	E1	(13.4)	1.1	1.0	0.1	15
Espace / Espace IV	Minivan	(12.6)	18.3	20.3	(2.0)	1
Trafic / Trafic II / Master / Master II	Passenger-carrying vans	(1.1)	4.3	3.7	0.6	8
<b>Light commercial vehicles</b>						
<b>Car-derived vans:</b>						
Twingo		(0.4)	0.4	0.4	0.0	33
Clio		(0.4)	15.4	16.8	(1.4)	1
Modus		(0.4)	0.9	0.1	0.8	23
Mégane / Mégane II		(0.4)	6.3	7.1	(0.8)	3
<b>Small vans:</b>						
Kangoo		3.4	19.9	21.5	(1.6)	1
<b>Vans:</b>						
Trafic / Trafic II		3.1	6.0	5.6	0.4	7
Master / Master II		3.1	6.4	6.0	0.4	6
Mascott / RWD Master		3.1	1.0	0.9	0.1	21

(\*) Preliminary figures



# Chapter 1

## Sales performance

### RENAULT GROUP - WORLDWIDE PRODUCTION BY MODEL AND BY BRAND<sup>(1)</sup> (IN UNITS) (\*)

RENAULT PRODUCTION	2005	2004
Twingo	90,674	91,309
Clio	434,034	577,732
Clio III	121,522	-
Modus	164,741	98,869
Logan	17,792	-
Kangoo	123,057	127,668
Mégane	24,042	27,755
Mégane II	777,454	870,087
Laguna II	112,365	144,358
Espace / Espace IV	50,521	64,429
Vel Satis	7,609	8,361
<b>Total passenger cars</b>	<b>1,923,811</b>	<b>2,010,568</b>
Kangoo Express	118,667	120,093
Twingo Van	957	952
Clio Van / Clio III	42,429	43,680
Modus Van	2,131	-
Mégane II Van	9,492	9,034
Master II	106,703	98,832
Mascott	15,255	12,891
<b>Total light commercial vehicles<sup>(2)</sup></b>	<b>295,634</b>	<b>285,482</b>
<b>Total Renault production</b>	<b>2,219,445</b>	<b>2,296,050</b>
<b>DACIA PRODUCTION</b>		
1300	-	7,184
Solenza	5,694	36,369
Logan	152,164	28,612
<b>Total passenger cars</b>	<b>157,858</b>	<b>72,165</b>
Pick-Up 1300	19,871	22,555
<b>Total light commercial vehicles</b>	<b>19,871</b>	<b>22,555</b>
<b>Total Dacia production</b>	<b>177,729</b>	<b>94,720</b>
<b>RENAULT SAMSUNG PRODUCTION</b>		
SM3 (passenger car)	30,091	19,411
SM5 (passenger car)	63,374	55,200
SM7 (passenger car)	25,089	6,295
<b>Total Renault Samsung production</b>	<b>118,554</b>	<b>80,906</b>
<b>WORLDWIDE GROUP PRODUCTION</b>	<b>2,515,728</b>	<b>2,471,676</b>

(\*) Preliminary figures

(1) Production data taken from:

- vehicle deliveries to sales entities for 2004 data;
- vehicles leaving the production line for 2005 data.

(2) Traffic production at the General Motors Europe plant in Luton, United Kingdom and the Nissan plant in Barcelona, Spain was not recorded as Renault production.

### 2.1. COMMENTS ON THE FINANCIAL RESULTS

Renault is presenting its 2005 consolidated financial statements according to International Financial Reporting Standards (IFRS). All 2004 data have been restated to IFRS.

#### OVERVIEW

- Consolidated revenues were €41,338 million, up 1.9% year-on-year on a consistent basis.
- Operating margin stood at €1,323 million, or 3.2% of revenues, compared with €2,115 million, or 5.2% of revenues, in 2004.
- Other operating income and expenses showed net income of €191 million, compared with a €243 million net charge in 2004.
- Excluding the impact of redeemable shares, the net balance on the financing account was stable in 2005. Net financing expense was €56 million, compared with €40 million in 2004.
- Nissan's contribution to Renault's financial statements in 2005 was €2,275 million (including non-recurring income of €450 million), compared with €1,689 million in 2004.
- Net income (Renault share) was €3,367 million, compared with €2,836 million in 2004, equivalent to €13.19 per share, versus €11.16 in 2004.
- The Automobile Division generated free cash flow<sup>(1)</sup> of €1,226 million, compared with €1,397 million in 2004. Net financial debt rose €685 million, chiefly owing to the decline in the working capital surplus, the exercise of the option for the Technocentre acquisition (€594 million) and the marking to market of redeemable shares (€271 million). At December 31 2005, net financial debt was €2,252 million, or 11.5% of Group shareholders' equity, compared with 9.9% at end-December 2004.

#### 2.1.1. Consolidated income statements

Group revenues grew 1.9% on a consistent basis to €41,338 million in 2005.

The Sales Financing Division contributed €1,880 million to Group revenues, broadly stable on 2004 (-0.2%).

This performance reflected a lower average interest rate on the customer loan portfolio, offset by the steady rise in average loans outstanding, which increased 4.6% on a consistent basis.

15

#### DIVISIONAL CONTRIBUTION TO GROUP REVENUES

en millions d'euros	2005			2004 (2005 scope <sup>(2)</sup> )			Change 2005 / 2004			2004
	H1	H2	Full year	H1	H2	Full year	H1	H2	Full year	Full year
Automobile	20,374	19,084	39,458	19,585	19,096	38,681	4.0%	0.0%	2.0%	38,426
Sales Financing	950	930	1,880	965	919	1,884	(1.6%)	1.2%	(0.2%)	1,866
<b>Total</b>	<b>21,324</b>	<b>20,014</b>	<b>41,338</b>	<b>20,550</b>	<b>20,015</b>	<b>40,565</b>	<b>3.8%</b>	<b>0.0%</b>	<b>1.9%</b>	<b>40,292</b>

The contribution from the **Automobile Division** to Group revenues climbed 2% on a consistent basis to €39,458 million.

