

Renault SA
2007 Parent company financial statements

INCOME STATEMENT		
(€ million)	2007	2006
Operating income	4	1
Operating expenses	(24)	(28)
NET OPERATING EXPENSE	(20)	(27)
Investment income	853	1 661
Increases to provisions		(1)
INVESTMENT INCOME AND EXPENSES (Note 2)	853	1 660
Foreign exchange gains	534	417
Reversals of provision for exchange risks		7
Foreign exchange losses	(179)	(14)
FOREIGN EXCHANGE GAINS AND LOSSES (Note 3)	355	410
Interest and equivalent income	5	3
Interest and equivalent expenses	(263)	(206)
Reversals of provisions and transfers of charges	3	6
Net gains on sales of marketable securities	45	18
OTHER FINANCIAL INCOME AND EXPENSES (Note 4)	(210)	(179)
NET FINANCIAL INCOME	998	1 891
PRE-TAX INCOME BEFORE EXCEPTIONAL ITEMS	978	1 864
EXCEPTIONAL INCOME		
EXCEPTIONAL EXPENSES	(1)	(1)
NET EXCEPTIONAL ITEMS (Note 5)	(1)	(1)
INCOME TAX (Note 6)	119	78
NET INCOME	1 096	1 941

BALANCE SHEET				
	2007			2006
ASSETS (€ million)	Gross	Depreciation amortisation & provisions	Net	Net
Investments stated at equity (Note 7)	8 490		8 490	7 448
Investment in Nissan Motor (Note 7)	6 413		6 413	6 413
Other investments (Note 7)	245	13	232	0
Advances to subsidiaries and affiliates (Note 8)	9 647	5	9 642	9 513
Loans	9	2	7	7
FINANCIAL ASSETS	24 804	20	24 784	23 381
TOTAL FIXED ASSETS	24 804	20	24 784	23 381
RECEIVABLES	15		15	3
MARKETABLE SECURITIES (Note 9)	582		582	1 203
CASH AND CASH EQUIVALENTS	9		9	30
OTHER ASSETS (Note 10)	35		35	40
TOTAL ASSETS	25 445	20	25 425	24 657

BALANCE SHEET		
SHAREHOLDERS' EQUITY AND LIABILITIES (€ million)	2007	2006
Share capital	1 086	1 086
Share premium	4 423	4 423
Revaluation surplus	9	9
Equity valuation difference	4 829	3 787
Legal and tax basis reserves	108	108
Retained earnings	7 120	6 041
Net income	1 096	1 941
SHAREHOLDERS' EQUITY (Note 11)	18 671	17 395
REDEEMABLE SHARES (Note 12)	130	130
PROVISIONS FOR RISKS AND LIABILITIES (Note 13)	54	89
Bonds	3 954	3 914
Borrowings from credit institutions	322	484
Other loans and financial debts	1 904	2 235
FINANCIAL LOANS AND BORROWINGS (Note 14)	6 180	6 633
OTHER LIABILITIES (Note 15)	40	18
DEFERRED INCOME (Note 16)	350	392
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	25 425	24 657

STATEMENT OF CHANGES IN CASH		
(€ million)	2007	2006
Cash flow (Note 20)	1 064	1 933
Change in working capital requirements	9	24
Cash flow from operating activities	1 073	1 957
Net decrease (increase) in other investments	(232)	
Net decrease (increase) in loans	(128)	(999)
Net decrease (increase) in marketable securities	620	855
Cash flow from investing activities	260	(144)
Bond issues	588	856
Bond redemptions	(597)	(1 143)
Net increase (decrease) in other interest-bearing borrowings	(492)	(843)
Dividends paid to shareholders	(863)	(663)
Cash flow from financing activities	(1 364)	(1 793)
Cash and cash equivalents: opening balance	30	10
Increase (decrease) in cash and cash equivalents	(31)	20
Cash and cash equivalents: closing balance	(1)	30

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

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

A - NET FINANCIAL INCOME

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

B - NET EXCEPTIONAL ITEMS

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

C - INVESTMENTS

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

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

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

Other investments include treasury shares acquired for the purposes of stock option plans.

