

**Mixed General Meeting of Shareholders of April 29, 2005**

**Summary of speeches by  
Messrs. Thierry Moulouguet (Executive Vice President, Chief Financial  
Officer of Renault)  
Louis Schweitzer (Chairman and Chief Executive Officer of Renault)  
and Carlos Ghosn (President and Chief Executive Officer of Nissan)**

**Sharp increase in 2004 results - Presentation by Thierry Moulouguet**

- ▶ In 2004, Renault's global sales rose by 100,000 units, an increase of 4.2%. The Group sold 2.5 million vehicles (global market share: 4.1%).
- In Western Europe, Renault consolidated its ranking as the leading brand for the seventh consecutive year, with 10.8% of the passenger car and light commercial vehicle (LCV) market. Mégane was the best-selling model for the second year in a row, Espace held on to its lead in the top-range MPV segment and the Trafic and Master vans positioned Renault third in the compact van segment in Europe.
- Outside Western Europe, the 16.5% rise in Group sales reflected Renault's international development policy. The 700,000 vehicles sold under the three brands – Renault, Dacia and Renault Samsung – accounted for 27.2% of the Group's total sales. Logan, launched in September 2004, got off to an excellent start in Romania and export markets.

This sales performance translated into a very significant improvement in Renault's financial performance in 2004.

- ▶ Group revenues came to €40.7 billion (+8.4% on a consistent basis). Operating margin gained over €1 billion to €2.4 billion (+72.5%). It was equivalent to 5.9% of Group revenues (3.7% in 2003) and ranked Renault number one among European full-line automakers. Renault's strategic shareholdings in Nissan and Volvo contributed €2.2 billion and €0.2 billion, respectively, to net income, which hit a new record of €3.5 billion, or €13.35 per share. The net financial debt of the Automotive Division fell €1.2 billion in 2004 to €0.5 billion at December 31, 2004, representing less than 4% of Group shareholders' equity.

- ▶ The application in 2004 of IFRS would have led to a reduction of:
  - €423 million in revenues (a drop of about 1%);
  - €303 million in operating margin (representing 5.2% of revenues, compared with 5.9% before IFRS);
  - €283 million in net income.

In addition, two items totalling €826 million would have increased the net financial debt of the Automobile Division at December 31, 2004 (no impact on cash flow).

**Renault holds steady in a declining European market in Q1 2005**

- ▶ In the first quarter of 2005, the European automotive market fell 1.7%, with mixed trends (France and Spain posted gains, while Germany, the UK and Italy saw their markets contract). Against this backdrop, registrations declined by 0.7%, but Renault consolidated its market share (10.6% versus 10.5% in Q1 2004). Outside Western Europe, Group sales rose by 12.5%. All told, the Renault group's global sales rose 2.4%.

- ▶ In this flat market environment in Europe, Group revenues came to €9.8 billion, compared with €9.9 billion (-0.9%).

For the full-year 2005, Renault confirmed its objectives to grow global sales and achieve Group operating margin – under IFRS – higher than 4% of revenues.



## **The transformation of Renault and the pursuit of profitable growth – Presentation by Louis Schweitzer**

It is not by chance that Renault's 2004 earnings were so good. They are the direct result of Renault's transformation and strategy of profitable growth, as well as the new dimension given to the company by its Alliance with Nissan.

Renault's profitable growth strategy has five long-term goals which were set several years ago:

1- *Build recognition for our brand identity*: Renault has sound fundamentals, such as excellence in quality and safety (Renault has the safest range on the market), but also in innovation and creativity to offer customers a recent and distinctive range. In 2004, the launch of new concepts (Scénic seven-seater, Modus and Logan) and a broader range (SM7 sedan from Samsung), as well as new product releases in 2005 (phase-two Laguna and Vel Satis, New Clio in autumn) will help keep the average age of the range below three-and-a-half years.

2- *Be the most competitive manufacturer on our markets in terms of quality, costs and delivery times*: For Renault, competitiveness is driven by:

- controlling development times and costs in projects;
- guaranteeing the flexibility and productivity of its plants;
- rigorously controlling structural expenses;
- reducing purchasing costs, by pooling Renault and Nissan purchases within the Renault Nissan Purchasing Organization.

3- *Extend our international reach*: Between 1999 and 2004, the proportion of Group sales outside Western Europe rose from less than 15% to over 27%. Renault's international development is well under way. It is particularly fuelled by the potential of the Logan programme, launched in September 2004. In 2005, Logan will be manufactured in four plants (Romania, Russia, Morocco and Colombia). Production will be extended in 2006 to Iran and in 2007 to India and Brazil. Talks are in progress in China. Total sales of the Logan family of vehicles should exceed 1 million units by 2010.

4- *Develop Renault's core values*: Renault aims to grow in a responsible, sustainable manner. This is driven by a fundamental principle: respecting people and the environment. In October 2004, the Group signed the Declaration of Employees' Fundamental Rights. Renault is committed to rising to the environmental challenges facing the planet in general and the automotive industry in particular: the preservation of energy resources and climate change. Renault has significantly reduced the fuel consumption of its conventional engines and its range is among the most fuel-efficient in Europe in terms of average CO<sub>2</sub> emissions per kilometre. To develop alternative energy sources, research programmes are under way on hybrid vehicles and fuel cells in coordination with Nissan.

5- *Translate success into financial performance*: This goal relates to financial results. Targets were reached in 2004.