The Division's revenue growth was mainly shaped by Renault worldwide sales, which included:

- lower vehicle sales in Europe, a deterioration in the geographical and product mix and lower transaction prices, partly attributable to the current phase of the product cycle;

- increased sales in the rest of the world, coupled with higher prices and an improved mix, largely due to the success of the new Renault Samsung models (SM5 and SM7) and to the growing share of Logan – a bigger contributor than its predecessors – in Dacia's overall sales.

Other factors included:

- positive currency movements, particularly in Poland, South Korea and Mercosur;

(1) Free cash flow = cash flow less net capital expenditure before the change in working capital requirement.

(2) To allow comparisons, 2004 data have been restated to conform to the 2005 presentation. The main modifications concern changes in the scope of consolidation, which had a positive impact of €273 million and were concentrated in the Automobile Division (positive impact of €255 million, including €105 million from the entry of Renault South Africa Ltd.).

# Chapter 2

## Financial statements

- increased dealer network activity and parts sales, illustrating how well the spare parts policy is adapting to new European regulations.

Group **operating margin** in 2005 was €1,323 million, or 3.2% of revenues, compared with 5.2% in 2004.

### DIVISIONAL CONTRIBUTION TO GROUP OPERATING MARGIN

€ million	H1 2005	H2 2005	2005	2004	Change
Automobile	677	181	858	1,654	(796)
% of revenues	3.3%	0.9%	2.2%	4.3%	
Sales Financing	266	199	465	461	+4
% of revenues	28.0%	21.4%	24.7%	24.7%	
<b>Total</b>	<b>943</b>	<b>380</b>	<b>1,323</b>	<b>2,115</b>	<b>(792)</b>
% of revenues	4.4%	1.9%	3.2%	5.2%	

The **Sales Financing Division's** contribution to Group operating margin held steady at €465 million, or 24.7% of revenues, after €461 million in 2004. Average loans outstanding increased, while the operating costs/outstandings ratio continued to decline. Risk-related costs deteriorated slightly, returning close to 2003 levels.

The **Automobile Division** reported operating margin of €858 million, or 2.2% of revenues, compared with €1,654 million in 2004 (4.3% of revenues).

This decline can be ascribed to a smaller contribution from Europe, caused by:

- a fall in vehicle sales numbers, a deterioration in the geographical and product mix, and lower transaction prices, amid fierce market competition and tighter environmental regulations in Europe;
- higher raw material prices and compensation payments to suppliers;
- increased manufacturing and technical costs;
- increased R&D spend;

- all partly offset by the ongoing reduction in purchasing costs.

Performances in the rest of the world were good, on account of a sharp increase in the number of vehicles sold and improved profitability at Renault Samsung Motors and Dacia.

**Research and development expenses** came to €2,264 million in 2005, up €303 million on 2004, driven by Renault's international growth, efforts to bring engines up to ever-tougher emission standards, and work on preparing new vehicles as part of the range expansion policy. The R&D spend was equivalent to 5.5% of Group revenues, compared with 4.9% in 2004.

Capitalized development expenses accounted for 36.8% of the total, or €833 million. Amortization came to €603 million.

All told, R&D expenses recorded in the income statement amounted to €2,034 million, or 4.9% of Group revenues, compared with €1,676 million in 2004, or 4.2% of revenues.

### RENAULT GROUP – R&D EXPENSES(\*)

€ million	H1 2005	H2 2005	2005	2004
R&D expenses	1,160	1,104	2,264	1,961
% of revenues	5.4%	5.5%	5.5%	4.9%
Capitalized development expenses	(421)	(412)	(833)	(749)
% of Group R&D expenses	36.3%	37.3%	36.8%	38.2%
Amortization	320	283	603	464
<b>R&amp;D expenses recorded in the income statement</b>	<b>1,059</b>	<b>975</b>	<b>2,034</b>	<b>1,676</b>
% of revenues	5.0%	4.9%	4.9%	4.2%

(\*) All R&D expenses are incurred by the Automobile Division

**Other operating income and expenses** showed net income of €191 million, compared with a €243 million net charge in 2004. The main items were:

- capital gains from real estate sales, including €160 million on the sale of land in Madrid;
- a €150 million capital gain on the disposal of Renault's 17.88% stake in Nissan Diesel Motor Co., Ltd.;
- €109 million in costs and provisions for restructuring and manpower programs, compared with €175 million in 2004.

After accounting for other operating income and expenses, Group **operating income** was €1,514 million, compared with €1,872 million in 2004.

**The net balance on the financing account** showed a charge of €327 million, broadly similar to 2004's €331 million.

This included a €271 million charge on the marking to market of redeemable shares. In 2004, Renault recognized a charge of €170 million for this item, plus a €121 million charge from its cash tender offer to buy back 60% of the outstanding redeemable shares.

Aside from charges in connection with redeemable shares, the net balance on the financing account translates into a €56 million charge (compared with €40 million in 2004). The Group enjoys low costs on its gross debt, which is partly denominated in yen.

In 2005, Renault's share in the **net income of associated companies** was €2,597 million. This marks a €224 million increase on 2004, not counting a non-recurring gain of €450 million as Nissan completed

the transfer of part of its pension commitments to the Japanese government.

- Renault continues to benefit from **Nissan's** performance. In 2005, Nissan made a contribution of €1,825 million not counting the non-recurring income of €450 million, compared with €1,689 million in 2004.
- **Volvo**, which held 5% of its own shares in 2005, taking Renault's investment to 21.8%, contributed €308 million, compared with €221 million in 2004.
- In 2005, Renault's share in the net income of **other associated companies** was €14 million, compared with €13 million in 2004.

