

2005 Consolidated financial statements

6.1.2 Consolidated financial statements

The comparative figures for 2004 are reported after adjustment for compliance with IFRS applicable at December 31, 2005 (note 2).

6.1.2.1 Consolidated income statements

€ million	2005	2004 ⁽¹⁾
Sales of goods and services	39,978	38,923
Sales financing revenues	1,360	1,369
Revenues (note 5)	41,338	40,292
Cost of goods and services sold	(32,137)	(31,090)
Cost of sales financing (note 6)	(926)	(912)
Research and development expenses (note 12-C)	(2,034)	(1,676)
Selling, general and administrative expenses	(4,918)	(4,499)
Operating margin (note 7)	1,323	2,115
Other operating income and expenses (note 8)	191	(243)
Operating income	1,514	1,872
Net interest income (expense)	(95)	(22)
<i>Interest income</i>	153	128
<i>Interest expenses</i>	(248)	(150)
Other financial income and expenses, net	(232)	(309)
Financial expense (note 9)	(327)	(331)
Share in net income (loss) of associates	2,597	1,923
<i>Nissan (note 14)</i>	2,275	1,689
<i>Other associates (note 15)</i>	322	234
Pre-tax income	3,784	3,464
Current and deferred taxes (note 10)	(331)	(561)
Net income	3,453	2,903
Net income - minority interests' share	86	67
Net income - Renault share	3,367	2,836
Earnings per share ⁽²⁾ in € (note 11)	13.19	11.16
Diluted earnings per share ⁽²⁾ in € (note 11)	13.08	11.10
Number of shares outstanding (in thousands) (note 11)		
for earnings per share	255,177	254,168
for diluted earnings per share	257,342	255,435

(1) 2004 figures restated for compliance with IFRS

(2) Net income – Renault share divided by number of shares stated

6.1.2.2 Consolidated balance sheets

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
ASSETS		
Non-current assets		
Intangible assets (note 12)	2,972	2,657
Property, plant and equipment (note 13)	12,691	11,597
Investments in associates	12,452	9,713
<i>Nissan (note 14)</i>	10,477	7,929
<i>Other associates (note 15)</i>	1,975	1,784
Non-current financial assets (notes 23 and 27)	577	696
Deferred tax assets (note 10)	309	565
Other non-current assets	358	403
Total non-current assets	29,359	25,631
Current assets		
Inventories (note 16)	5,862	5,142
Sales financing receivables (notes 17 and 27)	20,700	19,807
Automobile receivables (notes 18 and 27)	2,055	1,878
Current financial assets (notes 23 and 27)	1,871	1,398
Other current assets (note 19)	2,413	2,398
Cash and cash equivalents (note 24)	6,151	5,521
Total current assets	39,052	36,144
Total assets	68,411	61,775

(1) 2004 figures restated for compliance with IFRS

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	1,086	1,086
Share premium	3,453	3,453
Treasury shares	(456)	(508)
Revaluation of financial instruments	33	77
Translation adjustment	562	(216)
Other reserves	11,153	8,752
Net income – Renault share	3,367	2,836
Shareholders' equity – Renault share	19,198	15,480
Shareholders' equity – minority interests' share	463	384
Total shareholders' equity (note 20)	19,661	15,864
Non-current liabilities		
Deferred tax liabilities (note 10)	231	454
Provisions – long-term (note 21)	1,754	2,166
Non-current financial liabilities (notes 25 and 27)	5,901	5,404
Other non-current liabilities	516	426
Total non-current liabilities	8,402	8,450
Current liabilities		
Provisions – short-term (note 21)	1,264	910
Current financial liabilities (notes 25 and 27)	2,547	2,447
Sales financing debts (notes 25 and 27)	22,427	20,629
Trade payables (note 27)	7,788	7,234
Current tax liability	215	197
Other current liabilities (note 22)	6,107	6,044
Total current liabilities	40,348	37,461
Total shareholders' equity and liabilities	68, 411	61,775

(1) 2004 figures restated for compliance with IFRS

6.1.2.3 Changes in consolidated shareholders' equity

€ million	Number of shares (thousand)	Share capital	Share premium	Treasury shares	Revaluation of financial instruments	Translation of financial adjustment	Other reserves	Net income - Renault share	Shareholders' equity (Renault share)	Shareholders' equity (minority interests)	Total shareholders' equity
Balance at January 1, 2004 ⁽¹⁾	284,937	1,086	3,453	(519)	(35)	-	6,618	2,480	13,083	395	13,478
Allocation of 2003 net income	-	-	-	-	-	-	2,480	(2,480)	-	-	-
Dividends	-	-	-	-	-	-	(357)	-	(357)	(35)	(392)
Cost of stock option plans	-	-	-	-	-	-	11	-	11	-	11
Change in other reserves	-	-	-	11	112	(216)	-	-	(93)	8	(85)
Impact of changes in the scope of consolidation and capital increases	-	-	-	-	-	-	-	-	-	(51)	(51)
2004 net income ⁽¹⁾	-	-	-	-	-	-	-	2,836	2,836	67	2,903
Balance at December 31, 2004 ⁽¹⁾	284,937	1,086	3,453	(508)	77	(216)	8,752	2,836	15,480	384	15,864
Allocation of 2004 net income	-	-	-	-	-	-	2,836	(2,836)	-	-	-
Dividends	-	-	-	-	-	-	(459)	-	(459)	(60)	(519)
Cost of stock option plans	-	-	-	-	-	-	24	-	24	-	24
Change in other reserves	-	-	-	52	(44)	778	-	-	786	32	818
Impact of changes in the scope of consolidation and capital increases	-	-	-	-	-	-	-	-	-	21	21
2005 net income	-	-	-	-	-	-	-	3,367	3,367	86	3,453
Balance at December 31, 2005	284,937	1,086	3,453	(456)	33	562	11,153	3,367	19,198	463	19,661

(1) 2004 figures restated for compliance with IFRS

Details of changes in consolidated shareholders' equity in 2005 are given in note 20.

6.1.2.4 Consolidated statements of cash flows

€ million	2005	2004 ⁽¹⁾
Net income	3,453	2,903
Cancellation of unrealised income and expenses:		
- Depreciation and amortisation	2,705	2,752
- Share in net income (loss) of associates	(2,597)	(1,923)
- Dividends received from associates	516	552
- Other unrealised income and expenses (note 30-A)	393	748
Cash flow	4,470	5,032
Financing for final customers	(12,998)	(11,917)
Customer repayments	12,485	10,824
Net change in renewable dealer financing	(304)	(35)
Decrease (increase) in sales financing receivables	(817)	(1,128)
Bond issuance by the Sales financing division	-	1,100
Bond redemption by the Sales financing division (note 25-B)	(1,045)	(1,050)
Net change in other sales financing debts	3,119	667
Net change in other securities and loans of the Sales financing division	(39)	227
Net change in sales financing financial assets and debts	2,035	944
Decrease (increase) in working capital (note 30-B)	(603)	427
CASH FLOWS FROM OPERATING ACTIVITIES	5,085	5,275
Capital expenditure (note 30-C)	(4,018)	(3,923)
Acquisitions of investments, net of cash acquired	(59)	(127)
Disposals of property, plant and equipment and intangibles	1,073	607
Disposals of investments, net of cash acquired, and other	100	34
CASH FLOWS FROM INVESTING ACTIVITIES	(2,904)	(3,409)
Contributions from minority shareholders ⁽²⁾	(2)	18
Dividends paid to parent company shareholders (note 20-D)	(494)	(383)
Dividends paid to minority shareholders	(60)	(35)
Purchases/sales of treasury shares	56	-
Cash flows with shareholders	(500)	(400)
Bond issuance by the Automobile division	245	407
Bond redemption by the Automobile division (note 25-B)	(388)	(290)
Net increase (decrease) in other financial liabilities of the Automobile division ⁽³⁾	(867)	(998)
Net decrease (increase) in other securities and loans of the Automobile division	(149)	404
Net change in financial assets and liabilities of the Automobile division	(1,159)	(477)
CASH FLOWS FROM FINANCING ACTIVITIES	(1,659)	(877)
INCREASE IN CASH AND CASH EQUIVALENTS	522	989

(1) 2004 figures restated for compliance with IFRS

(2) Via capital increases or capital reductions

(3) Renault purchased part of its redeemable shares in 2004 (note 9-B)

€ million	2005	2004 ⁽¹⁾
Cash and cash equivalents: opening balance	5,521	4,276
Increase	522	989
Effect of changes in exchange rate and other changes	108	256
Cash and cash equivalents: closing balance	6,151	5,521

(1) 2004 figures restated for compliance with IFRS

Details of interest received and paid by the Automobile division are given in note 9-A.

