

Renault SA
2006 Parent company financial statements

INCOME STATEMENT		
(€ million)	2006	2005
Operating income	1	1
Operating expenses	(28)	(25)
NET OPERATING EXPENSE	(27)	(24)
Investment income (Note 2)	1 661	580
Increases to provisions	(1)	(1)
INVESTMENT INCOME AND EXPENSES	1 660	579
Foreign exchange gains	417	34
Reversals of provision for exchange risks	7	(6)
Foreign exchange losses	(14)	(5)
FOREIGN EXCHANGE GAINS AND LOSSES (Note 3)	410	23
Interest and equivalent income	3	3
Interest and equivalent expense	(206)	(203)
Reversals of provisions and transfers of charges	6	8
Net gains on sales of marketable securities	18	1
OTHER FINANCIAL INCOME AND EXPENSES (Note 4)	(179)	(191)
NET FINANCIAL INCOME	1 891	411
PRE-TAX INCOME BEFORE EXCEPTIONAL ITEMS	1 864	387
EXCEPTIONAL INCOME		160
EXCEPTIONAL EXPENSES	(1)	(57)
NET EXCEPTIONAL ITEMS (Note 5)	(1)	103
INCOME TAX (Note 6)	78	91
NET INCOME	1 941	581

BALANCE SHEET				
	2006			2005
	Gross	Depreciation, amortisation & provisions	Net	Net
ASSETS (€ million)				
Investments stated at equity (Note 7)	7 448		7 448	7 586
Investment in NISSAN MOTOR (Note 7)	6 413		6 413	6 413
Other investments (Note 7)	13	13	0	0
Advances to subsidiaries and affiliates (Note 8)	9 518	5	9 513	8 516
Loans	9	2	7	5
FINANCIAL ASSETS	23 401	20	23 381	22 520
TOTAL FIXED ASSETS	23 401	20	23 381	22 520
RECEIVABLES	3		3	60
MARKETABLE SECURITIES (Note 9)	1 203		1 203	2 058
CASH AND CASH EQUIVALENTS	30		30	12
OTHER ASSETS (Note 10)	40		40	46
TOTAL ASSETS	24 677	20	24 657	24 696

BALANCE SHEET		
SHAREHOLDERS' EQUITY AND LIABILITIES (€ million)	2006	2005
Share capital	1 086	1 086
Share premium	4 423	4 423
Revaluation surplus	9	9
Equity valuation difference	3 787	3 925
Legal and tax basis reserves	108	108
Retained earnings	6 041	6 124
Net income	1 941	581
SHAREHOLDERS' EQUITY (Note 11)	17 395	16 256
REDEEMABLE SHARES (Note 12)	130	129
PROVISIONS FOR RISKS AND LIABILITIES (Note 13)	89	73
Bonds	3 914	4 280
Borrowings from credit institutions	484	515
Other loans and financial debts	2 235	3 063
FINANCIAL LOANS AND BORROWINGS (Note 14)	6 633	7 858
OTHER LIABILITIES (Note 15)	18	80
DEFERRED INCOME (Note 16)	392	300
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	24 657	24 696

STATEMENT OF CHANGES IN CASH		
(€ million)	2006	2005
Cash flow (Note 20)	1 933	337
Change in working capital requirements	24	(3)
Cash flow from operating activities	1 957	334
Gains on disposal of investments		160
Net decrease (increase) in other financial assets		(16)
Net decrease (increase) in loans	(999)	1 026
Net decrease (increase) in marketable securities	855	(1 545)
Cash flow from investing activities	(144)	(375)
Bond issues	856	245
Bond redemptions	(1 143)	(389)
Net increase (decrease) in other interest-bearing borrowings	(843)	696
Dividends paid to shareholders	(663)	(494)
Cash flow from financing activities	(1 793)	58
Cash and cash equivalents: opening balance	10	(7)
Increase (decrease) in cash and cash equivalents	20	17
Cash and cash equivalents: closing balance	30	10

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Renault SA draws up its accounts in accordance with French law and accounting regulations. The annual financial statements are presented using French chart of accounts 99-03 of April 29, 1999, amended by CRC (*Comité de la Réglementation Comptable*) regulations.