D - ADVANCES TO SUBSIDIARIES AND AFFILIATES

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

E - MARKETABLE SECURITIES

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

Treasury shares held for the purposes of stock option plans awarded to Group managers and executives are recorded in marketable securities at the lower of purchase price and stock market price. A provision equivalent to the difference is established where relevant. An additional provision for risks and liabilities is established when the option exercise price falls below the net book value.

F - LOAN COSTS AND ISSUANCE EXPENSES

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

G - TRANSLATION OF FOREIGN CURRENCY RECEIVABLES AND LIABILITIES

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

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

H - PROVISIONS FOR RISKS AND LIABILITIES

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

I - DERIVATIVES

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

Derivatives not designated as hedges are adjusted to fair value at each closing date. Any resulting unrealised loss is recognised in the income statement, while in application of the conservatism principle, unrealised gains are not taken to income.

The fair value of forward exchange contracts is based on market conditions. The fair value of currency swaps is determined by discounting future cash flows, using closing-date market rates (exchange and interest rates). The fair value of interest rate derivatives is the amount the Group would receive (or pay) to settle outstanding contracts at the closing date, taking year-end market conditions into consideration.

2. INVESTMENT INCOME AND EXPENSES

Details are as follows:

(€million)	2007	2006
Dividends received from Renault s.a.s.		973
Dividends received from Nissan Motor Co Ltd	456	431
Dividends received from Sofasa	4	0
Interest on loans and advances to subsidiaries and affiliates	393	257
TOTAL	853	1 661

3 - FOREIGN EXCHANGE GAINS AND LOSSES

In 2007, redemption of three bonds for a total of €597 million generated a total foreign exchange gain of €145 million:

- settlement of the cross-currency swap undertaken to hedge the bond issued on October 19, 2000 (nominal value €500 million) generated a foreign exchange gain of €127 million,
- settlement of the interest rate swap undertaken to hedge the bond issued on April 23, 2004 on the Japanese domestic market (nominal value 10 billion yen) generated a foreign exchange gain of €15 million,
- redemption of the bond issued on April 26, 2004 on the Japanese domestic market (nominal value 3 billion yen) generated a foreign exchange gain of €3 million.

Settlements of short-term forward sales forming part of the hedge of Nissan's net assets generated a €211 million net foreign exchange gain in 2007 (a €387 million gain and a €176 million loss).

The net foreign exchange gain in 2006 included a gain of €215 million following redemption of six bonds totalling 136 billion yen (€1,143 million), and a gain of €189 million as for settlements of short-term forward sales (a €201 million gain and a €12 million loss).

4. OTHER FINANCIAL INCOME AND EXPENSES

Other financial income and expenses totalled €210 million in 2007 (€179 million in 2006), mainly reflecting net interest payments on Renault bonds after swaps. The net interest on bonds comprises accrued and paid interest of €329 million (€281 million in 2006), and accrued and received interest on swaps of €177 million (€168 million in 2006).

5. NET EXCEPTIONAL ITEMS

The net exceptional expense of €1 million mainly comprises the loss on sales of shares to employees through options exercised under stock option plans.

6. INCOME TAX

As Renault SA elected to determine French income taxes under the domestic tax consolidation regime when it was formed, this regime has continued to apply to the Group in which Renault SA is taxed in France since January 1, 2004. French subsidiaries that are more than 95%-owned by Renault SA pay their income taxes directly to Renault SA under this regime. Each entity included in the domestic tax consolidation records its theoretical taxes as if it were taxed separately. The tax saving generated by this system is treated as income for the company heading the group of entities concerned. When subsidiaries return to profit, the parent company records additional tax due to the fact that the subsidiaries' past tax losses have already been utilised. The parent company is not obliged to refund a subsidiary that returns to profit or leaves the tax consolidated group for any tax savings resulting from utilisation of its tax losses.

