

Implementation of IFRS in 2005

4.1 Auditor's Report on the consolidated financial statements restated for compliance with IFRS	2
4.2 Consolidated financial statements restated for compliance with IFRS	4
1. <i>Reasons for publication</i>	4
2. <i>Basis for preparation of financial information under IFRS</i>	4
3. <i>Restatement of the Nissan additional quarter</i>	5
4. <i>Transition to the new IFRS balance sheet presentation</i>	7
5. <i>IFRS and their impact on accounting policies</i>	10
6. <i>Impacts in figures</i>	15
7. <i>Key figures for the restated consolidated financial statements</i>	21

Implementation of IFRS in 2005

4

Implementation of IFRS in 2005

4.1 Auditor's Report on the consolidated financial statements restated for compliance with IFRS

SPECIAL PURPOSE AUDIT REPORT OF THE STATUTORY AUDITORS ON THE IFRS RESTATED CONSOLIDATED ACCOUNTS FOR THE ACCOUNTING PERIOD 2004.

This is a free translation into English of the original statutory auditors' report on the restated consolidated accounts signed and issued in the French language and is provided solely for the convenience of English speaking readers. The auditors' report includes for the information of the reader, as required under French law in any auditor's report, whether qualified or not, an explanatory paragraph separate from and presented below the audit opinion discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing the audit opinion on the restated consolidated accounts taken as a whole and not to provide separate assurance on individual account caption or on information taken outside of the restated consolidated accounts. Such report should be read in conjunction and construed in accordance with French law and French auditing professional standards.»

At your request and in our capacity as statutory auditors of Renault S.A., we have audited the accompanying consolidated accounts for the year ended December 31, 2004, which were restated («restated consolidated accounts») in accordance with International Financial Reporting Standards ("IFRS"), as adopted in the European Union.

These restated consolidated accounts are the responsibility of the Board. They have been prepared as part of the company's conversion to IFRS as adopted by the European Union in respect of the preparation of the 2005 consolidated financial statements. These restated consolidated accounts are based on the consolidated accounts («the consolidated accounts») for the year ended December 31, 2004 prepared in accordance with the accounting rules and principles applicable in France which we have audited in accordance with French professional standards. Based on our audit, we issued an unqualified opinion on such consolidated accounts. Our responsibility is to express an opinion on these restated consolidated accounts based on our audit.

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the restated consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the restated consolidated accounts. An audit also includes assessing the accounting principles used and significant estimates made by management for the preparation of the restated consolidated accounts, as well as evaluating the overall presentation of the restated consolidated accounts. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the restated consolidated accounts have been prepared, in all material respects, in accordance with the basis set out in the notes, which describe how IFRS 1 and the other International Financial and Reporting Standards as adopted in the European Union have been applied, including the assumptions management has made about the standards and interpretations expected to be effective, and the policies expected to be adopted for the preparation of the first complete set of consolidated financial statements in accordance with IFRS as adopted in the European Union.

Without qualifying our opinion, we draw attention to the fact that Note 2A explains why there is a possibility that the accompanying restated consolidated accounts may require adjustment before their inclusion as comparative information in the consolidated financial statements for the year to 31 December 2005 consolidated financial statements, when the Company prepares its first set of consolidated financial statements in accordance with IFRS as adopted in the European Union.

Moreover, because the restated consolidated accounts have been prepared as part of the company's conversion to IFRS as adopted by the European Union in respect of the preparation of the 2005 consolidated financial statements, they do not include comparative information relating to 2003, nor all the explanatory notes required by IFRS as adopted in the European Union, which would be necessary to provide, in accordance with these standards, a fair view of the assets, liabilities, financial position and results of the consolidated group of companies.

February 23, 2005

The Statutory Auditors

DELOITTE & ASSOCIES

ERNST & YOUNG Audit

P. Chastaing-Doblin

A. Raimi

J.F. Bélorgey

D. Mary-Dauphin

Implementation of IFRS in 2005

4.2 Consolidated financial statements restated for compliance with IFRS**1. Reasons for publication**

In application of EU regulation 1606/2002 of July 19, 2002 concerning International Accounting Standards, the Renault Group's consolidated financial statements at December 31, 2005 will be prepared in accordance with IFRS applicable at that date as approved by the European Union. The first financial statements to be published under IFRS will be the half-year and annual financial statements for 2005, including comparative figures for 2004.

The Renault Group has prepared a balance sheet at January 1, 2004, the date at which the impacts of the transition to the new standards will be included in equity.

In compliance with the AMF's (*Autorité des Marchés Financiers*: stock exchange authorities) recommendation on financial communication during the transition period, the Renault Group has decided to publish this document providing figures detailing the impact of transition to IFRS on the financial position and performance for 2004.

The restated consolidated financial statements for compliance with IFRS have been reviewed by the Board of Directors and audited by the auditors.

2. Basis for preparation of financial information under IFRS

Renault has always referred to IAS in defining its accounting principles and valuation methods. This has led the Group to apply all the preferential methods allowed by the CRC (*Comité de la Réglementation Comptable*: French accounting standards setter) regulation 99-02 on consolidated financial statements. The only remaining points of divergence from IAS/IFRS are mainly due to incompatibilities between IAS and French regulations, revisions of existing IAS standards and recently-introduced international standards (IFRS 1 to 4).

A/ IFRS REGULATORY FRAMEWORK

The consolidated financial statements as restated for compliance with IFRS have been prepared under IFRS adopted by the European Union at December 31, 2004.

Revised versions or interpretations may be issued for some of these standards, possibly with retroactive effect. This would affect the restated 2004 consolidated financial statements under IFRS as presented here.

The Renault Group has opted for early adoption, starting January 1, 2004, of standards IAS 32 and IAS 39 concerning financial instruments, and adoption from January 1, 2005 of IFRS 5 "Non-current assets held for sale and discontinued operations".

B/ CHANGES IN ACCOUNTING POLICIES

Details of changes in Renault accounting policies for compliance with IFRS are provided in chapter 5, with the following information: description of the new policy under IFRS, impact on equity at January 1 and December 31, 2004, and impact on the Group's 2004 net income.

In the interests of clarity, this presentation of the transition to IFRS focuses particularly on:

- accounting methods that have been changed,
- the Group's options for the first application of standards.

Only accounting methods that have been changed are described below. Details of other policies are given in the notes to the consolidated financial statements for 2004, prepared under current accounting policies.

In application of IFRS 1 "First Time Adoption of International Financial Reporting Standards", only options taken up by the Group are described.

The following standards affect the Group's former accounting policies:

IAS 1	Presentation of Financial Statements
IAS 12	Income taxes
IAS 17	Leases
IAS 32	Financial instruments: disclosure and presentation
IAS 39	Financial instruments: recognition and measurement
IFRS 1	First-time adoption of International Financial Reporting Standards, including restatement of development expenses
IFRS 2	Share-based payment
IFRS 3	Business combinations

C/ CONTENTS OF FINANCIAL INFORMATION UNDER IFRS

The information has been prepared in compliance with the Implementation Guidance provided in IFRS 1:

- reconciliation of the balance sheet at January 1, 2004 under current policies and under IFRS,
- reconciliation of the income statement for the period under current policies and under IFRS,
- reconciliation of the balance sheet at December 31, 2004 under current policies and under IFRS,
- reconciliation of equity under current policies and under IFRS at the transition date i.e. January 1, 2004,
- reconciliation of equity under current policies and under IFRS at the year-end date i.e. December 31, 2004, with the same format and level of information as at the transition date,
- reconciliation of the statement of cash flows under current policies and under IFRS.

These documents are presented in the form of tables showing the transition from the policies previously applied to full compliance with IFRS. The impact of the transition to IFRS is shown for each individual standard.

These tables are preceded by a note explaining the main impacts shown in chapter 5.

3. Restatement of the Nissan additional quarter

IAS 28 "Investments in associates" requires accounting periods to be consistent from one year to the next. The Renault Group has therefore decided to account for its share in Nissan's net income over the 12-month period January 1 – December 31, 2004.

