



2007 Financial Results

**Press Conference
February 14, 2008**

Speech by Carlos Ghosn, Renault President and CEO

Good afternoon Ladies and Gentlemen,

Thank you for joining us here today for the presentation of Renault's 2007 annual results. I would also like to greet all the men and women of Renault who are viewing this conference live.

Like the rest of the auto industry, we faced many challenges this year with rising energy and raw material costs, volatile exchange-rates that were unfavorable to us and sluggish trends in our main European markets.

I will start with the presentation of our results for 2007. I will then report on the progress made on our business plan, Renault Commitment 2009 and highlight some of our projects for the longer term, as well as share the outlook for 2008.

1. 2007 RESULTS

1.1. Commercial results

Let's start with the Group's commercial results for 2007.

Global sales increased 2.1% to 2,484,000 units. This slight growth results from a combination of a strong increase outside of Europe and a decrease in Europe.

In Europe, sales fell 4.1%.

Outside of Europe, sales grew 16.3%. The Euromed Region turned in a record year, crossing the threshold of 400,000 vehicles sold. 2007 was also a good year for the Group in the Americas, where sales rose 32.2%, outpacing market growth of 17.9%. Sales outside of Europe now account for 35% of Group sales.

1.2. Financial results

Now, let's turn to our financial results.

Consolidated net revenues came to 40 billion 682 million euros in 2007, up 1.8% on 2006.

The operating margin totaled 1 billion 354 million euros, representing 3.3% of revenues and an increase of 27.4% on the previous year.

In analyzing the increase in operating margin for this year compared to 2006, there are several factors to consider:



- Exchange rates had a negative impact of 154 million euros.
- Volume growth added 210 million euros.

- The combination of mix, price and enrichment led to a 241-million-euro decrease.
- Improved cost competitiveness in our plants contributed 137 million euros.
- Purchasing cost reductions generated savings of 390 million despite a 270-million-euro surcharge caused by the hike in raw material costs.
- Expenses for warranty costs increased 152 million euros. Although the warranty costs on new models have declined significantly, we booked additional provisions for the oldest models in the range.
- R&D expenses declined 134 million euros.
- G&A expenses declined 44 million euros.
- The contribution from RCI Banque declined by 20 million euros.

Profits from associated companies contributed 1 billion 675 million euros to the Group's net income, down 26.4%. Nissan contributed 1 billion 288 million euros, with one-third of its decline coming from a weaker yen. Volvo contributed 352 million euros.

Overall, consolidated net income came to 2 billion 734 million euros, compared with 2 billion 960 million in 2006.

Net automotive debt amounted to 2 billion 88 million euros. Renault's balance sheet remains strong with a debt-to-equity ratio of 9.5%, two points lower than last year.

In short, our results improved in 2007 despite a marginal contribution from commercial sales and adverse exchange rates, mainly thanks to cost reductions and better operational management.

2. PROGRESS REPORT ON RENAULT COMMITMENT 2009

We are now midway through Renault Commitment 2009, the plan we launched two years ago. At this stage, let's look at where we stand on our three commitments.

2.1. Quality

Quality, the first of our commitments, was the focus of concerted efforts throughout the company. The quality of our products and services has improved significantly, reaching the highest levels ever attained by Renault. This is borne out by all our indicators:

- The number of defects at the end of the assembly line has been divided by six in the past two years.
- The number of incidents reported during the first three months on the road was reduced by half from 2005 to 2007.
- Some of our vehicles already rank among the top 3 of their segment. For example, the German Automobile Club has ranked Scénic, Modus and Clio 3 among the best three cars of their category. In India, Logan has also been recognized as the best in its category by two independent organizations.



- All indicators show that New Laguna is on track to be acknowledged as one of the top three in its segment in terms of quality.
- The quality of service has improved considerably as well. The share of customers worldwide who say they are “fully satisfied” with sales and after-sales services rose from 72.1% in January 2006 to 78.4% at the end of 2007. This increase represents 700,000 more customers who are fully satisfied.

All processes are now in place to ensure that this progress spreads to the entire line-up, all over the world, to make quality one of Renault’s durable assets. This factor is highly motivating for the Company.

2.2. Profitability

Profitability is the second of our commitments. Despite a challenging environment for the entire automotive industry, we achieved the operating margin milestones we had set for 2006 and 2007. Our operating margin of 3.3% in 2007 exceeds the 3% we had forecast.

The improvement in profitability is due chiefly to the efforts made by all business functions in the past two years to improve productivity and cut costs.

