



RENAULT

PRESS RELEASE

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In first-half 2006, Renault reports operating margin of 2.7%

- **Renault reports operating margin of €592 million (2.7% of revenues) in first-half 2006, confirming its forecast of 2.5% for full year 2006, despite external headwinds : higher energy costs and higher raw material costs**
- **The deployment of Renault Commitment 2009 is going ahead as announced on February 9. Our foreseen milestones for Renault's operating margin are 3.0% for 2007, 4.5% for 2008 and 6% for 2009**

In first-half 2006, the Renault group's sales declined by 3.2% on first-half 2005 to 1,315,351 units, reflecting contrasting levels of performance:

- In the European market¹, sales totaled 951,339 vehicles down 7.6%, primarily as a result of the selective commercial policy introduced in 2005 to reduce the low value sales. This policy was stepped up at the start of the year. Despite the unfavorable product cycle, Renault reported strong sales of Clio III, launched in September 2005 and voted Car of the Year 2006. With 250,955 units sold, Clio remained the best-selling car in its segment in the European market.

- Outside Europe, as announced at the beginning of the year, Renault pursued its development in first-half 2006 and reported a 10.5% increase in sales, to 364,012 units. Sales outside Europe accounted for 28% of total Renault sales worldwide, up 4 percentage points on last year. This increase was driven by the three Group brands: Renault, Dacia and Samsung².

Operating margin of 2.7% in first-half 2006

On a consistent basis, Renault reported **revenues** of €21,547 million, up 0.4% on first-half 2005.

The contribution of the **Automobile Division** to group revenues rose 0.2% to €20,560 million. The decline in sales on the European market was offset by continued sales development outside Europe, the start of SM3 exports by Renault Samsung Motors for Nissan, a slightly positive currency effect (mainly in South Korea and Mercosur) and other Group businesses (sales of spare parts, powertrains and built-up vehicles to partners).

On a consistent basis, the **sales financing** subsidiary, RCI Banque, contributed €987 million to revenues, up 3.9% on first-half 2005 due to growth in insurance services and average loans outstanding.

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Group **operating margin** totaled €592 million or 2.7% of revenues, compared with 4.4% in first-half 2005.

The **Automobile Division** reported an operating margin of €323 million or 1.6% of revenues in first-half 2006, compared with 3.3% in first-half 2005. In first-half 2006, this fall was linked primarily to:

- a leveling-off in sales in the European market;
- an unfavorable model mix and pricing effect despite a strong growth in Clio and Logan sales;
- product enrichment with, in particular, the transition to the Euro 4 standard.

At the same time, Renault increased efforts to cut purchasing costs, despite an additional cost of €185 million linked to the rise in raw material prices. The Group also kept down G&A (general and administrative) expenses, despite a faster pace of international development.

The contribution of **RCI Banque** to operating margin totaled €269 million, compared with €266 million in first-half 2005.

Other operating income and expenses showed income of €57 million, bringing **operating income** to €649 million, compared with €1,207 million in first-half 2005.

Net financial expense came to €36 million, compared with an expense of €186 million in first-half 2005. That included a negative impact of €174 million from mark-to-market measurement of redeemable shares under IAS 39.

Renault reported a profit of €1,212 million for its share in the **net income of associated companies**³. **Nissan's** contribution totaled €1,013 million, compared with €911 million in first-half 2005 (excluding non-recurring income⁴). Renault's share in the net income of other associated companies, particularly **AB Volvo**, showed a positive contribution of €199 million, compared with €175 million at June 30, 2005.

Pre-tax income thus totaled €1,825 million, compared with €2,557 million in first-half 2005. In first-half 2006, **current and deferred taxes** represented a net charge of €166 million.

Net income (Renault share) totaled €1,627 million in first-half 2006, compared with a profit of €2,170 million in first-half 2005.

Earnings per share totaled €6.34, compared with €8.52 in first-half 2005.

Shareholders' equity rose by €780 million to total €20,441 million at end-June 2006.