The quarter October 1 – December 31, 2003 has thus been eliminated from the 2004 consolidated financial statements.

The impacts of this elimination are detailed in the table below. The Nissan quarter covering the period October 1–December 31, 2003 and contributing €432 million, has been eliminated from the net income of companies accounted for by the equity method and included in shareholders' equity at January 1, 2004.

The value of the investment in Nissan accounted for by the equity method is consequently reduced, from €7,219 million to €7,086 million at January 1, 2004. The same investment at December 31, 2004 is unchanged.

Implementation of IFRS in 2005

€ million	Before restatement of Nissan additional quarter	Restatement of Nissan additional quarter	Impact of translation adjustment	After restatement of Nissan additional quarter
BALANCE SHEET AT JANUARY 1, 2004				
Investments in companies accounted for by the equity method	8,933	432	(565)	8,800
<i>including: Nissan</i>	7,219	432	(565)	7,086
Other assets	49,358			49,358
Total assets	58,291	432	(565)	58,158
Shareholders' equity (Group share)	13,591	432	(565)	13,458
Other liabilities	44,700			44,700
Total shareholders' equity and liabilities	58,291	432	(565)	58,158
GROUP INCOME 2004				
Operating margin	2,418			2,418
Operating income	2,148			2,148
Financial expense	(348)			(348)
Share in net income of companies accounted for by the equity method	2,452	(432)		2,020
<i>Nissan – 12 months</i>	1,767			1,767
<i>Nissan – additional quarter</i>	432	(432)		
<i>Other companies accounted for by the equity method</i>	253			253
Pre-tax income	4,252	(432)		3,820
Current and deferred taxes	(634)			(634)
Group net income	3,618	(432)		3,186
BALANCE SHEET AT DECEMBER 31, 2004				
Investments in companies accounted for by the equity method	9,992			9,992
<i>including: Nissan</i>	8,259			8,259
Other assets	50,950			50,950
Total assets	60,942			60,942
Shareholders' equity (Group share)	16,060			16,060
Other liabilities	44,882			44,882
Total shareholders' equity and liabilities	60,942			60,942

All presentations of the restated consolidated financial statements include the effect of restatement of the Nissan additional quarter.

4. Transition to the new IFRS balance sheet presentation

Under IAS 1 "Presentation of financial statements", it is compulsory to present the balance sheet following a **current/non-current** classification.

The Group currently presents its balance sheet according to liquidity of assets and liabilities, but has reviewed its balance sheet format in view of the obligation to report current/non-current items separately. Assets and liabilities related to the operating cycle, and other items maturing within 12 months, are classified as current; all other assets and liabilities are classified as non-current.

The Sales Financing Division's debts and receivables are considered to relate to its operating cycle and are presented as current assets and current liabilities.

In application of IAS 1, **minority interests** are now included in equity.

A breakdown of impacts on Group balance sheets at January 1, 2004 and December 31, 2004 is shown below. N.B. The balance sheet at January 1, 2004 includes the effect of elimination of the Nissan additional quarter.

Changes in the standards, as described in the rest of this document, are applied under this new format.

This change in presentation has no impact on the income statement.

In the following tables, "current format" refers to the presentation under current policies, and "new format" to the new IFRS presentation.

Implementation of IFRS in 2005

▶ **Details of the transition to the new format for the consolidated balance sheet at January 1, 2004 (reclassifications)**

€ million	Investments in companies accounted for by the equity method	Other investments and financial assets	Other receivables and prepaid expenses	Loans and marketable securities	Other balance sheet items (unaffected by change in format)	Total assets
Assets: current format January 1, 2004	8,800	396	2,136	2,854	43,972	58,158
ASSETS: NEW FORMAT						
Non-current assets						
Property, plant and equipment					10,392	10,392
Intangible assets					1,394	1,394
Investments in companies accounted for by the equity method	8,800					8,800
<i>Nissan</i>	7,086					7,086
<i>Other companies</i>	1,714					1,714
Deferred tax assets					1,328	1,328
Other non-current financial assets		396		654		1,050
Other non-current assets			108			108
Current assets						
Inventories					4,872	4,872
Sales financing receivables					19,614	19,614
Automobile receivables					2,096	2,096
Other current financial assets				2,200		2,200
Other current assets			2,028			2,028
Cash and cash equivalents					4,276	4,276
TOTAL ASSETS	8,800	396	2,136	2,854	43,972	58,158

€ million	Shareholders' equity	Minority interests	Provisions for post-employment and long-term benefits	Other provisions for risks and liabilities	Interest-bearing borrowings, automobile division	Other liabilities and deferred income	Other balance sheet items (unaffected by change in format)	Total Shareholders' equity and liabilities
Shareholders' equity and liabilities: current format January 1, 2004	13,458	395	861	2,255	7,069	5,925	28,195	58,158
EQUITY AND LIABILITIES: NEW FORMAT								
Total equity	13,458	395						13,853
Non-current liabilities								
Financial liabilities					4,768		15	4,783
Provisions			810	1,355				2,165
Deferred tax liabilities							885	885
Other non-current liabilities						305		305
Current liabilities								
Financial liabilities (Sales financing division)							20,098	20,098
Financial liabilities (Automobile division)					2,301			2,301
Trade payables							7,197	7,197
Provisions			51	900				951
Other current liabilities						5,620		5,620
TOTAL EQUITY AND LIABILITIES	13,458	395	861	2,255	7,069	5,925	28,195	58,158

Implementation of IFRS in 2005

► Details of the transition to the new format for the consolidated balance sheet at December 31, 2004 (reclassifications)

€ million	Other investments and financial assets	Other receivables and prepaid expenses	Loans and marketable securities	Other balance sheet items (unaffected by change in format)	Total assets
Assets: current format December 31, 2004	425	2,067	2,269	56,181	60,942
ASSETS: NEW FORMAT					
Non-current assets					
Property, plant and equipment				10,595	10,595
Intangible assets				1,969	1,969
Investments in companies accounted for by the equity method				9,992	9,992
<i>Nissan</i>				8,259	8,259
<i>Other companies</i>				1,733	1,733
Deferred tax assets				451	451
Other non-current financial assets	425		691		1,116
Other non-current assets		91			91
Current assets					
Inventories				5,142	5,142
Sales financing receivables				20,633	20,633
Automobile receivables				1,878	1,878
Other current financial assets			1,578		1,578
Other current assets		1,976			1,976
Cash and cash equivalents				5,521	5,521
TOTAL ASSETS	425	2,067	2,269	56,181	60,942

€ million	Shareholders' equity	Minority interests	Provisions for post-employment and long-term benefits	Other provisions for risks and liabilities	Interest-bearing borrowings, automobile division	Other liabilities and deferred income	Other balance sheet items (unaffected by change in format)	Total shareholders' equity and liabilities
Shareholders' equity and liabilities: current format December 31, 2004	16,060	384	816	2,247	7,220	6,391	27,824	60,942
EQUITY AND LIABILITIES: NEW FORMAT								
Total equity	16,060	384						16,444
Non-current liabilities								
Financial liabilities					4,843		15	4,858
Provisions			756	1,381				2,137
Deferred tax liabilities							220	220
Other non-current liabilities						442		442
Current liabilities								
Financial liabilities (Sales financing division)							20,355	20,355
Financial liabilities (Automobile division)					2,377			2,377
Trade payables							7,234	7,234
Provisions			60	866				926
Other current liabilities						5,949		5,949
TOTAL EQUITY AND LIABILITIES	16,060	384	816	2,247	7,220	6,391	27,824	60,942

Implementation of IFRS in 2005

5. IFRS and their impact on accounting policies

The changes described below apply to all fully consolidated Group companies.

The impacts concerning investments accounted for by the equity method are reported in paragraph 12.

(1) IAS 12 DEFERRED TAXES

In application of IAS 12 "Income taxes" 12.39, deferred tax liabilities on temporary differences between the consolidated value and the fiscal value of companies accounted for by the equity method must now be recognized in certain circumstances.