### **A new step towards strengthening corporate governance**

► After the Annual General Meeting, the Board of Directors will decide to separate the functions of Chairman of the Board and Chief Executive Officer. On May 2, Carlos Ghosn will become President and Chief Executive Officer of Renault and will have full authority to run the company. Louis Schweitzer will continue to chair the Board of Directors and will be responsible for corporate governance; he will oversee the smooth operation of company bodies, particularly the Board's special committees.

► To boost transparency and efficiency, the Renault Board of Directors will create two separate committees, with one in charge of appointments and governance and the other in charge of remuneration. These committees will replace the current Appointments and Remuneration Committee.

- Renault aims to establish a lasting relationship with its shareholders via:
  - an open, continuous policy of information and communication;
  - good return on their investment in Renault;



- On May 13, 2005 Renault will pay a dividend of €1.80 per share, an increase of 28.6% over 2003. Based on an average share price in 2004, the yield is around 3%.
- For the past three years, the Renault share has outperformed the CAC 40 and European automobile sector indexes. The Renault share is one of the best-performing shares in the CAC 40, with a total gain between 2002 and 2004 in excess of 55%.
- Renault's market capitalization stands at €18.6 billion, making the Group the sixth-highest capitalized automaker in the world, ahead of Ford and General Motors. In July 1996, after the company was privatized, Renault was fifteenth and had a market capitalization of €4 billion, nearly five times lower than that of today.

### **Closing remarks by Louis Schweitzer**

It is now up to Carlos Ghosn to show the way forward and encourage Renault employees to take up new challenges. Carlos Ghosn's personality, his experience in the automotive industry and his outstanding success at Nissan make him my legitimate successor at Renault. I have every confidence in handing over the control of the company to him and am convinced he will make a major success of this new chapter in the history of Renault.

### **Presentation by Carlos Ghosn**

*"First of all, I would like to say that I am delighted to be back in France to become President and CEO of such a performance-driven and enthusiastic company as Renault."*

After emphasizing Renault's long history and strong corporate culture, and its qualities of daring and openness, Carlos Ghosn paid tribute to Louis Schweitzer and thanked him for ensuring a smooth transition at the head of the company.

## **1. The President and CEO's priorities**

### **Rediscovering Renault**

Carlos Ghosn plans to devote his first few months as President and CEO to rediscovering the company. He will go out into the field to "*listen, observe and understand the situation from the inside*". Visits and meetings have already been scheduled at the plants, in the dealer network, in the corporate departments and at the Technocentre in France and in other countries where Renault is established. Carlos Ghosn has returned to Renault with no preconceived ideas. The Group's sound situation will let him take the time to perform a precise and objective diagnosis before making proposals and setting priorities for the company.

### **Strategic continuity**

He will pursue Renault's corporate strategy, continuing the three priorities already under way: performance, brand identity and efficient international development.

Performance is something we owe to the company's employees, customers, shareholders, partners and society at large. It goes hand-in-hand with growth, quality and cost competitiveness.

Brand identity is based on both rational and emotional factors.

Finally, efficient international development has become vital now that the traditional automobile markets have reached maturity and growth is slowing down.

### **How he sees the job of President and CEO**

According to Carlos Ghosn, strategic planning accounts for 5% of success. The other 95% comes from excellence in execution.

As President and CEO, he has a three-fold role: to commit to clear, quantifiable targets, with a precise schedule; to act in total transparency vis-à-vis the company's stakeholders; and to assume personal responsibility for the results.

## **2. The Renault-Nissan Alliance**

### **Mission accomplished at Nissan**

Nissan's situation in 1999 was completely different from that of Renault today. Nissan was on the verge of bankruptcy. Six years later, after the Nissan Revival Plan and the Nissan 180 plan, the company is now



on track for strong and profitable growth, and the Nissan Value-Up plan (2005-2007) will help to consolidate that. Two figures offer a good illustration of Nissan's recovery. Operating profit margin rose from 1.4% in 1999 to 10% in 2004, and the return on invested capital from 1.3% to 22.8%. Behind the recovery, there was the signing of the Alliance and Renault's decisive contribution. Carlos Ghosn also paid tribute to the confidence of shareholders, who agreed to support Renault in its daring venture. Now they have been rewarded by both companies' excellent results.

#### **The principles of the Alliance**

The success of the Alliance is due to its founding principles, which have always been observed:

- The Alliance is a win-win partnership. Renault and Nissan develop synergies with the sole aim of improving the performance of both companies. Since 1999 they have taken advantage of their complementarities, achieved major economies of scale by commonizing platforms and structures, and benefited from the exchange of expertise.
- The Alliance is a partnership which respects the identity and culture of each company, taking care to preserve the brands' integrity – the originality and distinctiveness of both Renault and Nissan.

#### **The future of the Alliance**

As President and CEO of Renault, Nissan and the Alliance, Carlos Ghosn wants to strengthen cooperation between the two companies, while making sure that the founding principles and the balance of the partnership are respected.

The Alliance still has great potential to be tapped if it is to reach the objectives set out in the "Vision-Destination" document in 2004: to rank among the world's top three automotive groups in terms of quality, technology and operating profit.

The automotive industry today is based on a balancing act: the gap in performance between automakers is increasing, promising markets are emerging to be conquered, the environment has become a major social issue, technology is throwing up new challenges... If upheavals lie ahead, they will also offer enormous opportunities for those who are ready to face them.

*"I have every confidence that Renault and the Renault-Nissan Alliance can rise to this challenge."*