The income generated by income taxes for 2007 was €119 million (€89 million income from the domestic tax consolidation, plus an amount of €30 million recovered from provisions for tax risks). The loss reported under the domestic tax consolidation amounts to €1,623 million, a €585 million increase over the previous year.

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

(€million)	Income before tax	Taxes		Tax credit	Net tax due	Net income	
		Theoretical	Netting			Theoretical	As booked
Current income subject to normal rate	978	162		(3)	159	819	819
Current income subject to reduced rate							
Exceptional income subject to normal rate	(1)	(1)			(1)		
Tax consolidation					(247)		247
Increase/reversal of provision for tax risks					(30)		30
Tax reassessments							
TOTAL	977	161	0	(3)	(119)	819	1 096

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

(€million)	2007		2006		Change	
	Assets (1)	Liabilities (2)	Assets (1)	Liabilities (2)	Assets	Liabilities
Temporarily non-deductible expenses						
Provisions for risks and liabilities	18		20		(2)	
Other						
Operations taxed at reduced rate						
Temporarily non-taxable income						
Expenses deducted (or taxable income) not yet recognized for accounting purposes	143	3	166	3	(23)	
TOTAL	161	3	186	3	(25)	

(1) i.e. future tax credit

(2) i.e. future tax charge

7. INVESTMENTS

Changes during the year were as follows:

(€million)	At start of year	Change over the year	At year-end
Investments stated at equity	7 448	1042	8 490
Investment in Nissan Motor Co. Ltd.	6 413		6 413
Other investments	13	232	245
Provisions on other investments	(13)		(13)
Total	13 861	1 274	15 135

The €1,042 million change during the year in investments stated at equity is taken to shareholders' equity (see note 11). No new investments or disposals took place in 2007.

The €232 million increase in other investments corresponds to purchases of 2 136 650 treasury shares acquired for the purposes of stock option plans. The market value of these shares at December 31, 2007 was €207 million.

8. ADVANCES TO SUBSIDIARIES AND AFFILIATES

Changes during the year were as follows:

(€million)	At start of year	Increases	Decreases	At year-end
Capitalisable advances	5			5
Advances to subsidiaries and affiliates	9 513	2 356	(2 227)	9 642
Total before impairment (1)	9 518	2 356	(2 227)	9 647
Impairment	(5)			(5)
Net total	9 513	2 356	(2 227)	9 642
(1) <i>Current portion (less than one year)</i>	9 413	2 356	(2 220)	9 549
<i>Long-term portion (over 1 year)</i>	105		(7)	98

Advances to subsidiaries and affiliates include:

- €1,785 million in short-term investments with Group finance companies as part of the Group's cash management programme (€3,257 million in 2006);
- €25 million in long-term loans to Renault s.a.s. (identical to 2006);
- €7,832 million in current accounts resulting from centralised cash management agreements with Group subsidiaries (€6,231 million in 2006).

9. MARKETABLE SECURITIES

Marketable securities include €314 million of short-term investment funds (€332 million in 2006) and €268 million for Renault SA's treasury shares (€371 million in 2006).

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

Renault SA carried out arbitrage in favour of very short-term investments in the form of bank investment certificates with terms of up to three months, offering a better risk/return profile since the crisis experienced by the financial markets of August 2007.

Changes in treasury shares were as follows:

	At start of year	Options exercised	Early exercise of share subscription options	At year-end
Number of shares	7 681 580	2 262 591	500	5 418 489
Value (€million)	372	104		268

Stock option plans introduced since 2004 award share subscription options rather than share purchase options.