The main impacts of this change concern the investments in Nissan and Volvo, for which a deferred tax liability has been booked.

€ million	Impact of transition to IFRS
Equity at January 1, 2004	(18)
2004 Operating margin	-
2004 Financial income (expense)	-
2004 Current and deferred taxes	(23)
2004 Net income	(23)
Equity at December 31, 2004	(41)

(2) IAS 17 SALES WITH A BUY-BACK COMMITMENT

Sales of new vehicles with a buy-back commitment are now recorded as leases.

The Group considered previously that in view of the useful life applied for depreciation of its own vehicles, sales with buy-back commitments covering periods of 36 months or longer were finance leases, recorded as sales including a financing transaction. IAS 17 stipulates that the vehicle's economic life (i.e. the expected duration of economic use of an asset by one or more users), rather than its useful life, must be the criterion for definition of the sale as an operating or finance lease. This economic life has been assessed by the Group as between 7 and 8 years depending on the type of vehicle. All sales with a buy-back clause are therefore treated as operating leases, and contracts currently in force at the start of the year have been restated in compliance with the retrospective application rule.

€ million	Impact of transition to IFRS
Property, plant and equipment at December 31, 2004	1,015
Operating liabilities at December 31, 2004	413
Equity at January 1, 2004	(238)
2004 Revenues	(303)
2004 Operating margin	(29)
2004 Financial income (expense)	-
2004 Current and deferred taxes	11
2004 Net income	(18)
Equity at December 31, 2004	(256)

(3) IAS 32 TREASURY SHARES

IAS 32 "Financial instruments : disclosure and presentation" requires treasury shares to be **deducted from equity** and to reduce the average number of shares used for the determination of earnings per share.

The proceeds on sales of treasury shares are directly included in equity, with no impact on net income.

€ million	Impact of transition to IFRS
Equity at January 1, 2004	(519)
2004 Operating margin	-
2004 Financial income (expense)	-
2004 Current and deferred taxes	-
2004 Net income	-
Change in treasury share reserve	11
Equity at December 31, 2004	(508)

(4) IAS 39 FINANCIAL INSTRUMENTS

This standard affects the measurement and recognition of the investment portfolio, derivatives, loans and receivables, and liabilities.

Investment portfolio

Investment securities are now generally considered to be "available for sale financial assets", and are stated at fair value. Changes in fair value are included in equity until the instrument is sold. Unrealized losses resulting from a durable decline in the value of these securities are recognised in the income statement.

Implementation of IFRS in 2005

Investments in unlisted securities representing Group interests in the capital of companies controlled but unconsolidated because non-significant are not concerned by IAS 39, and in application of IAS 27 continue to be stated in the balance sheet at acquisition cost less any provisions.

Derivatives

Derivatives other than hedging instruments are stated at fair value, with any changes in fair value included in the income statement.

Derivatives that qualify as hedging instruments are stated at fair value. Changes in the fair value of the hedging instrument are included in the income statement. The hedged item is stated at fair value, and changes in the fair value of the hedged item are also included in the income statement.

Changes in the value of derivatives hedging future cash flows are included in equity and recognized in the income statement when the hedged operation is realised.

For the Automobile activity, the main impacts concern occasional hedging operations at the initiative of Renault s.a.s. and Renault SA.

Loans and receivables

The Sales Financing activity is by nature the most affected by adoption of IAS 39. The main impacts concern:

- inclusion of external distribution costs in the interest rate for loans as contract acquisition costs, such that the interest rate is constant over the term of the loan, instead of immediately charging these costs to expenses for the period,
- adaptation of the methods for establishing provisions to cover credit risks, for compliance with IAS 39: this mainly concerns discounting future cash flows from doubtful receivables, and estimation of provisions based on a known risk portfolio, particularly for receivables on dealers,
- the accounting treatment of macro-hedging operations under the cash flow hedging method, with a corresponding impact on equity equivalent to the fair value (ex coupon) of macro-hedging derivatives.

Impact of transition to IFRS

€ million	
Equity at January 1, 2004	186
2004 Operating margin	26
2004 Other operating income and expenses	(3)
2004 Financial income (expense)	(35)
2004 Current and deferred taxes	2
2004 Net income	(10)
Revaluation reserve taken to income	112
Equity at December 31, 2004	288

(5) IAS 39 SPECIFIC CASE: REDEEMABLE SHARES

In 1983 and 1984, Renault issued 2 million redeemable shares. They earn a return comprising a fixed portion and a variable portion that depends on consolidated revenues and is calculated based on identical Group scope and methods. There is no fixed redemption date, but these shares can be redeemed by the issuer at a predetermined price.

In view of the current interpretation of IAS 39 on financial instruments, the Group considers that the variable portion of the return on redeemable shares qualifies as an embedded derivative. Since separate measurement of this derivative from the host contract issuance date is not possible, the whole redeemable share must be stated at **fair value** in the balance sheet, and any changes in fair value included in the income statement.

As Renault's redeemable shares are listed, the fair value is identical to their market value.

Since IAS 39 has no detailed position on the accounting treatment for these shares, Renault has decided to state them at fair value. However, the professional or standard-setting bodies that have not yet published their position could issue a different interpretation, which would lead Renault to discontinue this treatment and state redeemable shares at amortized cost. This would give a value close to the value used in the 2004 consolidated financial statements under current policies.

Measuring redeemable shares at market value results in a €370 million increase in the Group's liabilities at January 1, 2004, and a €241 million decrease in equity, net of taxes.

In 2004, Renault repurchased 60% of its redeemable shares. Measuring these shares at market value at January 1, 2004 reduces the €343 million loss recorded on this repurchase under current policies to a loss of €121 million under IFRS.

Implementation of IFRS in 2005

In view of the change in the market value of the remaining redeemable shares over 2004, the Group also recorded a financial expense of €170 million under IFRS.

€ million	Impact of transition to IFRS
Equity at January 1, 2004	(241)
2004 Operating margin	-
2004 Financial income (expense)	52
2004 Current and deferred taxes	(18)
2004 Net income	34
Equity at December 31, 2004	(207)

(6) IFRS 1/IAS 19 UNRECOGNISED ACTUARIAL GAINS/LOSSES ON POST-EMPLOYMENT BENEFITS

The Group has applied IAS 19 (revised) on employee benefits since 1999. Accordingly, Renault establishes provisions to cover the relevant obligations, the most significant being retirement benefits for French employees and holiday pay. To limit provision volatility due to changes over time in the parameters used to calculate the provisions (mostly external to the company's business), IAS 19 allows companies to recognize actuarial variances only when they exceed a certain amount. This is known as the "corridor" rule.

IFRS 1 "First Time Adoption of International Financial Reporting Standards" allows companies to include all **actuarial gains and losses** not yet recognized in application of the "corridor" rule in the relevant provisions, with a corresponding **adjustment to equity** at January 1, 2004. The Group has decided to apply this option.

€ million	Impact of transition to IFRS
Equity at January 1, 2004	(27)
2004 Operating margin	-
2004 Financial income (expense)	-
2004 Current and deferred taxes	-
2004 Net income	-
Equity at December 31, 2004	(27)

(7) IFRS 1/IAS 21 TRANSLATION ADJUSTMENTS

IFRS 1 "First Time Adoption of International Financial Reporting Standards" allows companies to **reclassify accumulated translation adjustments** in consolidated reserves at January 1, 2004. As a result, when a foreign country's business is sold, the resulting gain or loss included in income

will not reflect the positive or negative effects of monetary fluctuations generated prior to the transition date. The Group intends to apply this option, which will have no impact on the total amount of equity at January 1, 2004.

€ million	Impact of transition to IFRS
Equity at January 1, 2004	-
2004 Change in Translation adjustments	1,066
2004 Change in Other consolidated reserves	(1,066)
Equity at December 31, 2004	-

(8) IFRS 1/IAS 23 BORROWING COSTS

In its transition to IFRS, the Group has decided to opt for the benchmark treatment allowed by IAS 23, and consequently to exclude borrowing costs not yet amortized at January 1, 2004 from the cost of fixed assets.

