NEWS RELEASE

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R&I View: Renault To Sell Its Entire Stake in Volvo, Limited Rating Impact

Renault S.A. (Issuer Rating: BBB+), a France-based major passenger vehicle manufacturer, announced on December 13 that the company will sell its entire stake in AB Volvo. Based on the current Volvo share price, proceeds from the sale are estimated at approximately 160 billion yen. Renault will use the proceeds for capital investments in its home country France and emerging nations such as China and Russia.

Volvo is a truck manufacturer headquartered in Sweden and has no business ties with Renault. The Volvo shares to be sold this time are class shares called Series A and represent 17.2% of the voting rights in Volvo. In October 2010, Renault sold Series B shares. After selling the Series A shares, Renault will no longer hold any shares in Volvo.

Excluding sales financing, Renault has equity capital of more than 2 trillion yen and annual EBITDA worth 300-400 billion yen. Given this, the 160 billion yen proceeds will not bring a significant financial benefit to the company. Moreover, R&I believes that the key to improving Renault's creditworthiness is to strengthen its earnings base. Therefore, the above-mentioned sale of Volvo shares will have only a limited impact on Renault's rating.

The earnings environment is severe. In Europe, the key market for Renault, the sales environment is worsening amid the deepening debt crisis particularly in Greece and other southern European countries. Under such circumstances, sales of new vehicles are sluggish, and a price war prevails. In 2013, Renault is likely to see another drop in European sales. Stagnant sales appear to continue squeezing profits and cash flow going forward.

R&I will keep an eye on whether Renault is able to bolster its earning and cash flow generating capacities by increasing sales in emerging markets with large growth potential, while expanding the lineup of global strategic vehicles through its alliances with Nissan Motor Co., Ltd. and Daimler AG.

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