RENAULT

CONSOLIDATED FINANCIAL STATEMENTS 2004

4.1.2 CONSOLIDATED FINANCIAL STATEMENTS

4.1.2.1 Consolidated income statements

€ million	2004	2003	2002
Sales of goods and services	38,772	35,658	34,586
Sales financing revenues (note 4)	1,943	1,867	1,750
Revenues (note 3)	**40,715**	**37,525**	**36,336**
Cost of goods and services sold	(31,162)	(29,273)	(28,178)
Cost of sales financing (note 4)	(1,171)	(1,155)	(1,169)
Research and development expenses	(1,383)	(1,243)	(1,143)
Selling, general and administrative expenses	(4,581)	(4,452)	(4,363)
Operating margin (note 1-J)	**2,418**	**1,402**	**1,483**
Other operating income and expenses (note 7)	(270)	(168)	(266)
Operating income	**2,148**	**1,234**	**1,217**
Net interest income (expense) (note 8)	(22)	(129)	(179)
Repurchase of redeemable shares (note 8)	(343)	-	-
Other financial income and expenses, net (note 8)	17	58	88
Financial expense	**(348)**	**(71)**	**(91)**
Share in net income (loss) of companies accounted for by the equity method	**2,452**	1,860	1,331
Nissan – 12 months (1) (note 12)	*1,767*	*1,705*	*1,335*
Nissan – additional quarter (1) (note 12)	*432*	*-*	*-*
Other companies accounted for by the equity method (note 13)	*253*	*155*	*(4)*
Group pre-tax income	**4,252**	**3,023**	**2,457**
Current and deferred taxes (note 9)	(634)	(510)	(447)
Group net income	**3,618**	**2,513**	**2,010**
Minority interests	(67)	(33)	(54)
Renault net income	**3,551**	**2,480**	**1,956**
Number of shares outstanding (in thousands) (note 10)	265,960	265,960	259,560
Earnings per share in € (2) (note 10)	13.35	9.32	7,53
Earnings per share – excluding Nissan additional quarter, in €	11.73	-	-

(1) As Nissan now establishes quarterly financial statements, the three-month difference between Nissan and Renault financial years has been absorbed in the 2004 consolidation. The additional quarter covers the period October 1 – December 31, 2003.

(2) In accordance with French accounting regulations, treasury shares held for the purposes of stock option plans awarded to Group managers and executives are considered to be in circulation. The diluted earnings per share is therefore identical to the basic earnings per share.

Key figures before capitalization of development expenses (note 11-A):

€ million	2004	2003	2002
Operating margin	1,877	937	896
Renault net income	2,926	1,982	1,359

4.1.2.2 Consolidated balance sheets at December 31

€ million	2004	2003	2002
ASSETS			
Intangible assets (note 11)	1,969	1,394	905
Property, plant and equipment (note 11)	10,595	10,392	10,262
Investments in companies accounted for by the equity method:	9,992	8,933	7,966
Nissan (note 12)	*8,259*	*7,219*	*6,348*
Other companies (note 13)	*1,733*	*1,714*	*1,618*
Other investments and financial assets (note 14)	425	396	418
Deferred tax assets (note 9)	451	1,328	1,378
Inventories (note 16)	5,142	4,872	4,780
Sales financing receivables (note 15)	20,633	19,614	17,872
Automobile receivables (note 17)	1,878	2,096	2,067
Other receivables and prepaid expenses (note 18)	2,067	2,136	2,043
Loans and marketable securities (note 19)	2,269	2,854	2,183
Cash and cash equivalents (note 19)	5,521	4,276	3,354
Total assets	**60,942**	**58,291**	**53,228**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	1,086	1,086	1,086
Share premium	3,453	3,453	3,453
Retained earnings	9,761	7,638	6,026
Translation adjustments	(1,791)	(1,066)	(693)
Net income	3,551	2,480	1,956
Shareholders' equity (note 20)	**16,060**	**13,591**	**11,828**
Minority interests	384	395	377
Deferred tax liabilities (note 9)	220	885	730
Provision for post-employment benefits (note 21)	816	861	772
Other provisions for risks and liabilities (note 22)	2,247	2,255	2,317
Interest-bearing borrowings (note 23)	27,590	27,182	24,485
Automobile division	*7,220*	*7,069*	*6,749*
Sales financing division	*20,370*	*20,113*	*17,736*
Trade payables	7,234	7,197	6,933
Other liabilities and deferred income (note 24)	6,391	5,925	5,786
Total shareholders' equity and liabilities	**60,942**	**58,291**	**53,228**

4.1.2.3 Changes in consolidated shareholders' equity

€ million	Number of shares (thousands)	Share capital	Share premium	Translation adjustment	Reserves and retained earnings	Total
Balance at December 31, 2001 before allocation	**242,196**	**923**	**2,420**	**50**	**6,658**	**10,051**
Capital increase [(1)]	42,741	163	1,033	-	-	1,196
Dividends	-	-	-	-	(234)	(234)
Change in translation adjustment	-	-	-	(693)	-	(693)
2002 net income	-	-	-	-	1,956	1,956
Other changes [(2)]	-	-	-	-	(448)	(448)
Balance at December 31, 2002 before allocation	**284,937**	**1,086**	**3,453**	**(643)**	**7,932**	**11,828**
Dividends	-	-	-	-	(294)	(294)
Change in translation adjustment	-	-	-	(423)	-	(423)
2003 net income	-	-	-	-	2,480	2,480
Balance at December 31, 2003 before allocation	**284,937**	**1,086**	**3,453**	**(1,066)**	**10,118**	**13,591**
Dividends	-	-	-	-	(357)	(357)
Change in translation adjustment	-	-	-	(725)	-	(725)
2004 net income	-	-	-	-	3,551	3,551
Balance at December 31, 2004 before allocation	**284,937**	**1,086**	**3,453**	**(1,791)**	**13,312**	**16,060**

(1) After neutralization related to Renault's 44.4% investment in Nissan (notes 2.3-A and 12).

(2) Impact related to Renault's increased investment in Nissan following the Nissan capital increase reserved for Renault (notes 2.3-A and 12).

Details of changes in consolidated shareholders' equity in 2004 are given in note 20.

4.1.2.4 Consolidated statements of cash flows

€ million	2004	2003	2002
Renault net income	3,551	2,480	1,956
Depreciation and amortization (note 11-C)	2,266	2,223	2,066
Net allocations to long-term provisions	224	321	409
Net effects of sales financing credit losses	155	182	213
(Gains)/losses on asset disposals	(117)	(228)	(212)
Share in net income of companies accounted for by the equity method (net of dividends received) (1)	(1,899)	(1,516)	(1,072)
Repurchase of redeemable shares (2)	343	-	-
Deferred taxes	168	53	159
Minority interests	67	33	54
Other	50	12	5
Cash flow	**4,808**	**3,560**	**3,578**
Financing for final customers	(12,270)	(11,921)	(11,208)
Customer repayments	11,103	10,257	10,114
Net change in renewable dealer financing	(35)	(339)	(282)
Increase in sales financing receivables	**(1,202)**	**(2,003)**	**(1,376)**
Bond issuance (note 23-A)	1,100	1,550	1,266
Bond redemption (note 23-A)	(1,050)	(1,123)	(1,095)
Net change in other interest-bearing borrowings	667	1,516	1,592
Net (increase) decrease in loans and marketable securities	227	(33)	(61)
Net change in interest-bearing borrowings for the sales financing division	**944**	**1,910**	**1,702**
Decrease (increase) in inventories	(116)	(189)	(300)
Decrease (increase) in trade receivables for the automobile division	161	(114)	263
Decrease (increase) in other receivables and prepaid expenses	59	(157)	(290)
Increase (decrease) in trade and other payables	53	366	(71)
Increase in other liabilities and deferred income	250	170	565
Decrease (increase) in working capital	**407**	**76**	**167**
CASH FLOWS FROM OPERATING ACTIVITIES	**4,957**	**3,543**	**4,071**
Nissan capital increase reserved for Renault	-	-	(1,875)
Other acquisitions, net of cash acquired	(127)	(73)	(98)
Purchase of property, plant and equipment and intangibles	(3,483)	(3,234)	(3,390)
Disposal of investments, net of cash transferred	10	93	209
Proceeds from disposal of property, plant and equipment and intangibles	469	534	276
Net (increase) decrease in other financial assets	24	(29)	154
CASH FLOWS FROM INVESTING ACTIVITIES	**(3,107)**	**(2,709)**	**(4,724)**
Bond issuance (automobile division) (note 23-A)	407	1,427	1,008
Bond redemption (automobile division) (note 23-A)	(290)	(229)	(228)
Net increase (decrease) in other interest-bearing borrowings of the automobile division (2)	(982)	9	(764)
Net (increase) decrease in loans and marketable securities	404	(756)	41
Renault SA capital increase reserved for Nissan	-	-	2,158
Other proceeds from shareholders	18	1	61
Dividends paid to parent company shareholders	(383)	(316)	(250)
Dividends paid to minority interests	(35)	(21)	(35)
CASH FLOWS FROM FINANCING ACTIVITIES	**(861)**	**115**	**1,991**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**989**	**949**	**1,338**
Cash and cash equivalents: opening balance	**4,276**	**3,354**	**2,135**
Increase	989	949	1,338
Effect of changes in scope of consolidation and exchange rate	256	(27)	(119)
Cash and cash equivalents: closing balance	**5,521**	**4,276**	**3,354**

(1) Dividends received from companies accounted for by the equity method totalled €553 million in 2004 (€344 million in 2003 and €260 million in 2002).

(2) The repurchase of redeemable shares that took place in 2004 resulted in a net €(545) million change in the automobile division's interest-bearing borrowings. The total repurchase value of the shares comprised:
- €202 million corresponding to the shares' par value (including accrued interest),
- a price supplement of €343 million, included in the year's expenses.
This operation increased the Group's net indebtedness by the amount of the price supplement, i.e. €343 million (note 8).

4.1.2.5 Information by division

A. INCOME STATEMENT ITEMS BY DIVISION

€ million	Automobile	Sales financing	Interdivision transactions[1]	**Consolidated total**
2004				
External sales (note 4)	38,645	2,070	-	**40,715**
Interdivision sales [1]	549	249	(798)	**-**
Revenues	**39,194**	**2,319**	**(798)**	**40,715**
Operating margin	**1,965**	**444**	**9**	**2,418**
Operating income	1,710	429	9	**2,148**
Financial expense on repurchase of redeemable shares	(343)	-	-	**(343)**
Financial income (expense) other than repurchase of redeemable shares	93	3	(101)	**(5)**
Share in net income of companies accounted for by the equity method [2]	2,452	-	-	**2,452**
Current and deferred taxes	(460)	(171)	(3)	**(634)**
Group net income	**3,452**	**261**	**(95)**	**3,618**
2003				
External sales (note 4)	35,535	1,990	-	**37,525**
Interdivision sales [1]	420	177	(597)	**-**
Revenues	**35,955**	**2,167**	**(597)**	**37,525**
Operating margin	**1,035**	**367**	**-**	**1,402**
Operating income	858	376	-	**1,234**
Financial income (expense)	42	3	(116)	**(71)**
Share in net income of companies accounted for by the equity method	1,860	-	-	**1,860**
Current and deferred taxes	(392)	(118)	-	**(510)**
Group net income	**2,368**	**261**	**(116)**	**2,513**
2002				
External sales (note 4)	34,456	1,880	-	**36,336**
Interdivision sales [1]	344	200	(544)	**-**
Revenues	**34,800**	**2,080**	**(544)**	**36,336**
Operating margin	**1,187**	**293**	**3**	**1,483**
Operating income	928	286	3	**1,217**
Financial income (expense)	26	4	(121)	**(91)**
Share in net income of companies accounted for by the equity method	1,331	-	-	**1,331**
Current and deferred taxes	(343)	(104)	-	**(447)**
Group net income	**1,942**	**186**	**(118)**	**2,010**

(1) Interdivision transactions are carried out under near-market conditions.
(2) The share in net income of companies accounted for by the equity method for 2004 includes Nissan's net income for a 15-month period (note 12).

B. BALANCE SHEET ITEMS BY DIVISION

€ million	Automobile	Sales financing	Interdivision transactions[1]	**Consolidated total**
December 31, 2004				
Property, plant and equipment and intangibles	11,991	760	(187)	**12,564**
Investments accounted for by the equity method	9,992	-	-	**9,992**
Other investments and financial assets	2,140	14	(1,729)	**425**
Deferred tax assets	292	97	62	**451**
Inventories	5,130	12	-	**5,142**
Customer receivables	1,988	20,966	(443)	**22,511**
Other receivables and prepaid expenses	1,476	706	(115)	**2,067**
Loans and marketable securities	2,762	526	(1,019)	**2,269**
Cash and cash equivalents	4,451	1,074	(4)	**5,521**
Total assets	**40,222**	**24,155**	**(3,435)**	**60,942**
Shareholders' equity	16,096	1,713	(1,749)	**16,060**
Minority interests	380	4	-	**384**
Deferred tax liabilities and provisions for risks and liabilities	3,015	223	45	**3,283**
Interest-bearing borrowings	7,754	21,354	(1,518)	**27,590**
Trade payables	7,307	-	(73)	**7,234**
Other liabilities and deferred income	5,670	861	(140)	**6,391**
Total shareholders' equity and liabilities	**40,222**	**24,155**	**(3,435)**	**60,942**
Net financial indebtedness [2] (note 25)	**541**			
December 31, 2003				
Property, plant and equipment and intangibles	11,339	625	(178)	**11,786**
Investments accounted for by the equity method	8,933	-	-	**8,933**
Other investments and financial assets	1,957	11	(1,572)	**396**
Deferred tax assets	1,044	226	58	**1,328**
Inventories	4,867	5	-	**4,872**
Customer receivables	2,222	20,006	(518)	**21,710**
Other receivables and prepaid expenses	1,529	683	(76)	**2,136**
Loans and marketable securities	2,670	771	(587)	**2,854**
Cash and cash equivalents	3,215	1,065	(4)	**4,276**
Total assets	**37,776**	**23,392**	**(2,877)**	**58,291**
Shareholders' equity	13,643	1,555	(1,607)	**13,591**
Minority interests	391	4	-	**395**
Deferred tax liabilities and provisions for risks and liabilities	3,615	352	34	**4,001**
Interest-bearing borrowings	7,634	20,548	(1,000)	**27,182**
Trade payables	7,253	-	(56)	**7,197**
Other liabilities and deferred income	5,240	933	(248)	**5,925**
Total shareholders' equity and liabilities	**37,776**	**23,392**	**(2,877)**	**58,291**
Net financial indebtedness [2] (note 25)	**1,748**			
December 31, 2002				
Property, plant and equipment and intangibles	10,795	372	-	**11,167**
Investments accounted for by the equity method	7,966	-	-	**7,966**
Other investments and financial assets	1,819	9	(1,410)	**418**
Deferred tax assets	1,179	199	-	**1,378**
Inventories	4,777	3	-	**4,780**
Customer receivables	2,214	18,270	(545)	**19,939**
Other receivables and prepaid expenses	1,457	554	32	**2,043**
Loans and marketable securities	2,291	815	(923)	**2,183**
Cash and cash equivalents	2,463	1,072	(181)	**3,354**
Total assets	**34,961**	**21,294**	**(3,027)**	**53,228**
Shareholders' equity	11,828	1,410	(1,410)	**11,828**
Minority interests	374	3,	-	**377**
Deferred tax liabilities and provisions for risks and liabilities	3,473	346	-	**3,819**
Interest-bearing borrowings	7,248	18,776	(1,539)	**24,485**
Trade payables	6,933	-	-	**6,933**
Other liabilities and deferred income	5,105	759	(78)	**5,786**
Total shareholders' equity and liabilities	**34,961**	**21,294**	**(3,027)**	**53,228**
Net financial indebtedness [2] (note 25)	**2,495**			

(1) Interdivision transactions are carried out under near-market conditions.
(2) The Group considers its sales financing business as an operating activity. Net financial indebtedness figures thus relate exclusively to the automobile division (note 1-B).