€ million	Impact of transition to IFRS
Equity at January 1, 2004	(11)
2004 Operating margin	4
2004 Financial income (expense)	-
2004 Current and deferred taxes	(1)
2004 Net income	3
Equity at December 31, 2004	(8)

(9) IFRS 1/IAS 38 DEVELOPMENT EXPENSES

The Group began to apply IAS 38 prospectively from 2002, as allowed by the standard's transitional measures.

IFRS 1 "First Time Adoption of International Financial Reporting Standards" requires **retrospective application** of IFRS standards at the transition date i.e. January 1, 2004. Consequently, development costs concerned by IAS 38 which were charged to expenses prior to January 1, 2002 have been capitalized at their net book value at that date, since most of the information necessary is available and deemed sufficiently reliable.

The opening balance sheet at January 1, 2004 thus shows a net capitalized value of €975 million. The operating margin will be affected until the end of the residual amortization period for capitalized development expenses.

Implementation of IFRS in 2005

€ million	Impact of transition to IFRS
Equity at January 1, 2004	634
2004 Operating margin	(293)
2004 Financial income (expense)	-
2004 Current and deferred taxes	102
2004 Net income	(191)
Equity at December 31, 2004	443

(10) IFRS 2 SHARE-BASED PAYMENT

Application of IFRS 2 "Share-based payment" brings about a change in the way stock option plans granted by the Group to employees are recorded. The value of these plans, previously considered as **complementary remuneration**, is now **treated as an expense**.

In compliance with IFRS 1, the Renault Group has only applied this change to options granted in September 2003 and September 2004, i.e. after November 7, 2002, for which the stock purchase rights will only be vested at January 1, 2005. To measure the complementary remuneration on these options, the Group uses the binomial valuation method. The expense is spread on a straight-line basis over the period between the grant date and the vesting date, i.e. 4 years for the plans concerned. Application of this standard has a negative impact on the restated net income for 2004. It will also have an impact on future earnings, as rights become vested, with a corresponding adjustment to equity. It has no impact on total equity at January 1, 2004 and December 31, 2004.

€ million	Impact of transition to IFRS
Equity at January 1, 2004	0
2004 Operating margin	(11)
2004 Financial income (expense)	-
2004 Current and deferred taxes	-
2004 Net income	(11)
2004 Change in Other consolidated reserves	11
Equity at December 31, 2004	0

(11) IFRS 3 BUSINESS COMBINATIONS (EXCLUDING COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD)

As allowed by IFRS 1 "First Time Adoption of International Financial Reporting Standards", the Group has opted to apply IFRS 3 "Business Combinations" to acquisitions on or after January 1, 2004, and **no longer amortizes goodwill** from that date.

Any residual negative goodwill has been cancelled via an adjustment to equity in the opening balance sheet at that date.

Besides, goodwill is expressed in the functional currency of each acquired entity. The exchange differences measured between the acquisition date and the transition date have been accounted for in equity at January 1, 2004.

€ million	Impact of transition to IFRS
Equity at January 1, 2004	(14)
2004 Operating margin	30
2004 Current and deferred taxes	-
2004 Net income	30
2004 Change in Translation adjustment	(1)
Equity at December 31, 2004	15

Implementation of IFRS in 2005

(12) IMPACT OF THE TRANSITION TO IFRS FOR COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD

As indicated in the introduction to this section, restatements for compliance with IFRS also apply to investments accounted for by the equity method. The impact of the transition to IFRS for investments accounted for by the equity method is split as follow:

€ million	Equity 01/01/2004	Share in net income 2004	Translation adjustment and others	Equity 31/12/04
NISSAN	(194)	(78)	(58)	(330)
Other investments accounted for by the equity method	67	(19)	3	51
Total impacts of transition to IFRS	(127)	(97)	(55)	(279)

As regarding Nissan, the impact of the transition to IFRS is analyzed below:

€ million	January 1, 2004	Share in net income 2004	Dividends	Translation adjustment and other	December 31, 2004
A/ SHARE OF NET ASSETS					
Under current accounting policies	6,607	2,248	(345)	(814)	7,696
Restatement of Nissan additional quarter	(123)	(442)		565	
Under current accounting policies after restatement of Nissan additional quarter	6,484	1,806	(345)	(249)	7,696
Impacts of transition to IFRS (after tax)	(403)	(104)		(86)	(593)
<i>Relution impact of Nissan's treasury shares</i>	(262)	48		(46)	(260)
<i>IFRS 1 /IAS 19 Actuarial gains/ losses on pensions</i>	(540)	17		11	(512)
<i>IFRS 1 /IAS 38 R & D expenses</i>	198	(85)		(8)	105
<i>Other impacts</i>	201	(84)		(43)	74
Total under IFRS	6,081	1,702	(345)	(335)	7,103

€ million	January 1, 2004	Share in net income 2004	Dividends	Translation adjustment and other	December 31, 2004
B/ GOODWILL ON ACQUISITION					
Under current accounting policies	612	(49)			563
Restatement of Nissan additional quarter	(10)	10			
Under current accounting policies after restatement of Nissan additional quarter	602	(39)			563
Impacts of transition to IFRS	209	26		28	263
<i>Relution impact of Nissan's treasury shares</i>	262			45	307
<i>Other impacts</i>	(53)	26		(17)	(44)
Total under IFRS	811	(13)		28	826

€ million	January 1, 2004	Share in net income 2004	Dividends	Translation adjustment and other	December 31, 2004
A+B/ INVESTMENT IN NISSAN ACCOUNTED FOR BY THE EQUITY METHOD					
Under current accounting policies	7,219	2,199	(345)	(814)	8,259
Restatement of Nissan additional quarter	(133)	(432)		565	
Under current accounting policies after restatement of Nissan additional quarter	7,086	1,767	(345)	(249)	8,259
Impacts of transition to IFRS	(194)	(78)		(58)	(330)
Total under IFRS	6,892	1,689	(345)	(307)	7,929

Implementation of IFRS in 2005

6. Impacts in figures

Figures for the impacts of transition to IFRS on the group's consolidated financial statements are presented in the following tables, each showing

the figures under the current policies, restatements for each standard, and figures under IFRS.

A/ ANALYSIS OF THE TRANSITION FOR THE CONSOLIDATED BALANCE SHEET AT JANUARY 1, 2004

	January 1, 2004 under current accounting policies	IAS 12 Deferred taxes ⁽¹⁾	IAS 17 Sales with buy-back commitments ⁽²⁾	IAS 32 Treasury shares ⁽³⁾	IAS 39 Financial instruments ⁽⁴⁾	IAS 39 Redeemable shares ⁽⁵⁾	IFRS 1 /IAS 19 Actuarial gains/ losses on pensions ⁽⁶⁾	IFRS 1 /IAS 21 Translation adjustments ⁽⁷⁾	IFRS 1 /IAS 23 Borrowing costs ⁽⁸⁾	IFRS 1 /IAS 38 Development expenses ⁽⁹⁾	IFRS 2 Share-based payment ⁽¹⁰⁾	IFRS 3 Business combinations except equity method companies ⁽¹¹⁾	Impact of transition to IFRS on equity method companies ⁽¹²⁾	Total impacts of transition to IFRS	January 1, 2004 under IFRS
€ million															
ASSETS															
Non-current assets															
Property, plant and equipment	10,392		957						(17)					940	11,332
Intangible assets	1,394									975		(15)		960	2,354
Investments in companies accounted for by the equity method	8,800												(127)	(127)	8,673
<i>Nissan</i>	7,086												(194)	(194)	6,892
<i>Other companies</i>	1,714												67	67	1,781
Deferred tax assets	1,328	(9)	130	(2)	72	129	12		4	(341)				(5)	1,323
Other non-current financial assets	1,050			(521)	384									(137)	913
Other non-current assets	108				(46)									(46)	62
Current assets															
Inventories	4,872														4,872
Sales financing receivables	19,614		(942)		156									(786)	18,828
Automobile receivables	2,096														2,096
Other current financial assets	2,200				459									459	2,659
Other current assets	2,028				(272)									(272)	1,756
Cash and cash equivalents	4,276														4,276
TOTAL ASSETS	58,158	(9)	145	(523)	753	129	12		(13)	634		(15)	(127)	986	59,144