The following methods were applied in valuing balance sheet and income statement items:

A - NET FINANCIAL INCOME

The net financial income comprises interest income and expenses related to Renault SA's indebtedness and short-term investment activities. Financial expenses correspond to charges payable on borrowing sources, which depend on the level of indebtedness and interest rates. Financial income includes gains on short-term investments (marketable securities, loans) and dividends received. The net financial income includes realised foreign exchange gains and losses.

B - NET EXCEPTIONAL ITEMS

Exceptional items are revenues and expenses resulting from events or transactions that are clearly distinct from the company's normal business operations, and are not expected to recur on a frequent or regular basis.

C - INVESTMENTS

As allowed by CNC (*Conseil National de la Comptabilité*) avis n°34 (July 1988), as an alternative to the standard valuation method for investments carried in the balance sheet, Renault SA has opted to state investments in wholly controlled companies at equity:

- this method is applied to all fully consolidated companies,
- the shareholders' equity of these companies is determined under the accounting policies applied in the consolidated financial statements; as this is a valuation method, intercompany eliminations are not taken into account,
- in valuing a subsidiary, its holdings in companies wholly controlled by the Group are valued in the same way,
- the change during the year in the overall percentage of shareholders' equity corresponding to these interests is not an income or loss item; it is entered under shareholders' equity as "equity valuation surplus". This amount cannot be distributed or used to offset losses. When it is negative, a provision for general depreciation is established as a charge against income.

Investments in companies not wholly controlled by Renault SA are valued at acquisition cost, less related expenses, or at their book value if this is lower. Provisions are established when the book value of the investments is lower than the gross value. The book value takes account of profitability and commercial prospects, and the share of net assets.

D - ADVANCES TO SUBSIDIARIES AND AFFILIATES

Loans to companies in which Renault SA holds an investment are recorded at historical cost. Impairment is recognised when there is a probability these loans will not be recovered.

E – MARKETABLE SECURITIES

Marketable securities are valued at acquisition cost, excluding related expenses and accrued interest for bonds, or at market value if this is lower.

Treasury shares held for the purposes of stock option plans awarded to Group managers and executives are recorded under marketable securities at the lower of purchase price and stock market price, in which case a provision corresponding to the difference is recognised. An additional provision for risks and liabilities is established when the option exercise price falls below the net book value.

F - LOAN COSTS AND ISSUANCE EXPENSES

Loan costs, including issuance expenses, and bond redemption premiums are amortised over the corresponding duration.

G - TRANSLATION OF FOREIGN CURRENCY RECEIVABLES AND LIABILITIES

Receivables and liabilities denominated in foreign currencies are translated as follows:

- all receivables and liabilities in foreign currencies are converted at the year-end exchange rate,
- exchange differences arising between the date of transactions and December 31 are recorded in Other assets and Deferred income (translation adjustment)
- a provision for risk equal to the unrealised exchange losses is established as follows:
 - a foreign exchange position is determined for each currency and term, based on balance sheet items stated in foreign currencies and foreign exchange risk hedges recorded off balance sheet;
 - unrealised foreign exchange gains are netted against unrealised foreign exchange losses with a similar term in the same currency;
 - any residual unrealised foreign exchange losses by currency and term are recognised.

H - PROVISIONS FOR RISKS AND LIABILITIES

Provisions for risks and liabilities are established for obligations that are probable or definite at year-end. A contingent liability is an obligation that is neither probable nor definite at the date the financial statements are established, or a probable obligation for which expenditure of resources is not probable. Provisions are not established for contingent liabilities, but an off-balance sheet commitment is reported where relevant.

I - DERIVATIVES

Gains and losses on derivatives designated as hedges are recorded in the income statement in the same way as the revenues and expenses relating to the hedged item.

Derivatives not designated as hedges are adjusted to fair value at each closing date. Any resulting unrealised loss is recognised in the income statement, while in application of the conservatism principle, unrealised gains are not taken to income. The fair value of forward exchange contracts is based on market conditions. The fair value of currency swaps is determined by discounting future cash flows, using closing-date market rates (exchange and interest rates). The fair value of interest rate derivatives is the amount the Group would receive (or pay) to settle outstanding contracts at the closing date, taking year-end market conditions into consideration.