RENAULT
CONSOLIDATED FINANCIAL STATEMENTS 2004

C. CASH FLOW STATEMENT ITEMS BY DIVISION

€ million	Automobile	Sales financing	Interdivision transactions[(1)]	**Consolidated total**
2004				
Cash flow	4,351	609	(152)	**4,808**
Increase in sales financing receivables	-	(1,190)	(12)	**(1,202)**
Net change in interest-bearing borrowings for the sales financing division	-	892	52	**944**
Change in working capital	401	37	(31)	**407**
Cash flows from operating activities	**4,752**	**348**	**(143)**	**4,957**
Purchase of property, plant and equipment, net of disposals	(2,035)	(270)	82	**(2,223)**
Purchase of intangibles, net of disposals	(788)	(3)	-	**(791)**
Equity investments, net of disposals	(109)	(8)	-	**(117)**
Net change in other financial assets	24	-	-	**24**
Cash flows from investing activities	**(2,908)**	**(281)**	**82**	**(3,107)**
Shareholder financing	(400)	(100)	100	**(400)**
Net change in interest-bearing borrowings of the automobile division, loans and marketable securities	(464)	-	3	**(461)**
Cash flows from financing activities	**(864)**	**(100)**	**103**	**(861)**
Increase (decrease) in cash and cash equivalents	**980**	**(33)**	**42**	**989**
Elimination of the impact of the net change in interest-bearing borrowings of the automobile division, loans and marketable securities	121			
Impact of exchange rate fluctuations and other changes on net financial indebtedness	106			
Change in net financial indebtedness [(2)]	**1,207**			
2003				
Cash flow	3,150	579	(169)	**3,560**
Increase in sales financing receivables	-	(2,043)	40	**(2,003)**
Net change in interest-bearing borrowings for the sales financing division	-	1,935	(25)	**1,910**
Change in working capital	239	(128)	(35)	**76**
Cash flows from operating activities	**3,389**	**343**	**(189)**	**3,543**
Purchase of property, plant and equipment, net of disposals	(1,927)	(253)	88	**(2,092)**
Purchase of intangibles, net of disposals	(606)	(2)	-	**(608)**
Equity investments, net of disposals	25	(5)	-	**20**
Net change in other financial assets	(29)	-	-	**(29)**
Cash flows from investing activities	**(2,537)**	**(260)**	**88**	**(2,709)**
Shareholder financing	(336)	(101)	101	**(336)**
Net change in interest-bearing borrowings of the automobile division, loans and marketable securities	277	-	174	**451**
Cash flows from financing activities	**(59)**	**(101)**	**275**	**115**
Increase (decrease) in cash and cash equivalents	**793**	**(18)**	**174**	**949**
Elimination of the impact of the net change in interest-bearing borrowings of the automobile division, loans and marketable securities	(277)			
Impact of exchange rate fluctuations and other changes on net financial indebtedness	231			
Change in net financial indebtedness [(2)]	**747**			
2002				
Cash flow	3,179	520	(121)	**3,578**
Increase in sales financing receivables	-	(1,404)	28	**(1,376)**
Net change in interest-bearing borrowings for the sales financing division	-	1,702	-	**1,702**
Change in working capital	322	(155)	-	**167**
Cash flows from operating activities	**3,501**	**663**	**(93)**	**4,071**
Purchase of property, plant and equipment, net of disposals	(2,284)	(147)	-	**(2,431)**
Purchase of intangibles, net of disposals	(684)	-	-	**(684)**
Equity investments, net of disposals	(1,763)	-	-	**(1,763)**
Net change in other financial assets	144	135	(125)	**154**
Cash flows from investing activities	**(4,587)**	**(12)**	**(125)**	**(4,724)**
Shareholder financing	1,932	179	(46)	**2,065**
Net change in interest-bearing borrowings of the automobile division, loans and marketable securities	-	(74)	-	**(74)**
Cash flows from financing activities	**1,932**	**105**	**(46)**	**1,991**
Increase (decrease) in cash and cash equivalents	**846**	**756**	**(264)**	**1,338**
Elimination of the impact of the net change in interest-bearing borrowings of the automobile division, loans and marketable securities	-			
Impact of exchange rate fluctuations and other changes on net financial indebtedness	586			
Change in net financial indebtedness [(2)]	**1,432**			

(1) *Interdivision transactions are carried out under near-market conditions.*

(2) The Group considers its sales financing business as an operating activity. Net financial indebtedness figures thus relate exclusively to the automobile division (note 1-B).

RENAULT
CONSOLIDATED FINANCIAL STATEMENTS 2004

D. Other information by division

€ million	Automobile	Sales financing	Interdivision transactions[(1)]	**Consolidated total**
2004				
Capital expenditure	2,963	769	(249)	**3,483**
Depreciation and amortization	2,133	195	(62)	**2,266**
Non cash expenses other than depreciation	236	143	-	**379**
Research and development expenses	1,383	-	-	**1,383**
Personnel expenses	5,208	218	-	**5,426**
Workforce at December 31	127,384	3,189	-	**130,573**
2003				
Capital expenditure	2,788	666	(220)	**3,234**
Depreciation and amortization	2,117	158	(52)	**2,223**
Non cash expenses other than depreciation	306	197	-	**503**
Research and development expenses	1,243	-	-	**1,243**
Personnel expenses	4,907	208	-	**5,115**
Workforce at December 31	127,531	3,209	-	**130,740**
2002				
Capital expenditure	3,027	363	-	**3,390**
Depreciation and amortization	1,952	114	-	**2,066**
Non cash expenses other than depreciation	399	216	-	**615**
Research and development expenses	1,143	-	-	**1,143**
Personnel expenses	4,761	204	-	**4,965**
Workforce at December 31	128,934	3,417	-	**132,351**

(1) Interdivision transactions are carried out under near-market conditions.

E. Information by geographic area

€ million	France	Other European countries	Other countries	**Consolidated total**
2004				
Consolidated revenues	14,135	21,336	5,244	**40,715**
Capital expenditure	2,579	594	310	**3,483**
Property, plant and equipment and intangibles	8,870	2,442	1,252	**12,564**
Other operating assets [(1)]	5,314	2,853	920	**9,087**
2003				
Consolidated revenues	13,311	19,627	4,587	**37,525**
Capital expenditure	2,263	740	231	**3,234**
Property, plant and equipment and intangibles	8,092	2,643	1,051	**11,786**
Other operating assets [(1)]	5,716	2,567	821	**9,104**
2002				
Consolidated revenues	13,917	18,266	4,153	**36,336**
Capital expenditure	2,531	608	251	**3,390**
Property, plant and equipment and intangibles	7,834	2,323	1,010	**11,167**
Other operating assets [(1)]	5,954	2,391	545	**8,890**

(1) Other operating assets include inventories, trade receivables for the automobile division and other receivables and prepaid expenses.

Consolidated revenues are presented by location of customers.
Property, plant and equipment and intangibles and capital expenditure are presented by location of subsidiaries.

4.1.2.6 Notes to the consolidated financial statements

1 - ACCOUNTING POLICIES

The Renault Group financial statements are prepared in accordance with current French accounting regulations.

In application of the regulation passed in July 2002 by the European Parliament and the European Council of Ministers, Renault's consolidated financial statements for 2005 will be prepared under IFRS (International Financial Reporting Standards). Reported figures for 2004 will be restated accordingly for 2004/2005 comparability.

A. CONSOLIDATION

The consolidated financial statements include the financial statements of all companies controlled exclusively, directly or indirectly, by the Group. Companies in which the Group exercises material influence are included in the financial statements on an equity basis, while joint ventures are consolidated on a proportionate basis.

Companies which fulfil these criteria but are not consolidated are recorded as Investments in subsidiaries and affiliates (note 14).

None of these companies' individual contributions to consolidated figures exceeds the following:

revenues	€20 million
inventories	€20 million

Their consolidation would have a negligible impact on the consolidated financial statements, since they are Group-financed entities which:

- acquire almost all their purchases from Group companies (this mostly concerns dealership-type establishments), or
- carry out almost all their sales transactions with Group companies (the principal company concerned being Renault Sport).

These companies' shares are stated at the lower of purchase cost or value in use, which for controlled companies is determined by reference to the share in net assets (note 1-M). By this method, any decline in the value of a non-consolidated company is automatically taken into account in the Group's consolidated net income and shareholders' equity.

Goodwill arising on acquisition of subsidiaries or companies accounted for by the equity method represents the difference, at acquisition date, between the purchase cost of shares (including expenses) and the proportion of assets and liabilities acquired, estimated at fair value. It is amortized on a straight-line basis over a duration specific to each company, but no longer than 20 years.

For companies accounted for by the equity method, this goodwill is included in the value of the investment as stated in the balance sheet. The corresponding amortization is included in the income statement under

"Share in net income (loss) of companies accounted for by the equity method".

All material intercompany transactions and unrealized internal profits are eliminated.

B. INFORMATION BY DIVISION AND GEOGRAPHIC AREA AND DEFINITION OF NET FINANCIAL INDEBTEDNESS

Information is disclosed for the following divisions:

- The automobile division, comprising the production, sales, distribution and automobile service subsidiaries for passenger and light commercial vehicles and the subsidiaries in charge of cash management for these companies,
- The sales financing division, which the Group considers as an activity with independent operations, comprising RCI Banque and its subsidiaries.

Each of these two divisions forms a coherent unit exposed to its own specific risks.

Apart from dividend income and taxes, income and expenses relating to sales financing are recorded as operating items. The tax effect inherent to the French consolidated taxation system and the worldwide consolidated tax reporting system (which applied until December 31, 2003) is included in the taxes due by the automobile division.

Assets, minority interests and liabilities are specific to each division. Receivables permanently assigned by the automobile division to the sales financing companies are treated as operating assets by the assignee.

In coherence with this presentation by division, interest-bearing borrowings are split into two captions in the balance sheet:

- Interest-bearing borrowings for the automobile division,
- Interest-bearing borrowings for the sales financing division, considered by the Group as an operating item.

Consequently, the Group's net financial indebtedness includes the following items for the automobile division:

- Interest-bearing borrowings,
- Investment loans,
- Marketable securities,
- Cash and cash equivalents.

C. TRANSLATION OF THE FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

a) In general, the **financial statements of financially and economically autonomous foreign subsidiaries** are translated as follows:

- Balance sheet items other than components of shareholders' equity, which are stated at historical value, are translated at the year-end rate of exchange.
- Income statement items are translated at the average exchange rate for the year.
- The translation adjustment is included in consolidated shareholders' equity and has no impact on net income.

b) The **financial statements of foreign subsidiaries with autonomous activities operating in high-inflation economies** (i.e. where total inflation over three years exceeds 100%) are translated as follows:

- Balance sheet items are translated into Euros at the year-end rate after adjusting non-monetary items for local inflation.
- After adjustment of monetary items for inflation, income statement items are translated using the same year-end rate as for the balance sheet.
- The translation adjustment is included in consolidated shareholders' equity and has no impact on net income.

c) For **foreign companies whose activities are an extension of the parent company's business**, the historical-rate method is applied for non-monetary balance sheet items and the translation adjustment is included in net income

D. TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

At year-end, monetary balances in foreign currencies that have not been hedged are translated at the year-end rate. The resulting foreign exchange differences, together with the exchange gains and losses on transactions in foreign currencies for the year, are recognized in the income statement. Hedged foreign currency operations are translated using the hedged rate.

E. REVENUES

Revenues include all income from the ordinary activities of consolidated companies. They include proceeds from the sales of goods and services by the automobile division, as well as income from sales financing.

SALES OF GOODS AND SERVICES

Sales and margin recognition

Sales of goods are recognized when vehicles are made available to the distribution network in the case of non-Group dealers, or upon delivery to the end-user in the case of direct sales. The margin on sales is recognized immediately for normal sales by the automobile division, including for contracts that can be considered as finance leases (long-term or with a purchase option). However, no sale is recognized on a finance lease from a Group finance subsidiary if the Group has made a buy-back commitment or if the lease is for a period of less than 36 months.

Sales of new passenger or commercial vehicles, when the sale contract contains a buy-back clause covering a period of less than 36 months, are recorded as operating leases: the difference between the price paid by the customer and the buy-back price is treated as rental income, and spread over the duration of the buy-back clause. The production cost on the new vehicle involved in the original transaction is recorded in inventories for operating leases of less than one year, or as a fixed asset when the operating lease exceeds one year. Second-hand vehicle sales give rise to recognition of sales revenue and the related margin. A provision is established when an overall loss on the contract becomes probable in view of the vehicle's resale value.

Warranty

The estimated or incurred costs relating to product or part warranties not covered by insurance are charged to expenses when the sales are recorded. Renault also offers its customers extended warranty and maintenance contracts, the income and margin on which are recognized over the period covered by the contract.

Sales incentive programs

The cost of these programs is deducted from revenues when the corresponding sales are recorded. If programs are approved after the sale, a provision is established when the decision is made.

The Group sometimes organizes promotional campaigns offering reduced-interest loans to end-users. This expense is recognized immediately when the rates offered cannot cover refinancing and administration costs.

SALES FINANCING INCOME AND MARGIN RECOGNITION

The Group's sales financing companies mainly finance the sale of passenger vehicles to dealers and end-users. Financing takes the form of standard loans or leasing arrangements, which may be long-term leases or include a purchase option. Unless the Group has a buy-back commitment on leased vehicles, these financing arrangements are treated as loans and posted to the balance sheet at the nominal value of outstanding capital less any provisions. Income on sales financing is calculated so as to give a constant interest rate over the term of the contract.

Income and costs related to the sales financing activity are recorded as follows:

- Income from sales financing is included in revenues.
- The cost of financing sales is considered as an operating expense and included in the operating margin. It mainly comprises interest incurred by sales financing companies, other costs and revenues directly related to administration of this type of refinancing (temporary investments, hedging and management of exchange and interest rate risks), the cost of risks other than those relating to refinancing of receivables, and depreciation and gains or losses on sales of leased assets.

Commissions payable

Commissions are recognized when financing is granted to customers.

Doubtful receivables

Allowances are established to cover risks of non-recovery of receivables as soon as repayment of a receivable appears to be doubtful. These provisions are established on a case-by-case basis or using a statistical approach.