**Current and deferred taxes** in 2005 amounted to a net charge of €331 million, compared with €561 million in 2004. The effective tax rate (before the impact of income from associated companies) was 28% in 2005, compared with 36% in 2004, mainly owing to higher tax credits resulting from major investments in Turkey and favorable tax treatment for long-term capital gains earned on the land sale in Madrid.

**Net income** (Renault share) was €3,367 million, compared with €2,836 million in 2004. After neutralizing Renault shares held by Nissan and treasury stock, earnings per share came to €13.19, compared with €11.16 in 2004.

### 2.1.2. Automotive debt

The **net financial debt of the Automobile Division** increased by €685 million in 2005 to €2,252 million at December 31, 2005, compared with €1,567 million at December 31, 2004.

## AUTOMOBILE DIVISION – NET FINANCIAL DEBT AT END-DECEMBER

€ million	Dec. 31, 05	Dec. 31, 04
Non-current financial liabilities	5,634	5,389
Current financial liabilities	3,289	2,981
Non-current financial assets – other securities, loans and derivatives on financing transactions by the Automobile Division	(477)	(462)
Current financial assets	(1,917)	(1,498)
Cash and cash equivalents	(4,277)	(4,451)
Subordinated loan to Sales Financing Division	-	(392)
<b>Net financial debt of the Automobile Division</b>	<b>2,252</b>	<b>1,567</b>

The increase can be attributed to several factors:

- a €257 million impact from changes in the fair value of financial instruments (including €271 million for redeemable shares, which traded at €900.50 at December 31, 2005, compared with €561 at end-2004);

- translation gains (+€36 million), restatements (-€20 million) and changes in the scope of consolidation (+€639 million). This included €594 million from consolidation of the Plateau de Guyancourt real estate company, which owns the Technocentre research center facility.

### RENAULT EXERCISES ITS OPTION TO ACQUIRE THE REAL ESTATE ASSETS OF THE TECHNOCENTRE

In December 2005, Renault exercised its option to buy all the shares in the Plateau de Guyancourt real estate company on December 31, 2007(\*). The company owns the real estate assets of the Technocentre, which houses the R&D resources used to create Renault's new vehicles. The decision to exercise the option is irrevocable.

Renault therefore consolidated the company's restated balance sheet at December 31, 2005 and will become the sole partner as of December 31, 2007.

(\* This option was listed in the Group's off-balance sheet commitments at December 31, 2004

This step mainly affects:

- property, plant and equipment: +€694 million
- net financial debt of the Automobile Division: +€594 million
- various current and non-current asset items and prepaid expenses: -€92 million (reversal of security deposits, prepaid rent)

The transaction did not have any impact on the 2005 consolidated income statement.

- aside from these impacts, net financial debt of the Automobile Division declined by €227 million, reflecting Renault's operational performance.

**Cash flow** fell by €491 million compared with 2004 to €4,105 million. Cash flow included €516 million in dividends from associated companies, compared with €553 million in 2004, of which:

- €383 million from Nissan, after €345 million in 2004;
- €120 million from AB Volvo, after €208 million in 2004, including €131 million from Ainax shares.

Operating activities largely financed **net capital expenditure** for a total of €2,879 million, compared with €3,199 million in 2004. The Automobile Division generated **free cash flow** of €1,226 million as a result.

**The working capital surplus** was down €533 million, mainly owing to a rise in inventories and other receivables, which was not offset by an increase in payables.

**Total dividend payout** amounted to €554 million, compared with €418 million in 2004. This included €494 million paid by Renault SA and €60 million by Oyak Renault (Turkey).

#### 2.1.3. Future-related costs

**Future-related costs**, i.e. R&D expenses plus net investment (excluding capitalized development expenses and rental vehicles), were stable in 2005 at 9.9% of Group revenues, compared with 10.0% in 2004.

### RENAULT GROUP – FUTURE-RELATED COSTS

€ million	2005	2004
Capital expenditure, net of disposals	2,945	3,316
Capitalized development expenses	(833)	(749)
Rental vehicles (net of disposals)	(293)	(484)
<b>Net capital expenditure excluding capitalized development expenses and rental vehicles (1)</b>	<b>1,819</b>	<b>2,083</b>
<i>% of revenues</i>	<i>4.4%</i>	<i>5.2%</i>
<b>R&amp;D expenses (2)</b>	<b>2,264</b>	<b>1,961</b>
<i>% of revenues</i>	<i>5.5%</i>	<i>4.9%</i>
<b>Future-related costs (1)+(2)</b>	<b>4,083</b>	<b>4,044</b>
<i>% of revenues</i>	<i>9.9%</i>	<i>10.0%</i>

### RENAULT GROUP – NET CAPITAL EXPENDITURE

€ million	2005	2004
Automobile	2,879	3,199
Sales Financing	66	117
<b>Group total</b>	<b>2,945</b>	<b>3,316</b>
Acquisitions	4,018	3,923
Disposals	(1,073)	(607)
<b>Group total</b>	<b>2,945</b>	<b>3,316</b>

**Net capital expenditure** by the Automobile Division, excluding capitalized development expenses, came to €2,046 million in 2005 and was directed primarily at renewing product and powertrain ranges and upgrading industrial facilities.

- In Europe, range-related investment accounted for 45% of gross outlays. Funds were allocated mainly to B-segment entry-level vehicles, including the new Clio, and to increased powertrain production capacity.
- International investments accounted for 24% of the gross total. Funds were principally assigned to manufacturing the new Clio in Turkey, building a new version of Logan, and upgrading Dacia's production plant in Romania.

The main non product-related investments were in quality and environmental projects, as in 2004.