Current taxes paid by the Group are reported in note 10-A.

6.1.2.5 Segment information

A. Information by division

A1. Consolidated income statements by division

€ million	Automobile	Sales financing	Interdivision transactions ⁽²⁾	Consolidated total
2005				
Sales of goods	38,602	-	-	38,602
Sales of services	856	520	-	1,376
Sales financing revenues	-	1,360	-	1,360
External sales (note 5)	39,458	1,880	-	41,338
Interdivision sales ⁽²⁾	147	268	(415)	-
Revenues	39,605	2,148	(415)	41,338
Operating margin	858	465	-	1,323
Operating income	1,058	456	-	1,514
Financial expense				(327)
Share in net income (loss) of associates	2,595	2	-	2,597
Pre-tax income				3,784
Current and deferred taxes				(331)
Net income				3,453
2004 ⁽¹⁾				
Sales of goods	37,459	-	-	37,459
Sales of services ⁽³⁾	967	497	-	1,464
Sales financing revenues	-	1,369	-	1,369
External sales	38,426	1,866	-	40,292
Interdivision sales ⁽²⁾	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 expense				(331)
Share in net income (loss) of associates	1,923	-	-	1,923
Pre-tax income				3,464
Current and deferred taxes				(561)
Net income				2,903

(1) 2004 figures restated for compliance with IFRS

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

A2. Consolidated balance sheets by division

December 31, 2005	€ million	Automobile	Sales financing	Interdivision transactions ⁽²⁾	Consolidated total
Non-current assets					
Property, plant and equipment and intangible assets		15,215	540	(92)	15,663
Investments in associates		12,439	13	-	12,452
Non-current financial assets – investments in non-controlled entities		2,107	17	(2,024)	100
Non-current financial assets – other securities, loans and derivatives on financing operations of the Automobile division		477	-	-	477
Deferred tax assets and other non-current assets		547	90	30	667
Total non-current assets		30,785	660	(2,086)	29,359
Current assets					
Inventories		5,851	11	-	5,862
Customer receivables		2,164	21,219	(628)	22,755
Current financial assets		1,917	590	(636)	1,871
Other current assets		1,858	1,977	(1,422)	2,413
Cash and cash equivalents		4,277	1,909	(35)	6,151
Total current assets		16,067	25,706	(2,721)	39,052
Total assets		46,852	26,366	(4,807)	68,411
Shareholders' equity		19,628	2,015	(1,982)	19,661
Non-current liabilities					
Deferred tax liabilities and long-term provisions		1,724	217	44	1,985
Non-current financial liabilities		5,634	267	-	5,901
Other non-current liabilities		466	50	-	516
Total non-current liabilities		7,824	534	44	8,402
Current liabilities					
Short-term provisions		1,191	73	-	1,264
Current financial liabilities		3,289	-	(742)	2,547
Sales financing debts		-	23,003	(576)	22,427
Trade payables		7,853	19	(84)	7,788
Other current liabilities and current tax liability		7,067	722	(1,467)	6,322
Total current liabilities		19,400	23,817	(2,869)	40,348
Total shareholders' equity and liabilities		46,852	26,366	(4,807)	68,411

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

December 31, 2004 ⁽¹⁾	€ million	Automobile	Sales financing	Interdivision transactions ⁽²⁾	Consolidated total
Non-current assets					
Property, plant and equipment and intangible assets		13,814	528	(88)	14,254
Investments in associates		9,713	-	-	9,713
Non-current financial assets – investments in non-controlled entities		2,446	12	(2 224)	234
Non-current financial assets – other securities, loans and derivatives on financing operations of the Automobile division		462	-	-	462
Deferred tax assets and other non-current assets		799	140	29	968
Total non-current assets		27,234	680	(2,283)	25,631
Current assets					
Inventories		5,130	12	-	5,142
Customer receivables		1,988	20,146	(449)	21,685
Current financial assets		1,498	526	(626)	1,398
Other current assets		1,750	1,964	(1,316)	2,398
Cash and cash equivalents		4,451	1,074	(4)	5,521
Total current assets		14,817	23,722	(2,395)	36,144
Total assets		42,051	24,402	(4,678)	61,775
Shareholders' equity					
		15,833	1,814	(1,783)	15,864
Non-current liabilities					
Deferred tax liabilities and long-term provisions		2,339	236	45	2,620
Non-current financial liabilities		5,389	407	(392)	5,404
Other non-current liabilities		375	51	-	426
Total non-current liabilities		8,103	694	(347)	8,450
Current liabilities					
Short-term provisions		846	64	-	910
Current financial liabilities		2,981	-	(534)	2,447
Sales financing debts		-	21,226	(597)	20,629
Trade payables		7,307	-	(73)	7,234
Other current liabilities and current tax liability		6,981	604	(1,344)	6,241
Total current liabilities		18,115	21,894	(2,548)	37,461
Total shareholders' equity and liabilities		42,051	24,402	(4,678)	61,775

(1) 2004 figures restated for compliance with IFRS

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

A3. Consolidated cash flow statements by division

€ million	Automobile	Sales financing	Interdivision transactions ⁽²⁾	Consolidated total
2005				
Net income	3,320	313	(180)	3,453
Cancellation of unrealised income and expenses:				
- Depreciation and amortisation	2,658	103	(56)	2,705
- Share in net income (loss) of associates	(2,595)	(2)	-	(2,597)
- Dividends received from associates	516	-	-	516
- Other unrealised income and expenses	206	186	1	393
Cash flow	4,105	600	(235)	4,470
Decrease (increase) in sales financing receivables	-	(1,009)	192	(817)
Net change in sales financing financial assets and debts	-	1,587	448	2,035
Decrease (increase) in working capital	(533)	(40)	(30)	(603)
CASH FLOWS FROM OPERATING ACTIVITIES	3,572	1,138	375	5,085
Purchases of intangible assets	(876)	(4)	-	(880)
Purchases of property, plant and equipment	(2,903)	(288)	53	(3,138)
Disposals of property, plant and equipment and intangibles	900	173	-	1,073
Acquisition of investments, net of disposals and other	77	(36)	-	41
CASH FLOWS FROM INVESTING ACTIVITIES	(2,802)	(155)	53	(2,904)
Cash flows with shareholders	(500)	(180)	180	(500)
Net change in financial assets and liabilities of the Automobile division	(545)	-	(614)	(1,159)
CASH FLOWS FROM FINANCING ACTIVITIES	(1,045)	(180)	(434)	(1,659)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(275)	803	(6)	522

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

€ million	Automobile	Sales financing	Interdivision transactions ⁽²⁾	Consolidated total
2004 ⁽¹⁾				
Net income	2 725	271	(93)	2 903
Cancellation of unrealised income and expenses:				
- Depreciation and amortisation	2 662	104	(14)	2 752
- Share in net income (loss) of associates	(1 923)	-	-	(1 923)
- Dividends received from associates	552	-	-	552
- Other unrealised income and expenses	580	162	6	748
Cash flow	4,596	537	(101)	5,032
(Decrease) (increase) in sales financing receivables	-	(1,132)	4	(1,128)
Net change in sales financing financial assets and debts	-	892	52	944
Decrease (increase) in working capital	532	(74)	(31)	427
CASH FLOWS FROM OPERATING ACTIVITIES	5,128	223	(76)	5,275
Purchases of intangible assets	(788)	(3)	-	(791)
Purchases of property, plant and equipment	(2,901)	(305)	74	(3,132)
Disposals of property, plant and equipment and intangibles	490	160	(43)	607
Acquisition of investments, net of disposals and other	(85)	(8)	-	(93)
CASH FLOWS FROM INVESTING ACTIVITIES	(3,284)	(156)	31	(3,409)
Cash flows with shareholders	(400)	(100)	100	(400)
Net change in financial assets and liabilities of the Automobile division	(464)	-	(13)	(477)
CASH FLOWS FROM FINANCING ACTIVITIES	(864)	(100)	87	(877)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	980	(33)	42	989

(1) 2004 figures restated for compliance with IFRS

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

B. Information by geographic area

€ million	France	Other European countries	Other countries	Consolidated total
2005				
Revenues	13,575	20,847	6,916	41,338
Capital expenditure	2,607	1,018	393	4,018
Property, plant and equipment and intangibles	10,469	3,417	1,777	15,663
Other operating assets ⁽²⁾	5,876	3,319	1,135	10,330
2004 ⁽¹⁾				
Revenues	13,959	21,087	5,246	40,292
Capital expenditure	2,634	979	310	3,923
Property, plant and equipment and intangibles	9,776	3,185	1,293	14,254
Other operating assets ⁽²⁾	5,451	3,081	886	9,418

(1) 2004 figures restated for compliance with IFRS

(2) Other operating assets include inventories, Automobile receivables and other current assets.