F. RESEARCH AND DEVELOPMENT EXPENSES

As of January 1, 2002, development expenses incurred between the approval of the decision to begin development and implement production facilities for a new vehicle or part (e.g. engine or gearbox) and the subsequent approval of the design for mass production are capitalized as intangible assets (previously they were recorded as costs in the year incurred). They are amortized from the date of approval for production, over the expected market life of the vehicle or part, up to a maximum period of seven years.

Revised amortization periods apply for development expenses since January 1, 2004: some have been reduced and some extended. The extensions concern expenses for development of parts and commercial vehicles, whose maximum amortization period has been raised from 5 to 7 years. This has no significant impact on the consolidated financial statements.

Expenses incurred before the formal approval of product development and research expenses are recorded as costs in the year they are incurred. Expenses incurred after the start of mass production are treated as production costs.

G. POST-EMPLOYMENT AND OTHER LONG TERM BENEFITS OBLIGATIONS

The Group's payments for defined-contribution benefit schemes are recorded as expenses for the relevant year.

For defined-benefit schemes, the Group uses the Projected Unit Credit Method to determine the present value of its obligations. Under this method, benefits are attributed to periods of service according to the plan's benefit formula. However, if an employee's service in later years will earn a materially higher level of benefit than in earlier years, benefits are attributed to periods of service on a straight-line basis.

Post-employment benefit obligations are measured on a basis that reflects future salary increases, retirement age and mortality, and are discounted at an interest rate determined by reference to market yields at the balance sheet date on high quality corporate bonds.

From January 1, 1999, the date at which IAS 19 came into force, if the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeds the greater of 10% of the present value of the defined benefit obligations at that date and 10% of the fair value of plan assets at that date, the portion of actuarial gains or losses to be recognized for each defined benefit plan is the excess so determined, divided by the expected average remaining working lives of the employees participating in that plan.

H. TERMINATION BENEFITS

The cost of adjusting the workforce is recorded as soon as the Group's commitment has been announced to the employees concerned.

I. RESTRUCTURING MEASURES

The estimated cost of restructuring is recognized as soon as a detailed plan is provided and the restructuring is either announced or in progress.

J. OPERATING INCOME AND OPERATING MARGIN

Operating income includes all revenues and costs directly related to the Group's activities, whether recurrent or resulting from non-recurring decisions or operations, such as restructuring costs. Unusual items, defined as income or expenses of an unusual frequency, nature or amount, are included in results of operating activities.

The operating margin corresponds to the operating income before Other Operating Income and Expenses, which cover:

- Restructuring costs and costs relating to workforce adjustment,
- Gains or losses on disposal of operating subsidiaries,
- Gains or losses on disposal of property, plant and equipment or intangible assets (except vehicle sales),
- Amortization of goodwill resulting from acquisition of consolidated companies,
- Material non-recurring items, i.e. income and charges that are exceptional in their frequency, nature or amount.

The operating income does not include net financial income, the share in net income of companies accounted for by the equity method, or extraordinary items if any. Extraordinary items are strictly defined and correspond to income or charges of significant amounts, resulting from events over which the Group has no control.

K. INCOME TAX

The Group recognizes deferred taxes, on a non-discounted basis, for all temporary differences between the tax and net book values of assets and liabilities in the consolidated balance sheet. Using the liability method, deferred taxes are calculated using the latest tax rate enacted at year-end applicable to the period when temporary differences are reversed. For deferred tax assets related to tax credits or loss carryforwards and other temporary differences, valuation allowances are established as appropriate in view of the probability of future recovery.

In cases where the Group has decided not to distribute the retained earnings of consolidated subsidiaries in the foreseeable future, no provision for taxes on dividends is established.

L. PROPERTY, PLANT AND EQUIPMENT

GROSS VALUE

The gross value of property, plant and equipment corresponds to historical acquisition or production cost. Production cost includes design expenses.

Maintenance and repair costs, except those incurred to increase productivity or prolong the life of an asset, are recorded as expenses.

Assets used by the Group under finance leases are treated as assets financed by credit.

Vehicles leased to customers are vehicles under lease from a Group financial company, for which the Group has a repurchase obligation, or vehicles sold under an agreement including a buy-back clause, when the buy-back commitment expires within 36 months of the original contract date (note 1-E).

RENAULT
CONSOLIDATED FINANCIAL STATEMENTS 2004

DEPRECIATION

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	In use prior to 1987	In use since 1987
Buildings	15 to 40 years	15 to 30 years
Specific tools		2 to 7 years
Machinery and other tools (other than press lines)	5 to 16 years	5 to 15 years
Press lines		20 to 30 years
Other tangible assets		4 to 6 years

The useful lives applied for property, plant and equipment were reviewed at January 1, 2004. More detailed asset categories were defined in order to identify particular assets requiring specific useful lives. As a result, some useful lives were extended or reduced, with no significant impact for the Group's consolidated financial statements.

Accelerated depreciation is recorded when an asset's useful life becomes shorter than the initially expected period of use, particularly when it is decided to withdraw a vehicle or part from the market.

The recoverable value of assets is assessed at the level of each division. For the automobile division, the return on assets is measured taking all European countries together, since the industrial plant and the product range throughout Europe form one coherent unit. The return on industrial assets outside Europe is measured for each coherent sub-unit. When recoverable value is lower than net book value, depreciation equivalent to the difference is recorded as a provision.

M. SECURITIES

INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in non-consolidated subsidiaries and affiliates are carried in the balance sheet at acquisition cost less any provisions. The corresponding dividends are recorded in the year of distribution.

Provisions are established when the value in use of the investments falls below acquisition cost. This value is determined on the basis of profitability prospects, the commercial outlets the investment represents for the Group, and the share in net assets. However, for companies controlled by Renault but not included in the consolidation due to their non-significant nature (note 1-A), the value in use is determined by reference to the share in net assets alone.

DEBT SECURITIES

Debt securities consist entirely of fixed-rate securities acquired to be held on a long-term basis, usually until maturity. They are hedged by interest rate futures for durable protection against foreign exchange exposure, or by long-term financing to ensure they can be held until maturity.

Discounts and premiums are spread over the remaining life of the security on a straight-line basis. Provisions for amortization are established when the issuer is likely to default.

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 included in marketable securities. These shares are recorded at the lower of purchase price or stock market price.

A provision for risk and liabilities is established when the option exercise price falls below the net book value.

N. INVENTORIES

Inventories are stated at the lower of cost or net realizable value. Cost corresponds to acquisition cost or production cost, which includes direct and indirect production expenses and a share of manufacturing overheads based on a normal level of activity. Cost is generally calculated by the FIFO (First In First Out) method.

O. CASH AND CASH EQUIVALENTS

This item consists of cash and marketable securities maturing within three months of the acquisition date.

P. ASSIGNMENT OF RECEIVABLES

Receivables assigned to third parties (through securitization or discounting) are removed from Group assets when the associated risks and benefits are also transferred to the third parties in question. The same treatment applies to assignments between the automobile and sales financing divisions.

Q. BORROWINGS

LOANS EXPENSES AND ISSUANCE COSTS

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

RENEGOTIATION OF LOANS

Costs involved in renegotiation of loans and similar operations intended to bring interest rates closer to market rates are recorded as financial expenses in the year the negotiation was conducted.

R. FINANCIAL INSTRUMENTS

To manage its exchange rate exposure, the Group uses forward foreign currency contracts, currency swaps and, to a lesser extent, options. Forward foreign currency contracts are recognized as hedges insofar they are designated as such. These hedges may cover the net investment of the Group in certain foreign entities, foreign currency receivables or debts, or firm foreign currency commitments. The contracts are treated as off-balance-sheet commitments, with related gains and losses recorded upon completion of the underlying transactions. Gains and losses on instruments that hedge net investments in foreign entities are recognized, after income tax effect, as an adjustment directly in shareholders' equity.

The Group's general policy with respect to interest rate risk is to manage interest rate exposure on a comprehensive basis using interest rate swaps, forward interest rate contracts and currency swaps.

Interest rate swaps are treated as off-balance-sheet commitments and the resulting interest differentials are recorded as an adjustment to interest expense.

The unrealized capital gains or losses on forward interest rate contracts designated as hedges are used to adjust the interest expense for the duration of the underlying debt. For other contracts, only unrealized losses are recognized in the income statement.

The Group also uses commodity futures to hedge its purchases. Where it is possible for the Group either to settle certain transactions by a payment or to take physical delivery of the commodities concerned, these contracts are not treated as financial instruments.

2 - CHANGES IN THE SCOPE OF CONSOLIDATION

2.1 - CHANGES IN THE SCOPE OF CONSOLIDATION IN 2004

No significant change in the scope of consolidation took place during 2004.

2.2 - CHANGES IN THE SCOPE OF CONSOLIDATION IN 2003

The main changes in 2003 were as follows:

A. SOFASA (COLOMBIA)

As a result of the increase in Renault's holding (from 23.7% to 60%), Sofasa, previously accounted for by the equity method, has been fully consolidated since March 28, 2003.

B. RENAULT AGRICULTURE

On April 30, 2003, Renault sold a 51% stake in Renault Agriculture to Claas. The remaining 49% investment was deconsolidated as of the date of the agreement, since Renault no longer exercises significant influence over the company.

Renault and Claas have options respectively to sell and purchase an additional 29% of the capital of Renault Agriculture, to be exercised within a one-year period beginning April 30, 2005, and further options respectively to sell and purchase the remaining 20%, which can be exercised from January 1, 2010.

C. AVTOFRAMOS (RUSSIA)

Avtoframos has been fully consolidated since January 1, 2003. The Group increased its 50% stake to 76% as of November 1, 2004.

2.3 - CHANGES IN THE SCOPE OF CONSOLIDATION IN 2002

A. REINFORCEMENT OF THE RENAULT-NISSAN ALLIANCE

NISSAN CAPITAL INCREASE RESERVED FOR RENAULT

In accordance with the terms of the 1999 and 2001 agreements between Renault and Nissan, on March 1, 2002 Renault exercised stock purchase warrants at the agreed price of 400 yen per share for a total cost of €1,875 million, thus raising its equity investment in Nissan from 36.8% to 44.4%.

As a result, additional goodwill of €64 million was recognized, and €(417) million was included in the Group's reserves (note 12).

RENAULT CAPITAL INCREASE RESERVED FOR NISSAN

Continuing the relationship begun with the agreements signed in 1999 and 2001, Nissan acquired 15% of the capital of Renault SA for a total of €2,166 million (€2,158 million after charging expenses to the issue premium) through two subscriptions on March 29 and May 28, 2002 respectively.

This capital increase led to a €(962) million elimination in Renault's consolidated shareholders' equity, equivalent to 44.4% of the amount received (€2,166 million), corresponding to Renault's share in Nissan's capital.

B. SALE OF RENAULT'S INVESTMENT IN IRISBUS

On January 2, 2002, Renault's stake in Irisbus was transferred to Iveco for a total of €166 million, generating a gain of €34 million (note 7).

RENAULT
CONSOLIDATED FINANCIAL STATEMENTS 2004

C. SALE OF RENAULT'S INVESTMENT IN GLOBAL AUTOMOTIVE LOGISTICS

On July 17, 2002, Renault sold its holding in Global Automotive Logistics. The resulting gain amounted to €79 million (note 7).

3 - 2003 REVENUES APPLYING 2004 GROUP STRUCTURE AND METHODS

€ million	Automobile	Sales financing	Total
2003 published revenues	**35,535**	**1,990**	**37,525**
Deconsolidation of Renault Agriculture, at April 30, 2003 (note 2.2-B)	(176)	-	(176)
Other changes in scope of consolidation and presentation [(1)]	207	8	215
2003 revenues applying 2004 Group structure and methods	**35,566**	**1,998**	**37,564**
2004 revenues	**38,645**	**2,070**	**40,715**

(1) As of January 1, 2004, sales of company vehicles are included in revenues.

4 - SALES FINANCING REVENUES AND COST

€ million	2004	2003	2002
Income on end-user and dealer financing	1,047	1,086	1,052
Income on leasing, rental and similar operations	896	781	698
Total sales financing revenues [(1)]	**1,943**	**1,867**	**1,750**
Net credit losses	(106)	(136)	(143)
Other sales financing costs	(1,065)	(1,019)	(1,026)
Total cost of sales financing	**(1,171)**	**(1,155)**	**(1,169)**

(1) The breakdown of total revenues for the sales financing division shown in the information by division is as follows:

	2004	*2003*	*2002*
Sales financing revenues	*1,943*	*1,867*	*1,750*
Sales of goods and services	*127*	*123*	*130*
External sales by the sales financing division	***2,070***	***1,990***	***1,880***

5 - PERSONNEL EXPENSES

	2004	2003	2002
Personnel expenses (€ million)	5,426	5,115	4,965
Average workforce	130,886	131,344	135,096
Workforce at December 31, comprising:	130,573	130,740	132,351
fully consolidated companies	*128,225*	*128,278*	*129,866*
proportionately consolidated companies (portion controlled)	*2,348*	*2,462*	*2,485*

Renault personnel in France represented 58% of total Group workforce at December 31, 2004.

Renault workforce in France by category

	2004	2003	2002
Apprentices	1,170	1,073	997
Production workers	33,006	33,513	33,726
Office and clerical staff, supervisors and technicians	29,483	29,985	31,122
Engineers and managerial staff	12,524	11,701	11,676
Total at December 31	**76,183**	**76,272**	**77,521**

6 - REMUNERATION OF DIRECTORS AND EXECUTIVES

Total compensation to the Chairman and Chief Executive Officer for 2004 amounted to €2,192,899 (€1,981,812 in 2003 and €1,817,715 in 2002). He also benefits from the complementary pension plan of the members of the Group Executive Committee.

Directors' fees totalled €540,119 in 2004 (€520,342 in 2003 and €317,549 in 2002). This included €28,000 for the Chairman in 2004 (€28,000 in 2003 and €16,500 in 2002).

7 - OTHER OPERATING INCOME AND EXPENSES

€ million	2004	2003	2002
Restructuring and workforce adjustment costs and provisions	(175)	(160)	(156)
Gains and losses on disposal of operating subsidiaries	(38)	18	114
Gains and losses on disposal of property, plant and equipment and intangible assets (except vehicle sales)	45	112	(48)
Amortization of goodwill resulting from acquisition of consolidated companies	(22)	(22)	(17)
Material non-recurring items	(80)	(116)	(159)
Total	**(270)**	**(168)**	**(266)**

A. RESTRUCTURING AND WORKFORCE ADJUSTMENT COSTS AND PROVISIONS

These costs and provisions arise principally from the implementation of restructuring measures in certain businesses, and adjustment of workforce levels.

This item mainly includes:

€ million	2004	2003	2002
Cost of adjustment to present value and adaptation of the terms of the CASA early retirement plan introduced in France in 1999, and the retirement system for long-serving workers under the French "Fillon" law of 2003	(116)	(65)	(36)
Other restructuring and workforce adjustment costs and provisions (1)	(59)	(75)	(120)
Depreciation on property, plant and equipment in connection with the restructuring of the foundry business of the subsidiary Française de Mécanique	-	(20)	-
Total	**(175)**	**(160)**	**(156)**

(1) In 2002, these provisions and costs included €71 million recorded by the subsidiary Renault Spain for voluntary retirements in 2002 or 2003 under the terms of an early retirement plan set up in 2000.