2. INVESTMENT INCOME

Details are as follows:

(€ million)	2006	2005
Dividends received from Renault sas	973	
Dividends received from Nissan Motor Co Ltd	431	383
Interest on loans and advances to subsidiaries and affiliates	257	197
TOTAL	1 661	580

3 - FOREIGN EXCHANGE GAINS AND LOSSES

In 2006, redemption of six bonds for a total of 136 billion yen (€1,143 million) generated a total foreign exchange gain of €215 million.

- redemption of the 5-year bond issued on the Japanese domestic market (nominal value 50 billion yen) generated a foreign exchange gain of €125.8 million,
- settlement of the cross-currency swap undertaken to hedge the bond issued on July 21, 1999 (nominal value €500 million) generated a foreign exchange gain of €76.7 million.

Settlements of short-term forward sales forming part of the hedge of Nissan's net assets generated a €201 million foreign exchange gain in 2006.

In 2005, following redemption of the bond issued on December 20, 1996 (€305 million), settlement of the cross-currency swap undertaken to hedge this bond generated a foreign exchange gain of €22 million.

4. OTHER FINANCIAL INCOME AND EXPENSES

Other financial income and expenses, totalling €179 million at December 31, 2006 (€191 million in 2005), mainly comprise net interest payments on Renault bonds after swaps. The net interest on bonds comprises accrued and paid interest of €281 million, and accrued and received interest on swaps of €168 million.

5. NET EXCEPTIONAL ITEMS

Most of the net exceptional expense of €1 million relates to the loss on sales of shares to employees in application of stock option plans.

The net exceptional income for 2005 included the €106 million profit on the sale of Renault SA's investment in Nissan Diesel Motors Co. Ltd.

6. INCOME TAX

As Renault SA elected to determine French income taxes under the domestic tax consolidation regime when it was formed, this regime has continued to apply to the Group in which Renault SA is taxed in France since January 1, 2004. French subsidiaries that are more than 95% owned by Renault SA pay their income taxes directly to Renault SA under this regime. Each entity included in the domestic tax consolidation records its theoretical taxes as if it was taxed separately. The tax saving generated by this system is treated as income for the company heading the group of entities concerned. When subsidiaries return to profit, the parent company records an additional tax expense due to the fact that the subsidiaries' past tax losses were previously deducted. At December 31, 2006, a total of €3,482 million of tax losses from subsidiaries had been utilised by Renault SA.

The income generated by income taxes for 2006 was €78 million (€108 million income from the domestic tax consolidation, a €26 million allocation to the provision for tax risks and €4 million of additional reassessments notified in connection with the worldwide tax consolidation regime which was adopted by Renault SA until January 1, 2004).

Details of the tax charge for the year are as follows:

(€million)	Income before tax	Taxes			Net tax due	Net income	
		Theoretical	Netting	Tax credit		Theoretical	As booked
Current income subject to normal rate	1864	185			185	1679	1679
Current income subject to reduced rate							
Exceptional income subject to normal rate	(1)	(1)			(1)		
Tax consolidation					(292)		292
Increase/reversal of provision for tax risks					26		(26)
Tax reassessments					4		(4)
TOTAL	1 863	184	0	0	(78)	1 679	1 941

Details of Renault SA's future tax position are as follows:

(€million)	2006		2005		Change	
	Assets (1)	Liabilities (2)	Assets (1)	Liabilities (2)	Assets (1)	Liabilities (2)
Temporarily non-deductible expenses						
Provisions for risks and liabilities	20		23		(3)	
Other						
Operations taxed at reduced rate			2		(2)	
Temporarily non-taxable income						
Expenses deducted (or taxable income) not yet recognized for accounting purposes	166	3	105	15	61	(12)
TOTAL	186	3	130	15	56	(12)

- (1) i.e. future tax credit
(2) i.e. future tax charge

7. INVESTMENTS

Changes in investments in 2006 were as follows:

(€million)	At start of year	Change over the year	At year-end
Investments stated at equity	7 586	(138)	7 448
Investment in Nissan Motor Co. Ltd.	6 413		6 413
Other investments	13		13
Provisions on other investments	(13)		(13)
Total	13 999	(138)	13 861

The €138 million change during the year in investments stated at equity is taken to shareholders' equity (see note 11). No new investments or disposals took place in 2006.