The definition of these zones is geographically-based. Europe covers western, central and eastern Europe. Turkey and Russia are included in other countries.

Consolidated revenues are presented by location of customers.

Property, plant and equipment and intangibles, capital expenditure and other operating assets are presented by location of subsidiaries and joint ventures.

6.1.2.6 Notes to the consolidated financial statements

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1 – Accounting policies and scope of consolidation

1 – Approval of the financial statements

The Renault group's consolidated financial statements for 2005 will be submitted for approval by the Board of Directors' meeting of February 28, 2006 and by the shareholders at the General Shareholders' Meeting to be held on May 4, 2006.

2 – Accounting policies

In application of regulation 1606/2002 passed on July 19, 2002 by the European Parliament and the Council of Europe, Renault's consolidated financial statements for 2005 are prepared under the IFRS (International Financial Reporting Standards) as issued by the IASB (International Accounting Standards Board) at December 31, 2005 and endorsed for application by European Commission regulations published in the Official Journal of the EU at the closing.

The comparative financial information for 2004 is presented under the same IFRS, in compliance with IFRS 1 on first-time adoption of IFRS. The impact of the transition to IFRS is described in notes 3 and 34 of this document, and in section 3.1.4.2, "Consolidated financial statements restated for compliance with IFRS" of the 2004 annual report.

In the transition to IFRS, Renault opted for early application of IAS 32 and 39 on financial instruments as of January 1, 2004.

The Group has also applied IFRS 5, "Non-current assets held for sale and discontinued operations" since January 1, 2005. This has no material impact on the financial information presented here.

The Group currently undertakes no early application of any standard or interpretation already released but for which application becomes mandatory after December 31, 2005, principally the following:

- The amendment to IAS 19 concerning actuarial gains and losses, group plans and disclosures, which is applicable from January 1, 2006;
- The amendment to IAS 39 on the fair value option, which is applicable from January 1, 2006;
- The amendment to IAS 39 for cash flow hedge accounting of forecast intragroup transactions, which is applicable from January 1, 2006;
- The amendment to IAS 1 on capital disclosures, which is applicable from January 1, 2007;
- IFRS 7, Financial Instruments Disclosures, which is applicable from January 1, 2007;
- Interpretation IFRIC 4, Determining Whether an Arrangement Contains a Lease, which is applicable from January 1, 2006.

A. Estimates and judgments

In preparing its financial statements, Renault has to make estimates and assumptions that affect the book value of certain assets and liabilities, income and expense items, and the information disclosed in certain notes. Renault regularly revises its estimates and assessments to take account of past experience and other factors deemed relevant in view of the economic circumstances. If changes in these assumptions or circumstances are not as anticipated, the figures reported in Renault's future financial statements could differ from current estimates. The recoverable value of fixed assets and sales financing receivables,

deferred taxes and provisions, particularly vehicle warranty provisions, are the principal items that depend on estimates and assumptions.

B. Consolidation principles

The consolidated financial statements include the financial statements of all companies controlled exclusively, directly or indirectly, by the Group ("subsidiaries"). Jointly controlled companies ("joint ventures") are proportionately consolidated. Companies in which the Group exercises significant influence ("associates") are included in the financial statements on an equity basis.

Companies which fulfil these criteria but are not consolidated are recorded as other non-current assets.

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

- revenues €20 million
- inventories €20 million

Their consolidation would have a negligible impact on the consolidated financial statements, since they are Group-financed entities whose losses, if any, are recognised via impairment losses, and which:

- acquire almost all their purchases from Group companies, most of these companies being dealership-type establishments, or
- carry out almost all their sales transactions with Group companies, the principal company concerned being Renault Sport.

Significant intercompany transactions and unrealised internal profits are eliminated.

C. Presentation of the financial statements

Operating income and operating margin

Operating income includes all revenues and costs directly related to the Group's activities, whether recurrent or resulting from non-recurring decisions or operations, such as restructuring costs.

The operating margin corresponds to the operating income before other operating income and expenses, which cover:

- restructuring costs and costs relating to workforce adjustment,
- gains or losses on disposal of businesses or operating entities,
- gains or losses on disposal of property, plant and equipment or intangible assets (except vehicle sales),
- unusual items, i.e. income and charges that are unusual in their frequency, nature or amount.

Primary segment reporting

Primary segment information is disclosed for the following divisions:

- the Automobile division, comprising the production, sales, and distribution subsidiaries for passenger and light commercial vehicles, automobile service subsidiaries, and the subsidiaries in charge of cash management for these companies,
- the Sales financing division, which the Group considers as an operating activity, carried out by RCI Banque and its subsidiaries for the distribution network and final customers.

Each of these two divisions forms a coherent unit with its own specific risks and returns.

Apart from dividend income and taxes, income and expenses relating to sales financing are recorded as operating items. The tax effect inherent to the French consolidated taxation system is included in the tax expense of the Automobile division.

Assets and liabilities are specific to each division. Receivables assigned by the Automobile division to the sales financing companies are treated as operating assets by the assignee when the risks and benefits are substantially transferred.

Vehicles for which the Automobile division has a repurchase commitment are included in the division's assets. When these vehicles are financed by the Sales financing division, the Sales financing division recognises a receivable on the Automobile division.

Secondary segment reporting

Secondary segment information is disclosed by geographic area.

Current and non-current assets and liabilities

Sales financing receivables, other securities, derivatives, loans and financial liabilities of the Sales financing division (other than redeemable shares and subordinated loans) are considered as current assets and liabilities, as they are used in the division's normal business cycle.

For the Automobile division, in addition to items directly related to the business cycle, all assets and liabilities maturing within one year are classified as current.

D. Translation of the financial statements of foreign companies

The Group's presentation currency is the Euro.

For foreign companies, the functional currency is generally the local currency. In cases where most transactions are carried out in a different currency, that currency is adopted as the functional currency.

Where appropriate, for hyperinflation countries the Group uses a functional currency other than the local currency.

To determine whether a country is in hyperinflation, the Group refers to the list published by the AICPA (American Institute of Certified Public Accountants) Task Force.

Foreign companies' accounts are established in their functional currency, and subsequently translated into the Group's presentation currency as follows:

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

Goodwill generated by a business combination with a foreign company is treated as an asset or liability of the entity acquired, as appropriate.

When a foreign company is sold, the translation adjustments recorded in shareholder's equity in respect of its assets and liabilities are taken to income.

E. Translation of foreign currency transactions

Transactions undertaken in a currency other than the functional currency of the entity concerned are initially translated to and recorded in the functional currency, using the rate applicable at the transaction date.

For financial reporting purposes, monetary items in currencies other than the functional currency (excluding derivatives) are translated at the closing rate. All resulting foreign exchange differences are recognised in the income statement, except for foreign exchange gains and losses on debts, receivables, and financial instruments designated as hedges of the net investment in a foreign entity (note 2-U).

- translation adjustments related to financial operations by the Automobile division are included in the net financial income;
- other translation adjustments are included in the operating margin.

Derivatives are measured and recorded as described in note 2-U.

F. Revenues and margin

Revenues comprise all proceeds from sales of the Group's automobile products, services related to these sales, and the various sales financing products marketed by the Group's sales financing companies to their customers.

Sales of goods and services and margin recognition

Sales and margin recognition

Sales of goods are recognised when vehicles are made available to the distribution network in the case of non-Group dealers, or upon delivery to the end-user in the case of direct sales. The margin on sales is recognised immediately for normal sales by the Automobile division, including sales with associated financing contracts that can be considered as finance leases (long-term or with a purchase option). However, no sale is recognised when the vehicle is covered by an operating lease from a Group finance company or the Group has made a buy-back commitment, when the term of the contract covers an insufficient portion of the vehicle's useful life.