#### 2.1.4. Shareholders' equity

In 2005, **shareholders' equity** increased €3,797 million to €19,661 million at December 31, 2005, compared with €15,864 million at December 31, 2004.

The main reasons for the increase were:

- the recognition of 2005's net income of €3,453 million;
- dividend payouts:
  - €459 million, or €1.80 per share, by Renault for 2004 (given Renault's stake in Nissan and treasury shares),
  - €60 million by Oyak Renault.
- a €778 million increase in translation adjustments, mainly owing to the impact of changes in Nissan's shareholders' equity, net of hedging in yen (€612 million);
- a €44 million reduction in the revaluation reserve for financial instruments (hedging for cash flows and available-for-sale financial instruments);
- a reduction in the number of treasury shares (3.35% of Renault's capital at December 31, 2005, compared with 3.82% at December 31, 2004), which increased shareholders' equity by €52 million.

The net financial debt of the Automobile Division at December 31, 2005 was equivalent to 11.5% of shareholders' equity, compared with 9.9% at December 31, 2004.



# Chapter 2

## Financial statements

### 2.2. CONSOLIDATED FINANCIAL STATEMENTS

Renault is presenting its 2005 consolidated financial statements according to International Financial Reporting Standards (IFRS). All 2004 data have been restated to IFRS.

#### 2.2.1. Consolidated income statements

€ million	2005	2004 <sup>(1)</sup>
Sales of goods and services	39,978	38,923
Sales Financing revenues	1,360	1,369
<b>Revenues</b>	<b>41,338</b>	<b>40,292</b>
Cost of goods and services sold	(32,137)	(31,090)
Cost of sales Financing	(926)	(912)
Research and development expenses	(2,034)	(1,676)
Selling, general and administrative expenses	(4,918)	(4,499)
<b>Operating margin</b>	<b>1,323</b>	<b>2,115</b>
Other operating income and expenses	191	(243)
<b>Operating income</b>	<b>1,514</b>	<b>1,872</b>
Net interest income (expense)	(95)	(22)
<i>Interest income</i>	153	128
<i>Interest expenses</i>	(248)	(150)
Other financial income and expenses, net	(232)	(309)
<b>Financial expense</b>	<b>(327)</b>	<b>(331)</b>
<b>Share in net income (loss) of associates</b>	<b>2,597</b>	<b>1,923</b>
<i>Nissan</i>	2,275	1,689
<i>Other associates</i>	322	234
<b>Pre-tax income</b>	<b>3,784</b>	<b>3,464</b>
Current and deferred taxes	(331)	(561)
<b>NET INCOME</b>	<b>3,453</b>	<b>2,903</b>
Net income - minority interests' share	86	67
Net income - Renault share	3,367	2,836
Earnings per share <sup>(2)</sup> in €	13.19	11.16
Diluted earnings per share <sup>(2)</sup> in €	13.08	11.10
Number of shares outstanding (in thousands)		
for earnings per share	255,177	254,168
for diluted earnings per share	257,342	255,435

(1) 2004 figures restated for compliance with IFRS

(2) Net income – Renault share divided by number of shares stated

# Chapter 2

## Financial statements

### 2.2.2. Consolidated balance sheets - December 31

ASSETS - € million	2005	2004 <sup>(1)</sup>
<b>NON-CURRENT ASSETS</b>		
Intangible assets	2,972	2,657
Property, plant and equipment	12,691	11,597
Investments in associates	12,452	9,713
<i>Nissan</i>	10,477	7,929
<i>Other associates</i>	1,975	1,784
Non-current financial assets	577	696
Deferred tax assets	309	565
Other non-current assets	358	403
<b>Total non-current assets</b>	<b>29,359</b>	<b>25,631</b>
<b>CURRENT ASSETS</b>		
Inventories	5,862	5,142
Sales Financing receivables	20,700	19,807
Automobile receivables	2,055	1,878
Current financial assets	1,871	1,398
Other current assets	2,413	2,398
Cash and cash equivalents	6,151	5,521
<b>Total current assets</b>	<b>39,052</b>	<b>36,144</b>
<b>Total assets</b>	<b>68,411</b>	<b>61,775</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES - € million</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	1,086	1,086
Share premium	3,453	3,453
Treasury shares	(456)	(508)
Revaluation of financial instruments	33	77
Translation adjustment	562	(216)
Other reserves	11,153	8,752
Net income – Renault share	3,367	2,836
<b>Shareholders' equity – Renault share</b>	<b>19,198</b>	<b>15,480</b>
Shareholders' equity – minority interests' share	463	384
<b>Total shareholders' equity</b>	<b>19,661</b>	<b>15,864</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	231	454
Provisions – long-term	1,754	2,166
Non-current financial liabilities	5,901	5,404
Other non-current liabilities	516	426
<b>Total non-current liabilities</b>	<b>8,402</b>	<b>8,450</b>
<b>CURRENT LIABILITIES</b>		
Provisions – short-term	1,264	910
Current financial liabilities	2,547	2,447
Sales Financing debts	22,427	20,629
Trade payables	7,788	7,234
Current tax liability	215	197
Other current liabilities	6,107	6,044
<b>Total current liabilities</b>	<b>40,348</b>	<b>37,461</b>
<b>Total shareholders' equity and liabilities</b>	<b>68,411</b>	<b>61,775</b>