In 2006 and 2007:

- Purchasing costs were reduced by 9.1%, excluding the impact of raw material prices.
- Productivity gains in the plants helped cut manufacturing costs by 5.4%.
- Logistics costs fell by 7.3%.
- General and administrative expenses have declined 5% despite the development of our international operations.
- Distribution costs rose by 3.1%. They are expected to decline in the next two years of the plan as the product range is renewed.
- Investment costs have been reduced by 35%, enabling us to execute this period of intensive development without a significant increase in our investments.

We will pursue this policy with the same focus in 2008 and 2009.

Let me also point out that for the first time, all regions have reported a positive operating margin. The Regional Management Committees we set up to reinforce our international management have increased the number of profit centers and reduced the Group’s dependence on the European market. To give just one example, remember that in 2006 I said that we had been investing in Brazil for 10 years without ever making a profit and with only mediocre sales volumes. Today, volumes in this market have increased by 55% and the operating margin is positive. There is still plenty of room for improvement, but we are back on a sound footing.

2.3 Growth

Growth is our third commitment. As announced, in the first part of our business plan we laid the groundwork for strong and sustainable growth. We overhauled our product range, developed new technologies and expanded our geographical footprint.

Never before has Renault developed so many new products, at such high quality levels and during such a short period as in the past two years.



As you can see on this graph, the number of new vehicles being developed doubled between 2005 and 2007.

The resulting rapid pace of product launches will fuel growth thanks to a rejuvenated product range, extending into new segments and much better tailored to the requirements of our customers, be they French, German, Brazilian, Indian, Russian or Korean.

Alongside these products, we also developed new technologies designed to reconcile performance, safety and preservation of the environment.

We have added new engines to our powertrain range, which have become benchmarks in their segments in terms of fuel efficiency, like the 2.0-liter dCi, the 1.2-liter 100hp turbo or the dCi 110hp, which enables New Laguna to emit just 130 grams of carbon dioxide per kilometer. Thanks to the optimization of existing engines, 48% of Renault vehicles sold in Europe in 2007 emit less than 140 grams of carbon dioxide per kilometer.

Lastly, we have retained our leadership in the field of safety with nine cars that have been awarded the maximum 5-star rating in the Euro-NCAP tests.

The first half of the plan also saw us expand our operations in high-growth markets. We extended our production capacities in Colombia, Russia, Turkey and Romania and launched into new markets in India and Iran. Between the end of 2005 and the end of 2007, our production capacity, including that installed at our partners, increased by 600,000 vehicles a year.

Thanks to two years of dedicated efforts by all our people, Renault is well-equipped to meet the challenges of Renault Commitment 2009. There has been a breakthrough in quality, our cost structure is sound and we have laid the foundations for future growth.

3. LOOKING BEYOND RENAULT COMMITMENT 2009

During these two years, we focused on meeting the three objectives of Renault Commitment 2009, but our ambitions extend beyond 2009. Our aim is not to achieve a peak in 2009, but to durably position Renault on the path of strong and profitable growth.

2006 and 2007 were years in which we invested in the success, not just of this plan, but also of all those that will follow. We initiated some high potential projects with our eyes on the longer-term horizon.

3.1. Positioning Renault in growth markets

Given that the long-term outlook for mature markets is at best flat, the future growth of the auto industry depends largely on positioning in high-growth markets.

That is why we have decided to build two new Alliance plants to expand our international production capacity. The first is in Chennai, India and the second in the port of Tangiers in Morocco. Our ambition is to make these two plants, which will each have an annual production capacity of 400,000 vehicles, the most competitive in our production system.



We have also been chosen, out of many candidates, to be the exclusive partner of AvtoVAZ – the leading Russian car manufacturer with production capacity currently estimated at over one million vehicles. This partnership, to be signed very soon, is an

exceptional opportunity for Renault. By reviving the Lada brand, the Alliance would become the clear leader in the Russian market, soon to be the largest in Europe. The Russian auto market has doubled over the past five years at a time while mature markets have contracted. And the pace of growth is accelerating given the constant rise in purchasing power and the current rate of car ownership of only 150 vehicles per inhabitant in Russia, compared with 587 in France.

3.2. Positioning in high potential market niches

We are also preparing for the future with two other projects designed to extend the limits of mobility and thus of our industry.

To ensure “zero emission” mobility, it is not enough to simply reduce the harmful environmental impact of cars, we must eliminate this impact completely. We are currently developing vehicles capable of running on renewable energy without any impact at all on the environment. Within three years, we will be able to mass market electrical vehicles with zero carbon dioxide, zero particle and zero noise emissions without sacrificing performance, autonomy or driving pleasure. You will see the first practical example on the Israeli market in 2011.