Implementation of IFRS in 2005

	January 1, 2004 under current accounting policies	IAS 12 Deferred taxes ⁽¹⁾	IAS 17 Sales with buy-back commitments ⁽²⁾	IAS 32 Treasury shares ⁽³⁾	IAS 39 Financial instruments ⁽⁴⁾	IAS 39 Redeemable shares ⁽⁵⁾	IFRS 1 /IAS 19 Actuarial gains/ losses on pensions ⁽⁶⁾	IFRS 1 /IAS 21 Translation adjustments ⁽⁷⁾	IFRS 1 /IAS 23 Borrowing costs ⁽⁸⁾	IFRS 1 /IAS 38 Development expenses ⁽⁹⁾	IFRS 2 Share-based payment ⁽¹⁰⁾	IFRS 3 Business combinations except equity method companies ⁽¹¹⁾	Impact of transition to IFRS on equity method companies ⁽¹²⁾	Total impacts of transition to IFRS	January 1, 2004 under IFRS
€ million															
EQUITY AND LIABILITIES															
Total equity	13,853	(18)	(238)	(519)	186	(241)	(27)		(11)	634		(14)	(127)	(375)	13,478
Non-current liabilities															
Financial liabilities	4,783				215	370								585	5,368
Provisions	2,165			(4)			39					(1)		34	2,199
Deferred tax liabilities	885	9			135				(2)					142	1,027
Other non-current liabilities	305				(24)									(24)	281
Current liabilities															
Financial liabilities (Sales financing division)	20,098				321									321	20,419
Financial liabilities (Automobile division)	2,301				90									90	2,391
Trade payables	7,197														7,197
Provisions	951		(8)		(9)									(17)	934
Other current liabilities	5,620		391		(161)									230	5,850
TOTAL EQUITY AND LIABILITIES	58,158	(9)	145	(523)	753	129	12		(13)	634		(15)	(127)	986	59,144

(1) Mainly deferred taxes on temporary differences between consolidated and fiscal value of companies accounted for by the equity method (cost of the tax discrepancy resulting from distribution of their profits).

(2) Sales with buy-back commitments covering more than 36 months. The vehicles are no longer considered sold, but leased. They are capitalized at cost and depreciated over the duration of the buy-back clause. Lease payments received in advance are recorded under "Other current liabilities".

(3) Treasury shares are directly deducted from equity at acquisition cost.

(4) The impacts on financial assets mainly relate to changes in the fair value of derivatives. The impacts on financial liabilities relate to changes in the fair value of the debts hedged, and changes in the fair value of derivatives.

(5) Redeemable shares are stated at market value. The impact before deferred taxes on Group indebtedness is €370 million. The impact after deferred taxes on the opening balance is included in equity.

(6) The Group has decided to include previously unrecognized actuarial gains and losses in the provision for pension benefits for the consolidated companies at January 1, 2004, leading to a €39 million increase in the provision.

(7) Under the option allowed by IFRS 1, the translation adjustment at January 1 has been reclassified as Other reserves. This reclassification has no impact on equity.

(8) Since the Group has decided to stop capitalizing borrowing costs, their net value has been cancelled via an adjustment to equity at January 1, 2004.

(9) The restatement of intangible assets corresponds to the capitalized amount of development expenses originating prior to 2002 and the cumulative depreciation at January 1, 2004.

(10) Stock option plans granted to employees have been valued for plans granted since 2003. As the expense is directly deducted from equity, this has no impact on total equity.

(11) In accordance with IFRS 3, the Group no longer amortizes goodwill, and now recognises negative goodwill immediately in profit or loss. All negative goodwill has therefore been cancelled via an adjustment to equity at January 1, 2004.

(12) The impacts of the transition to IFRS on companies accounted for by the equity method mainly concern Nissan. Details of these impacts by standard are provided in chapter 5, note 12. These impacts includes cancellation of negative goodwill relating to companies accounted for by the equity method via an adjustment to equity at January 1, 2004.

Implementation of IFRS in 2005

B/ ANALYSIS OF THE TRANSITION FOR THE 2004 CONSOLIDATED INCOME STATEMENT

	2004 under current accounting policies	IAS 12 Deferred taxes ⁽¹⁾	IAS 17 Sales with buy-back commitments ⁽²⁾	IAS 32 Treasury shares ⁽³⁾	IAS 39 Financial instruments ⁽⁴⁾	IAS 39 Redeemable shares ⁽⁵⁾	IFRS 1 /IAS 19 Actuarial gains/ losses on pensions ⁽⁶⁾	IFRS 1 /IAS 21 Translation adjustments ⁽⁷⁾	IFRS 1 /IAS 23 Borrowing costs ⁽⁸⁾	IFRS 1 /IAS 38 Development expenses ⁽⁹⁾	IFRS 2 Share-based payment ⁽¹⁰⁾	IFRS 3 Business combinations except equity method companies ⁽¹¹⁾	Impact of transition to IFRS on equity method companies ⁽¹²⁾	Total impacts of transition to IFRS	2004 under IFRS
€ million															
Sales of goods and services	38,772		(220)											(220)	38,552
Sales financing revenues	1,943		(83)		(120)									(203)	1,740
Revenues	40,715		(303)		(120)									(423)	40,292
Cost of goods and services sold	(31,162)		209		(1)				4		(11)			201	(30,961)
Cost of sales financing	(1,171)		65		116									181	(990)
Research and development expenses	(1,383)									(293)				(293)	(1,676)
Selling, general and administrative expenses	(4,581)				31									31	(4,550)
Operating Margin	2,418		(29)		26				4	(293)	(11)			(303)	2,115
Other operating income and expenses	(270)				(3)							30		27	(243)
Operating Income	2,148		(29)		23				4	(293)	(11)	30		(276)	1,872
Net interest income (expenses)	(22)														(22)
Repurchase of redeemable shares	(343)					222								222	(121)
Other financial income and expenses	17				(35)	(170)								(205)	(188)
Financial expense	(348)				(35)	52								17	(331)
Share in net income of companies accounted for by the equity method	2,020												(97)	(97)	1,923
<i>Nissan - 12 months</i>	<i>1,767</i>												(78)	(78)	1,689
<i>Other companies accounted for by the equity method</i>	<i>253</i>												(19)	(19)	234
Group pre-tax income	3,820		(29)		(12)	52			4	(293)	(11)	30	(97)	(356)	3,464
Current and deferred taxes	(634)	(23)	11		2	(18)			(1)	102				73	(561)
Group net income	3,186	(23)	(18)		(10)	34			3	(191)	(11)	30	(97)	(283)	2,903

(1) Mainly deferred taxes on temporary differences between consolidated and fiscal value of companies accounted for by the equity method (cost of the tax discrepancy resulting from distribution of their profits).

(2) Sales with buy-back commitments covering more than 36 months. The vehicles are no longer considered sold, but leased. Revenues: the sale is cancelled and replaced by the recognition of the lease income over the duration of the buy-back clause. Cost of goods and services sold/cost of sales financing: the cost of goods sold is cancelled and replaced by the depreciation of the vehicles capitalized.

(3) Proceeds on sales of treasury shares are no longer included in income, but recognised directly in equity.

(4) Impacts on the operating margin concern the Sales Financing Division, impacts on financial income concern the Automobile Division.

(5) As redeemable shares are stated at market value at the start of the year, the loss on repurchase of these shares in 2004 is reduced by €222 million. The unrealized loss on the remaining shares, resulting from the evolution of the market value during the exercise, amounts to €170 million.