(1) 2004 figures restated for compliance with IFRS

# Chapter 2

## Financial statements

### 2.2.3. Changes in consolidated shareholders' equity

€ million	Number of shares (thousands)	Share capital	Share premium	Treasury shares	Revaluation of financial instruments	Translation adjustment	Other reserves	Net income (Renault share)	Shareholders' equity (Renault share)	Shareholders' equity (minority interests)	Total shareholders' equity
<b>Balance at January 1, 2004 <sup>(1)</sup></b>	<b>284,937</b>	<b>1,086</b>	<b>3,453</b>	<b>(519)</b>	<b>(35)</b>	<b>-</b>	<b>6,618</b>	<b>2,480</b>	<b>13,083</b>	<b>395</b>	<b>13,478</b>
Allocation of 2003 net income	-	-	-	-	-	-	2,480	(2,480)	-	-	-
Dividends	-	-	-	-	-	-	(357)	-	(357)	(35)	(392)
Cost of stock option plans	-	-	-	-	-	-	11	-	11	-	11
Change in other reserves	-	-	-	11	112	(216)	-	-	(93)	8	(85)
Impact of changes in the scope of consolidation and capital increases	-	-	-	-	-	-	-	-	-	(51)	(51)
2004 net income <sup>(1)</sup>	-	-	-	-	-	-	-	2,836	2,836	67	2,903
<b>Balance at December 31, 2004 <sup>(1)</sup></b>	<b>284,937</b>	<b>1,086</b>	<b>3,453</b>	<b>(508)</b>	<b>77</b>	<b>(216)</b>	<b>8,752</b>	<b>2,836</b>	<b>15,480</b>	<b>384</b>	<b>15,864</b>
Allocation of 2004 net income	-	-	-	-	-	-	2,836	(2,836)	-	-	-
Dividends	-	-	-	-	-	-	(459)	-	(459)	(60)	(519)
Cost of stock option plans	-	-	-	-	-	-	24	-	24	-	24
Change in other reserves	-	-	-	52	(44)	778	-	-	786	32	818
Impact of changes in the scope of consolidation and capital increases	-	-	-	-	-	-	-	-	-	21	21
2005 net income	-	-	-	-	-	-	-	3,367	3,367	86	3,453
<b>Balance at December 31, 2005</b>	<b>284,937</b>	<b>1,086</b>	<b>3,453</b>	<b>(456)</b>	<b>33</b>	<b>562</b>	<b>11,153</b>	<b>3,367</b>	<b>19,198</b>	<b>463</b>	<b>19,661</b>

(1) 2004 figures restated for compliance with IFRS

### 2.2.4. Consolidated statements of cash flows

€ million	2005	2004 <sup>(1)</sup>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	3,453	2,903
Cancellation of unrealised income and expenses:		
Depreciation and amortization	2,705	2,752
Share in net income (loss) of associates	(2,597)	(1,923)
Dividends received from associates	516	552
Other unrealised income and expenses	393	748
<b>Cash flow</b>	<b>4,470</b>	<b>5,032</b>
Financing for final customers	(12,998)	(11,917)
Customer repayments	12,485	10,824
Net change in renewable dealer financing	(304)	(35)
<b>Decrease (increase) in Sales Financing receivables</b>	<b>(817)</b>	<b>(1,128)</b>
Bond issuance by the Sales Financing Division	-	1,100
Bond redemption by the Sales Financing Division	(1,045)	(1,050)
Net change in other Sales Financing debts	3,119	667
Net change in other securities and loans of the Sales Financing Division	(39)	227
<b>Net change in Sales Financing financial assets and debts</b>	<b>2,035</b>	<b>944</b>
Decrease (increase) in working capital	(603)	427
<b>Total</b>	<b>5,085</b>	<b>5,275</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(4,018)	(3,923)
Acquisitions of investments, net of cash acquired	(59)	(127)
Disposals of property, plant and equipment and intangibles	1,073	607
Disposals of investments, net of cash acquired, and other	100	34
<b>Total</b>	<b>(2,904)</b>	<b>(3,409)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions from minority shareholders <sup>(2)</sup>	(2)	18
Dividends paid to parent company shareholders	(494)	(383)
Dividends paid to minority shareholders	(60)	(35)
Purchases/sales of treasury shares	56	-
<b>Cash flows with shareholders</b>	<b>(500)</b>	<b>(400)</b>
Bond issuance by the Automobile Division	245	407
Bond redemption by the Automobile Division	(388)	(290)
Net increase (decrease) in other financial liabilities of the Automobile Division <sup>(3)</sup>	(867)	(998)
Net decrease (increase) in other securities and loans of the Automobile Division	(149)	404
<b>Net change in financial assets and liabilities of the Automobile Division</b>	<b>(1,159)</b>	<b>(477)</b>
<b>Total</b>	<b>(1,659)</b>	<b>(877)</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents: opening balance	5,521	4,276
Increase	522	989
Effect of changes in exchange rate and other changes	108	256
<b>Cash and cash equivalents: closing balance</b>	<b>6,151</b>	<b>5,521</b>