8. ADVANCES TO SUBSIDIARIES AND AFFILIATES

Changes during the year were as follows:

(€million)	At start of year	Increased	Decreases	At year-end
Capitalisable advances	5			5
Advances to subsidiaries and affiliates	8 516	1 701	(704)	9 513
Total gross value (1)	8 521	1 701	(704)	9 518
Provisions	(5)			(5)
NET TOTAL	8 516	1 701	(704)	9 513
(1) Due within one year	8 400	1 701	(688)	9 413
Due after one year	121		(16)	105

Advances to subsidiaries and affiliates include:

- €3,257 million in short-term investments with Group finance companies as part of the Group's cash management programme (€3,452 million in 2005);
- €25 million in long-term loans to Renault s.a.s. (identical to 2005);
- €6,231 million in loans to finance the partnerships that own some of the Group's industrial assets in France, and other Group subsidiaries (€5,039 million in 2005).

9. MARKETABLE SECURITIES

Marketable securities include €832 million of short-term investment funds (€1,601 million in 2005) and €371 million for Renault SA's treasury shares (€457 million in 2005).

Renault SA invests its cash surpluses in response to the Group's aim to develop a more active cash investment policy. These short-term investment securities meet strict risk control requirements such as capital guarantees, and must present no foreign exchange or liquidity risks.

The €85 million decrease in treasury shares results from options exercised to purchase 1,857,884 shares under the Group's stock purchase option plans.

At December 31, 2006, Renault SA held 7,680,491 of its own shares (with stock market value of €699 million) compared to 9,539,964 in 2005 (with stock market value of €657 million).

As of 2004, stock options awarded are share subscription options rather than share purchase options.

10. OTHER ASSETS

The major item included in Other assets is the €28 million payment made in connection with the Calyon loan (€30 million at December 31, 2005). For the purposes of the 1%-rate housing loan financing operation introduced in 2004, Renault contracted a loan from Calyon with nominal value of €112.4 million, bearing interest at the floating rate of 6-month Euribor + 0.67%, terminating on December 31, 2019. An interest rate swap was undertaken to convert this to a fixed rate of approximately 0.13%, and Renault SA also paid a sum of €33 million corresponding to the discounted interest differential recorded over the duration of the operation. This payment is amortised over the duration of the loan (15 years) at the same rate as the interest paid on the debt.

11. SHAREHOLDERS' EQUITY

Changes in shareholders' equity were as follows:

(€million)	Balance at start of year	Allocation of 2005 net income	Distribution	2006 net income	Other	Balance at year-end
Share capital	1086					1086
Share premium	4 423					4 423
Revaluation surplus	9					9
Equity valuation surplus	3 925				(138)	3 787
Legal and tax basis reserves	108					108
Retained earnings	6 123	581	(663)			6 041
Net income	581	(581)		1941		1941
TOTAL	16 255	0	(663)	1 941	(138)	17 395

At the General Shareholders' Meeting of May 4, 2006, it was decided to allocate the net income for 2005 as follows: €663 million (€2.40 per share) to distribution of dividends, including €82 million from retained earnings.

Non-distributable reserves amounted to €3,904 million at December 31, 2006.

A total of €371 million of reserves corresponds to the treasury share accounts.

Renault SA's shareholding structure was as follows at December 31, 2006:

	Ownership structure		Voting rights	
	Number of shares held	% of capital	Number	%
French State	42 759 571	15,01%	42 759 571	18,23%
Employees	9 970 259	3,50%	9 970 259	4,25%
Treasury shares	7 681 580	2,70%		
Nissan	42 740 568	15,00%		
Other	181 785 140	63,79%	181 785 140	77,52%
TOTAL	284 937 118	100%	234 514 970	100%

The par value of a Renault SA share is €3.81.