B. GAINS AND LOSSES ON SALES OF OPERATING SUBSIDIARIES

In 2004, these gains and losses include the €39 million impact of settlement of the litigation over interpretation of the contractual terms for the transfer of Renault Véhicules Industriels to Volvo in 2001 (the net-of-tax impact amounts to €20 million).

In 2002, this item included a €79 million gain on the sale of Renault's holding in Global Automotive Logistics (note 2.3-C) and a €34 million gain on the sale of shares in Irisbus (note 2.3-B).

C. MATERIAL NON-RECURRING ITEMS

In 2004, these items include a €49 million provision in view of developments in the commitments concerning end-of-life vehicles in the UK, Italy, Spain and Belgium (note 27.2-B).

In 2003, material non-recurring items mainly included:

- a €62 million adjustment to provisions for additional employee holiday entitlements earned in previous years and to be taken upon retirement,
- costs and provisions resulting from discontinuation of production of the Avantime (€50 million), mainly recorded against the advance made by Renault to Matra Automobile to finance investments specific to the vehicle,

In 2002, the following items were concerned:

- depreciation of €102 million on industrial assets, including €75 million related to the assets of the Brazilian subsidiary following a fall in activity and the revision of forecasts, principally as a result of developments on the Brazilian market (this depreciation was estimated by discounting future cash flows at a pre-tax rate of 14%),
- a provision of €15 million related to the new EC directive on end-of-life vehicles (note 27.2-B).

8 - FINANCIAL EXPENSE

€ million	2004	2003	2002
Interest expenses	(518)	(316)	(328)
Interest income	496	187	149
Net interest expense	**(22)**	**(129)**	**(179)**
Repurchase of redeemable shares	(343)	-	-
Other financial income and expenses	17	58	88
Financial expense	**(348)**	**(71)**	**(91)**

In March and April 2004, Renault made a cash tender offer to buy back its redeemable shares at 450 euros per share, corresponding to a 21% premium over the market price.

This offer is reflected in the following items in the 2004 financial statements:

- a financial expense of €343 million with an after-tax impact of €221 million on the consolidated net income.
- a €343 million increase in net financial indebtedness (note 25).

The interest income registered for 2004 includes €64 million of interest income generated by the termination of one of the transactions designated as a hedge of Nissan's restated shareholders' equity in yen. The transaction concerned a sum of 117 billion yen (€862 million).

Other financial income and expenses mainly include allocations/reversals in respect of the provision for losses on treasury shares held by Renault for the purposes of stock option plans awarded to Group managers and executives. These shares are included in marketable securities, and in 2003 and 2002, €27 million and €37 million respectively were reversed from the provision. No allocation or reversal was applied to this provision during 2004.

9 - CURRENT AND DEFERRED TAXES

Renault SA decided not to renew its option for the French worldwide tax consolidation regime, allowing taxable income to be reported on a consolidated basis, as of January 1, 2004.

In application of this regime in 2003 and 2002, Renault SA determined its taxable income on a basis that included the fiscal earnings of most of its French and foreign subsidiaries and affiliates, including Nissan and its main subsidiaries, calculated by French tax rules. Under certain conditions, the tax paid by these companies could be deducted from the resulting tax liability.

The tax impact of non-renewal on current and deferred taxes was taken into account at December 31, 2003. As of that date, deferred taxes are recognized as appropriate to the individual tax position of each entity or tax group (company or subgroup).

Valuation allowances on net deferred tax asset positions are determined on a basis that takes into account past earnings trends for each fiscal subgroup or entity, and the probability of recovery of the net tax assets over time.

As Renault SA elected to determine French income taxes under the domestic tax consolidation regime when it was formed, this regime will continue to apply to the Group in which Renault SA is taxed in France as of January 1, 2004.

The Renault Group also applies other optional tax consolidation systems in Germany, Spain, the UK, the Netherlands and Portugal.

A. CURRENT AND DEFERRED TAXES

€ million	2004	2003	2002
Current income taxes	(466)	(457)	(288)
Net deferred tax charge	(168)	(53)	(159)
Current and deferred taxes	**(634)**	**(510)**	**(447)**

In 2004, €360 million of **current income taxes** are generated by foreign entities (€305 million in 2003 and €220 million in 2002).

Most **deferred tax charges** result from capitalization of development expenses (generating charges of €184 million for 2004, €165 million for 2003 and €208 million for 2002) (notes 1-F and 11-A).

Current taxes paid by the Group during 2004 totalled €406 million (€332 million in 2003 and €128 million in 2002).

Breakdown of net deferred tax charge

€ million	2004	2003	2002
Deferred tax credits (charges), gross	(117)	304	(164)
Change in valuation allowances on deferred tax assets	(51)	(357)	5
Net deferred tax credit (charge)	**(168)**	**(53)**	**(159)**

Change in gross deferred tax credits and charges and the valuation allowance on deferred tax assets in 2003:

Following Renault's decision not to renew its option for the worldwide tax consolidation regime as of January 1, 2004, new deferred tax assets (mainly relating to foreign entities' tax loss carryforwards) were booked in 2003, and these account for most of the €304 million gross deferred tax credits. Provisions recorded in respect of the majority of these new deferred tax assets account for most of the €357 million change in valuation allowances.

As these two items offset each other, the net impact has been eliminated for the breakdown of the effective tax rate shown in the table below.

B. RECONCILIATION BETWEEN THE FRENCH CORPORATE INCOME TAX RATE AND THE GROUP'S EFFECTIVE TAX RATE

	2004	2003	2002
French income tax rate [(1)]	35.4%	35.4%	35.4%
Change in valuation allowances on deferred tax assets	2.8%	6.8%	(0.4%)
Other impacts	(3.0%)	1.6%	4.7%
Effective tax rate before share in net income of companies accounted for by the equity method	**35.2%**	**43.8%**	**39.7%**
Impact of companies accounted for by the equity method	(20.3%)	(26.9%)	(21.5%)
Overall effective tax rate [(2)]	**14.9%**	**16.9%**	**18.2%**

(1) *This rate includes the temporary 2.1% increase applicable in France.*

(2) *The overall effective rate is lower in 2004 due to inclusion under the equity method of Nissan income for a 15-month period.*

The effective tax rate for 2004 (before the impact of companies accounted for by the equity method) is 35.2%, 8.6 points lower than the rate for 2003.

The 2004 effective rate includes 2.8 points (compared to 6.8 in 2003) generated by an increase in the valuation allowance on deferred tax assets for certain foreign subsidiaries.

C. BREAKDOWN OF NET DEFERRED TAXES AT DECEMBER 31

€ million	2004	2003	2002
Deferred taxes on:			
Fixed assets	(967)	(746)	(439)
Provisions and other accrued charges deductible on payment	875	857	877
Loss carryforwards	467	443	70
Other	386	380	302
Net deferred tax assets and (liabilities) before valuation allowance	**761**	**934**	**810**
Valuation allowance	(530)	(491)	(162)
Net deferred tax assets	**231**	**443**	**648**

10 - EARNINGS PER SHARE

Renault's basic net earnings per share is calculated by dividing the net income by the weighted average number of ordinary shares in circulation during the year, which takes into account the neutralization of the 44.4% of Renault shares held by Nissan (neutralization of 18,977 thousand shares).

In compliance with French accounting regulations, in determining earnings per share, shares held by Renault under stock option plans awarded to executives and managers are considered to be in circulation. The diluted earnings per share is thus identical to the basic earnings per share.

Calculated under IAS 33 (Earnings per share) based on the net income of €3,119 million, excluding the additional quarter concerning Nissan, basic and diluted earnings per share for 2004 would be €12.25 and €12.14 respectively (€9.72 for both basic and diluted earnings per share in 2003, and €7.81 and €7.79 respectively in 2002).

11 - INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

A. INTANGIBLE ASSETS

At December 31 € million	2004	2003	2002
Research and development expenses	1,964	1,210	637
Goodwill on acquisition	285	298	290
Other intangible assets	255	237	210
Intangible assets, gross	**2,504**	**1,745**	**1,137**
Amortization of research and development expenses	(268)	(96)	(15)
Amortization of goodwill	(95)	(107)	(90)
Amortization of other intangible assets	(172)	(148)	(127)
Amortization and provisions	**(535)**	**(351)**	**(232)**
Intangible assets, net	**1,969**	**1,394**	**905**

Research and development expenses

Development expenses incurred between the approval of the decision to begin development and implement production facilities for a new vehicle or part (e.g. engine or gearbox) and the subsequent approval of the design for production are capitalized as intangible assets. They are amortized from the date of approval for production over the expected market life of the vehicle or part, up to a maximum period of seven years.

The impacts of this policy, which concerns the automobile division only, are as follows:

€ million	2004	2003	2002
On the consolidated income statement:			
Operating margin and operating income	541	465	587
Renault net income	625	498	597
On the consolidated balance sheets:			
Intangible assets	1,696	1,114	622
Investments in companies accounted for by the equity method	649	411	218
Shareholders' equity	1,687	1,088	597
Deferred tax liabilities	580	373	208
On the consolidated statements of cash flows:			
Cash flows from operating activities	730	533	637
Cash flows from investing activities	(749)	(568)	(637)

Research and development expenses totalled €1,383 million in 2004, including €131 million of start-up costs, compared to €1,379 million in 2003 and €1,372 million in 2002 on a constant presentation basis (start-up costs were classified as cost of goods and services in 2003 and 2002).

Spending on research and development totalled €1,961 million in 2004 (€1,873 million in 2003 and €1,994 million in 2002 on a constant presentation basis):

- €1,212 million charged to expenses (€1,305 million in 2003 and €1,357 million in 2002),
- €749 million recorded as investments (€568 million in 2003 and €637 million in 2002).

B. PROPERTY, PLANT AND EQUIPMENT

At December 31 € million	2004	2003	2002
Land	503	465	393
Buildings	4,124	4,014	3,981
Specific tools	6,716	6,168	5,545
Machinery and other tools	11,039	10,203	10,038
Vehicles leased to customers	634	467	379
Other tangibles	1,012	1,310	1,527
Construction in progress	1,470	1,331	1,166
Property, plant and equipment, gross	**25,498**	**23,958**	**23,029**
Land and buildings	(2,083)	(1,979)	(1,843)
Specific tools	(4,859)	(4,111)	(3,435)
Machinery and other tools	(6,992)	(6,434)	(6,379)
Vehicles leased to customers	(131)	(102)	(99)
Other tangibles	(838)	(940)	(1,011)
Depreciation and write-downs	**(14,903)**	**(13,566)**	**(12,767)**
Property, plant and equipment, net	**10,595**	**10,392**	**10,262**

Certain assets are to be sold or currently being sold: they mainly comprise land and buildings located in the Boulogne-Billancourt zone.

The value of these assets is as follows:

At December 31 € million	2004	2003	2002
Gross value	218	248	220
Depreciation	(69)	(96)	(108)
Net book value	**149**	**152**	**112**
Fair value	**291**	**333**	**350**

The timing and price of the sales are likely to be affected by the regulatory environment (approval by the authorities is required), the distribution of development and adaptation costs between the various parties involved, and the progress of the real estate development planned by the purchasers.

C. CHANGES DURING THE YEAR

Changes in intangible assets and property, plant and equipment are as follows:

€ million	Gross value	Depreciation & amortization	Net value
Value at December 31, 2001	**22,969**	**(12,444)**	**10,525**
Acquisitions/(depreciation and amortization)	3,709	(2,066)	1,643
(Disposals)/reversals	(1,486)	1,043	(443)
Translation adjustment	(862)	412	(450)
Change in scope of consolidation and other	(164)	56	(108)
Value at December 31, 2002	**24,166**	**(12,999)**	**11,167**
Acquisitions/(depreciation and amortization)	3,381	(2,223)	1,158
(Disposals)/reversals	(1,792)	1,245	(547)
Translation adjustment	(118)	41	(77)
Change in scope of consolidation and other	66	19	85
Value at December 31, 2003	**25,703**	**(13,917)**	**11,786**
Acquisitions/(depreciation and amortization)	3,522	(2,266)	1,256
(Disposals)/reversals	(1,323)	832	(491)
Translation adjustment	49	7	56
Change in scope of consolidation and other	51	(94)	(43)
Value at December 31, 2004	**28,002**	**(15,438)**	**12,564**

Acquisitions during the year were as follows:

€ million	2004	2003	2002
Acquisitions	**3,522**	**3,381**	**3,709**
Deferred payments	(39)	81	(76)
Sales of company vehicles(1)	-	(228)	(243)
Investments disbursed during the year	**3,483**	**3,234**	**3,390**

(1) Investments in intangible assets and property, plant and equipment for 2003 and 2002 are presented net of sales of company vehicles in the statements of cash flow. As of January 1, 2004, these vehicles are included in inventories.

Changes in scope of consolidation:

- In 2003, this item mainly concerned the €132 million impact of consolidation of Avtoframos and Sofasa (notes 2.2-A and C) and the €(50) million impact of deconsolidation of Renault Agriculture (note 2.2-B).
- In 2002, the main component was the €(92) million impact of deconsolidation of Irisbus following its sale (note 2.3-B).

12 - INVESTMENT IN NISSAN ACCOUNTED FOR BY THE EQUITY METHOD

A. RENAULT'S INVESTMENT IN NISSAN

On March 27, 1999, Renault and Nissan signed a global partnership agreement. As a result of this agreement, on May 28, 1999 Renault SA acquired a 36.8% share in the capital of Nissan, by subscribing to an increase in its registered capital (reserved for Renault) for a total investment of €4,610 million. Nissan has been accounted for by the equity method in the Group financial statements since June 30, 1999.

During first half-year 2002, in accordance with the terms of the 1999 agreement between Renault and Nissan, Renault raised its investment in Nissan from 36.8% to 44.4% by exercising its stock purchase warrants, and Nissan acquired 15% of the capital of Renault SA through a capital increase reserved for Nissan. Renault continued to account for its investment in Nissan by the equity method in its consolidated financial statements, applying the new rate of 44.4% as of March 1, 2002.

B. NISSAN CONSOLIDATION METHOD

Renault holds 44.4% ownership in Nissan. Renault and Nissan have chosen to develop a unique type of Alliance between two distinct companies with common interests, coming together in a strategy for profitable growth.

The governance system described in chapter [1.2] of the management report is designed to preserve individual brand identities and respect each company's corporate culture. Consequently:

- Renault does not hold the majority of Nissan voting rights.
- The terms of the Renault-Nissan agreements prohibit Renault from appointing the majority of Nissan directors, and from holding the majority of voting rights at meetings of Nissan's Board of Directors; in 2004, Renault supplied 3 of the total 7 members of Nissan's Board of Directors.
- Renault Nissan BV, owned 50% by Renault and 50% by Nissan, is the Alliance's joint decision-making body for strategic issues concerning either group individually. Its decisions are applicable to both Renault and Nissan. This entity does not enable Renault to direct Nissan's financial and operating strategies, and cannot therefore be considered to

represent contractual control by Renault over Nissan. The matters examined by Renault Nissan BV since it was formed have remained strictly within this contractual framework, and are not an indication that Renault exercises control over Nissan.