(6) The Group has decided to include previously unrecognized actuarial gains and losses in the provision for pension benefits for the consolidated companies at January 1, 2004. As these actuarial gains and losses remain within the "corridor" and do not lead to recognition of any expense nor revenue in 2004, there is no impact on net income of the year.

(7) The translation adjustments at January 1 have been reclassified as "Other reserves". As no foreign country's business was sold in 2004, this has no impact on net income.

(8) Since the Group has decided to stop capitalizing borrowing costs, the corresponding amortization recorded for 2004 has been cancelled.

(9) The expense corresponds to the amortization charge for development expenses originating prior to 2002 and capitalized at January 1, 2004.

(10) The value of stock option plans granted to employees, which is spread on a straight-line basis over the period between the grant date and the option vesting date, has led the Group to record an expense of €11 million for 2004.

(11) In accordance with IFRS 3, the Group no longer amortizes goodwill. This has an impact of €30 million, excluding companies accounted for by the equity method.

(12) The impacts of the transition to IFRS on companies accounted for by the equity method mainly concern Nissan. Details of these impacts by standard are provided in chapter 5, note 12.

Implementation of IFRS in 2005

C/ ANALYSIS OF THE TRANSITION FOR THE CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2004

	December 31, 2004 under current accounting policies	IAS 12 Deferred taxes ⁽¹⁾	IAS 17 Sales with buy-back commitments ⁽²⁾	IAS 32 Treasury shares ⁽³⁾	IAS 39 Financial instruments ⁽⁴⁾	IAS 39 Redeemable shares ⁽⁵⁾	IFRS 1 /IAS 19 Actuarial gains/ losses on pensions ⁽⁶⁾	IFRS 1 /IAS 21 Translation adjustments ⁽⁷⁾	IFRS 1 /IAS 23 Borrowing costs ⁽⁸⁾	IFRS 1 /IAS 38 Development expenses ⁽⁹⁾	IFRS 2 Share-based payment ⁽¹⁰⁾	IFRS 3 Business combinations except equity method companies ⁽¹¹⁾	Impact of transition to IFRS on equity method companies ⁽¹²⁾	Total impacts of transition to IFRS	December 31, 2004 under IFRS
€ million															
ASSETS															
Non-current assets															
Property, plant and equipment	10,595		1,015						(13)					1,002	11,597
Intangible assets	1,969									681		7		688	2,657
Investments in companies accounted for by the equity method	9,992												(279)	(279)	9,713
<i>Nissan</i>	8,259												(330)	(330)	7,929
<i>Other companies</i>	1,733												51	51	1,784
Deferred tax assets	451	(32)	142	(1)	(50)	111	12		3	(71)				114	565
Other non-current financial assets	1,116			(509)	436									(73)	1,043
Other non-current assets	91				(35)									(35)	56
Current assets															
Inventories	5,142														5,142
Sales financing receivables	20,633		(1,010)		184									(826)	19,807
Automobile receivables	1,878														1,878
Other current financial assets	1,578				496									496	2,074
Other current assets	1,976				(254)									(254)	1,722
Cash and cash equivalents	5,521														5,521
TOTAL ASSETS	60,942	(32)	147	(510)	777	111	12		(10)	610		7	(279)	833	61,775

Implementation of IFRS in 2005

	December 31, 2004 under current accounting policies	IAS 12 Deferred taxes ⁽¹⁾	IAS 17 Sales with buy-back commitments ⁽²⁾	IAS 32 Treasury shares ⁽³⁾	IAS 39 Financial instruments ⁽⁴⁾	IAS 39 Redeemable shares ⁽⁵⁾	IFRS 1 /IAS 19 Actuarial gains/ losses on pensions ⁽⁶⁾	IFRS 1 /IAS 21 Translation adjustments ⁽⁷⁾	IFRS 1 /IAS 23 Borrowing costs ⁽⁸⁾	IFRS 1 /IAS 38 Development expenses ⁽⁹⁾	IFRS 2 Share-based payment ⁽¹⁰⁾	IFRS 3 Business combinations except equity method companies ⁽¹¹⁾	Impact of transition to IFRS on equity method companies ⁽¹²⁾	Total impacts of transition to IFRS	December 31, 2004 under IFRS
€ million															
EQUITY AND LIABILITIES															
Total equity	16,444	(41)	(256)	(508)	288	(207)	(27)		(8)	443		15	(279)	(580)	15,864
Non-current liabilities															
Financial liabilities	4,858				228	318								546	5,404
Provisions	2,137			(2)			39					(8)		29	2,166
Deferred tax liabilities	220	9			60				(2)	167				234	454
Other non-current liabilities	442				(16)									(16)	426
Current liabilities															
Financial liabilities (Sales financing division)	20,355				274									274	20,629
Financial liabilities (Automobile division)	2,377				121									121	2,498
Trade payables	7,234														7,234
Provisions	926		(10)		(6)									(16)	910
Other current liabilities	5,949		413		(172)									241	6,190
TOTAL EQUITY AND LIABILITIES	60,942	(32)	147	(510)	777	111	12		(10)	610		7	(279)	833	61,775

(1) Mainly deferred taxes on temporary differences between consolidated and fiscal value of companies accounted for by the equity method (cost of the tax discrepancy resulting from distribution of their profits).

(2) Sales with buy-back commitments covering more than 36 months. The vehicles are no longer considered sold, but leased. They are capitalized at cost and depreciated over the duration of the buy-back clause. Lease payments received in advance are recorded under "Other current liabilities".

(3) Treasury shares are directly deducted from equity at acquisition cost.

(4) The impacts on financial assets mainly relate to changes in the fair value of derivatives. The impacts on financial liabilities relate to changes in the fair value of the debts hedged, and changes in the fair value of derivatives.

(5) Redeemable shares are stated at market value. The impact before deferred taxes on Group indebtedness is €318 million. The impact after deferred taxes on the opening balance is included in equity.

(6) The Group has decided to include previously unrecognized actuarial gains and losses in the provision for pension benefits for the consolidated companies at January 1, 2004, leading to a €39 million increase in the provision.

(7) Under the option allowed by IFRS 1, the translation adjustment as recorded in equity at January 1 has been reclassified as Other reserves. This reclassification has no impact on equity.

(8) Since the Group has decided to stop capitalizing borrowing costs, their net value has been cancelled via an adjustment to equity at December 31, 2004.

(9) The restatement of intangible assets corresponds to the capitalized amount of development expenses originating prior to 2002 and the cumulative depreciation at December 31, 2004.

(10) The value of stock option plans granted to employees, which is spread on a straight-line basis over the period between the grant date and the option vesting date, has led the Group to record an expense of €11 million for 2004. As the expense is directly deducted from equity, this has no impact on total equity.

(11) In accordance with IFRS 3, the Group no longer amortizes goodwill, and now recognises negative goodwill immediately in profit or loss. All negative goodwill has therefore been cancelled via an adjustment to equity at January 1, 2004, and the Group discontinued amortization of goodwill as of that date.

(12) The impacts of the transition to IFRS on companies accounted for by the equity method mainly concern Nissan. Details of these impacts by standard are provided in chapter 5, note 12. These impacts includes cancellation of negative goodwill relating to companies accounted for by the equity method via an adjustment to equity at January 1, 2004.