In such cases, the transactions are recorded as operating leases and included in sales of services. The difference between the price paid by the customer and the buy-back price is treated as rental income, and spread over the period the vehicle is at the customer's disposal. The production cost for the new vehicle concerned is recorded in inventories for contracts of less than one year, or included in property, plant and equipment under vehicles leased to customers when the contracts exceed one year. The sale of the vehicle as second-hand at the end of the lease gives rise to recognition of sales revenue and the related margin. As soon as a loss is expected on the resale, a provision (if the vehicle is in inventories) or additional depreciation (if the vehicle is included in property, plant and equipment) is recognised to cover the loss.

Sales incentive programmes

When based on the volume or price of the products sold, the cost of these programmes is deducted from revenues when the corresponding sales are recorded. Otherwise, the cost is included in selling, general and administrative expenses. If programmes are approved after the sales, a provision is established when the decision is made.

The Group sometimes organises promotional campaigns offering reduced-interest loans to end-users. This expense is recognised immediately when the rates offered cannot cover refinancing and administration costs, and spread over the duration of the loan otherwise.

Warranty

The estimated or incurred costs relating to product or part warranties not covered by insurance are charged to expenses when the sales are recorded. In the event of product recalls relating to incidents that come to light after the vehicle has been put on the market, provisions are established to cover the costs involved as soon as the decision to undertake the recall campaign has been made.

Services related to sales of automobile products

Renault offers its customers extended warranty and maintenance contracts, the income and margin on which are recognised over the period covered by the contract.

Sales financing revenues and margin recognition

Sales financing revenues

Sales financing revenues are generated by financing operations for sales of vehicles to dealers and end-users. These financing operations take the form of loans from the Sales financing division companies, and are therefore carried in the balance sheet at the nominal value of outstanding capital less any impairment. Income on these contracts is calculated so as to give a constant interest rate over the period, and is included in sales revenues.

Sales financing costs

The costs of sales financing are considered as operating expenses and included in the operating margin. They mainly comprise interest incurred by sales financing companies to refinance their customer transactions, other costs and revenues directly related to administration of this type of refinancing (temporary investments, hedging and management of exchange and interest rate risks), and the cost of risks other than those relating to refinancing of receivables.

Commissions payable to business intermediaries

Commissions are treated as external distribution costs, and therefore deferred as contract acquisition costs, so as to give a constant interest rate over the term of the financing contracts.

Impaired receivables

Impairment losses are recorded to cover the risk of non-recovery of receivables as soon as there is objective evidence of impairment. This impairment is assessed on a case-by-case basis or using a statistical approach based on portfolios of receivables with similar credit risk profiles.

G. Financial income (expense)

The net financial income (expense) comprises interest income and expenses of the Automobile division and other financial income and expenses.

Interest income and expenses are recognised under the effective interest rate method, whereby interest and transaction costs are spread on an actuarial basis over the duration of the loan or borrowing.

Other financial income and expenses include changes in the fair value of redeemable shares.

H. Income tax

The Group recognises deferred taxes for all temporary differences between the tax and book values of assets and liabilities in the consolidated balance sheet. Using the liability method, deferred taxes are calculated at the latest tax rate enacted at the closing date applicable to the period when temporary differences are reversed. Each individual fiscal entity (legal entity, establishment or group of entities that pays tax to the tax administration) that is authorised to offset its current tax assets and liabilities reports

deferred tax assets and liabilities net. Valuation allowances are established for deferred tax assets according to the probability of future recovery.

For fully consolidated companies, a deferred tax liability is recorded in respect of dividend distributions likely to be made by the Group in the foreseeable future.

For joint ventures and associates, a deferred tax liability on dividend distributions is booked for all differences between the book value and fiscal value of shares held.

I. Intangible assets

Goodwill

Goodwill recorded upon acquisitions of investments in subsidiaries, joint ventures or associates corresponds to the difference at acquisition date between the purchase price of the shares (including acquisition expenses) and the share in the fair value of assets and liabilities acquired.

Goodwill is not amortised, but impairment tests are carried out at least annually or whenever there is evidence of loss of value. After initial recognition, goodwill is stated at cost less accumulated impairment. Any impairment losses on goodwill are included in the operating margin.

Goodwill relating to associates is included in the balance sheet line "investments in associates". In the event of impairment, an impairment loss is booked and included in the consolidated income statement via the share in net income (loss) of associates.

Acquisitions of additional interests in consolidated companies are treated as new investments, and goodwill is booked when the purchase cost of the shares (including related expenses) is higher than the book value of the minority interests acquired. Any negative goodwill generated by such a transaction is taken to income immediately.

Research and development expenses

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

Expenses incurred before the formal approval of product development are recorded as costs in the period they are incurred, in the same way as research expenses. Expenses incurred after the start of mass production are treated as production costs.

J. Property, plant and equipment

Gross value

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

Design expenses are included in the asset's production cost.

Borrowing costs borne during the final preparation of the assets for use are charged to expenses for the period they are incurred, and are not included in the value of the asset.

Investment subsidies received are deducted from the gross value of the assets concerned.

Subsequent expenses for property, plant and equipment, except those incurred to increase productivity or prolong the life of an asset, are charged to expenses as incurred.

Assets used by the Group under finance leases are treated as assets financed by credit. When the corresponding liability is significant, it is disclosed in the notes to the financial statements.

Vehicles leased to customers are vehicles under lease from a Group finance company, for which the Group has a repurchase commitment, or vehicles sold under an agreement including a buy-back clause covering more than one year (note 2-F).

Depreciation

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

Buildings ⁽¹⁾	15 to 30 years
Specific tools	2 to 7 years
Machinery and other tools (other than press lines)	5 to 15 years
Press lines	20 to 30 years
Other tangible assets	4 to 6 years

(1) Buildings in use before 1987 are depreciated over a period of up to 40 years.

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

K. Impairment of assets

Significant unfavourable developments on the markets in which Renault operates, or significant changes that adversely affect the circumstances and manner of use of an asset, are the principal indications that an asset is impaired.

The recoverable value of assets is assessed at the level of each division. For the Automobile division, the return on assets is measured taking all European countries together, since the industrial plant and the product range throughout Europe form one coherent unit. The return on industrial assets outside Europe is measured for each coherent sub-unit that produces independent cash flows.

The recoverable value is the higher of an asset's value in use and its net fair value. Value in use is determined based on the discounted value of future cash flows expected from use of the assets. The discount rate used is the average weighted cost of capital as determined by Renault.

When recoverable value is lower than net book value, impairment equivalent to the difference is recorded against the assets concerned and in the operating margin.

L. Non-current assets or groups of assets held for sale

Assets held for sale are non-current assets or groups of assets that are available for sale (and do not require significant work to prepare them for sale) and very likely to be sold.

Non-current assets or groups of assets considered to be held for sale are measured and recorded at the lower of net book value or fair value less selling costs. No further depreciation or amortisation is recorded once an asset is classified as held for sale (or included in a group of assets held for sale).

When their value is significant, non-current assets held for sale are reported on a specific line in the balance sheet.

M. Inventories

Inventories are stated at the lower of cost or net realisable value. Cost corresponds to acquisition cost or production cost, which includes direct and indirect production expenses and a share of manufacturing

overheads based on a normal level of activity. Inventories are valued under the FIFO (First In First Out) method.

When the net realisable value is lower than the value under the FIFO method, impairment equal to the difference is recorded.

N. Assignment of receivables

Receivables assigned to third parties (through securitisation or discounting) are removed from Group assets when the associated risks and benefits are also substantially transferred to the third parties in question.

The same treatment applies to assignments between the Automobile and Sales financing divisions. The resulting receivables and liabilities are recorded as operating items.

O. Treasury shares

Treasury shares, including those held for the purposes of stock option plans awarded to Group managers and executives, are recorded at acquisition cost and deducted from Group shareholders' equity until the date of sale.

When these shares are sold, the sale price is directly included in consolidated shareholders' equity, and transferred to cash and cash equivalents once payment has been received. Consequently, no gain or loss on treasury shares is included in the net income for the period.

P. Stock option plans

The Group awards stock option plans covering purchase options and subscription options for Renault shares. The fair value of the services rendered by beneficiaries in return for attribution of these options is measured by reference to the fair value of the options at the grant date, using a binomial mathematical model. No subsequent adjustment is applied.

This fair value is spread on a straight-line basis over the vesting period for the relevant stock option plan. The cost is included in personnel expenses, with a corresponding adjustment to consolidated reserves. When the option is exercised, the cash amount received by the Group in settlement of the exercise price is booked in cash and cash equivalents, with a corresponding adjustment to consolidated reserves.

In compliance with the standard's transitional measures, only stock option plans beginning after November 7, 2002 concerning options unvested at January 1, 2005 are valued and recorded as described above.