12. REDEEMABLE SHARES

These shares, issued in October 1983 and April 1984 by Renault SA, can be redeemed with a premium on the sole initiative of Renault SA. They earn a minimum annual return of 9% comprising a fixed portion (6.75%) and a variable portion that depends on consolidated revenues and is calculated based on identical structure and methods.

In March and April 2004, Renault made a cash tender offer to buy back its redeemable shares at 450 euros per share, representing a 21% premium over market price. This operation generated a loss of €343 million.

797,659 redeemable shares remained on the market at December 31, 2006, with an average weighted cost of €158.93 each or a total of €130 million including accrued interest. These shares are listed on the Paris Bourse, and over the period December 31, 2005 to December 31, 2006 traded at between €900.50 and €940 for par value of €153.

The 2006 return on redeemable shares, amounting to €17 million (€17 million in 2005), is included in interest expenses.

13. PROVISIONS FOR RISKS AND LIABILITIES

Provisions for risks and liabilities break down as follows:

(€million)	2005	Allocations	Reversals for application	Reversals without application	2006
Provisions for tax risks and litigations	8	25			33
- Current (less than 1 year)	8	25			33
- Long-term (over 1 year)					
Other provisions for risks and liabilities	65		(9)		56
- Current (less than 1 year)	33				33
- Long-term (over 1 year)	32		(9)		23
TOTAL	73	25	(9)		89

All known litigation in which Renault SA is involved is examined at year-end. After seeking the opinion of legal and tax advisors, the provisions deemed necessary are, where appropriate, established to cover the estimated risk.

14. FINANCIAL LOANS AND BORROWINGS

A. BONDS

The principal changes in bonds over 2006 were as follows:

- redemption of the July 21, 1999 7-year bond issue totalling €500 million at the fixed rate of 5.125% (a currency swap was undertaken to convert this issue into 62.2 billion yen with a rate of 1.795%),
- redemption of the September 27, 2001 5-year bond issue totalling 50 billion yen at the fixed rate of 1.29%
- issuance on May 24, 2006 of a 7-year bond with total nominal value of €500 million, at the fixed rate of 4.375% swapped to a floating rate of 3-month Euribor +0.4744%,
- issuance on December 14, 2006 on the Japanese domestic market of a 5-year bond with total nominal value of 50 billion yen, at the fixed rate of 1.77%,
- issuance on December 15, 2006 of a 7-year, 8-month bond with total nominal value of €27.8 million, at the floating rate of 10-year CMS, swapped to the floating rate of 3-month Euribor +0.62%.

Bonds mature as follows:

(€million)	December 31, 2006						
	Total	- 1 yr	1 - 2 yrs	2 - 3 yrs	3 - 4 yrs	4 - 5 yrs	+ 5 yrs
2000	394	394					
2001							
2002	1000			1000			
2003	1075		376		658		41
2004	365	80		235		50	
2005	224				160		64
2006	847					319	528
Accrued interest	9	9					
TOTAL	3 914	483	376	1 235	818	369	633

(€million)	December 31, 2005						
	Total	- 1 yr	1 - 2 yrs	2 - 3 yrs	3 - 4 yrs	4 - 5 yrs	+ 5 yrs
1999	448	448					
2000	446		446				
2001	360	360					
2002	1000				1000		
2003	1365	172		411		741	41
2004	397		90		257		50
2005	252					180	72
Accrued interest	12	12					
TOTAL	4 280	992	536	411	1 257	921	163

Breakdown by currency

(€million)	December 31, 2006		December 31, 2005	
	before derivatives	after derivatives	before derivatives	after derivatives
Euro	2 928	1824	2 993	1294
Yen	986	2 090	1287	2 986
Other currencies				
TOTAL	3 914	3 914	4 280	4 280

Breakdown by interest rate

(€million)	December 31, 2006	December 31, 2005
	after derivatives	after derivatives
Fixed rate	2 263	3 159
Floating rate	1651	1 121
TOTAL	3 914	4 280

B. BORROWINGS FROM CREDIT INSTITUTIONS

Borrowings from credit institutions stand at €484 million at December 31, 2006 (€515 million in 2005), and are mainly contracted on the market.