Alongside “zero emission” mobility, we are developing mobility for all. This is the aim of the 2,500-dollar vehicle we want to develop together with Nissan and the Indian manufacturer Bajaj. Designed for emerging markets, this car is made primarily for people who have not yet had access to individual transportation.

Most of these projects are joint projects within the Alliance. They demonstrate that we have moved from a phase of reactive synergies, such as exchanging best practices, pooling existing technologies and processes, to one of proactive synergies. Renault and Nissan are now building projects together from scratch.

4. OUTLOOK FOR 2008

After this overview of the future, let's return to the outlook for 2008.

We confirm our milestone of a 4.5% operating margin in 2008 and the planned dividend growth. This is another step towards our commitment of a 6% operating margin in 2009.

For Renault, 2007 was the year of quality. 2008 will be the year of growth. We expect to increase our sales volumes by over 10%. This rate is unprecedented in the history of Renault. However, this is our annual forecast for worldwide operations, and we expect to see growth fluctuate according to the month and the market.

It will not be an easy year given the risks facing our industry. We see two major risks in 2008:

- a challenging macro-economic environment, which will affect markets, in particular in Europe, and
- exchange-rate volatility, which may have a negative impact on our earnings, as it did in 2007.



We are fully aware of these risks. But the overriding principle of our business plan is to ensure that, when faced with risks that are beyond our control, we react by developing new opportunities, and there are many such opportunities.

The first is our product offensive.

In 2008, we will reap the full-year benefits of the vehicles rolled out in 2007: Logan Van, New Twingo, New Laguna sedan and estate, QM5 and Sandero. Sandero has come off to a very good start in South America. In Brazil, orders taken in January already cover 25% of our annual sales target.

Our product offensive initiated in 2007 will intensify this year with 9 vehicles launched for the first time in the world.

Four of these are renewals that will help rejuvenate the range:

- Kangoo PC and Kangoo LCV, which sold over 2 million units in the first generation,
- Mégane hatch, the core of our range,
- And a product designed for international markets: a sedan that will be the successor to Clio Symbol.

We will also launch five entirely new products that will position us in high-growth segments:

- We began with Grand Modus and Clio Grand Tour in the B segment. Both models were well received by the market.
- We will continue with a new model derived from the Logan platform: Logan pick-up,
- And with an LCV specifically designed for urban utilization: New Kangoo Express Compact.
- And finally, a high-profile product, Laguna coupe, which will be equipped with the new V6 dCi engine and inaugurate our 4-wheel active drive chassis.

Let's detail the product launches by region, including certain products rolled out in 2007 that will arrive on new markets in 2008.

There will be 13 product events in France. These include 7 launches of 2008 vehicles, but also the continued market roll-out of Laguna estate, Koleos and Sandero. We will also introduce 3 facelifts for existing vehicles (Modus phase II and the sports versions of Twingo and Laguna).

There will be 14 launches in the Europe region, 12 in the Euromed region, 6 in the Americas and 11 in Asia-Africa.

The Logan program is another opportunity.

Today, Renault is the only carmaker offering a range of vehicles that are reliable and economical for customers and profitable for the company. We initially expected the Logan program to generate an operating margin of 6% in 2009. In Europe, the profitability of Logan and Logan MCV sales is already over 6%.

The third opportunity: our presence in high-growth markets and segments.



We expect the European market to remain flat in 2008, with a slowdown in western markets and growth in eastern markets. Growth on emerging auto markets should be slightly lower than in 2007, but still strong with over 10% growth in Brazil, Russia and India.

This graph also shows that by extending our product line-up we are moving into fast-growing segments, such as A, B, C segments as well as LCVs and even SUVs.

The tax incentives granted to low-emission vehicles represent an opportunity for Renault. We are already among the most efficient carmakers in terms of CO₂ emissions and our product line-up is being enhanced with new, low-emission vehicles. Today, all diesel versions of Twingo, Clio and Clio Estate, Modus and Grand Modus, Mégane sedan and Logan emit less than 120 grams of CO₂ per kilometer. We also offer versions of Laguna, Logan MCV and New Kangoo that lie below the 140-gram threshold.

Finally, I know that we can count on the motivation of the men and women of Renault, who have joined forces to implement Renault Commitment 2009. Today, I would like to thank them for their efforts, their commitment and their determination to make our business plan a success.

Thank you for your attention. I will now answer your questions.

* * * * *