Q. Provisions

Pensions and other long-term employee benefit obligations

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

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

Future benefit obligations are measured on a basis that reflects future salary increases, retirement age and mortality, and are discounted at a rate determined by reference to yields on long-term high quality corporate bonds.

When the unrecognised actuarial gains and losses resulting from revisions of the underlying assumptions exceed the greater of:

- 10% of the present value of the defined benefit obligations at the closing date

and

- 10% of the fair value of plan assets at that date,

the portion of actuarial gains or losses recognised for each defined benefit plan is the excess so determined, divided by the expected average remaining working lives of the employees participating in that plan.

The net expense for the year, corresponding to the sum of the current period service costs, the discount cost less the expected return on plan assets, amortisation of actuarial variances and a portion of deferred past service costs, is charged in full to the operating margin.

Termination benefits

The cost of workforce adjustment measures is recorded when the Group is clearly committed to putting a plan into operation, i.e. when the plan has been presented in detail and announced to the employees concerned.

Restructuring measures

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

R. Financial assets

The Group recognises a financial asset when it becomes a party to the contractual provisions of the instrument.

Financial assets comprise investments in non-controlled companies in which Renault does not exercise significant influence, securities, loans, and derivative assets related to financial transactions (note 2-U).

These instruments are presented as non-current assets, apart from those maturing within 12 months of the closing date, which are classified as current assets or cash equivalents as appropriate.

Securities: investments in non-controlled companies in which Renault does not have significant influence

Dividends from such companies are recorded in the year of distribution.

These investments are considered to be "available for sale", and are accordingly stated at their fair value at the financial reporting date, with any changes in fair value included directly in consolidated reserves. The amounts recorded in consolidated reserves are transferred to the income statement upon disposal of the investment.

Impairment is calculated and recognised in the income statement when there is objective evidence that these investments are impaired. One indicator providing objective evidence of impairment is a significant or prolonged fall in the fair value of investments below their acquisition cost.

The fair values of such investments are determined by reference to the market price when possible.

Securities that do not represent a share in another entity's capital

Securities other than those that represent a share in another entity's capital are initially stated at fair value.

The valuation methods and subsequent accounting treatment vary according to whether these securities are considered “available for sale” or designated from the outset as “assets stated at fair value through profit or loss” (designated as held for trading).

In the first case, available-for-sale securities are stated at fair value at the reporting date, and changes in this fair value are recorded directly in equity. The amounts included in equity are taken to income upon derecognition of the asset. Impairment losses are recorded in the income statement when there is objective evidence of significant long-term depreciation in value.

In the second case, securities designated as held for trading are stated at fair value at the reporting date, with changes in fair value taken to income.

Fair values of securities are mainly determined by reference to the market price.

Loans

Loans include interbank loans for investment of cash surpluses and loans to non-controlled companies in which Renault holds investments.

Loans are initially recognised at fair value, plus directly attributable transaction costs.

At each closing date, loans are valued at amortised cost. Impairment is recognised in the income statement when there is objective evidence of depreciation in value caused by an event that occurred after the initial recognition of the asset.

S. Cash and cash equivalents

Cash includes cash on hand and bank deposits, with the exception of bank overdrafts, which are included in financial liabilities.

Cash equivalents are investments held for the purpose of meeting short-term cash commitments. For an investment to qualify as a cash equivalent, it must be readily convertible for a known amount of cash and be subject to an insignificant risk of change in value.

T. Financial liabilities and sales financing debts

The Group recognises a financial liability (for the Automobile division) or a sales financing debt when it becomes a party to the contractual provisions of the instrument.

Financial liabilities and sales financing debts comprise redeemable shares, bonds, other interest-bearing borrowings and derivative liabilities related to financial transactions (note 2-U).

Redeemable shares

In view of the current interpretation of IAS 39 on financial instruments, the Group considers that the variable interest on redeemable shares is an embedded derivative which cannot be valued separately. Consequently, the Group has stated all its redeemable shares at fair value. For these shares, fair value is equal to market value. However, a future interpretation on the matter issued by the professional and regulatory bodies could oblige Renault to replace this treatment by valuation at amortised cost.

Changes in fair value are recorded in financial income and expenses.

Bonds and other interest-bearing borrowings

Bonds and other interest-bearing borrowings are initially recorded at fair value, less any transaction costs directly attributable to the issuance of the liability.

At each reporting date, apart from specific hedge accounting methods (note 2-U), these financial liabilities are restated at amortised cost using the effective interest rate method. The financial expense calculated

in this way includes issuance expenses and issuance or redemption premiums, together with the impact of debt renegotiations when the old and new terms are not substantially different.

Renegotiations of the terms of borrowings and similar operations are recorded as an extinction of the former liability with recognition of a new liability only if there are substantial differences between the old and new terms. When this is the case, the costs borne for renegotiation are included in the financial expenses for the period during which the negotiation takes place.

U. Derivatives and Hedge accounting

Risks

To manage its exchange rate exposure, the Group uses forward foreign currency contracts, currency swaps and cross-currency swaps. These hedges may cover the Group's net investment in certain foreign entities, foreign currency receivables or debts, or firm foreign currency commitments.

The Group's exposure to interest rate risks primarily concerns the Sales financing division, which manages interest rate exposure on a comprehensive basis, mainly using interest rate swaps. The Automobile division manages the interest rate risk on its financial liabilities by a micro-hedging approach.

The Group also uses forward commodity contracts to hedge its purchases.

Measurement and presentation

Derivatives are initially recognised at fair value. This fair value is subsequently reviewed at each closing date.

- 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 into account any unrealised gains or losses based on current interest rates and the quality of the counterparty to each contract at the closing date.
- The fair value of commodity derivatives is based on market conditions.

The Automobile division's derivatives are reported in the balance sheet as current if they mature within 12 months and non-current otherwise. All Sales financing division derivatives are reported in the balance sheet as current.

Hedge accounting

The treatment of derivatives designated as hedging instruments depends on the type of hedging relationship:

- fair value hedge,
- cash flow hedge,
- hedge of a net investment in a foreign operation.

The Group clearly identifies the hedging instrument and the hedged item as soon as the hedge is set up, and formally documents the hedging relationship, stating the hedging strategy, the risk hedged and the method used to assess the hedge's effectiveness. This documentation is subsequently updated, such that the effectiveness of the designated hedge can be demonstrated.

Hedge accounting uses specific measurement and recognition methods for each category of hedge.

- Fair value hedges: the hedged item is adjusted to fair value in view of the risk hedged and the hedging instrument is recorded at fair value. Changes in these items are recorded net of taxes in the income statement simultaneously, and only the ineffectiveness of the hedge has an impact on net income.
- Cash flow hedges: no adjustment is made to the value of the hedged item; only the hedging instrument is adjusted to fair value. Following this adjustment, the effective portion of the change in fair value attributable to the hedged risk is recorded, net of taxes, in equity, while the ineffective portion is included in the income statement. The cumulative amount included in equity is transferred to the income statement when the hedged item has an impact on net income.
- Hedge of a net investment in a foreign operation: the hedging instrument is adjusted to fair value. Following this adjustment, the effective portion of the change in fair value attributable to the hedged exchange risk is recorded, net of taxes, in equity, while the ineffective portion is included in the income statement. The cumulative amount included in equity is transferred to the income statement at the date of liquidation or sale of the investment.

Derivatives not designated as hedges

Changes in the fair value of derivatives not designated as hedges are recognised directly in financial income, except in the case of derivatives entered into exclusively for reasons closely related to business operations. In this case, changes in the fair value of derivatives are included in the operating margin.

3 – Implementation of IFRS

As a first-time adopter of IFRS, the Group has prepared an opening balance sheet at January 1, 2004 under the new standards. In compliance with the recommendation issued by the AMF (*Autorité des Marchés Financiers*: French securities and exchange commission) on financial communication during the transition period, Renault has also published figures detailing the impact of the transition to IFRS on the financial position and performance for 2004, in chapter 3.1.4.2 of the 2004 annual report entitled “Consolidated financial statements restated for compliance with IFRS”.

In preparing its opening balance sheet, the Group applied the retrospective application rule as defined by IFRS 1, subject to certain alternative options:

- actuarial variances not yet taken into account in provisions for pension and similar obligations were fully recognised in equity at January 1, 2004;
- accumulated translation adjustments were reclassified in consolidated reserves at January 1, 2004;
- business combinations effective prior to January 1, 2004 were not restated.