10. OTHER ASSETS

The major item included in Other assets is the €26 million payment made in connection with the Calyon loan (€28 million at December 31, 2006). For the purposes of the 1%-rate housing loan financing operation introduced in 2004, Renault contracted a loan from Calyon with nominal value of €112 million, bearing interest at the floating rate of 6-month Euribor + 0.67%, terminating on December 31, 2019. An interest rate swap was undertaken to convert this to a fixed rate of approximately 0.13%, and Renault SA also paid a sum of €33 million corresponding to the discounted interest differential recorded over the duration of the operation. This payment is amortised over the duration of the loan (15 years) at the same rate as the interest paid on the debt.

11. SHAREHOLDERS' EQUITY

Changes in shareholders' equity were as follows:

(€million)	Balance at start of year	Allocation of 2006 net income	Dividends	2007 net income	Other	Balance at year-end
Share capital	1086					1086
Share premium	4 423					4 423
Revaluation surplus	9					9
Equity valuation difference	3 787				1042	4 829
Legal and tax basis reserves	108					108
Retained earnings	6 041	1941	(863)			7 120
Net income	1941	(1941)		1096		1096
TOTAL	17 395	0	(863)	1 096	1 042	18 671

At the General Shareholders' Meeting of May 2, 2007, it was decided to allocate the net income for 2006 as follows: €883 million (€3.10 per share) to distribution of dividends, including a non-distributable amount of €20 million attached to treasury shares, and €1,078 million to retained earnings.

Non-distributable reserves amounted to €3,904 million at December 31, 2007.

A total of €499 million of reserves corresponds to the treasury share accounts.

Renault SA's shareholding structure was as follows at December 31, 2007:

	Ownership structure		Voting rights	
	Number of shares held	% of capital	Number	%
French state	42 759 571	15,01%	42 759 571	18,22%
Employees	8 873 624	3,11%	8 873 624	3,78%
Treasury shares	7 555 139	2,65%		
Nissan	42 740 568	15,00%		
Other	183 008 216	64,23%	183 008 216	78,00%
TOTAL	284 937 118	100%	234 641 411	100%

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

12. REDEEMABLE SHARES

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

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

797,659 redeemable shares remained on the market at December 31, 2007, with an average weighted cost of €158.93 each or a total of €130 million including accrued interest. These shares are listed on the Paris Bourse, and over the period December 31, 2006 to December 31, 2007 traded at between €940 and €874 for par value of €153.

The 2007 return on redeemable shares, amounting to €17 million (identical to 2006), is included in interest expenses.

13. PROVISIONS FOR RISKS AND LIABILITIES

Provisions for risks and liabilities break down as follows:

(€million)	2006	Increases	Reversals without application	2007
Provisions for tax risks and litigation	33		(33)	
- Current (less than 1 year)	33		(33)	
- Long-term (over 1 year)				
Other provisions for risks and liabilities	56		(2)	54
- Current (less than 1 year)	33			33
- Long-term (over 1 year)	23		(2)	21
TOTAL	89		(35)	54
Increases/reversals concerning: - operating items			(4)	
- financial items			(2)	
- income taxes			(29)	

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

14. BORROWINGS AND FINANCIAL DEBTS

A. BONDS

The principal changes in bonds over 2007 were as follows:

- issuance on January 15, 2007 of a 7-year bond with total nominal value of €29 million, at the indexed floating rate of 10-year CMS, swapped to the floating rate of 3-month Euribor + 0.62%,
- issuance on April 16, 2007 of a 5-year bond with total nominal value of €500 million, at the fixed rate of 4.5% swapped to a floating rate of 3-month Euribor + 0.3948%,
- issuance on April 27, 2007 of a 10-year bond with total nominal value of €10 million, at the fixed rate of 5.35% with an adjustment option (a swap was undertaken to convert this to a floating rate of 3-month Euribor + 0.55%),
- issuance on April 27, 2007 on the Japanese market of a 3-year bond with total nominal value of 2 billion yen, at the fixed rate of 1.285%,
- issuance on June 5, 2007 on the Japanese market of a 7-year bond with total nominal value of 1 billion yen, at the fixed rate of 1.89%,
- issuance on June 8, 2007 on the Japanese market of a 5-year bond with total nominal value of 2 billion yen, at the fixed rate of 1.755%,
- issuance on June 14, 2007 on the Japanese market of a 5-year bond with total nominal value of 1 billion yen, at the fixed rate of 1.774%,
- issuance on June 26, 2007 on the Japanese market of a 7-year bond with total nominal value of 2 billion yen, at the fixed rate of 2.065%,
- redemption of the April 23, 2004 3-year bond issue totalling 10 billion yen at the floating rate of 3-month Libor + 0.28% (a swap was undertaken to convert this to a fixed rate of 0.7375%),
- redemption of the April 26, 2004 3-year bond issue totalling 3 billion yen at the fixed rate of 0.67%,
- redemption of the October 19, 2000 7-year bond issue totalling €500 million at the fixed rate of 6.375% (a currency swap was undertaken to convert this issue into 62 billion yen with a rate of 2.7276%).

Breakdown by maturity

December 31, 2007							
(€million)	Total	- 1 yr	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs	+ 5 yrs
2002	1000		1000				
2003	1031	365		625			41
2004	278		228		50		
2005	213			152		61	
2006	831				303		528
2007	588			12		519	57
Accrued interest	13	13					
TOTAL	3 954	378	1 228	789	353	580	626

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

Breakdown by currency

(€million)	December 31, 2007		December 31, 2006	
	before	after	before	after
	derivatives	derivatives	derivatives	derivatives
Euro	3 044	2 370	2 928	1 824
Yen	910	1 584	986	2 090
TOTAL	3 954	3 954	3 914	3 914

Breakdown by interest rate

(€million)	December 31, 2007	December 31, 2006
	after derivatives	after derivatives
Fixed rate	1757	2263
Floating rate	2197	1651
TOTAL	3954	3914

B. BORROWINGS FROM CREDIT INSTITUTIONS

Borrowings from credit institutions stood at €322 million at December 31, 2007 (€484 million in 2006), and are mainly contracted on the market.

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

Breakdown by maturity

(€million)	December 31, 2007						
	Total	- 1 yr	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs	+ 5 yrs
2001	127	127					
2002							
2003							
2004	183	8	107	5	8	10	45
2005							
2006							
Accrued interest	12	12					
TOTAL	322	147	107	5	8	10	45

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

Breakdown by currency

(€million)	December 31, 2007		December 31, 2006	
	before	after	before	after
	derivatives	derivatives	derivatives	derivatives
Euro	273	195	436	352
Yen		127		132
Other currencies	49		48	
TOTAL	322	322	484	484

Breakdown by interest rate

(€million)	December 31, 2007		December 31, 2006	
	after		after	
	derivatives		derivatives	
Fixed rate	211		383	
Floating rate	111		101	
TOTAL	322		484	

C. OTHER LOANS AND FINANCIAL DEBTS

Other loans and financial debts amounted to €1,904 million at December 31, 2007 (€2,235 million in 2006), and principally comprise borrowings from Group subsidiaries with surplus cash, as follows:

- €763 million of borrowings from Renault Espana SA
- €474 million of borrowings from SI Epone
- €142 million of borrowings from SIAM
- €72 million of borrowings from Renault Nederland
- €69 million of borrowings from Renault Nissan Deutschland AG
- €60 million of borrowings from Revoz
- €53 million of borrowings from Renault Belgique Luxembourg
- €45 million of borrowings from Renault Osterreich
- €44 million of borrowings from Sirha
- €42 million of borrowings from SICOFRAM

No loans or financial debts are secured.

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

15. OTHER LIABILITIES

Changes in other liabilities were as follows:

(€million)	2007	2006	Variation 2007 / 2006
Tax liabilities	40	18	22
TOTAL	40	18	22

The €22 million increase in other liabilities results from a €36 million increase in tax liabilities, offset by a €14 million reduction in the liability for taxes payable to subsidiaries under the French domestic tax consolidation system.