(1) 2004 figures restated for compliance with IFRS

(2) Via capital increases or capital reductions

(3) Renault repurchased part of its redeemable shares in 2004

# Chapter 2

## Financial statements

### 2.2.5. Segment information

#### A. Information by Division

##### A1. Consolidated income statements by division

2005 - € million	Automobile	Sales Financing	Interdivision transactions <sup>(2)</sup>	Consolidated total
Sales of goods	38,602	-	-	38,602
Sales of services	856	520	-	1,376
Sales Financing revenues		1,360	-	1,360
<b>External sales</b>	<b>39,458</b>	<b>1,880</b>	-	<b>41,338</b>
Interdivision sales <sup>(2)</sup>	147	268	(415)	-
<b>Revenues</b>	<b>39,605</b>	<b>2,148</b>	<b>(415)</b>	<b>41,338</b>
<b>Operating margin</b>	<b>858</b>	<b>465</b>	-	<b>1,323</b>
<b>Operating income</b>	<b>1,058</b>	<b>456</b>	-	<b>1,514</b>
<b>Financial expense</b>				<b>(327)</b>
<b>Share in net income (loss) of associates</b>	<b>2,595</b>	<b>2</b>	-	<b>2,597</b>
<b>Pre-tax income</b>				<b>3,784</b>
Current and deferred taxes				(331)
<b>Net income</b>				<b>3,453</b>
<b>2004 <sup>(1)</sup> - € million</b>				
Sales of goods	37,459	-	-	37,459
Sales of services	967	497	-	1,464
Sales Financing revenues	-	1,369	-	1,369
<b>External sales</b>	<b>38,426</b>	<b>1,866</b>	-	<b>40,292</b>
Interdivision sales <sup>(2)</sup>	302	234	(536)	-
<b>Revenues</b>	<b>38,728</b>	<b>2,100</b>	<b>(536)</b>	<b>40,292</b>
<b>Operating margin</b>	<b>1,640</b>	<b>461</b>	<b>14</b>	<b>2,115</b>
<b>Operating income</b>	<b>1,412</b>	<b>446</b>	<b>14</b>	<b>1,872</b>
<b>Financial expense</b>				<b>(331)</b>
<b>Share in net income (loss) of associates</b>	<b>1,923</b>	-	-	<b>1,923</b>
<b>Pre-tax income</b>				<b>3,464</b>
Current and deferred taxes				(561)
<b>Net income</b>				<b>2,903</b>

(1) 2004 figures restated for compliance with IFRS

(2) Interdivision transactions are carried out under near-market conditions

# Chapter 2

## Financial statements

### A2. Consolidated balance sheets by division - December 31, 2005

ASSETS - € million	Automobile	Sales Financing	Interdivision transactions <sup>(1)</sup>	Consolidated total
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment and intangible assets	15,215	540	(92)	15,663
Investments in associates	12,439	13	-	12,452
Non-current financial assets – investments in non-controlled entities	2,107	17	(2,024)	100
Non-current financial assets – other securities, loans and derivatives on financing operations of the Automobile Division	477	-	-	477
Deferred tax assets and other non-current assets	547	90	30	667
<b>Total non-current assets</b>	<b>30,785</b>	<b>660</b>	<b>(2,086)</b>	<b>29,359</b>
<b>CURRENT ASSETS</b>				
Inventories	5,851	11	-	5,862
Customer receivables	2,164	21,219	(628)	22,755
Current financial assets	1,917	590	(636)	1,871
Other current assets	1,858	1,977	(1,422)	2,413
Cash and cash equivalents	4,277	1,909	(35)	6,151
<b>Total current assets</b>	<b>16,067</b>	<b>25,706</b>	<b>(2,721)</b>	<b>39,052</b>
<b>Total assets</b>	<b>46,852</b>	<b>26,366</b>	<b>(4,807)</b>	<b>68,411</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES - € million</b>				
<b>SHAREHOLDERS' EQUITY</b>	<b>19,628</b>	<b>2,015</b>	<b>(1,982)</b>	<b>19,661</b>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities and long-term provisions	1,724	217	44	1,985
Non-current financial liabilities	5,634	267	-	5,901
Other non-current liabilities	466	50	-	516
<b>Total non-current liabilities</b>	<b>7,824</b>	<b>534</b>	<b>44</b>	<b>8,402</b>
<b>CURRENT LIABILITIES</b>				
Short-term provisions	1,191	73	-	1,264
Current financial liabilities	3,289	-	(742)	2,547
Sales Financing debts	-	23,003	(576)	22,427
Trade payables	7,853	19	(84)	7,788
Other current liabilities and current tax liability	7,067	722	(1,467)	6,322
<b>Total current liabilities</b>	<b>19,400</b>	<b>23,817</b>	<b>(2,869)</b>	<b>40,348</b>
<b>Total shareholders' equity and liabilities</b>	<b>46,852</b>	<b>26,366</b>	<b>(4,807)</b>	<b>68,411</b>

(1) Interdivision transactions are carried out under near-market conditions



# Chapter 2

## Financial statements

### Consolidated balance sheets by division - December 31, 2004 <sup>(1)</sup>

ASSETS - € million	Automobile	Sales Financing	Interdivision transactions <sup>(2)</sup>	Consolidated total
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment and intangible assets	13,814	528	(88)	14,254
Investments in associates	9,713	-	-	9,713
Non-current financial assets – investments in non-controlled entities	2,446	12	(2,224)	234
Non-current financial assets – other securities, loans and derivatives on financing operations of the Automobile Division	462	-	-	462
Deferred tax assets and other non-current assets	799	140	29	968
<b>Total non-current assets</b>	<b>27,234</b>	<b>680</b>	<b>(2,283)</b>	<b>25,631</b>
<b>CURRENT ASSETS</b>				
Inventories	5,130	12	-	5,142
Customer receivables	1,988	20,146	(449)	21,685
Current financial assets	1,498	526	(626)	1,398
Other current assets	1,750	1,964	(1,316)	2,398
Cash and cash equivalents	4,451	1,074	(4)	5,521
<b>Total current assets</b>	<b>14,817</b>	<b>23,722</b>	<b>(2,395)</b>	<b>36,144</b>
<b>Total assets</b>	<b>42,051</b>	<b>24,402</b>	<b>(4,678)</b>	<b>61,775</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES - € million</b>				
<b>SHAREHOLDERS' EQUITY</b>	<b>15,833</b>	<b>1,814</b>	<b>(1,783)</b>	<b>15,864</b>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities and long-term provisions	2,339	236	45	2,620
Non-current financial liabilities	5,389	407	(392)	5,404
Other non-current liabilities	375	51	-	426
<b>Total non-current liabilities</b>	<b>8,103</b>	<b>694</b>	<b>(347)</b>	<b>8,450</b>
<b>CURRENT LIABILITIES</b>				
Short-term provisions	846	64	-	910
Current financial liabilities	2,981	-	(534)	2,447
Sales Financing liabilities	-	21,226	(597)	20,629
Trade payables	7,307	-	(73)	7,234
Other current liabilities and current tax liability	6,981	604	(1,344)	6,241
<b>Total current liabilities</b>	<b>18,115</b>	<b>21,894</b>	<b>(2,548)</b>	<b>37,461</b>
<b>Total shareholders' equity and liabilities</b>	<b>42,051</b>	<b>24,402</b>	<b>(4,678)</b>	<b>61,775</b>