In addition, only stock option plans beginning after November 7, 2002 for which options were not yet vested at January 1, 2005 are recorded under IFRS 2.

The balance sheet presentation follows the current/non-current classification required by IAS 1.

Comparative financial statements under previous policies and under IFRS, and tables analysing the transition, were prepared for 2004, and are presented in note 34 with a brief description of the restatements applied.

Reconciliations are presented in tables showing the transition from the financial statements under previous policies to the IFRS financial statements.

Details of restatements by standard are provided in chapter 3.1.4.2 of Renault’s 2004 annual report, “Consolidated financial statements restated for compliance with IFRS”.

4 - Changes in the scope of consolidation

In December 2005, the Group exercised its option to purchase at December 31, 2007 all shares in the SCI du Plateau de Guyancourt, which owns the real estate assets of the Technocentre, a single site combining all Renault new-vehicle research and development forces. Exercise of this option is irrevocable.

Consequently, at December 31, 2005, the Group consolidated the restated balance sheet of this company. Renault will be its sole shareholder as of December 31, 2007.

This operation has no impact on the consolidated income statements for 2005.

No other significant change in the scope of consolidation took place in 2005 or 2004.

II – Income statement

5 - Revenues

A - 2004 Revenues applying 2005 Group structure and methods

€ million	Automobile	Sales financing	Total
2004 revenues ⁽¹⁾	38,426	1,866	40,292
Changes in scope of consolidation	255	18	273
2004 revenues applying 2005 Group structure and methods	38,681	1,884	40,565
2005 revenues	39,458	1,880	41,338

(1) 2004 figures restated for compliance with IFRS

B – Breakdown of revenues

€ million	2005	2004 ⁽¹⁾
Sales of goods	38,602	37,459
Sales of services	1,376	1,464
Sales of goods and services	39,978	38,923
Income on customer financing	909	896
Income on leasing and similar operations	451	473
Sales financing revenues	1,360	1,369
Revenues	41,338	40,292

(1) 2004 figures restated for compliance with IFRS

C – Vehicle rental income

Rental income recorded by the Group in connection with vehicle sales with a repurchase commitment or vehicle rentals totalled €670 million in 2005 (€649 million in 2004). This income is included in sales of services.

6 – Cost of sales financing

€ million	2005	2004 ⁽¹⁾
Net credit losses	(164)	(106)
<i>New impairment</i>	(269)	(169)
<i>Recovery of impairment</i>	194	144
<i>Forgiveness of debt and other net credit losses</i>	(89)	(81)
Other sales financing costs	(762)	(806)
<i>Income on cash investments</i>	206	235
<i>Refinancing expenses</i>	(968)	(1 041)
Cost of sales financing	(926)	(912)

(1) 2004 figures restated for compliance with IFRS

7 – Operating margin: details of income and expenses by nature

A – Personnel expenses

	2005	2004 ⁽¹⁾
Personnel expenses (€ million)	5,782	5,437
Workforce at December 31	132,831	130,573

(1) 2004 figures restated for compliance with IFRS

Personnel expenses include €131 million for pensions and other long-term benefits paid out to employees in 2005 (€97 million in 2004) (note 21-B3).

B – Share-based payments

Share-based payments exclusively concern stock options awarded to personnel. These generated personnel expenses of €18 million in 2005 (€11 million in 2004).

The plan valuation method is presented in note 20-G.

C – Rental expenses

Property rents amounted to approximately €300 million in 2005 and 2004.

D – Foreign exchange gains/losses

In 2005, the operating margin included a net foreign exchange gain of €27 million (compared to a net foreign exchange loss of €11 million in 2004).

8 – Other operating income and expenses

€ million	2005	2004 ⁽¹⁾
Restructuring and workforce adjustment costs and provisions	(109)	(175)
Gains and losses on disposal of businesses or operating entities	119	(38)
Gains and losses on disposal of property, plant and equipment and intangible assets (except vehicle sales)	148	45
Unusual items	33	(75)
Total	191	(243)

(1) 2004 figures restated for compliance with IFRS

A. Restructuring and workforce adjustment costs and provisions

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

This item comprises:

€ million	2005	2004 ⁽¹⁾
Cost of unwinding the discount and adapting the terms of the CASA early retirement plan introduced in France in 1999, and the retirement system for long-serving workers under the French "Fillon" law of 2003	(11)	(116)
Other restructuring and workforce adjustment costs and provisions	(98)	(59)
Restructuring and workforce adjustment costs and provisions	(109)	(175)

(1) 2004 figures restated for compliance with IFRS

B. Gains and losses on disposal of businesses or operating entities

Gains and losses on sales of businesses or operating entities include:

- in 2005, a gain of €150 million on the sale of Renault's 17.88% investment in Nissan Diesel Motors Co. Ltd.;
- in 2004, the €39 million cost of settlement of the litigation over interpretation of the contractual terms for the transfer of Renault Véhicules Industriels to AB Volvo in 2001 (the net-of-tax impact amounted to €20 million).

C. Gains and losses on disposal of property, plant and equipment and intangible assets (except vehicle sales)

Most of the gain on disposal of property, plant and equipment and intangible assets in 2005 resulted from the sale of land in Madrid.

D. Unusual items

In 2004, these items included a €49 million provision in view of developments in the commitments concerning end-of-life vehicles in the UK, Italy, Spain and Belgium (note 32-B-1).

9 – Financial expense

A. Interest income and expenses

Interest income and expenses amounted to €153 million and €248 million respectively in 2005 (€128 million and €150 million in 2004).

Interest received and paid amounted to €131 million and €200 million respectively in 2005 (€112 million and €139 million in 2004).

B. Other financial income and expenses

Other financial income and expenses comprise:

€ million	2005	2004 ⁽¹⁾
Repurchase of redeemable shares	-	(121)
Change in fair value of redeemable shares (note 25-B)	(271)	(170)
Other	39	(18)
Other financial income and expenses, net	(232)	(309)

(1) 2004 figures restated for compliance with IFRS

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

This offer was reflected in the 2004 financial statements by an outflow of €545 million, recorded as a €424 million reduction in financial liabilities of the Automobile division and a €121 million financial expense corresponding to the price supplement.

Foreign exchange gains and losses included under "Other" represented a net loss of €8 million in 2005 (compared to a €9 million gain in 2004).

10 – Current and deferred taxes

As Renault SA elected to determine French income taxes under the domestic tax consolidation regime when it was formed, this is the regime applicable to the Group in which Renault SA is taxed in France.

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

A. Current and deferred tax expense

€ million	2005	2004 ⁽¹⁾
Current income taxes	(305)	(466)
Net deferred tax charge	(26)	(95)
Current and deferred taxes	(331)	(561)

(1) 2004 figures restated for compliance with IFRS

In 2005, €253 million of current income taxes were generated by foreign entities (€360 million in 2004).

Current taxes paid by the Group during 2005 totalled €430 million (€406 million in 2004).

Breakdown of net deferred tax charge

€ million	2005	2004 ⁽¹⁾
Deferred tax credits (charges), gross	(33)	(44)
Change in valuation allowances on deferred tax assets	7	(51)
Net deferred tax charge	(26)	(95)

(1) 2004 figures restated for compliance with IFRS

B. Reconciliation between the French corporate income tax rate and the Group's effective tax rate

	2005	2004 ⁽¹⁾
French tax rate	34.9%	35.4%
Tax credits	(9.1%)	(4.4%)
Deferred tax liabilities on net income (distributed or undistributed) of associates	3.8%	1.8%
Change in valuation allowances on deferred tax assets	(0.6%)	3.3%
Other impacts	(1.1%)	0.3%
Effective tax rate before share in net income of associates	27.9%	36.4%
Impact of associates	(19.2%)	(20.2%)
Overall effective tax rate	8.7%	16.2%

(1) 2004 figures restated for compliance with IFRS

The Group's effective tax rate for 2005 (before the share in net income of associates) was 28%, (36% in 2004), largely thanks to higher tax credits. These tax credits result from major new investments in Turkey and a favourable rule for taxation of long-term capital gains generated by the sale of land in Madrid (note 8-C).