Borrowings from credit institutions due after one year include short-term drawings on long-term credit lines (due after one year). They bear interest at market rates.

Breakdown by maturity

(€million)	December 31, 2006						
	Total	- 1 yr	1 - 2 yrs	2 - 3 yrs	3 - 4 yrs	4 - 5 yrs	+ 5 yrs
2001	282	150	132				
2002	4	4					
2003							
2004	192	10	8	105	6	8	55
2005							
2006							
Accrued interest	6	6					
TOTAL	484	170	140	105	6	8	55

(€million)	December 31, 2005						
	Total	- 1 yr	1 - 2 yrs	2 - 3 yrs	3 - 4 yrs	4 - 5 yrs	+ 5 yrs
2001	300		150	150			
2002	8	4	4				
2003							
2004	201	9	10	8	105	6	63
2005	2	2					
Accrued interest	4	4					
TOTAL	515	19	164	158	105	6	63

Breakdown by currency

(€million)	December 31, 2006		December 31, 2005	
	before derivatives	after derivatives	before derivatives	after derivatives
Euro	436	352	467	361
Yen		132		154
Other currencies	48		48	
TOTAL	484	484	515	515

Breakdown by interest rate

(€million)	December 31, 2006	December 31, 2005
	after derivatives	after derivatives
Fixed rate	383	414
Floating rate	101	101
TOTAL	484	515

C. OTHER LOANS AND FINANCIAL DEBTS

Other loans and debts mature as follows:

(€million)	2006	2005
Within one year	2 235	2 863
After one year		200
TOTAL	2 235	3 063

The portion of Other loans and financial debts due within one year (€2,235 million) is principally made up of borrowings from group subsidiaries with surplus cash, as follows:

- €814 million of borrowings from Renault Espana SA
- €369 million of borrowings from SI Epone
- €106 million of borrowings from Renault Nissan Deutschland AG
- €86 million of borrowings from Dacia
- €74 million of borrowings from Renault Nederland
- €71 million of borrowings from SICOFRAM
- €49 million of borrowings from Renault Italia SPA
- €41 million of borrowings from SIRHA
- €33 million of borrowings from Renault Osterreich
- €29 million of borrowings from Renault Nissan Switzerland
- €22 million of borrowings from SIAM
- €21 million of borrowings from Renault Belgique Luxembourg

It also includes €414 million in treasury bills from various banks with maturities of under one year.

No loans or financial debts are secured.

The total includes approximately €7 million of accrued interest receivable following implementation on February 21, 2006 of the 45 billion yen cross-currency swap with no underlying.

15. OTHER LIABILITIES

Changes in other liabilities were as follows:

(€million)	2006	2005	Variation 2006 / 2005
Tax liabilities	18	76	(58)
Other		4	(4)
TOTAL	18	80	(62)

The €62 million reduction in other liabilities results from a €82 million decrease in income tax and a €24 million liability for taxes payable to subsidiaries under the French domestic tax consolidation system.

16. DEFERRED INCOME

Deferred income mainly comprises unrealised foreign exchange gains on bond issues in yen or swapped to yen, totalling €379 million. Renault SA issues bonds in yen or swapped to yen as part of the hedge of the net assets of Nissan.

17. INFORMATION CONCERNING RELATED COMPANIES

"Related companies" are all entities fully consolidated in the Group's consolidated financial statements.