(1) 2004 figures restated for compliance with IFRS

(2) Interdivision transactions are carried out under near-market conditions

# Chapter 2

## Financial statements

### A3. Consolidated cash flow statements by division

2005 - € million	Automobile	Sales Financing	Interdivision transactions <sup>(2)</sup>	Consolidated total
Net income	3,320	313	(180)	3,453
Cancellation of unrealised income and expenses:				
Depreciation and amortization	2,658	103	(56)	2,705
Share in net income (loss) of associates	(2,595)	(2)	-	(2,597)
Dividends received from associates	516	-	-	516
Other unrealised income and expenses	206	186	1	393
<b>Cash flow</b>	<b>4,105</b>	<b>600</b>	<b>(235)</b>	<b>4,470</b>
Decrease (increase) in Sales Financing receivables	-	(1,009)	192	(817)
Net change in Sales Financing financial assets and debts	-	1,587	448	2,035
Decrease (increase) in working capital	(533)	(40)	(30)	(603)
<b>Cash flows from operating activities</b>	<b>3,572</b>	<b>1,138</b>	<b>375</b>	<b>5,085</b>
Purchases of intangible assets	(876)	(4)	-	(880)
Purchases of property, plant and equipment	(2,903)	(288)	53	(3,138)
Disposals of property, plant and equipment and intangibles	900	173	-	1,073
Acquisition of investments, net of disposals and other	77	(36)	-	41
<b>Cash flows from investing activities</b>	<b>(2,802)</b>	<b>(155)</b>	<b>53</b>	<b>(2,904)</b>
Cash flows with shareholders	(500)	(180)	180	(500)
Net change in financial assets and liabilities of the Automobile Division	(545)	-	(614)	(1,159)
<b>Cash flows from financing activities</b>	<b>(1,045)</b>	<b>(180)</b>	<b>(434)</b>	<b>(1,659)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(275)</b>	<b>803</b>	<b>(6)</b>	<b>522</b>
<b>2004<sup>(1)</sup> - € million</b>				
Net income	2,725	271	(93)	2,903
Cancellation of unrealised income and expenses:				
Depreciation and amortization	2,662	104	(14)	2,752
Share in net income (loss) of associates	(1,923)	-	-	(1,923)
Dividends received from associates	552	-	-	552
Other unrealised income and expenses	580	162	6	748
<b>Cash flow</b>	<b>4,596</b>	<b>537</b>	<b>(101)</b>	<b>5,032</b>
Decrease (increase) in Sales Financing receivables	-	(1,132)	4	(1,128)
Net change in Sales Financing financial assets and debts	-	892	52	944
Decrease (increase) in working capital	532	(74)	(31)	427
<b>Cash flows from operating activities</b>	<b>5,128</b>	<b>223</b>	<b>(76)</b>	<b>5,275</b>
Purchases of intangible assets	(788)	(3)	-	(791)
Purchases of property, plant and equipment	(2,901)	(305)	74	(3,132)
Disposals of property, plant and equipment and intangibles	490	160	(43)	607
Acquisition of investments, net of disposals and other	(85)	(8)	-	(93)
<b>Cash flows from investing activities</b>	<b>(3,284)</b>	<b>(156)</b>	<b>31</b>	<b>(3,409)</b>
Cash flows with shareholders	(400)	(100)	100	(400)
Net change in financial assets and liabilities of the Automobile Division	(464)	-	(13)	(477)
<b>Cash flows from financing activities</b>	<b>(864)</b>	<b>(100)</b>	<b>87</b>	<b>(877)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>980</b>	<b>(33)</b>	<b>42</b>	<b>989</b>

(1) 2004 figures restated for compliance with IFRS

(2) Interdivision transactions are carried out under near-market conditions

# Chapter 2

## Financial statements

### B. Information by geographic area

2005 - € million	France	Other European countries	Other countries	Consolidated total
Revenues	13,575	20,847	6,916	41,338
Capital expenditure	2,607	1,018	393	4,018
Property, plant and equipment and intangibles	10,469	3,417	1,777	15,663
Other operating assets <sup>(2)</sup>	5,876	3,319	1,135	10,330

  

2004 <sup>(1)</sup> - € million	France	Other European countries	Other countries	Consolidated total
Revenues	13,959	21,087	5,246	40,292
Capital expenditure	2,634	979	310	3,923
Property, plant and equipment and intangibles	9,776	3,185	1,293	14,254
Other operating assets <sup>(2)</sup>	5,451	3,081	886	9,418

(1) 2004 figures restated for compliance with IFRS

(2) Other operating assets include inventories, Automobile receivables and other current assets.

The definition of these zones is geographically-based. Europe covers western, central and eastern Europe. Turkey and Russia are included in other countries.

Consolidated revenues are presented by location of customers.

Property, plant and equipment and intangibles, capital expenditure and other operating assets are presented by location of subsidiaries and joint ventures.

# Chapter 3

## Financial Information on the Alliance

29

# Chapter 3

## Financial Information on the Alliance

The purpose of the financial data in this section is twofold: to broadly quantify the economic significance of the Renault-Nissan Alliance through key performance indicators, and to make it easier to compare the assets and liabilities of the two groups. The data of both groups comply with the accounting standards applied by Renault in 2005.

The specificity of the Alliance means, among other things, that Renault and Nissan's assets and liabilities cannot be combined. Consequently, these data do not correspond to a consolidation as defined by generally accepted accounting principles and are not certified by the statutory auditors.