C. Breakdown of net deferred taxes

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
Deferred taxes on:		
Investments in associates	(72)	(28)
Fixed assets	(1,240)	(1,063)
Provisions and other expenses or valuation allowances deductible upon utilisation	899	887
Loss carryforwards	762	467
Other	376	378
Net deferred tax assets and (liabilities) before valuation allowance	725	641
Valuation allowance	(647)	(530)
Net deferred tax assets	78	111

(1) 2004 figures restated for compliance with IFRS

Breakdown of valuation allowance on net deferred tax assets, by expiry

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
Net deferred tax assets that can be carried forward indefinitely	458	322
Other net deferred tax assets expiring in more than 5 years	22	45
Other net deferred tax assets expiring between 1 and 5 years	87	102
Other net deferred tax assets expiring within 1 year	80	61
Total valuation allowance on net deferred tax assets	647	530

(1) 2004 figures restated for compliance with IFRS

The appreciation of the Brazilian real against the Euro led to an increase in deferred taxes on losses that can be carried forward indefinitely, and an equivalent increase in the valuation allowance on these deferred taxes. This had no impact on consolidated net income.

D. Current and deferred taxes recorded via an adjustment to equity

€ million	Change in equity in 2005		
	before taxes	taxes	net
Change in translation adjustment (note 20-E):			
Partial hedges of the investment in Nissan	(15)	5	(10)
Change in the financial instruments revaluation reserve (note 20-C):			
Cash flow hedges	47	(27)	20
Available-for-sale assets	(80)	16	(64)
Total	(48)	(6)	(54)

11 – Basic and diluted earnings per share

Renault's basic earnings per share and diluted earnings per share are calculated by dividing Renault's share of net income (€3,367 million for 2005 and €2,836 million for 2004) by the relevant number of shares.

The number of shares used to calculate the basic earnings per share is the weighted average number of ordinary shares in circulation during the period, i.e. after neutralisation of treasury shares and Renault shares held by Nissan.

in thousands of shares	2005	2004
Shares in circulation	284,937	284,937
Treasury shares	(10,176)	(11,266)
Shares held by Nissan x Renault's share in Nissan	(19,584)	(19,503)
Number of shares used to calculate basic earnings per share	255,177	254,168

The number of shares used to calculate the diluted earnings per share is the weighted average number of ordinary shares potentially in circulation during the period, i.e. the number of shares used to calculate the basic earnings per share plus the number of dilutive stock options.

in thousands of shares	2005	2004
Number of shares used to calculate basic earnings per share	255,177	254,168
Number of dilutive stock options	2,165	1,267
Number of shares used to calculate diluted earnings per share	257,342	255,435

III – Operating assets and liabilities, shareholders' equity

12 – Intangible assets

A. Intangible assets at December 31

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
Capitalised development expenses	4,647	3,882
Goodwill	247	197
Other intangible assets	301	255
Intangible assets, gross	5,195	4,334
Amortisation of capitalised development expenses	(2,030)	(1,505)
Amortisation of other intangible assets	(193)	(172)
Amortisation and impairment	(2,223)	(1,677)
Intangible assets, net	2,972	2,657

(1) 2004 figures restated for compliance with IFRS

Most goodwill is in Europe.

B. Changes during the year

€ million	Gross value	Amortisation & impairment	Net value
Value at January 1, 2004 ⁽¹⁾	3,541	(1,187)	2,354
Acquisitions (note 30-C)/(amortisation) ⁽¹⁾	791	(507)	284
(Disposals)/reversals ⁽¹⁾	(22)	22	-
Translation adjustment ⁽¹⁾	2	-	2
Change in scope of consolidation and other ⁽¹⁾	22	(5)	17
Value at December 31, 2004 ⁽¹⁾	4,334	(1,677)	2,657
Acquisitions (note 30-C)/(amortisation)	880	(647)	233
(Disposals)/reversals	(105)	105	-
Translation adjustment	33	(9)	24
Change in scope of consolidation and other	53	5	58
Value at December 31, 2005	5,195	(2,223)	2,972

(1) 2004 figures restated for compliance with IFRS

Acquisitions of intangible assets in 2005 comprise €834 million of self-produced assets and €46 million of purchased assets (respectively €750 million and €41 million in 2004).

C. Research and development expenses included in income

€ million	2005	2004 ⁽¹⁾
Research and development expenses	(2,264)	(1,961)
Capitalised development expenses	833	749
Amortisation of capitalised development expenses	(603)	(464)
Total	(2,034)	(1,676)

(1) 2004 figures restated for compliance with IFRS

13 – Property, plant and equipment**A. Property, plant and equipment at December 31**

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
Land	612	503
Buildings	5,200	4,067
Specific tools	7,064	6,716
Machinery and other tools	11,799	11,039
Vehicles leased to customers ⁽²⁾	2,240	2,053
Other tangibles	970	1,012
Construction in progress	1,086	1,470
Property, plant and equipment, gross	28,971	26,860
Land and buildings	(2,228)	(2,039)
Specific tools	(5,141)	(4,859)
Machinery and other tools	(7,480)	(6,992)
Vehicles leased to customers ⁽²⁾	(654)	(535)
Other tangibles	(777)	(838)
Depreciation and impairment	(16,280)	(15,263)
Property, plant and equipment, net	12,691	11,597

(1) 2004 figures restated for compliance with IFRS

(2) The total vehicle rental income for the year is stated in note 5-C.

B. Changes during the year

€ million	Gross value	Depreciation and impairment	Net value
Value at January 1, 2004⁽¹⁾	25,216	(13,884)	11,332
Acquisitions (note 30-C)/(depreciation) ⁽¹⁾	3,171	(2,253)	918
(Disposals)/reversals ⁽¹⁾	(1,631)	989	(642)
Translation adjustment ⁽¹⁾	40	9	49
Change in scope of consolidation and other ⁽¹⁾	64	(124)	(60)
Value at December 31, 2004⁽¹⁾	26,860	(15,263)	11,597
Acquisitions (note 30-C)/(depreciation) ⁽¹⁾	3,223	(2,270)	953
(Disposals)/reversals	(2,272)	1,484	(788)
Translation adjustment	390	(159)	231
Change in scope of consolidation and other	770	(72)	698
Value at December 31, 2005	28,971	(16,280)	12,691

(1) 2004 figures restated for compliance with IFRS

Consolidation of SCI Plateau de Guyancourt at December 31, 2005 following exercise of the Group's purchase option on this entity (note 4), contributed €694 million of the increase in property, plant and equipment resulting from changes in the scope of consolidation in 2005.

14 – Investment in Nissan

A. Nissan consolidation method

Renault holds 44.3% ownership in Nissan. Renault and Nissan have chosen to develop a unique type of alliance between two distinct companies with common interests, uniting forces to achieve optimum performance. The Alliance is organised so as to preserve individual brand identities and respect each company's corporate culture.

Consequently:

- Renault does not hold the majority of Nissan voting rights.
- The terms of the Renault-Nissan agreements do not entitle Renault to appoint the majority of Nissan directors, nor to hold the majority of voting rights at meetings of Nissan's Board of Directors; at December 31, 2005, Renault supplied 4 of the total 9 members of Nissan's Board of Directors (3 of the total 7 members in 2004).
- Renault Nissan BV, owned 50% by Renault and 50% by Nissan, is the Alliance's joint decision-making body for strategic issues concerning either group individually. Its decisions are applicable to both Renault and Nissan. This entity does not enable Renault to direct Nissan's financial and operating strategies, and cannot therefore be considered to represent contractual control by Renault over Nissan. The matters examined by Renault Nissan BV since it was formed have remained strictly within this contractual framework, and are not an indication that Renault exercises control over Nissan.
- Renault can neither use nor influence the use of Nissan's assets in the same way as its own assets.
- Renault provides no guarantees in respect of Nissan's debt.

In view of this situation, Renault is considered to exercise significant influence in Nissan, and therefore uses the equity method to include its investment in Nissan in the consolidation.

B. Nissan consolidated financial statements included under the equity method in the Renault consolidation

The Nissan accounts included under the equity method in Renault's financial statements are Nissan's consolidated accounts published in compliance with Japanese accounting standards (as Nissan is listed on the Tokyo stock exchange), after adjustments for the requirements of the Renault consolidation.

Nissan publishes consolidated financial statements quarterly, and annually at March 31. For the purposes of the Renault consolidation, Nissan results are included in line with the Renault calendar (the results for the period January to December are consolidated in Renault's annual financial statements). There is thus a 3-month discrepancy in relation to Nissan's financial statements published in Japan, covering the year from April to March.

Following Nissan's equity transactions in 2005, Nissan held 3.0% of its own shares at December 31, 2005, compared to 3.2% at December 31, 2004. Consequently, Renault's percentage interest in Nissan was 45.7% at December 31, 2005, compared to 45.8% at December 31, 2004.