- Renault can neither use nor influence the use of Nissan's assets in the same way as its own assets
- Renault provides no guarantees in respect of Nissan's debt.

In view of this situation, Renault uses the equity method to include its investment in Nissan in the consolidation.

C. RECOGNITION OF RENAULT'S INVESTMENT IN NISSAN

RECOGNITION OF RENAULT'S ACQUISITIONS OF 1999 AND 2002

Nissan's identifiable assets and liabilities were restated to fair value at the date of Renault's initial acquisition in 1999, with further restatements at the date of the second investment, in accordance with the principles initially applied. The restated values reflected the decline since 1999 in the Japanese property market (based on the Rosenka index, Japan's key land price index published by the government, used when Renault made its first investment in Nissan) and in the value of funds invested to cover pension commitments for the Japanese companies.

A 36.8% share of this fall in fair value, corresponding to Renault's initial holding, was included in Renault's shareholders' equity in 2002 (€(417) million).

The remaining share, corresponding to the additional investment, generated provisional goodwill of €89 million in 2002.

In 2003, Nissan recorded a tax credit originating in transactions prior to Renault acquiring an interest in the capital of Nissan. Consequently:

- the provisional goodwill recognized in 2002 was revised by €(25) million, reducing it to €64 million,
- exceptional amortization of €(97) million was recorded against the goodwill.

Goodwill on the acquisition of the investment in Nissan is amortized on a straight-line basis over 20 years from June 30, 1999. The additional goodwill resulting from the subsequent transactions of 2002 is amortized over the residual amortization period of the initial goodwill, i.e. 17 and a half years.

NISSAN CONSOLIDATED FINANCIAL STATEMENTS INCLUDED UNDER THE EQUITY METHOD IN THE RENAULT CONSOLIDATION

Renault's share in Nissan net income is determined based on Nissan's consolidated accounts as published in compliance with Japanese accounting standards (Nissan is listed on the Tokyo stock exchange), after adjustments for the requirements of the Renault consolidation.

Until 2003, Nissan published its consolidated financial statements annually at March 31 and half-yearly at September 30, and the Nissan financial statements included in the Renault consolidation covered the period from October 1 of the year prior to Renault's accounting year, to September 30 of the same year.

Since June 2004, in compliance with Japanese regulations, Nissan has published quarterly financial statements. The financial and accounting reporting systems have been adapted so that the Renault Group's financial statements at December 31, 2004 can include Nissan's financial statements at the same date.

The share in Nissan net income included in the Renault's 2004 consolidation thus corresponds to a 15-month period. The figure for the additional quarter is reported separately on a specific line of the income statement.

To ensure consistency with Renault's accounting year, as there is no marked seasonal pattern to Nissan's results, the 12-month period referred to for the purposes of the Renault consolidation corresponds to the calendar year. This will be the standard period for consolidation in future. The additional quarter covers the period October 1 – December 31, 2003.

RENAULT
CONSOLIDATED FINANCIAL STATEMENTS 2004

The table below shows a breakdown by period of the share in Nissan's net income included under the equity method in Renault's financial statements, and provides figures for comparison with previous years over the period October 1 – September 30.

Share in Nissan net income included in the Renault Group financial statements € million				
in 2004			**in 2003**	**in 2002**
Oct 1 - Dec 31 2003 (3 months)	Jan 1 - Dec 31 2004 (12 months)	**Total (15 months)**		
432	1,767	**2,199**		
Oct 1, 2003 - Sept 30, 2004 (12 months)	Oct 1 – 31 Dec 31, 2004 (3 months)	**Total (15 months)**	Oct 1, 2002 - Sept 30, 2003 (12 months)	Oct 1, 2001 - Sept 30, 2002 (12 months)
1,752	447	**2,199**	1,705	1,335

D. CHANGES IN THE INVESTMENT IN NISSAN ACCOUNTED FOR BY THE EQUITY METHOD

€ million	**Goodwill on acquisition**			**Share of net assets**			**Total**
	Gross	Amort-ization	Net	Before neutralization (see right)	Neutralization of Renault's capital increase reserved for Nissan [(1)]	Net	
At December 31, 2001	**837**	**(105)**	**732**	**4,555**	**-**	**4,555**	**5,287**
2002 net income	-	(44)	**(44)**	1,379	-	**1,379**	**1,335**
Acquisition of 7.6% of Nissan	89	-	**89**	1,369	(962)	**407**	**496**
Dividend paid	-	-	-	(183)	-	**(183)**	**(183)**
Translation adjustment and other	-	-	-	(587)	-	**(587)**	**(587)**
At December 31, 2002	**926**	**(149)**	**777**	**6,533**	**(962)**	**5,571**	**6,348**
2003 net income	-	(43)	**(43)**	1,748	-	**1,748**	**1,705**
Dividend paid	-	-	-	(267)	-	**(267)**	**(267)**
Translation adjustment and other	-	-	-	(567)	-	**(567)**	**(567)**
Adjustment of goodwill on acquisition	(25)	(97)	**(122)**	122	-	**122**	**-**
At December 31, 2003	**901**	**(289)**	**612**	**7,569**	**(962)**	**6,607**	**7,219**
2004 net income	-	(49)	**(49)**	2,248	-	**2,248**	**2,199**
Dividend paid	-	-	-	(345)	-	**(345)**	**(345)**
Translation adjustment and other	-	-	-	(814)	-	**(814)**	**(814)**
At December 31, 2004	**901**	**(338)**	**563**	**8,658**	**(962)**	**7,696**	**8,259**

(1) A portion of the €2,166 million capital increase of 2002 reserved for Nissan, corresponding to Renault's 44.4% percentage interest in Nissan, was neutralized to eliminate the effect of their cross-shareholding.

E. CHANGES IN NISSAN'S SHAREHOLDERS' EQUITY RESTATED FOR RENAULT CONSOLIDATION PURPOSES

in billions of yen	Sept 30, 2003	Net income	Dividends	Other changes (1)	Sept 30, 2004
Shareholders' equity under Japanese GAAP	**1,899**	**639**	**(127)**	**(124)**	**2,287**
Restatements for Renault Group requirements:					
- Restatement of fixed assets	567	(49)	-	-	518
- Provision for pension liabilities	(248)	33	-	(12)	(227)
- Dividends paid	(35)	-	35	-	-
- Capitalization of development expenses	184	125	-	-	309
- Other restatements (3)	(134)	(71)	(12)	53	(164)
Net assets restated for Renault Group requirements	**2,233**	**677**	**(104)**	**(83)**	**2,723**
€ million					
Renault's share of Nissan net assets: 44.4% (before neutralization described below)	**7,569**	**2,248**	**(345)**	**(814)**	**8,658**
Neutralization of 44.4% of Renault's 2002 capital increase reserved for Nissan (2)	**(962)**	**-**	**-**	**-**	**(962)**
Renault's share in the net assets of Nissan	**6,607**	**2,248**	**(345)**	**(814)**	**7,696**

(1) "Other changes" in Euros includes the €(841) million change in translation adjustments, essentially reflecting the fall in value of the US dollar and the Mexican peso against the Euro. Operations undertaken by Renault to hedge the portion of Nissan shareholders' equity expressed in yen are included in Renault shareholders' equity.

(2) A portion of the €2,166 million capital increase of 2002 reserved for Nissan, corresponding to Renault's percentage interest in Nissan, was neutralized to eliminate the effect of their cross-shareholding.

(3) Principally the tax impact of previous restatements and reclassification of treasury shares as marketable securities.

F. HEDGING OF THE INVESTMENT IN NISSAN

The investment in Nissan is hedged by operations with a total value at December 31, 2004 of 440 billion yen (€3,151 million), comprising 145 billion yen (€1,039 million) of bonds and private placements on the EMTN market issued directly in yen and 295 billion yen (€2,112 million) of currency swaps. During 2004 these operations generated foreign exchange differences totalling €75 million net of tax, which were included in shareholders' equity.

Hedging transactions were reduced by 117 billion yen (€862 million) in 2004 (note 8).

G. NISSAN CONSOLIDATED FINANCIAL STATEMENTS (JAPANESE ACCOUNTING PRINCIPLES)

The key figures in the Nissan consolidated financial statements, prepared in accordance with generally accepted Japanese accounting principles, are summarized below:

Condensed income statements

in billions of yen	*2nd half-year 2003 Oct 1, 2003 – Mar 31, 2004*		*1st half-year 2004 Apr 1, 2004 – Sept 30, 2004*		*3rd quarter 2004 Oct 1, 2004 – Dec 31, 2004*		*Total 2004 (1) Oct 1, 2003 – Dec 31, 2004*	
	in billions of yen	€ million (2)	in billions of yen	€ million (2)	in billions of yen	€ million (2)	in billions of yen	€ million (2)
Revenues	3,873.0	27,734	4,007.9	28,700	2,092.0	14,980	9,972.9	71,414
Operating income	423.8	3,035	403.4	2,889	208.7	1,494	1,035.9	7,418
Ordinary income	419.4	3,003	401.4	2,874	210.5	1,507	1,031.3	7,384
Extraordinary gains & losses	(51.0)	(365)	(30.9)	(221)	(3.2)	(23)	(85.1)	(609)
Net income	**266.0**	**1,905**	**238.8**	**1,710**	**134.2**	**961**	**639.0**	**4,576**

Condensed balance sheets

	September 30, 2003		December 31, 2004	
	in billions of yen	€ million (2)	in billions of yen	€ million (2)
Intangible assets	65	465	158	1,131
Property, plant and equipment	3,154	22,585	3,520	25,206
Investment securities	360	2,578	343	2,456
Deferred tax assets	356	2,549	407	2,915
Inventories	572	4,096	755	5,406
Sales financing receivables	2,089	14,959	2,666	19,091
Notes & accounts receivable	512	3,666	438	3,136
Other assets	486	3,480	575	4,118
Cash and cash equivalents	159	1,139	344	2,463
Total assets	**7,753**	**55,517**	**9,206**	**65,922**
Shareholders' equity	1,899	13,598	2,287	16,377
Minority interests	97	695	167	1,196
Deferred tax liabilities	262	1,876	394	2,821
Accrued retirement benefits	472	3,380	465	3,330
Interest-bearing borrowings	3,151	22,563	3,941	28,221
Notes & accounts payable	710	5,084	779	5,578
Other liabilities and accruals	1,162	8,321	1,173	8,399
Total shareholders' equity and liabilities	**7,753**	**55,517**	**9,206**	**65,922**

(1) The sum total of previous data, not directly published by Nissan.
(2) Figures in Euros are provided to facilitate understanding, converted from the figures expressed in yen (Nissan's operating currency) using the exchange rate at December 31, 2004 (139.65 yen = 1 Euro).

H. RENAULT - NISSAN COOPERATION

Renault and Nissan follow joint strategies for vehicle and part development, purchasing, and production and distribution resources.

The main transactions between the two groups in 2004 were the following.

JOINT INVESTMENTS

Renault and Nissan finalized the development of the second common platform, the C platform (lower medium range), to be used for the future Megane and Almera. Work is in process on a third common platform, the D platform (upper medium range).

Renault and Nissan also share gearbox and engine development costs.

VEHICLE MANUFACTURING

In Mexico, Nissan supplies Renault with assembly services for the Clio and Scenic models, and also assembles the Platina model (Nissan badged Clio sedans). Production totalled 61,000 units in 2004.

In Brazil, Renault supplies Nissan with assembly services for its Frontier pickup and X-Terra models (11,700 vehicles in 2004).

In Spain, Nissan produced 60,000 Trafic models at its Barcelona plant over the year, including 16,000 for sale through the Nissan network.

In 2004, Renault produced 11,600 Nissan-badged Masters and Kangoos, purchased by Nissan for sale through its own network.

PART SALES

In Europe and Mexico, Renault supplies gearboxes and engines to Nissan.

In Europe, Renault supplies Nissan's Sunderland plant in the UK and Barcelona plant in Spain with gearboxes and engines produced at the plants in Cacia in Portugal, Valladolid in Spain and Cléon in France. These parts are used in Nissan's Micra, Almera, Tino and Primera.

In Mexico, Renault supplies engines and gearboxes to Nissan's Aguascalientes plant for the Clio and Platina.

In total Renault supplied some 300,000 gearboxes and 175,000 engines during 2004.

In South Korea, Nissan supplies Renault Samsung Motors with parts and engines used in the SM3, SM5 and SM7.

In France, Nissan supplies Renault with engines for the Master and Mascott.

Renault also uses Nissan's V6 3.5 litre petrol engine for the Vel Satis and the Espace, and a Nissan 4-wheel drive unit for the Kangoo.

Sales

Renault and Nissan are continuing to reorganize their Western European sales network. Renault supplies Nissan with back office services in each country. In Germany, Switzerland, the Netherlands and Austria, Renault has absorbed the local Nissan subsidiary and sells Nissan vehicles under a commission arrangement. In Romania, Croatia, Slovenia and Argentina, Renault having taken over Nissan's import contracts, distributes Nissan vehicles.

Total sales by Renault to Nissan and purchases by Renault from Nissan during 2004 amounted to an estimated €990 million and €930 million respectively.

The joint policies for purchasing and other administrative functions such as information systems departments are reflected directly in the Renault and Nissan financial statements, and therefore generate no financial exchanges between the two Groups.

13 - Other investments accounted for by the equity method

In 2004, Renault's share in the net income of other investments accounted for by the equity method amounted to €253 million, including €240 million relating to its holding in Volvo and €11 million relating to its holding in Maïs.

Changes in the investment in Volvo accounted for by the equity method are the following:

€ million	Net goodwill	Share of net assets	**Total**
At December 31, 2003	**(169)**	**1,723**	**1,554**
2004 net income	25	215	**240**
Dividend distributed	-	(208)	**(208)**
Repurchase of Volvo own shares	21	(21)	-
Translation adjustment and other	-	11	**11**
At December 31, 2004	**(123)**	**1,720**	**1,597**

Following the share repurchase operations of the final quarter of 2004, Volvo held 7.11% of its own shares at December 31, 2004, up from 5% at January 1, 2004.

Renault's investment in Volvo at December 31, 2004 thus stood at 21.53% compared to 21.05% at January 1, 2004.

At December 31, 2004, the principal other investment accounted for by the equity method was Maïs (€132 million).

14 - Other investments and financial assets

At December 31 € million	**2004**	**2003**	**2002**
Investments in controlled subsidiaries	208	181	250
Investments of over 20% in non controlled subsidiaries	72	73	38
Investments of under 20 %	72	44	51
Investments in subsidiaries and affiliates - gross	**352**	**298**	**339**
Provisions	(121)	(118)	(152)
Investments in subsidiaries and affiliates - net	**231**	**180**	**187**
Other financial assets	194	216	231
Total other investments and financial assets	**425**	**396**	**418**

The net value of investments in controlled subsidiaries was €122 million at December 31, 2004 (€96 million in 2003 and €157 million in 2002).

The main changes in 2003 compared to 2002 resulted from consolidation of Avtroframos (note 2.2-C), which accounted for €37 million of investments in subsidiaries and affiliates in 2002, and deconsolidation of Renault Agriculture following the sale of 51% of its capital (note 2.2-B), which generated a €49 million increase in investments in subsidiaries and affiliates.