Income statement

(€million)	2006		2005	
	Total	Related companies	Total	Related companies
Interest on loans and advances to subsidiaries and affiliates	257	254	197	196
Increases to provisions related to subsidiaries and affiliates			(1)	
Interest and equivalent expenses	(206)	(4)	(203)	
Reversals of provisions and transfers of charges	6		8	

Balance sheet

(€million)	2006		2005	
	Total	Related companies	Total	Related companies
Advances to subsidiaries and affiliates	9 513	9 434	8 516	8 275
Loans	7		5	1
Receivables	3		60	21
Cash and cash equivalents	30	13	12	10
Loans and financial debts	2 235	1 784	3 063	2 902
Other liabilities	18		80	

18. FINANCIAL INSTRUMENTS

A - MANAGEMENT OF EXCHANGE AND INTEREST RATE RISK

The corresponding commitments, expressed in terms of notional amount where appropriate, are shown below:

At December 31 (€million)	2006	2005
<u>Foreign exchange risks</u>		
Currency swaps		
Purchases	1569	1890
with Renault Finance	931	719
Sales	1868	2 047
with Renault Finance	1 118	797
Other forward exchange contracts and options		
Purchases	2 626	352
with Renault Finance	2 626	352
Sales	2 587	352
with Renault Finance	2 587	352
<u>Interest rate risks</u>		
Interest rate swaps	2 132	1644
with Renault Finance	1836	1337

Transactions undertaken to manage exchange rate exposure principally comprise currency swaps and forward sales of yen, with total nominal value of €4,970 million (780 billion yen) at December 31, 2006. These operations form a partial hedge of Renault's investment in Nissan's net assets in yen. Renault SA also carries out forward sales to hedge loans to subsidiaries denominated in foreign currencies.

Renault SA carries most of the Group's indebtedness. Its interest rate risk management policy applies two basic principles: long-term investments use fixed-rate financing, and investments for cash reserves use variable-rate financing. The financing in yen undertaken as part of the hedge of Nissan equity is fixed-rate, over terms varying from 1 month to 7 years.

Renault SA uses derivatives to implement the above interest rate and exchange risk management policies. Most of its operations on the forward markets are with Renault Finance, a wholly-owned Group subsidiary.

B - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts on the balance sheet and the estimated fair values of Renault SA's financial instruments are as follows:

At December 31 (€million)	2006		2005	
	Balance sheet value	Fair value	Balance sheet value	Fair value
ASSETS				
Marketable securities (1)	1203	1559	2 058	2 270
Loans and advances to subsidiaries and affiliates	9 515	9 522	8 516	8 516
Cash and cash equivalents	30	30	12	12
LIABILITIES				
Redeemable shares	130	750	129	718
Bonds	3 914	4 252	4 280	4 647
Other interest-bearing borrowings (2)	2 719	2 757	3 578	3 600
<i>(1) including treasury shares</i>				
<i>(2) excluding redeemable shares</i>				

C - ESTIMATED FAIR VALUE OF OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

At December 31 (€million)	2006		2005	
	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts <i>with Renault Finance</i>	2 625 2 625	2 589 2 589	333 333	333 333
Currency swaps <i>with Renault Finance</i>	1925 1094	1590 896	2 178 846	1947 753
Interest rate swaps <i>with Renault Finance</i>	27 27	8 1	78 53	15 3

Assumptions and methods adopted:

Estimated fair values are based on information available on the markets and arrived at using valuation methods appropriate to the types of instrument in question. However, the methods and assumptions used are by nature theoretical, and judgment plays a major role in interpreting market data. Adopting different assumptions and/or pricing methods could therefore have a significant impact on the values estimated.

Fair values have been determined on the basis of information available at the end of the year and do not therefore take account of subsequent movements.

In general, when the financial instrument is listed on an active and liquid market, the last listed price is used to calculate the market value. For unlisted instruments, market value is determined based on recognised valuation models that refer to observable market parameters. If Renault has no valuation tools, particularly for complex products, valuation is carried out by quality financial institutions.

The main assumptions and valuation methods are as follows:

- **Financial assets:**

Marketable securities: the fair value of securities is determined mainly by reference to market prices.

Loans and advances to subsidiaries and affiliates: for loans with an original maturity of less than three months, floating-rate loans and advances to subsidiaries and affiliates, the value recorded on the balance sheet is considered to be the fair value. Other fixed-rate loans have been measured by discounting future cash flows using the rates offered to Renault at December 31, 2006, and December 31, 2005 for loans with similar conditions and maturities.

- **Liabilities:** the fair value of financial liabilities is determined by discounting future cash flows at the rates offered to Renault at December 31, 2006 and December 31, 2005 for borrowings with similar conditions and maturities. The fair value of redeemable shares is based on their year-end stock market value.