The information concerning Renault is based on the consolidated figures released at December 31, 2005, while the information concerning Nissan is based on the restated consolidated figures prepared for the purposes of the Renault consolidation, covering the period from January 1 to December 31, 2005 whereas Nissan's financial year-end is March 31.

### KEY PERFORMANCE INDICATORS

The preparation of the key performance indicators under Renault accounting policies takes into account the following differences from the figures published by Nissan under Japanese accounting standards:

- revenues are presented net of discounts and rebates;
- sales with buy-back commitments have been restated as leases;
- reclassifications have been made when necessary to harmonise the presentation of the main income statement items;
- restatements for harmonisation of accounting standards and adjustments to fair value applied by Renault for acquisitions of 1999 and 2002 are included.

### Revenues 2005

€ million	Renault	Nissan <sup>(1)</sup>	Inter-company eliminations	Alliance
Sales of goods and services	39,978	62,256	(2,260)	99,974
Sales Financing revenues	1,360	3,816	-	5,176
<b>Revenues</b>	<b>41,338</b>	<b>66,072</b>	<b>(2,260)</b>	<b>105,150</b>

(1) converted at the average exchange rate for 2005:  
EUR 1 = JPY 136.8

The Alliance's intercompany business mainly consists of commercial dealings between Renault and Nissan. These items have been eliminated to produce the revenue indicator. Their value is estimated on the basis of Renault's 2005 results.

The **operating margin, the operating income and the net income** of the Alliance in 2005 are as follows:

€ million	Operating margin	Operating income <sup>(2)</sup>	Net income <sup>(3)</sup>
Renault	1,323	1,514	1,178
Nissan <sup>(1)</sup>	6,100	7,856	5,186
<b>Alliance</b>	<b>7,423</b>	<b>9,370</b>	<b>6,364</b>

(1) Converted at the average exchange rate for 2005:  
EUR 1 = JPY 136.8

(2) Nissan operating income restated in compliance with Renault accounting policies includes non recurring income of € 1,660 million resulting from the finalisation of the transfer to the Japanese government of a portion of its pension liabilities. After income tax, this operation has a € 985 million impact on net income (Renault's share: € 450 million)

(3) Renault's net income is adjusted to exclude Nissan's contribution and Nissan's net income is similarly adjusted to exclude Renault's contribution

Intercompany transactions impacting the indicators are minor and have not therefore been eliminated.

For the Alliance, the operating margin is equivalent to 7.1% of revenues.

In 2005, the Alliance's **research and development expenses**, after capitalisation and amortization, are as follows:

€ million	
Renault	2,034
Nissan	2,495
<b>Alliance</b>	<b>4,529</b>

# Chapter 3

## Financial Information on the Alliance

### BALANCE SHEET INDICATORS

#### CONDENSED RENAULT AND NISSAN BALANCE SHEETS

#### RENAULT AT DECEMBER 31, 2005

##### ASSETS - € million

Intangible assets	2,972
Property, plant and equipment	12,691
Investments in associates (excluding Alliance)	1,975
Deferred tax assets	309
Inventories	5,862
Sales Financing receivables	20,700
Automobile receivables	2,055
Other assets	5,219
Cash and cash equivalents	6,151
<b>Total assets excluding investment in Nissan</b>	<b>57,934</b>
Investment in Nissan	10,477
<b>Total assets</b>	<b>68,411</b>

##### SHAREHOLDERS' EQUITY AND LIABILITIES - € million

Shareholders' equity	19,661
Deferred tax liabilities	231
Provisions for pension and other long-term employee benefit obligations	925
Financial liabilities of the Automobile Division	8,181
Financial liabilities of the Sales Financing Division and Sales Financing debts	22,694
Other liabilities	16,719
<b>Total shareholders' equity and liabilities</b>	<b>68,411</b>

#### NISSAN AT DECEMBER 31, 2005 <sup>(1)</sup>

##### ASSETS - € million

Intangible assets	4,330
Property, plant and equipment	33,563
Investments in associates (excluding Alliance)	110
Deferred tax assets	115
Inventories	7,350
Sales Financing receivables	25,566
Automobile receivables	3,434
Other assets	6,017
Cash and cash equivalents	1,601
<b>Total assets excluding investment in Renault</b>	<b>82,086</b>
Investment in Renault	1,567
<b>Total assets</b>	<b>83,653</b>

##### SHAREHOLDERS' EQUITY AND LIABILITIES - € million

Shareholders' equity	25,313
Deferred tax liabilities	2,520
Provisions for pension and other long-term employee benefit obligations	3,474
Financial liabilities of the Automobile Division	2,940
Financial liabilities of the Sales Financing Division and Sales Financing debts	33,172
Other liabilities	16,234
<b>Total shareholders' equity and liabilities</b>	<b>83,653</b>

(1) converted at the closing rate for 2005: EUR 1 = JPY 138.9

The values shown for Nissan assets and liabilities reflect restatements for harmonisation of accounting standards and adjustments to fair value applied by Renault for acquisitions made in 1999 and 2002, mainly concerning revaluation of land and other tangible fixed assets, capitalisation of development expenses, and pension-related provisions.

Balance sheet items have been reclassified where necessary to make the data consistent across both groups.

Nissan's restated balance sheet includes the securitised items presented off-balance sheet in Nissan's financial statements under Japanese GAAP.

**Purchases of property, plant and equipment** by both Alliance groups for 2005, excluding leased vehicles, amount to:

€ million

Renault	2,007
Nissan	3,303
<b>Alliance</b>	<b>5,310</b>

Based on the best available information, Renault estimates that the impact of full consolidation of Nissan on its shareholders' equity calculated under current accounting policies would result in:

- a maximum 5-10% decrease in shareholders' equity - Group share;
- a €15 billion increase in shareholders' equity - minority interests' share.