15- Sales financing receivables

At December 31 € million	**2004**	**2003**	**2002**
Dealership receivables	4,338	4,300	3,968
Financing for end-users	11,249	10,477	9,470
Leasing and similar operations	5,719	5,509	5,064
Gross value	**21,306**	**20,286**	**18,502**
Provisions	(673)	(672)	(630)
Net value	**20,633**	**19,614**	**17,872**

A - Breakdown of sales financing receivables by geographic area

At December 31 € million	**2004**	**2003**	**2002**
France	6,360	5,877	5,366
Other European countries	13,734	13,293	12,112
Other countries	539	444	394
Total	**20,633**	**19,614**	**17,872**

B - Maturities of sales financing receivables

At December 31 € million	**2004**	**2003**	**2002**
Within one year	10,297	9,740	9,455
Between one and five years	10,212	9,744	8,296
Over five years	124	130	121
Total	**20,633**	**19,614**	**17,872**

16 - INVENTORIES

At December 31 € million	2004	2003	2002
Gross value	5,632	5,325	5,197
Provisions	(490)	(453)	(417)
Net value	**5,142**	**4,872**	**4,780**

At December 31 € million	2004	2003	2002
Raw materials and supplies	957	851	788
Work-in-progress	332	401	442
Finished goods - automobile	3,744	3,479	3,359
Other finished products	109	141	191
Total net value	**5,142**	**4,872**	**4,780**

17 - AUTOMOBILE RECEIVABLES

At December 31 € million	2004	2003	2002
Trade receivables, gross	1,979	2,205	2,173
Provisions	(101)	(109)	(106)
Net value	**1,878**	**2,096**	**2,067**

These receivables do not include accounts receivable from dealers, in France and certain other European countries, when they are assigned to the Group's sales financing companies together with the risk of non-recovery. In such cases, they are included in sales financing receivables (note 15). If the risk is not transferred, these items remain in trade receivables even though, from a legal point of view, the receivable itself has been assigned.

18 - OTHER RECEIVABLES AND PREPAID EXPENSES

At December 31 € million	2004	2003	2002
Bond issuance costs and redemption premiums	47	55	43
Prepaid expenses	422	449	422
Tax receivables	877	792	718
Other receivables	721	840	860
Total	**2,067**	**2,136**	**2,043**

19 - LOANS AND MARKETABLE SECURITIES AND CASH

At December 31 € million	2004	2003	2002
Investment loans	1,361	2,134	1,689
Marketable securities (1)	908	720	494
including Renault treasury shares	*509*	*521*	*407*
Total loans and marketable securities	**2,269**	**2,854**	**2,183**
Cash and cash equivalents	**5,521**	**4,276**	**3,354**

(1) Maturing more than three months after the acquisition date.
At December 31, 2004, marketable securities include €131 million for shares in Ainax, a holding company which owns the Scania shares previously owned by Volvo. Volvo distributed the Ainax shares to its shareholders in June 2004.

A. INVESTMENT LOANS

Investment loans essentially consist of interbank loans and correspond principally to the investment of cash surpluses from the automobile division.

Details are as follows:

At December 31 € million	2004	2003	2002
Maturity over one year	178	138	195
Maturity within one year	1,183	1,996	1,494
Total	**1,361**	**2,134**	**1,689**

B. RENAULT TREASURY SHARES

In accordance with decisions approved at the General Shareholders' Meetings of June 11, 1998, June 10, 1999, May 10, 2001, April 26, 2002 and April 29, 2003, the Board of Directors decided to allocate all Renault treasury shares to current stock option plans awarded to Group managers and executives.

At December 31 € million	2004	2003	2002
Gross value	509	521	436
Provisions	-	-	(29)
Net value	**509**	**521**	**407**
Number of treasury shares	10,880,990	11,522,046	10,278,482

C. CASH AND CASH EQUIVALENTS

At December 31 € million	2004	2003	2002
Marketable securities (1)	127	18	51
Current accounts with banks, cash	5,394	4,258	3,303
Total	**5,521**	**4,276**	**3,354**

(1) Maturing within three months of the acquisition date.

20. SHAREHOLDERS' EQUITY

A. SHARE CAPITAL

SITUATION AT DECEMBER 31, 2004

The total number of ordinary shares issued and fully paid-up at December 31, 2004 is 284,937 thousand, with par value of €3.81 per share (the total number and par value are unchanged from December 31, 2003 and 2002).

In accordance with decisions approved at the General Shareholders' Meetings of June 11, 1998, June 10, 1999, May 10, 2001, April 26, 2002 and April 29, 2003, the Board of Directors decided to allocate all Renault treasury shares to current stock option plans.

In compliance with French accounting rules, these shares are recorded under Marketable Securities.

B. DISTRIBUTIONS

At the General and Extraordinary Shareholders' Meeting of April 30, 2004, it was decided to distribute €383 million or €1.40 per share in dividends (compared to €316 million or €1.15 per share in 2003, and €257.6 million or €0.92 per share in 2002).

In view of Renault's stake in Nissan's capital and the treasury shares held, the dividend distribution recorded in shareholders' equity amounted to €357 million.

C. TRANSLATION ADJUSTMENT

Translation adjustments relating to the Euro zone and included in shareholders' equity amount to €(342) million at December 31, 2004.

After adjustment for the impact of partial hedging of the investment in Nissan, the translation of Nissan's financial statements contributed as follows to the change in translation adjustment:

At December 31 € million	2004	2003	2002
Impact of the translation of Nissan's financial statements (note 12-E)	(841)	(556)	(575)
Impact, net of tax, of hedging operations	74	221	184
Total	**(767)**	**(335)**	**(391)**

The impact of the translation of Nissan's financial statements, after adjustment for the partial hedging operations concerning the portion of Nissan's shareholders' equity expressed in yen, mainly relates to translation by Renault of Nissan's North American and Mexican subsidiaries' shareholders' equity, in view of the falling value of the US dollar and the Mexican peso in 2003 and 2004 (note 12-E).

D. STOCK OPTION PLANS

Since October 1996, the Board of Directors has periodically awarded stock options to Group executives and managers, with prices and exercise periods specific to each plan.

Changes in the number of stock options held by personnel

	2004	2003	2002
Options outstanding at January 1	11,511,246	10,259,475	8,512,030
Options awarded	2,145,650	1,922,000	2,009,000
Options exercised	(641,056)	(519,929)	(158,105)
Options expired	(30,500)	(150,300)	(103,450)
Options outstanding at December 31	**12,985,340**	**11,511,246**	**10,259,475**

Stock options awarded during the past three years

	2004	2003	2002
Exercise period	15.09.08 13.09.12	09.09.07 07.09.11	06.09.07 04.09.12
Exercise price per share (€)	66.03	53.36	49.21
Number of shares	2,145,650	1,922,000	2,009,000

The exercise price per share corresponds to the average value of the opening prices for Renault shares over the twenty stock exchange trading sessions preceding the Board meeting at which it was decided to award the options.

Options yet to be exercised at December 31, 2004

Date awarded	Exercise price (€)	Options outstanding	Exercise period
October 22, 1996	17.57	69,276	October 23, 1999 October 21, 2006
October 28, 1997	24.89	202,072	October 29, 2002 October 27, 2007
October 27, 1998	32.13	1,206,142	October 28, 2003 October 26, 2008
March 16, 1999	40.82	220,000	March 17, 2004 March 15, 2009
October 19, 1999	50.94	1,654,050	October 20, 2004 October 18, 2009
September 7, 2000	49.27	1,761,850	September 8, 2005 September 6, 2010
and October 24, 2000	49.57		October 25, 2005 October 23, 2010
December 18, 2001	48.97	1,816,100	December 19, 2006 December 17, 2011
September 5, 2002	49.21	1,990,700	September 6, 2007 September 4, 2012
September 8, 2003	53.36	1,919,500	September 9, 2007 September 7, 2011
September 14, 2004	66.03	2,145,650	September 15, 2008 September 13, 2012
Total		**12,985,340**	

21 – PROVISION FOR POST-EMPLOYMENT AND OTHER LONG TERM BENEFITS

A. PENSIONS AND BENEFIT PLANS

Pensions and other post-retirement benefit obligations essentially concern current employees.

These benefits are covered either by contributions to defined-contribution plans or by defined-benefit plans.

DEFINED-CONTRIBUTION PLANS

The Group makes earnings-related payments, in accordance with local custom, to the national organizations responsible for paying old-age and similar financial benefits. At present, there is no actuarial liability concerning these pension arrangements.

DEFINED-BENEFIT PLANS

Provisions are established for this type of plan, mainly concerning indemnities payable upon retirement, but also covering:

- other payments upon retirement and supplementary pensions;
- other long-term benefits, chiefly long-service awards and flexible holiday entitlements;
- healthcare expense coverage.

Defined-benefit plans are sometimes covered by funds. These plans are subject to regular actuarial valuation by independent actuaries. The value of fund assets, if any, is deducted from the corresponding liability. In view of the amounts involved (€230 million at December 31, 2004), the Group's exposure to risk resulting from changes in these fund asset values is low.

B. ACTUARIAL ASSUMPTIONS

The main actuarial assumptions used for the French companies are the following:

Retirement age	Between 60 and 62
Salary increase	3%
Discount rate (1)	Between 4.8% and 5.5%

(1) The discount rate varies according to the maturity of liabilities.

C. PROVISION FOR POST-EMPLOYMENT BENEFITS

Provision at December 31

€ million	2004	2003	2002
French companies	694	728	631
Other companies	122	133	141
Total	**816**	**861**	**772**

Change in the provision

€ million	2004	2003	2002
Opening balance	**861**	**772**	**731**
Net expense for the year	97	107	93
Benefits paid and contributions to funds	(107)	(52)	(34)
Provisions for additional career-end holiday entitlements originating in previous years (1)	-	62	-
Other changes	(35)	(28)	(18)
Closing balance	**816**	**861**	**772**

(1) Additional paid holiday entitlements to be taken upon retirement (note 7-C).

Net expense for the year

€ million	2004	2003	2002
Vested benefits (1)	65	71	58
Discount effect	41	39	36
Expected return on plan assets (1)	(9)	(6)	(1)
Net expense for the year	**97**	**104**	**93**

(1) Vested benefits are presented net of the expected return on funds invested in the UK in 2002. In 2003, the expected return on plan assets in the UK was €5 million.

D. RECONCILIATION OF THE VALUE OF THE OBLIGATION AND THE PROVISION

At December 31 € million	2004	2003	2002
Actuarial value of obligations (1)	1,097	1,023	775
Fund assets recorded in balance sheet liabilities (1)	(230)	(143)	(18)
Net obligation (1)	**867**	**880**	**757**
Unrecorded actuarial gains (losses)	(69)	(38)	(7)
Cost of unrecorded vested benefits	18	19	22
Provision for pension and other post-retirement obligations in balance sheet	**816**	**861**	**772**

(1) The net obligation for the UK is not included in the figures for 2002, when it amounted to €20 million (actuarial value of obligations: €103 million, value of fund assets in balance sheet: €83 million).

22 - OTHER PROVISIONS FOR RISKS AND LIABILITIES

€ million	Under one year	Over one year	Total
December 31, 2004			
Provisions for restructuring and workforce adjustment costs	179	401	**580**
Provisions for warranty costs	351	387	**738**
Provisions for tax risks and litigation	63	285	**348**
Other	273	308	**581**
Total	**866**	**1,381**	**2,247**
December 31, 2003			
Provisions for restructuring and workforce adjustment costs	174	472	**646**
Provisions for warranty costs	313	419	**732**
Provisions for tax risks and litigation	158	216	**374**
Other	255	248	**503**
Total	**900**	**1,355**	**2,255**
December 31, 2002			
Provisions for restructuring and workforce adjustment costs	179	558	**737**
Provisions for warranty costs	376	359	**735**
Provisions for tax risks and litigation	142	199	**341**
Other	247	257	**504**
Total	**944**	**1,373**	**2,317**

All known litigation in which Renault or Group companies are involved is examined at year-end. After seeking the opinion of legal advisors, the provisions deemed necessary are, where appropriate, set aside to cover the estimated risk.

Changes in other provisions for risks and liabilities

€ million	Restructuring provisions	Warranty provisions	Tax risk and litigation provisions	Other	Total
At December 31, 2003	**646**	**732**	**374**	**503**	**2 255**
Increases	129	568	116	369	1,182
Reversals of provisions for application	(178)	(565)	(78)	(198)	(1,019)
Reversals of provisions no longer required	(3)	-	(54)	(66)	(123)
Changes in scope of consolidation	(13)	1	(1)	11	(2)
Translation adjustments and other changes	(1)	2	(9)	(38)	(46)
At December 31, 2004	**580**	**738**	**348**	**581**	**2,247**

At December 31, 2004, Other provisions for risks and liabilities include a €139 million provision established in application of environmental regulations (€86 million at December 31, 2003 and €65 million at December 31, 2002). These provisions principally concern environmental compliance costs, principally for industrial land that the Group intends to sell (note 11-B) and expenses related to the new EU directive on end-of-life vehicles (note 27.2-C).

The €369 million increase in other provisions for risk and liabilities in 2004 includes €114 million related to sales agreements with buy-back clauses (note 1-E) and €67 million for environmental provisions.

23 - INTEREST-BEARING BORROWINGS

A. MATURITY OF INTEREST-BEARING BORROWINGS

At December 31 € million	2004	2003	2002
Bonds	7,800	7,666	6,363
Other debts represented by a certificate	6,000	4,892	2,331
Borrowings from credit institutions	1,956	1,741	1,964
Other financial debt	215	520	560
Long-term financial debt, due after one year	**15,971**	**14,819**	**11,218**
Short-term portion of bonds	1,405	1,341	1,244
Short-term portion of other long-term financial debt	2,913	1,711	1,061
Short-term portion of long-term financial debt	**4,318**	**3,052**	**2,305**
Total long-term debt	**20,289**	**17,871**	**13,523**
Accrued interest on bonds	122	119	108
Other debts represented by a certificate	3,337	4,206	4,785
Borrowings from credit institutions	2,608	2,893	3,975
Other financial debt	1,090	1,754	1,755
Originally short-term financial debt	**7,157**	**8,972**	**10,623**
Redeemable shares	**144**	**339**	**339**
Total	**27,590**	**27,182**	**24,485**

B. CHANGES IN INTEREST-BEARING BORROWINGS

During 2004, Renault SA undertook bond issues totalling €407 million:

- a 5-year bond issue on February 26, 2004 totalling €10 million, at the variable rate of 3-month Euribor + 88 bps + cap + floor, converted by means of a swap to the variable rate of 6-month Euribor + 0.54%,
- a 5-year bond issue on April 14, 2004 totalling €10 million, at the variable rate of 3-month Euribor + 0.8%, converted by means of a swap to the variable rate of 6-month Euribor + 0.54%,
- a 3-year bond issue on April 23, 2004 totalling 10 billion yen (€77 million), at the variable rate of 3-month Libor + 0.28%, converted by means of a swap to the fixed rate of 0.7375%,
- a 3-year bond issue on April 26, 2004 totalling 2.5 billion yen (€19 million), at the fixed rate of 0.67%,
- a 5-year bond issue on April 27, 2004 totalling 1 billion yen (€8 million), at the fixed rate of 1.11%.
- a 5-year bond issue on April 27, 2004 totalling €50 million at the variable rate of 3-month Euribor + 0.45%,
- a 7-year bond issue on June 17, 2004 totalling €50 million at the variable rate of 3-month Euribor + 0.52%,
- a 5-year bond issue on December 15, 2004 totalling 25 billion yen (€183 million) at the fixed rate of 0.98%.