- **Off-balance sheet foreign exchange instruments:** the fair value of forward contracts is estimated on the basis of prevailing market conditions. The fair value of currency swaps is determined by discounting cash flows using exchange rates and interest rates prevailing at December 31, 2006 and December 31, 2005 for the contracts' residual lives.

- **Off-balance sheet interest rate instruments:** the fair value of interest rate swaps represents the amount Renault would receive (or pay) if it settled outstanding contracts at the end of the year. Unrealised capital gains or losses, determined on the basis of prevailing interest rates and the quality of the counterparty to each contract, are taken into account at December 31, 2006 and December 31, 2005.

19. OTHER COMMITMENTS AND CONTINGENCIES

Off-balance-sheet commitments are as follows:

(€million)	2006		2005	
	Total	Concerning related companies	Total	Concerning related companies
Commitments received				
Guarantees and deposits	1	1	1	1
Unused credit lines	4 665	142	4 625	112
TOTAL	4 666	143	4 626	113
Commitments given				
Guarantees and deposits	453	450	453	450
Unused credit lines	165	165	169	152
TOTAL	618	615	622	602
Financial commitments				
Forward currency sales	2 587	2 587	352	352
Forward currency purchases	2 626	2 626	352	352
Currency swaps: loan	1868	118	2 047	797
Currency swaps: borrowing	1569	931	1890	719
Interest rate swaps	2 132	1836	1644	1337

As part of the management of RCI Banque's large exposure limits, Renault SA has provided COGERA (a fully-owned RCI Banque subsidiary) with a €450 million credit line since December 2004. For purposes of compliance with French Banking Commission regulations, Renault SA will only be reimbursed by COGERA to the extent of the amounts COGERA recovers in repayment of its financing for REAGROUP's inventories. Furthermore, to guarantee payment by REAGROUP to COGERA of

the receivables resulting from this financing arrangement, Renault SA's receivable related to the credit line is pledged in favour of Cogera. The value of the pledge at December 31, 2006 was €450 million.

The forward sales and swaps undertaken by Renault SA are described above (note 18.A – Management of exchange and interest rate risk).

20. CASH FLOW

Cash flow is determined as follows:

(€million)	2006	2005
Net income	1941	581
Increases to provisions and deferred charges	5	6
Net increase to long-term provisions for risks and liabilities (> 1 year)	(9)	(144)
Transfer of financial charges (payment on EM TN N°21)	(4)	
Gain on disposal of Nissan Diesel shares		(106)
TOTAL	1933	337

21. WORKFORCE

Renault SA has no employees.

22. REMUNERATION OF DIRECTORS AND EXECUTIVE MANAGERS

Total remuneration to members of the Board of Directors was less than €1 million.

23. SUBSEQUENT EVENTS

No significant event has occurred subsequent to the year-end.

OTHER INFORMATION – SUBSIDIARIES AND AFFILIATES

(€ million)

Companies	Share capital	Reserves and retained earnings (2)	% of capital held	Book value of shares owned
INVESTMENTS				
Renault s.a.s.	534	3 053	100,00	6 738
Dacia	947	(395)	99,31	685
Nissan Motor Co Ltd (1)	3 860	17 994	44,33	
Sofasa	1	81	23,71	25
TOTAL INVESTMENTS				7 448

(1) based on the financial proforma statements published by Nissan Motor Co Ltd at decembre 31, 2006.
(exchange rate: 156.93 yen = 1 euro)

(2) before allocation of net income

OTHER INFORMATION – SUBSIDIARIES AND AFFILIATES

(€ million)

Companies	Outstanding loans and advances from Renault SA	Sales revenues, prior year	Net income (loss), prior year	Dividends received by Renault SA in 2006
INVESTMENTS				
Renault s.a.s.	1329	32 905	(629)	973
Dacia		1665	106	
Nissan Motor Co Ltd		65 102	3 634	431
Sofasa		611	23	

ACQUISITION OF INVESTMENTS IN OTHER COMPANIES

No investments were acquired during 2006.