Implementation of IFRS in 2005

D/ ANALYSIS OF THE TRANSITION FOR EQUITY AT JANUARY 1 AND DECEMBER 31, 2004

	Share capital	Treasury shares	Revaluation of financial instruments	Translation adjustment	Other reserves	Net income, Equity holders of the parent	Equity attributable to equity holders of the parent	Minority interests	Total
€ million									
OPENING BALANCE AT JANUARY 1, 2004 UNDER CURRENT ACCOUNTING POLICIES	4,539			(1,066)	7,638	2,480	13,591	395	13,986
Restatement of Nissan additional quarter					133		(133)		(133)
OPENING BALANCE AS AT JANUARY 1, 2004 AFTER RESTATEMENT OF NISSAN ADDITIONAL QUARTER	4,539			(1,066)	7,505	2,480	13,458	395	13,853
IAS 12 Deferred taxes					(18)		(18)		(18)
IAS 17 Sales with buy-back commitments					(238)		(238)		(238)
IAS 32 Treasury shares		(519)					(519)		(519)
IAS 39 Financial instruments			(35)		221		186		186
IAS 39 Reedemable shares					(241)		(241)		(241)
IFRS1 / IAS 19 Pensions - actuarial gains/losses					(27)		(27)		(27)
IFRS1 / IAS 21 Translation adjustments				1,066	(1,066)				
IFRS1 / IAS 23 Borrowing costs					(11)		(11)		(11)
IFRS1 / IAS 38 Development expenses					634		634		634
IFRS2 Shared-based payments									
IFRS3 Business combinations					(14)		(14)		(14)
Impact of transition to IFRS on equity method companies					(127)		(127)		(127)
Total impacts of transition to IFRS		(519)	(35)	1,066	(887)		(375)		(375)
OPENING BALANCE AT JANUARY 1, 2004 UNDER IFRS	4,539	(519)	(35)		6,618	2,480	13,083	395	13,478

	Share capital	Treasury shares	Revaluation of financial instruments	Translation adjustment	Other reserves	Net income, Equity holders of the parent	Equity attributable to equity holders of the parent	Minority interests	Total
€ million									
CLOSING BALANCE AT DECEMBER 31, 2004 UNDER CURRENT ACCOUNTING POLICIES	4,539			(1,791)	9,761	3,551	16,060	384	16,444
Restatement of Nissan additional quarter				565	(133)	(432)			
CLOSING BALANCE AT DECEMBER 31, 2004 AFTER RESTATEMENT OF NISSAN ADDITIONAL QUARTER	4,539			(1,226)	9,628	3,119	16,060	384	16,444
IAS 12 Deferred taxes					(18)	(23)	(41)		(41)
IAS 17 Sales with buy-back commitments					(238)	(18)	(256)		(256)
IAS 32 Treasury shares		(508)					(508)		(508)
IAS 39 Financial instruments			77		221	(10)	288		288
IAS 39 Reedemable shares					(241)	34	(207)		(207)
IFRS1 / IAS 19 Pensions - actuarial gains/losses					(27)		(27)		(27)
IFRS1 / IAS 21 Translation adjustments				1,066	(1,066)				
IFRS1 / IAS 23 Borrowing costs					(11)	3	(8)		(8)
IFRS1 / IAS 38 Development expenses					634	(191)	443		443
IFRS2 Shared-based payments					11	(11)			
IFRS3 Business combinations				(1)	(14)	30	15		15
Impact of transition to IFRS on equity method companies				(55)	(127)	(97)	(279)		(279)
Total impacts of transition to IFRS		(508)	77	1,010	(876)	(283)	(580)		(580)
CLOSING BALANCE AT DECEMBER 31, 2004 UNDER IFRS	4,539	(508)	77	(216)	8,752	2,836	15,480	384	15,864

7. Key figures for the restated consolidated financial statements

A/ COMPARISON OF CONSOLIDATED BALANCE SHEET (CURRENT POLICIES/IFRS) AT JANUARY 1, 2004

€ million	January 1, 2004 under current accounting policies	Total impacts of transition to IFRS	January 1, 2004 under IFRS
ASSETS			
Non-current assets			
Property, plant and equipment	10,392	940	11,332
Intangible assets	1,394	960	2,354
Investments in companies accounted for by the equity method	8,800	(127)	8,673
<i>Nissan</i>	7,086	(194)	6,892
<i>Other companies</i>	1,714	67	1,781
Deferred tax assets	1,328	(5)	1,323
Other non-current financial assets	1,050	(137)	913
Other non-current assets	108	(46)	62
Current assets			
Inventories	4,872		4,872
Sales financing receivables	19,614	(786)	18,828
Automobile receivables	2,096		2,096
Other current financial assets	2,200	459	2,659
Other current assets	2,028	(272)	1,756
Cash and cash equivalents	4,276		4,276
TOTAL ASSETS	58,158	986	59,144
EQUITY AND LIABILITIES			
Total equity	13,853	(375)	13,478
Non-current liabilities			
Financial liabilities	4,783	585	5,368
Provisions	2,165	34	2,199
Deferred tax liabilities	885	142	1,027
Other non-current liabilities	305	(24)	281
Current liabilities			
Financial liabilities (Sales financing division)	20,098	321	20,419
Financial liabilities (Automobile division)	2,301	90	2,391
Trade payables	7,197		7,197
Provisions	951	(17)	934
Other current liabilities	5,620	230	5,850
TOTAL EQUITY AND LIABILITIES	58,158	986	59,144

Implementation of IFRS in 2005

B/ COMPARISON OF CONSOLIDATED INCOME STATEMENT FOR 2004

€ million	2004 under current accounting policies	Total impacts of transition to IFRS	2004 under IFRS
Sales of goods and services	38,772	(220)	38,552
Sales financing revenues	1,943	(203)	1,740
Revenues	40,715	(423)	40,292
Cost of goods and services sold	(31,162)	201	(30,961)
Cost of sales financing	(1,171)	181	(990)
Research and development expenses	(1,383)	(293)	(1,676)
Selling, general and administrative expenses	(4,581)	31	(4,550)
Operating Margin	2,418	(303)	2,115
Other operating income and expenses	(270)	27	(243)
Operating Income	2,148	(276)	1,872
Net interest income (expenses)	(22)		(22)
Repurchase of redeemable shares	(343)	222	(121)
Other financial income and expenses	17	(205)	(188)
Financial expense	(348)	17	(331)
Share in net income of companies accounted for by the equity method	2,020	(97)	1,923
<i>Nissan - 12 months</i>	<i>1,767</i>	<i>(78)</i>	<i>1,689</i>
<i>Other companies accounted for by the equity method</i>	<i>253</i>	<i>(19)</i>	<i>234</i>
Group pre-tax income	3,820	(356)	3,464
Current and deferred taxes	(634)	73	(561)
Group net income	3,186	(283)	2,903
Net income, Minority interests	(67)		(67)
Net income, Equity holders of the parent	3,119		2,836
Earnings per share in €	11.73		11.13
Number of shares outstanding (in thousands)	265,960		254,694

Implementation of IFRS in 2005

C/ COMPARISON OF CONSOLIDATED BALANCE SHEET (CURRENT POLICIES/IFRS) AT DECEMBER 31, 2004

€ million	December 31, 2004 under current accounting policie	Total impacts of transition to IFRS	December 31, 2004 under IFRS
ASSETS			
Non-current assets			
Property, plant and equipment	10,595	1,002	11,597
Intangible assets	1,969	688	2,657
Investments in companies accounted for by the equity method	9,992	(279)	9,713
<i>Nissan</i>	8,259	(330)	7,929
<i>Other companies</i>	1,733	51	1,784
Deferred tax assets	451	114	565
Other non-current financial assets	1,116	(73)	1,043
Other non-current assets	91	(35)	56
Current assets			
Inventories	5,142		5,142
Sales financing receivables	20,633	(826)	19,807
Automobile receivables	1,878		1,878
Other current financial assets	1,578	496	2,074
Other current assets	1,976	(254)	1,722
Cash and cash equivalents	5,521		5,521
TOTAL ASSETS	60,942	833	61,775
EQUITY AND LIABILITIES			
Total equity	16,444	(580)	15,864
Non-current liabilities			
Financial liabilities	4,858	546	5,404
Provisions	2,137	29	2,166
Deferred tax liabilities	220	234	454
Other non-current liabilities	442	(16)	426
Current liabilities			
Financial liabilities (Sales financing division)	20,355	274	20,629
Financial liabilities (Automobile division)	2,377	121	2,498
Trade payables	7,234		7,234
Provisions	926	(16)	910
Other current liabilities	5,949	241	6,190
TOTAL EQUITY AND LIABILITIES	60,942	833	61,775