The bonds issued by Renault SA in 1994, for total nominal value of €305 million, converted to yen through a currency swap in April 2003, were redeemed upon maturity in March 2004 for €290 million.

The cross-currency swap undertaken to hedge Renault SA's June 2002 €1 billion bond issue was terminated in June 2004.

Operations denominated in yen were designated as a partial hedge of Renault's interest in the restated shareholders' equity of Nissan in yen (note 12-F).

RCI Banque undertook bond issues totalling €1,100 million during 2004:

- a 5-year bond issue on February 4, 2004 totalling €300 million at 3-month Euribor + 0.375%,
- a 5-year bond issue on May 26, 2004 totalling €400 million at 3-month Euribor + 0.35%,
- a 5-year bond issue on September 22, 2004 totalling €400 million at 3-month Euribor + 0.325%.

The bond issued in 1995 with coupon at maturity rose in value by €16 million.

RCI Banque also redeemed bonds for a total of €1,050 million in 2004.

C. Bonds

At December 31 € million	2004	2003	2002
Renault SA			
2004 issue at 0.98%	179	-	-
2004 issue at 3-month Euribor + 0.52%	50	-	-
2004 issue at 3-month Euribor + 0.45%	50	-	-
2004 issue at 1.11%	7	-	-
2004 issue at 0.67%	18	-	-
2004 issue at 0.7375%	72	-	-
2004 issue at 6-month Euribor + 0.54%	10	-	-
2004 issue at 6-month Euribor + 0.54%	10	-	-
2003 issue at 4.785%	20	20	-
2003 issue at 1.23%	215	222	-
2003 issue at 4.41%	10	10	-
2003 issue at 5.4025%	41	41	-
2003 issue at 4.25375% - tranche A	65	65	-
2003 issue at 4.2675% - tranche B	35	35	-
2003 issue at 0.715%	78	81	-
2003 issue at 0.8105%	50	52	-
2003 issue at 1.236%	717	741	-
2003 issue at 0.75%	36	37	-
2003 issue at 0.7%	36	37	-
2003 issue at 0.7%	50	52	-
2003 issue at 1.013%	7	7	-
2002 issue at 0.8675%	7	7	8
2002 issue at 3-month Euribor +2.2518%	1 000	871	946
2001 issue at 1.29%	358	370	402
2000 issue at 2.7276%	441	458	500
1999 issue at 1.795%	442	461	500
1998 issue at 3-month Pibor - 0.17%	76	76	76
1996 issue at 2.9111%	282	292	305
1994 issue at 3.8627%	-	292	305
1993 issue at 7.25%	-	-	229
Total	**4,362**	**4,227**	**3,271**

At December 31 € million	2004	2003	2002
RCI Banque			
2004 issue at 3-month Euribor + 0.325%	400	-	-
2004 issue at 3-month Euribor + 0.35%	400	-	-
2004 issue at 3-month Euribor + 0.375%	300	-	-
2003 issue at 3-month Euribor + 0.58%	100	100	-
2003 issue at Eonia + 0.35%	250	250	-
2003 issue at 3.375%	300	300	-
2003 issue at 3-month Euribor + 0.67%	400	400	-
2003 issue at 3-month Euribor + 0.79%	468	470	-
2002 issue at 3-month Euribor + 0.5%	250	250	250
2002 issue at Eonia + 0.68%	-	50	50
2002 issue at 3-month Euribor + 0.78%	675	675	750
2002 issue at Eonia + 0.68%	-	200	200
2001 issue at 3-month Euribor + 0.325%	-	300	300
2001 issue at Eonia + 0.28%	-	-	396
2001 issue at 3-month Euribor + 0.35%	241	241	245
2001 issue at 3-month Euribor + 0.25%	-	300	300
2000 issue at 3-month Euribor + 0.25%	-	200	200
2000 issue at 3-month Euribor + 0.25%	-	-	465
2000 issue at 3-month Euribor + 0.25%	250	250	250
1998 issue at 3-month Libor + 0.0625%	-	-	153
1997 issue at 3-month Euribor + 0.17%	214	214	213
1996 issue at TAG + 0.3% for €229 million (tranche A), and 3-month Euribor + 0.19% for €76 million (tranche B)	305	305	305
1995 issue at 3-month Euribor + 0.17% - coupon at maturity (1)	290	275	259
Total	**4,843**	**4,780**	**4,336**
Accrued interest	122	119	108
Total	**9,327**	**9,126**	**7,715**

(1) nominal value of €142 million, issuance premium payable at maturity, treated as capitalized interest of €149 million (€133 million in 2003 and €117 million in 2002).

Rates shown are after the effect of derivative financial instruments.

D. MATURITIES OF INTEREST-BEARING BORROWINGS BY DIVISION

At December 31 € million	2004	2003	2002
Automobile			
Within one year	2,912	2,849	3,343
Between 1 and 2 years	992	386	333
Between 2 and 3 years	659	1,102	399
Between 3 and 4 years	593	637	924
Between 4 and 5 years	1,457	521	686
After 5 years	1,012	1,815	1,239
Total	**7,625**	**7,310**	**6,924**
Sales Financing			
Within one year	9,590	9,768	11,122
Between 1 and 2 years	3,020	3,370	2,446
Between 2 and 3 years	1,809	1,561	1,594
Between 3 and 4 years	3,240	590	896
Between 4 and 5 years	1,968	2,040	225
After 5 years	1,613	3,204	2,478
Total	**21,240**	**20,533**	**18,761**
Interdivision transactions			
Within one year	(1,027)	(593)	(1,297)
Between 1 and 2 years	-	-	-
Between 2 and 3 years	-	-	-
Between 3 and 4 years	-	-	-
Between 4 and 5 years	(242)	-	-
After 5 years	(150)	(407)	(242)
Total	**(1,419)**	**(1,000)**	**(1,539)**
Consolidated total			
Within one year	11,475	12,024	13,168
Between 1 and 2 years	4,012	3,756	2,779
Between 2 and 3 years	2,468	2,663	1,993
Between 3 and 4 years	3,833	1,227	1,820
Between 4 and 5 years	3,183	2,561	911
After 5 years	2,475	4,612	3,475
Total	**27,446**	**26,843**	**24,146**
Redeemable shares	**144**	**339**	**339**
Total	**27,590**	**27,182**	**24,485**

Short-term drawings on credit lines with maturities of more than one year amount to €79 million at December 31, 2004 (€157 million at December 31, 2003 and €43 million at December 31, 2002), of which €4 million concerned the Automobile Division (compared to €8 million in 2003 and €12 million in 2002).

E. INTEREST-BEARING BORROWINGS BY CURRENCY

At December 31 € million	2004	2003	2002
Euro	23,301	21,295	21,035
Other European Union currencies	313	712	558
Yen	3,156	4,143	1,880
Other currencies	820	1,032	1,012
Total	**27,590**	**27,182**	**24,485**

Currencies shown are after the effect of derivative financial instruments.

F. LONG-TERM BORROWINGS BY TYPE OF INTEREST RATE

Taking into account the effect of derivative instruments, fixed and floating-rate borrowings were as follows:

At December 31 € million	2004	2003	2002
Fixed-rate borrowings	5,298	7,815	5,845
Variable-rate borrowings	14,991	10,056	7,678
Total	**20,289**	**17,871**	**13,523**

G. WEIGHTED AVERAGE INTEREST RATE ON SHORT-TERM FINANCIAL DEBT

At December 31 € million	2004	2003	2002
Originally short-term financial debt	2.98%	2.64%	3.61 %
Current portion of long-term financial debt	2.72%	2.88%	3.69 %
Total financial debt due within one year	**2.90%**	**2.70%**	**3.62 %**

The total interest paid by the automobile division in 2004 was €841 million (€290 million in 2003 and €295 million in 2002).

H. CREDIT LINES

At December 31, 2004 the Renault Group's open credit lines with banks amounted to the equivalent of €9,714 million in various currencies (€9,705 million in 2003 and €9,476 million in 2002), with maturities extending to 2009. The short-term portion amounted to €2,929 million (€1,210 million in 2003 and €2,490 million in 2002).

A total of €211 million of these credit lines was in use at December 31, 2004, compared to €541 million at December 31, 2003 and €738 million at December 31, 2002.

I. REDEEMABLE SHARES

At December 31 € million	2004	2003	2002
Renault SA 1983 and 1984 issues (1)	129	324	324
Diac 1985 issue	15	15	15
Total	**144**	**339**	**339**

(1) Redeemable shares issued by Renault SA are attributed to the Group's automobile division.

These shares, issued in October 1983 and April 1984 by Renault SA, can be redeemed with a premium on the sole initiative of Renault from 1998. 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 Group structure and methods. The return on redeemable shares, amounting to €24 million in 2004 (€39 million in 2003 and €38.1 million in 2002), is included in financial expenses. These shares are listed on the Paris Stock Exchange, and in 2004 traded at between €346 and €575 for par value of €153.

In March and April 2004, Renault made a cash tender offer to buy back its redeemable shares at 450 euros per share, corresponding to a 21% premium over the market price.

This offer is reflected in the following items in the 2004 financial statements:

- a financial expense of €343 million with an after-tax impact of €221 million on the consolidated net income,
- a €343 million increase in net financial indebtedness (note 25).

The return on Diac redeemable shares issued in 1985 comprises a fixed portion equal to the Annual Monetary Rate, and a variable portion calculated by multiplying an amount equal to 40% of the Annual Monetary Rate by the rate of increase in net consolidated profit of the Diac sub-group compared to the prior year.

Diac has redeemed shares as follows:

- in 2002, 11,820 shares for a total value of €1.8 million,
- in 2001, 9,950 shares for a total value of €1.5 million.

24. OTHER LIABILITIES AND DEFERRED INCOME

At December 31 € million	2004	2003	2002
Tax liabilities	1,046	900	855
Social liabilities	1,414	1,333	1,252
Other	3,251	3,007	2,961
Deferred income	680	685	718
Total	**6,391**	**5,925**	**5,786**

25. NET FINANCIAL INDEBTEDNESS

At December 31 € million	2004	2003	2002
Redeemable shares	129	324	324
Bonds	4,408	4,257	3,294
Other interest-bearing borrowings	3,217	3,052	3,630
Interest-bearing borrowings	**7,754**	**7,633**	**7,248**
Investment loans	(1,862)	(1,960)	(1,805)
Renault treasury shares	(509)	(521)	(407)
Other marketable securities (1)	(391)	(189)	(78)
Loans and marketable securities	**(2,762)**	**(2,670)**	**(2,290)**
Cash and cash equivalents	**(4,451)**	**(3,215)**	**(2,463)**
Net financial indebtedness	**541**	**1,748**	**2,495**

(1) Other marketable securities at December 31, 2004 include €131 million for shares in Ainax, a holding company which owns the Scania shares previously owned by Volvo. Volvo distributed the Ainax shares to its shareholders in June 2004.

The sales financing activity is considered as an operating activity for the Group. The net financial indebtedness therefore concerns the automobile division only, and comprises its interest-bearing borrowings less cash and financial assets (note 1-C).

Change in net financial indebtedness

€ million	2004	2003	2002
Cash flow	4,351	3,150	3,179
Decrease in working capital	401	239	322
Investment in property, plant and equipment and intangibles, net of disposals	(2,823)	(2,533)	(2,968)
Acquisition of Nissan shares	-	-	(1,875)
Acquisitions of other equity investments, net of disposals	(109)	25	112
Capital increase reserved for Nissan	-	-	2,166
Change in other financial assets	24	(29)	144
Other capital transactions	(400)	(337)	(234)
Repurchase of redeemable shares	(343)	-	-
Translation adjustment and other	106	232	586
Change in net financial indebtedness	**1,207**	**747**	**1,432**

26. FINANCIAL INSTRUMENTS

A. MANAGEMENT OF EXCHANGE AND INTEREST RATE RISK

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

Automobile

At December 31 € million	2004	2003	2002
Foreign exchange risks:			
Currency swaps			
Purchases	2,663	3,820	2,000
Sales	2,477	3,562	1,943
Other forward exchange contracts and options			
Purchases	13,151	15,762	13,192
Sales	13,127	15,775	13,139
Interest rate risks:			
Interest rate swaps	42,862	30,655	36,385
FRAs (Future Rate Agreements)			
Purchases	-	-	200
Sales	-	-	400
Other interest rate hedging instruments			
Purchases	73	79	2,547
Sales	73	60	2,478

At December 31, 2004, the transactions undertaken by the automobile division to manage its foreign exchange risk were mainly currency swaps and forward sales of yen for total nominal value of €2,112 million (295 billion yen), as a partial hedge of Renault's net investment in Nissan (note 12).

Sales financing

At December 31 € million	2004	2003	2002
Foreign exchange risks:			
Currency swaps			
Purchases	359	98	48
Sales	365	102	52
Other forward exchange contracts and options			
Purchases	1,305	1,148	1,094
Sales	1,301	1,138	1,073
Interest rate risks:			
Interest rate swaps	20,702	22,897	17,930
FRAs (Future Rate Agreements)			
Purchases	-	-	50
Sales	-	-	50
Other interest rate hedging instruments			
Purchases	-	-	7
Sales	-	-	-

B. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

At December 31	2004		2003		2002	
€ million	**Book value**	**Fair value**	**Book value**	**Fair value**	**Book value**	**Fair value**
ASSETS						
Marketable securities (1)	908	1,106	720	819	494	528
Investment loans	1,361	1,361	2,134	2,134	1,689	1,670
Sales financing receivables	20,633	20,506	19,614	18,817	17,872	17,353
Cash and cash equivalents	5,521	5,521	4,276	4,276	3,354	3,354
LIABILITIES						
Redeemable shares	144	468	339	712	339	556
Bonds	9,327	10,201	9,126	9,123	7,715	8,077
Other interest-bearing borrowings (excluding redeemable shares)	18,119	18,113	17,717	17,853	16,431	16,475

(1) Marketable securities maturing more than 3 months after the date of acquisition (those maturing within 3 months of acquisition are included in cash and cash equivalents).

Estimated fair value of off-balance sheet financial instruments

At December 31	2004		2003		2002	
€ million	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward exchange contracts	11,611	11,624	15,038	15,039	13,340	13,284
Currency swaps	3,272	2,907	3,312	2,923	2,307	2,167
Interest rate swaps	359	371	1,480	1,463	2,052	2,104
Interest rate futures	-	-	-	-	50	50

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.