16. DEFERRED INCOME

Deferred income mainly comprises unrealised foreign exchange gains on bond issues in yen or swapped to yen, totalling €342 million. Renault SA issues bonds in yen or swapped to yen as part of the hedge of the net assets of Nissan.

17. INFORMATION CONCERNING RELATED COMPANIES

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

Income statement

(€ million)	2007		2006	
	Total	Related companies	Total	Related companies
Interest on loans and advances to subsidiaries and affiliates	393	390	257	254
Interest and equivalent expenses	(263)	(45)	(206)	(4)
Reversals of provisions and transfers of charges	3		6	

Balance sheet

(€ million)	2007		2006	
	Total	Related companies	Total	Related companies
Advances to subsidiaries and affiliates	9 642	9 566	9 513	9 434
Loans	7	4	7	
Receivables	15		3	
Cash and cash equivalents	9	6	30	13
Loans and financial debts	1904	1851	2 235	1784
Other liabilities	40		18	

18. FINANCIAL INSTRUMENTS

A - MANAGEMENT OF EXCHANGE AND INTEREST RATE RISK

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

At December 31 (€million)	2007	2006
<i>Foreign exchange risks</i>		
Currency swaps		
Purchases	1 120	1 569
with Renault Finance	513	931
Sales	1 367	1 868
with Renault Finance	617	1 118
Other forward exchange contracts and options		
Purchases	3 174	2 626
with Renault Finance	3 174	2 626
Sales	3 149	2 587
with Renault Finance	3 149	2 587
<i>Interest rate risks</i>		
Interest rate swaps	2 569	2 132
with Renault Finance	2 282	1 836

Transactions undertaken to manage exchange rate exposure principally comprise currency swaps and forward sales of yen, with total nominal value of €4,996 million (824 billion yen) at December 31, 2007. These operations form a partial hedge of Renault's investment in Nissan's net assets in yen. Renault SA also carries out forward sales to hedge loans to subsidiaries denominated in foreign currencies.

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

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

B - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

At December 31 (€million)	2007		2006	
	Balance sheet value	Fair value	Balance sheet value	Fair value
ASSETS				
Marketable securities (1)	582	842	1 203	1 559
Loans and advances to subsidiaries and affiliates	9 656	9 663	9 515	9 522
Cash and cash equivalents	9	9	30	30
LIABILITIES				
Redeemable shares	130	697	130	750
Bonds	3 954	4 129	3 914	4 252
Other interest-bearing borrowings (2)	2 226	2 213	2 719	2 757
<i>(1) including treasury shares</i>				
<i>(2) excluding redeemable shares</i>				

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

At December 31 (€million)	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts	3 174	3 154	2 625	2 589
<i>with Renault Finance</i>	<i>3 174</i>	<i>3 154</i>	<i>2 625</i>	<i>2 589</i>
Currency swaps	1400	1132	1925	1590
<i>with Renault Finance</i>	<i>579</i>	<i>468</i>	<i>1094</i>	<i>896</i>
Interest rate swaps	21	5	27	8
<i>with Renault Finance</i>	<i>21</i>	<i>1</i>	<i>27</i>	<i>1</i>

Assumptions and methods adopted:

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

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

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

The main assumptions and valuation methods are as follows:

- **Financial assets:**

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

- **Loans and advances to subsidiaries and affiliates:** for loans with an original maturity of less than three months, floating-rate loans and advances to subsidiaries and affiliates, the value recorded on the balance sheet is considered to be the fair value. Other fixed-rate loans have been measured by discounting future cash flows using the rates offered to Renault SA at December 31, 2007 and December 31, 2006 for loans with similar conditions and maturities.

- **Liabilities:** the fair value of financial liabilities is determined by discounting future cash flows at the rates offered to Renault SA at December 31, 2007 and December 31, 2006 for borrowings with similar conditions and maturities. The fair value of redeemable shares is based on their year-end stock market value.