Implementation of IFRS in 2005

D/ CHANGES IN CONSOLIDATED EQUITY FOR 2004

€ million	Share capital	Treasury shares	Revaluation of financial instruments	Translation adjustment	Other reserves	Net income, Equity holders of the parent	Equity attributable to equity holders of the parent	Minority interests	Total
Opening balance at January 1, 2004 under IFRS	4,539	(519)	(35)		6,618	2,480	13,083	395	13,478
Allocation of 2003 net income					2,480	(2,480)			
Impact of changes in the revaluation of financial instruments			112				112		112
Impact of changes in treasury shares		11					11		11
Cost of stock option plans					11		11		11
Distributions					(357)		(357)	(35)	(392)
Change in translation adjustment				(216)			(216)	8	(208)
Impact of change in scope of consolidation and increase in capital for the minority interests								(51)	(51)
Net income 2004 under IFRS						2,836	2,836	67	2,903
Closing balance at December 31, 2004 under IFRS	4,539	(508)	77	(216)	8,752	2,836	15,480	384	15,864

E/ COMPARISON OF STATEMENT OF CASH FLOWS (CURRENT POLICIES/IFRS) FOR 2004

€ million	2004 under current accounting policies*	Total impact of transition to IFRS	2004 under IFRS
Renault net income	3,119	(283)	2,836
Depreciation and amortization	2,266	486 (a)	2,752
Net allocations to long term provisions	224	(4)	220
Net effects of sales financing credit losses	155		155
Gains / losses on asset disposals	(117)	13	(104)
Share in net income of investments accounted for by the equity method (net of dividends received)	(1,467)	96	(1,371)
Repurchase of redeemable shares	343	(222)	121
IAS 39 Financial instruments		200 (b)	200
IFRS 2 Shared-based payments		11	11
Deferred taxes	168	(73)	95
Minority interests	67		67
Other	50		50
Cash flow	4,808	224	5,032
Increase in sales financing receivables	(1,202)	74	(1,128)
Net change in interest-bearing borrowings for the sales financing division	944		944
Decrease / Increase in working capital	407	20	427
CASH FLOWS FROM OPERATING ACTIVITIES	4,957	318	5,275
CASH FLOWS FROM INVESTING ACTIVITIES	(3,107)	(302)	(3,409)
CASH FLOWS FROM FINANCING ACTIVITIES	(861)	(16)	(877)
INCREASE / DECREASE IN CASH AND CASH EQUIVALENT	989		989
Cash and cash equivalents: opening balance	4,276		4,276
Increase	989		989
Effects of changes in scope of consolidation and exchange rate	256		256
Cash and cash equivalents: closing balance	5,521		5,521

* After restatement of Nissan additional quarter

(a) amortization of capitalized development expenses: €293 million, borrowing costs: €(4) million, goodwill: €(30) million, impact IAS 17: €227 million.

(b) redeemable shares: €170 million, other impacts of IAS 39: €30 million.

F/COMPARED OF INFORMATION BY DIVISION (CURRENT POLICIES/IFRS) FOR 2004

Income statement items by division

€ million	Automobile	Sales financing	Interdivision transactions	Consolidated total
2004 UNDER CURRENT ACCOUNTING POLICIES *				
External sales	38,645	2,070		40,715
Interdivision sales	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 income	(250)	3	(101)	(348)
Share in net income of investments accounted for the by equity method*	2,020			2,020
Current and deferred taxes	(460)	(171)	(3)	(634)
Group net income	3,020	261	(95)	3,186
IMPACT OF TRANSITION TO IFRS				
External sales	(219)	(204)		(423)
Interdivision sales	(247)	(15)	262	
Revenues	(466)	(219)	262	(423)
Operating margin	(325)	17	5	(303)
Operating income	(298)	17	5	(276)
Financial income	18	(1)		17
Share in net income of investments accounted for the by equity method*	(97)			(97)
Current and deferred taxes	82	(6)	(3)	73
Group net income	(295)	10	2	(283)
2004 UNDER IFRS				
External sales	38,426	1,866		40,292
Interdivision sales	302	234	(536)	
Revenues	38,728	2,100	(536)	40,292
Operating margin	1,640	461	14	2,115
Operating income	1,412	446	14	1,872
Financial income	(232)	2	(101)	(331)
Share in net income of investments accounted for the by equity method*	1,923			1,923
Current and deferred taxes	(378)	(177)	(6)	(561)
Group net income	2,725	271	(93)	2,903

* Excluding Nissan additional quarter.

Implementation of IFRS in 2005

G / MAIN IMPACTS ON TABLES IN THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – financial expense

The table below shows the impacts on financial expense as presented in the notes to the consolidated financial statements. This also includes impacts concerning the redeemable shares.

€ million	2004 under current accounting policies	2004 under IFRS
Interest expenses	(518)	(518)
Interest income	496	496
Gain (loss) on sales of marketable securities	-	-
Total net interest expense	(22)	(22)
Repurchase of redeemable shares	(343)	(121)
Other financial income and expenses	17	(188)
FINANCIAL EXPENSE	(348)	(331)

NOTE 11A – intangible assets

The restatements for compliance with IFRS have the following impacts on the intangible assets as reported in the notes to the consolidated financial statements:

€ million	December 31, 2004 under current accounting policies	December 31, 2004 under IFRS
Research and development expenses	1,964	3,882
Goodwill on acquisition	285	270
Other intangible assets	255	255
Intangible assets, gross	2,504	4,407
Amortization of research and development expenses	(268)	(1,505)
Amortization of goodwill	(95)	(73)
Amortization of other intangible assets	(172)	(172)
Amortization and provisions	(535)	(1,750)
INTANGIBLE ASSETS, NET	1,969	2,657

NOTE 12C – Nissan consolidated financial statements included under the equity method in the renault consolidation

The consolidated financial statements published under the current accounting policies included Nissan's financial statements for a 15-month period. For presentation of the consolidated financial statements under IFRS, the Nissan financial statements are taken into account for a 12-month period (the calendar year). This will improve the comparability of accounts from 2005.

The table below compares Renault's share in Nissan net income under current policies and under IFRS:

▶ Share of Nissan net income included in Renault Group financial statements

€ million 2004 under current accounting policies			2004 under IFRS		
Oct 1 – Dec 31 2003 (3 months)	Jan 1 – Dec 31 2004 (12 months)	Total (15 months)	Oct 1 – Dec 31 2003 (3 months)	Jan 1 – Dec 31 2004 (12 months)	Total (12 months)
432	1,767	2,199	-	1,689	1,689

NOTE 13 – Investment in AB VOLVO restated and accounted for by the equity method

The following table shows the impacts of application of IFRS on the investment in AB Volvo, which Renault accounts for by the equity method:

€ million	Under current policies			Transition to IFRS			Under IFRS		
	Net goodwill	Share of net assets	Total	Net goodwill	Share of net assets	Total	Net goodwill	Share of net assets	Total
At January 1, 2004	(169)	1,723	1,554	169	(102)	67		1,621	1,621
2004 net income	25	215	240	(25)	6	(19)		221	221
Dividend paid	-	(208)	(208)	-				(208)	(208)
Repurchase by Volvo of its own shares	21	(21)		2	(2)		23	(23)	
Translation adjustment and other	-	11	11	-	3	3		14	14
At December 31, 2004	(123)	1,720	1,597	146	(95)	51	23	1,625	1,648

NOTE 21 - Provision for post-employment and other long term benefits

The impact of application of IFRS on changes in the provision for post-employment benefits in 2004 are as follows:

€ million	2004 under current accounting policies	2004 under IFRS
Opening balance	861	900
Net expense for the year	97	97
Benefits paid and contributions to funds	(107)	(107)
Other changes	(35)	(35)
Closing balance	816	855

NOTE 23 I – Redeemable shares

The table below shows the impacts on redeemable shares as reported in the notes to the consolidated financial statements:

€ million	December 31, 2004 under current accounting policies	December 31, 2004 under IFRS
Renault SA 1983 and 1984 issues	129	447
Diac 1985 issue	15	15
TOTAL	144	462