The main assumptions and valuation methods are as follows:

- **Marketable securities:** the fair value of securities is determined mainly by reference to market prices.
- **Investment loans:** for loans with an original maturity of less than three months and for floating-rate loans, the value recorded on the balance sheet is considered to be the fair value. Other fixed-rate loans have been estimated by discounting future cash flows using the rates offered to Renault at December 31, 2004, December 31, 2003 and December 31, 2002 for loans with similar conditions and maturities.
- **Sales financing receivables:** sales financing receivables at fixed rates have been estimated by discounting future cash flows at rates that would be applicable to similar loans (conditions, maturity and debtor quality) as at December 31, 2004, December 31, 2003 and December 31, 2002.
- **Cash and cash equivalents:** the value recorded on the balance sheet is considered the fair value.
- **Bonds and other interest-bearing borrowings:** the fair value of listed bonds has been estimated at year-end market prices. For the debts of the sales financing activity, evidenced by securities issued with a life of less than 90 days, the value recorded on the balance sheet is considered the fair value. The fair value of other financial debt was determined by discounting future cash flows at the rates offered to Renault at December 31, 2004, December 31, 2003 and December 31, 2002 for borrowings with similar conditions and maturities.
- **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, 2004, December 31, 2003 and December 31, 2002 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. Unrealized 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, 2004, December 31, 2003 and December 31, 2002.

27. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

Renault enters into a certain number of commitments in the course of its business, some of which (e.g. retirement and other personnel benefits, litigations) are covered by provisions. Details of off-balance sheet commitments and contingencies are provided below.

27.1. ORDINARY OPERATIONS

The Group's commitments specific to financial instruments are described in note 26.

The Group is also committed for the following amounts:

At December 31 € million	2004	2003	2002
Customer guarantees and endorsements (sales financing)	81	73	72
Other guarantees given	524	672	669
Opening of confirmed credit lines for customers	2,221	1,255	705
Securities payable on repurchase or forward transactions	-	-	20
Firm investment orders	695	1,032	988
Lease commitments	1,114	1,086	1,063
Assets pledged or mortgaged	186	174	195

Lease commitments include rent from non-cancelable leases to which the Group is committed. These are broken down as follows.

At December 31 € million	2004	2003	2002
Less than 1 year	132	125	104
Between 1 and 2 years	131	120	101
Between 2 and 3 years	125	114	102
Between 3 and 4 years	122	104	98
Between 4 and 5 years	125	100	92
More than 5 years	479	523	566
Total	**1,114**	**1,086**	**1,063**

27.2. SPECIAL OPERATIONS

A. GUYANCOURT TECHNOCENTRE

In March 1995, the Group signed an agreement with a group of investors under which the Technocentre, a single site combining Renault new-vehicle research and development units, would be built by a real estate company 15%-owned by Renault and 85% by the investors. This company leased the centre to Renault at prevailing market rents under a lease expiring at the end of 2010. The agreement gave Renault the option to acquire the Technocentre at its initiative, at any time between 2000 and 2010.

This agreement was renegotiated when a further investment was made for the construction of the second stage of the Technocentre complex. Under the terms of the new agreement, concluded on June 25, 2002:

- Renault withdrew from the real estate company by selling its 15% of shares to the group of investors (this had no significant impact on the Renault financial statements), and the advances previously made by Renault to the real estate company were repaid.
- An amended 11½-year lease was signed at market prices, resulting in an annual saving on rental of approximately €15 million. The total rent for the period, on a non-discounted basis, is estimated at €1,008 million.
- Renault has the option to acquire the Technocentre at the end of 2007 or 2009, or upon expiry of the final year of the lease (in 2013), at market prices applicable at the date the option is exercised.

These operations had a favorable overall effect on the Group's net financial indebtedness of €214 million in 2002.

B. END-OF-LIFE VEHICLES

Under EC directive 2000/53/EC concerning end-of-life vehicles, published in September 2000, member states will be obliged to take measures to ensure that:

- vehicles at the end of their useful life can be transferred to an approved processing centre free of charge to the last owner,
- specific progressive targets are met concerning the re-use rate for vehicle components (with priority given to recycling) and the value of components that can be re-used.

This directive concerns vehicles put on the market since July 1, 2002, but will be extended to apply to all vehicles on the road by January 1, 2007.

The Group establishes provisions in relation to the corresponding cost on a country-by-country basis, as the Directive is incorporated into national laws and when the procedures for recycling operations are defined. These provisions are regularly reviewed to ensure they take account of changes in each country's situation.

At December 31, 2004, a provision of €79 million was established in respect of this risk (€21 million at December 31, 2003 and €19 million December 31, 2002).

C. DISPOSAL OF USED TYRES IN FRANCE

The French decree n°2000-1563 of December 24, 2002 on the disposal of used tyres prescribes the technical and financial procedures for collection and processing of used tyres.
As the Group is not able to estimate the potential financial impact of this decree, no provision has been recorded in connection with this matter.

D. RENAULT ARGENTINA

Renault Argentina SA manages a savings plan called Plan Rombo SA, designed to enable savers' groups to acquire vehicles. The savers make monthly contributions to the plan and a vehicle is delivered at the end of a given period. At December 31, 2004, Plan Rombo SA had approximately 600 savers' groups on its books. Renault Argentina SA and Plan Rombo SA are jointly responsible to subscribers for the correct operation of the plan. Renault's corresponding off-balance sheet commitment amounts to 74 million Argentinean pesos.

E. OTHER COMMITMENTS

- Disposals of subsidiaries or businesses by the Group generally include representations and warranties in the buyer's favor. At December 31, 2004, Renault had not identified any significant risks in connection with these operations.
- Following partial sales of subsidiaries during previous years, Renault retains options to sell all or a portion of its residual investment. Exercising these options would not have any significant impact on the consolidated financial statements.
- The agreement signed in 2000 by Renault, Samsung Motors Inc. and Hanvit Bank gives Renault the option to purchase Hanvit Bank's 10% interest in Renault Samsung Motors. This option can be exercised from December 2005. Should Renault exercise this option, which would bring its investment in Renault Samsung Motors up to 80.1%, there would be no significant impact on the consolidated financial statements.
- The companies of the Group are periodically subject to tax audits in the countries in which they operate. Tax adjustments are recorded as provisions in the financial statements. Contested tax adjustments are recognized on a case-by-case basis, taking into account the risk that the proceedings or appeal may be unsuccessful.

28. COMPANIES CONSOLIDATED AT DECEMBER 31

Fully consolidated companies

Renault Group's interest (%)		2004	2003	2002
AUTOMOBILE				
Renault SAS	France	100	100	100
Cofiren Renault et Cie	France	-	100	100
GIE Technocentre	France	-	100	100
Mecanizacion Contable S.A. (Meconsa)	Spain	100	100	100
Renault Développement Industriel et Commercial (RDIC)	France	100	100	100
Renault Espana SA and subsidiaries	Spain	100	100	100
Renault Group BV	Netherlands	100	100	100
Société de Financement des Moyens Informatiques (SOFIMIN)	France	-	100	100
Société Immobilière Renault Habitation (SIRHA)	France	100	100	100
Technologie et Exploitation Informatique (TEI)	France	100	100	100
Vehicle Engineering and Manufacturing				
Auto Châssis International (ACI) Le Mans	France	100	100	100
Auto Châssis International (ACI) Romania	Romania	100	100	-
Auto Châssis International (ACI) Villeurbanne	France	100	100	100
CACIA	Portugal	100	100	100
Emboutissage Tôlerie Gennevilliers (ETG)	France	100	100	100
Fonderie le Mans	France	100	100	100
IDVU	France	100	100	100
Maubeuge Construction Automobile (MCA)	France	100	100	100
Renault Industrie Belgique (RIB)	Belgium	100	100	100
SCI Parc Industriel du Mans	France	100	100	100
SNC Renault Cléon	France	100	100	100
SNC Renault Douai	France	100	100	100
SNC Renault Flins	France	100	100	100
SNC Renault Le Mans	France	100	100	100
SNC Renault Sandouville	France	100	100	100
Société des Automobiles Alpine Renault	France	100	100	100
Société de Magasinage et de Gestion des Stocks	France	100	100	100
Société de Transmissions Automatiques	France	80	80	80
Société de Véhicules Automobiles de Batilly (SOVAB)	France	100	100	100
Société Nouvelle de Transmissions (SNT)	France	-	80	80
Agricultural Equipment				
Renault Agriculture	France	-	-	100
Other companies				
Arkanéo	France	100	100	100
Car life Siège and subsidiaries	France	100	100	100
France Services Rapides and subsidiary	France	100	100	100
SNR Group (Société Nouvelle de Roulements)	France	100	100	100
Grigny Ltd	United Kingdom	100	100	100
Renault F1 Team Ltd	United Kingdom	100	100	100

Fully consolidated companies (continued)

Renault Group's interest (%)		**2004**	**2003**	**2002**
Sales - France				
Renault France Automobiles (RFA) and subsidiaries	France	100	100	100
Sales - Europe				
Renault Amsterdam	Netherlands	100	100	100
Renault Belgique Luxembourg	Belgium	100	100	100
Renault Ceska Republica	Czech Republic	100	100	100
Renault Croatia	Croatia	100	100	100
Renault Espana Comercial S.A. (RECSA) and subsidiaries	Spain	100	100	100
Renault Hungaria	Hungary	100	100	100
Renault Italia and subsidiaries	Italy	100	100	100
Renault Nissan Deutsche AG and subsidiaries	Germany	100	100	100
Renault Nissan Nederland	Netherlands	100	100	100
Renault Nissan Suisse SA	Switzerland	100	100	100
Renault Nissan Osterreich (ex Renault Osterreich Automobilvertriebs)	Austria	100	100	100
Renault Polska	Poland	100	100	100
Renault Portuguesa	Portugal	100	100	100
Renault Retail Group	United Kingdom	100	100	100
Renault Nissan Romania	Romania	100	-	-
Renault Slovakia	Slovakia	100	100	100
Renault Slovenia d.o.o.	Slovenia	100	100	100
Renault U.K	United Kingdom	100	100	100
Renault Vienna	Austria	100	100	100
International Operations and Asia - Pacific				
AFM Industrie	Russia	100	-	-
Avtoframos	Russia	76	50	-
Dacia and subsidiaries	Romania	99	99	93
Sociedad de Fabricacion de Automotores (Sofasa) (1)	Colombia	60	60	-
Oyak Renault Otomobil Fabrikalari	Turkey	52	52	52
Renault Algérie	Algeria	100	100	-
Renault Corporativo S.A. de C.V.	Mexico	100	100	100
Renault Maroc	Morocco	80	80	80
Renault Mexico	Mexico	100	100	100
Renault Samsung Motors	South Korea	70	70	70
Renault Venezuela (1)	Venezuela	100	60	-
Revoz	Slovenia	100	67	67
Mercosur				
Cofal	Luxembourg	77	77	77
Renault Argentina Group	Argentina	67	67	67
Renault do Brasil LTDA	Brazil	78	78	78
Renault do Brasil SA	Brazil	77	77	77
After-sales				
SODICAM 2	France	100	100	100
French Investment Financing Companies				
Société Immobilière de Construction Française pour l'Automobile et la Mécanique (SICOFRAM) and subsidiary	France	100	100	100
Société Immobilière d'Epone	France	100	100	100
Société Immobilière pour l'Automobile et la Mécanique (SIAM)	France	100	100	100

(1) Sofasa (and its subsidiary Renault Venezuela, which became a subsidiary of Renault SAS in 2004) has been fully consolidated since March 28, 2003 (previously it was included by the equity method)

Fully consolidated companies (continued)

Renault Group's interest (%)		**2004**	**2003**	**2002**
Holding companies, Credit Institutions and similar				
Compagnie Financière Renault (2)	France	-	-	100
Motor Reinsurance Company	Luxembourg	100	-	-
Renault Holding	Switzerland	100	100	100
Renault Finance	Switzerland	100	100	100
Société Financière et Foncière (SFF)	France	100	100	100
SALES FINANCING				
Sales Financing - France				
DIAC	France	100	100	100
Diac Location	France	100	100	100
Compagnie de Gestion Rationnelle (COGERA)	France	100	100	100
RCI Banque	France	100	100	100
Société de Gestion, d'Exploitation de Services en Moyens Administratifs (SOGESMA)	France	100	100	100
Sales Financing – outside France				
Accordia Espana SA	Spain	100	100	100
Consorcio Renault do Brasil	Brazil	100	100	100
Nissan Finance Ltd	United Kingdom	100	100	100
RCI Financial Services Belgique (ex Overlease Belgique)	Belgium	100	100	100
RCI Financial Services BV	Netherlands	100	100	100
RCI Finanzholding Gmbh	Germany	100	100	100
RCI Gest SCA and subsidiaries	Portugal	100	100	100
RCI Leasing gmbh co OHG	Germany	100	100	100
Refactor	Italy	100	100	100
Renault Autofin SA	Belgium	100	100	100
RCI Banque AG (ex Renault Bank)	Austria	100	100	100
RCI Finantare Romania	Romania	100	-	-
Renault Crédit SA	Switzerland	100	100	100
Renault Credit Polska	Poland	100	100	100
Renault Financiaciones	Spain	100	100	100
RNC (ex Accordia)	Italy	100	100	100
Holding Companies and Other Credit Institutions				
Renault Acceptance BV	Netherlands	-	100	100
Renault Acceptance Gmbh	Germany	100	100	100
Renault Acceptance Ltd	United Kingdom	100	100	100
Service companies				
ARTIDA	Spain	100	100	100
Overlease Spain	Spain	100	100	100
RCI Gest Seguros	Portugal	100	100	100
RCI Versicherungs Service Gmbh	Germany	100	100	100
Réalisation, Etudes, Courtage et Assurances	France	100	100	100
Renault do Brasil S/A Corr. de Seguros	Brazil	100	99	99
Renault Services SA	Belgium	100	100	100
Société Internationale de Gestion et de Maintenance Automobile (SIGMA)	France	100	100	100

(2) Compagnie Financière Renault merged with Renault SAS in 2003.

Proportionately consolidated companies

Renault Group's interest (%)		2004	2003	2002
AUTOMOBILE				
Vehicle Engineering and Manufacturing				
Française de Mécanique	France	50	50	50
GIE TA 96	France	50	50	50
SALES FINANCING				
CFI Renault do Brasil	Brazil	60	60	60
Cia Arrademento Mercantil Renault do Brasil	Brazil	60	60	60
RCI Leasing Romania	Romania	50	-	-
Renault Credit Car	Belgium	50	50	50
Renault Financial Services Ltd (RFS)	United Kingdom	50	50	50
ROMBO Compania Financiera	Argentina	60	60	60
Sygma Finance	France	50	50	50
Overlease Italia	Italy	49	49	-

Companies accounted for by the equity method

Renault Group's interest (%)		2004	2003	2002
AUTOMOBILE				
Volvo Group	Sweden	21.5	21.1	21.1
Nissan Group	Japan	44.4	44.4	44.4
Teksid Group	Italy	-	19	33
MAIS	Turkey	49	49	49
Sociedad de Fabricacion de Automotores (Sofasa) (1)	Colombia	-	-	24
SALES FINANCING				
Nissan Renault Wholesale Mexico	Mexico	15	-	-

(1) Sofasa has been fully consolidated since March 28, 2003 (previously it was included by the equity method).