- **Off-balance sheet foreign exchange instruments:** the fair value of forward contracts is estimated on the basis of prevailing market conditions. The fair value of currency swaps is determined by discounting cash flows using exchange rates and interest rates prevailing at December 31, 2007 and December 31, 2006 for the contracts' residual terms.

- **Off-balance sheet interest rate instruments:** the fair value of interest rate swaps represents the amount Renault would receive (or pay) if it settled outstanding contracts at the end of the year. Unrealised capital gains or losses, determined on the basis of prevailing interest rates and the quality of the counterparty to each contract, are taken into account at December 31, 2007 and December 31, 2006.

19. OTHER COMMITMENTS AND CONTINGENCIES

Off-balance sheet commitments are as follows:

(€million)	2007		2006	
	Total	Concerning related companies	Total	Concerning related companies
Commitments received				
Guarantees and deposits			1	1
Unused credit lines	4 677	205	4 665	142
TOTAL	4 677	205	4 666	143
Commitments given				
Guarantees and deposits	453	450	453	450
Unused credit lines	141	141	165	165
TOTAL	594	591	618	615
Financial commitments				
Forward currency sales	3 149	3 149	2 587	2 587
Forward currency purchases	3 174	3 174	2 626	2 626
Currency swaps: loan	1 367	617	1 868	1 118
Currency swaps: borrowing	1 120	513	1 569	931
Interest rate swaps	2 569	2 282	2 132	1 836

As part of the management of RCI Banque's major risk ratio, Renault SA has provided Cogera (a fully-owned RCI Banque subsidiary) with a €450 million credit line since December 2004. For purposes of compliance with French Banking Commission regulations, Renault SA will only be reimbursed by Cogera to the extent of the amounts Cogera recovers in repayment of its financing for Renault Retail Group's inventories. Furthermore, to guarantee payment by Renault Retail Group to Cogera of the receivables resulting from this financing arrangement, Renault SA's receivable related to the credit line is pledged in favour of Cogera. The value of this pledge at December 31, 2007 was €450 million.

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

20. CASH FLOW

Cash flow is determined as follows:

(€million)	2007	2006
Net income	1096	1941
Increases to provisions and deferred charges	5	5
Net increase to long-term provisions for risks and liabilities	(36)	(9)
Transfer of financial charges	(1)	(4)
TOTAL	1 064	1 933

21. WORKFORCE

Renault SA has no employees.

22. REMUNERATION OF DIRECTORS AND EXECUTIVE MANAGERS

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

23. SUBSEQUENT EVENTS

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

OTHER INFORMATION – SUBSIDIARIES AND AFFILIATES

(€ million)

Companies	Share capital	Reserves and retained earnings (3)	% of capital held	Book value of shares owned
INVESTMENTS				
Renault s.a.s.	534	2 681	100,00	7 694
Dacia (2)	705	(80)	99,31	768
Nissan Motor Co Ltd (1)	3 673	18 840	44,33	
Sofasa (2)	1	96	23,71	28
TOTAL INVESTMENTS				8 490

(1) based on the financial proforma statements published by Nissan Motor Co Ltd at December 31, 2007 (exchange rate: 164.93 yen = 1 Euro)

(2) exchange rates for Dacia and Sofasa are respectively 3.6077 Romanian lei and 2967 Colombian peso for one Euro

(3) before allocation of net income

OTHER INFORMATION – SUBSIDIARIES AND AFFILIATES

(€ million)

Companies	Outstanding loans and advances from Renault SA	Sales revenues, prior year	Net income (loss), prior year	Dividends received by Renault SA in 2007
INVESTMENTS				
Renault s.a.s.	3 065	32 921	100	
Dacia		1923	123	
Nissan Motor Co Ltd		70 863	2 647	456
Sofasa		826	24	4

ACQUISITION OF INVESTMENTS IN OTHER COMPANIES

No investments were acquired during 2007.