At December 31, 2005, the **net financial debt of the Automobile Division** stood at €2,252 million. In first-half 2006, debt was reduced by €264 million to total €1,988 million. The following items contributed to this outcome:

- cash flow contracted by €67 million to €2,297 million;
- net capital expenditure amounted to €1,795 million (compared with €1,405 million at June 30, 2005);
- the working capital surplus was up €212 million, owing to a seasonally-driven rise in receivables.

The Automobile Division generated free cash flow⁵ of €714 million.

Driven by a decline in debt and an increase in shareholders' equity, the debt-to-equity ratio was 9.7% at June 30, 2006, compared with 11.5% at December 31, 2005.

Outlook

Renault confirms the full-year forecast

Since Renault Commitment 2009 was announced on February 9, 2006, the company has been focused on the success of its business plan. 2006 is a year of transition. The course has been set. The priorities are clearly defined and broken down into measurable objectives. The new profit - and customer - focused processes are in place. Over the next six months, Renault will continue to implement its business plan.

- In Europe, Renault will pursue its selective commercial policy. Renault will launch the phase-two Scénic in September and phase-two Trafic and phase-three Master in October.
- Outside Europe, Renault will release two versions of Logan specially designed for emerging markets: a station wagon and LCV. The development of the Logan program, backed up by dynamic sales at Renault Samsung Motors, will sustain sales growth.

Overall, Renault expects sales to remain at the same level as in 2005.

- Despite external headwinds, continuously rising energy costs and raw material prices, Renault confirms its forecast for operating margin of 2.5% in 2006.

Beyond 2006, Renault specifies the operating margin milestones

- In 2007, Renault will start its product offensive with eight new products launched in the second half of the year. Given this product rollout schedule, earnings will mainly be driven by the cost-reduction program accelerated under Renault Commitment 2009 in all company functions.
- In 2008 and 2009, earnings growth will gather momentum, driven by the reinforcement and expansion of the range (seven models in 2008 and nine models in 2009), as well as by our continued international development.
Based on this outlook, our foreseen milestones for Renault's operating margin are 3.0% for 2007, 4.5% for 2008 and our commitment of 6% in 2009.

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¹ France and Europe Regions.

² The Euromed Region (Eastern Europe, Russia/CIS, Turkey and North Africa) (+16.4%) was buoyed by the successful launch of Logan in Russia and Morocco. In the Americas Region (Northern and Southern Latin America) (+13.4%), Renault reported particularly strong growth in Argentina (+40.4%) and Colombia (+40.9%). The Asia-Africa Region posted a dip of 2.8%, although sales grew by 3.3% in South Korea, owing to the strong performance of the SM3 and SM5.

³ Under IFRS, "associated companies" corresponds to companies formerly defined as "accounted for by the equity method".

⁴ In first-half 2005, Renault reported €450 million in non-recurring profit, linked to the finalization by Nissan of arrangements to transfer part of its retirement commitments to the Japanese government.

⁵ Free cash flow = cash flow less net capital expenditure, including the change in the working capital requirement.

Renault group's consolidated revenues¹ by Division and half-year period

€ million	H1 2006	H1 2005 on a consistent basis with 2006	% change 2006/2005
Automobile	20,560	20,520	+ 0.2%
Sales Financing (RCI Banque)	987	950	+3.9%
Total	21,547	21,470	+ 0.4%

Renault's consolidated results by half-year period

€ million	H1 2006	H1 2005
Operating margin	592	943
Operating income	649	1,207
Net financial income (expense)	(36)	(186)
Share in net income of associated companies	1,212	1,536
Pre-tax income	1,825	2,557
Current and deferred taxes	(166) ²	(346)
Net income	1,659	2,211
Net income (Renault share)	1,627	2,170

Divisional contribution to Renault's operating margin by half-year period

€ million	H1 2006	H1 2005
Automobile	323	677
As a % of revenues	1.6%	3.3%
Sales Financing (RCI Banque)	269	266
As a % of revenues	27.3%	28.0%
Total	592	943
As a % of revenues	2.7%	4.4%

¹ On a consistent basis.

² In first-half 2006, Renault benefited from tax credits for research activity in South Korea.