C. Changes in the investment in Nissan

€ million	Share in net assets			Net goodwill	Total
	Before neutralisation (see right)	Neutralisation of 44.3% of Nissan's investment in Renault ⁽²⁾	Net		
At January 1, 2004 ⁽¹⁾	7,043	(962)	6,081	811	6,892
2004 net income ⁽¹⁾	1,702	-	1,702	(13)	1,689
Dividend distributed	(345)	-	(345)	-	(345)
Translation adjustment ⁽¹⁾	(309)	-	(309)	(28)	(337)
Other changes ⁽¹⁾⁽³⁾	(26)	-	(26)	56	30
At December 31, 2004 ⁽¹⁾	8,065	(962)	7,103	826	7,929
2005 net income	2,275	-	2,275	-	2,275
Dividend distributed	(383)	-	(383)	-	(383)
Translation adjustment	615	-	615	7	622
Other changes ⁽³⁾	54	-	54	(20)	34
At December 31, 2005	10,626	(962)	9,664	813	10,477

(1) 2004 figures restated for compliance with IFRS

(2) At December 31, 2005, Nissan held 15% of Renault.

(3) Other changes include Renault dividends received by Nissan, the change in the financial instruments revaluation reserve and changes in Nissan treasury shares.

D. Changes in Nissan equity restated for the purposes of the Renault consolidation

in billions of yen	December 31, 2004 ⁽¹⁾	2005 net income	Dividends	Translation adjustment ⁽²⁾	Other changes ⁽³⁾	December 31, 2005
Shareholders' equity – Nissan share under Japanese GAAP	2,287	505	(106)	188	8	2,882
Restatements for Renault group requirements:						
- Restatement of fixed assets	522	(28)	-	-	-	494
- Provision for pension and other long-term employee benefit obligations	(477)	273	-	-	(3)	(207)
- Capitalisation of development expenses	360	62	-	1	-	423
- Other restatements	(233)	(132)	(8)	(8)	19	(362)
Net assets restated for Renault group requirements	2,459	680	(114)	181	24	3,230
€ million						
Net assets restated for Renault group requirements	17,609	4,965	(836)	1,342	175	23,255
Renault's share	45.8%					45.7%
(before neutralisation described below)	8,065	2,275	(383)	615	54	10,626
Neutralisation of 44.3% of Nissan's investment in Renault ⁽⁴⁾	(962)	-	-	-	-	(962)
Renault's share in the net assets of Nissan	7,103	2,275	(383)	615	54	9,664

(1) 2004 figures restated for compliance with IFRS

(2) The €615 million change in translation adjustments essentially reflects the rise of the US dollar and the Mexican peso against the Euro. Operations undertaken by Renault to hedge the portion of Nissan shareholders' equity expressed in yen are included in Renault shareholders' equity.

(3) "Other changes" include Renault dividends received by Nissan, the change in the financial instruments revaluation reserve and changes in Nissan treasury shares.

(4) At December 31, 2005, Nissan held 15% of Renault.

Nissan's contribution to Renault net income for 2005 included an exceptional profit of €450 million due to finalisation of the transfer of part of Nissan's pension obligations to the Japanese state.

E. Nissan net income under Japanese GAAP

Since Nissan's financial year ends at March 31, the Nissan net income included in the 2005 Renault consolidation is the sum of Nissan's net income for the final quarter of its 2004 financial year and the first three quarters of its 2005 financial year.

in billions of yen	January to March 2005		April to September 2005		October to December 2005		January to December 2005	
	Final quarter of Nissan's 2004 financial year in Japan		First half of Nissan's 2005 financial year in Japan		Third quarter of Nissan's 2005 financial year in Japan		Reference period for Renault's 2005 consolidated financial statements	
	in billions of yen	€ million ⁽¹⁾	in billions of yen	€ million ⁽¹⁾	in billions of yen	€ million ⁽¹⁾	in billions of yen	€ million ⁽¹⁾
Net income – Nissan share	139	1,015	231	1,707	135	969	505	3,691

(1) converted at the average 2005 exchange rate for each quarter.

F. Nissan financial information under IFRS

The table below presents Nissan financial information, restated for the purposes of the Renault consolidation, for the period January 1 – December 31, 2005. The restatements include adjustments for harmonisation of accounting standards and the adjustments to fair value of assets and liabilities applied by Renault at the time of acquisitions in 1999 and 2002.

	in billions of yen	€ million ⁽¹⁾
2005 revenues	9,041	66,072
2005 net income ⁽²⁾	710	5,186
Shareholders' equity at December 31, 2005	3,516	25,313
Balance sheet total at December 31, 2005	11,619	83,653

(1) converted at the average exchange rate for 2005 i.e. 136.8 yen = 1 euro for income statement items, and at the December 31, 2005 rate i.e. 138.9 yen = 1 euro for balance sheet items.

(2) The net income reported does not include Renault's contribution to Nissan net income.

G. Hedging of the investment in Nissan

The investment in Nissan is hedged by operations with a total value at December 31, 2005 of 463 billion yen (€3,333 million), comprising 207 billion yen (€1,490 million) of private placements on the EMTN market and bonds issued directly in yen, and 256 billion yen (€1,843 million) of currency swaps. During 2005 these operations generated foreign exchange differences totalling €(10) million net of tax, which were included in the Group's consolidated reserves (note 20-E).

Hedging transactions were increased by 23 billion yen (€168 million) in 2005.

H. Valuation of Renault's investment in Nissan at stock market prices

Based on the quoted price at December 31, 2005 of 1,195 yen per share, Renault's investment in Nissan is valued at €17,241 million (€15,986 million at December 31, 2004 based on the price of 1,114 yen per share).

I. Renault - Nissan cooperation

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

The main transactions between the two groups in 2005 were the following:

Joint investments

Renault and Nissan finalised the development of the second common platform, the C platform (lower medium range), to be used for the future Megane and Almera.

Renault and Nissan also share development costs and investments for gearbox and engine production for medium range vehicles.

Renault and Nissan are also carrying out joint development and investment operations for the production of a future SUV-type vehicle.

Vehicle manufacturing

In Mexico, Nissan supplies Renault with assembly services for the Clio, and also assembles the Platina model (Nissan badged Clio sedans). Production totalled 68,000 units in 2005.

In Brazil, Renault supplies Nissan with assembly services for its Frontier pickup and X-Terra models (11,000 vehicles in 2005).

In Spain, Nissan produced 75,000 Traffic models at its Barcelona plant over the year. One quarter of these are sold through the Nissan network.

In 2005, Renault produced 11,200 Nissan-badged Masters and Kangoos, purchased by Nissan for sale through its own network.

Part sales

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

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

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

In total Renault supplied 330,000 gearboxes and 180,000 engines during 2005.

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

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

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

Sales

Group Offices, run by Renault, have been set up at European level to facilitate exchanges of best practices for after-sales documentation and marketing studies.

At local level, local joint Group Offices, run by Renault, have been set up in four European countries: France, the UK, Spain and Italy. Front office operations remain separate for the two groups.

Eight single legal entities owned and run by Renault and occupying joint premises have been formed in Switzerland, the Netherlands, Germany, Austria, Slovenia, Croatia, Bulgaria and Portugal.

Similarly, Nissan markets Renault vehicles in Australia, China and the Gulf countries.

Finance

In Lausanne, Renault Finance acts as the Nissan group's counterparty in financial instruments trading to hedge foreign exchange, interest rate and commodity risks, in addition to its business for Renault.

Total figures for 2005

Total sales by Renault to Nissan and purchases by Renault from Nissan during 2005 amounted to an estimated €1,060 million and €1,200 million respectively.

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

15 – Investments in other associates

Details of other investments in other associates are as follows:

- Balance sheet value: €1,975 million at December 31, 2005 (€1,784 million at December 31, 2004),
- Renault's share in the net income of other associates: €322 million for 2005 (€234 million for 2004).

Most of these amounts relate to the investment in AB Volvo, accounted for under the equity method.

Changes in the value of Renault's investment in AB Volvo

€ million	Share in net assets	Net goodwill	Total
At January 1, 2004 ⁽¹⁾	1,621	-	1,621
2004 net income ⁽¹⁾	221	-	221
Dividend distributed	(208)	-	(208)
Repurchase of AB Volvo own shares	(23)	23	-
Translation adjustment and revaluation of financial instruments ⁽¹⁾	14	-	14
At December 31, 2004 ⁽¹⁾	1,625	23	1,648
2005 net income	308	-	308
Dividend distributed	(120)	-	(120)
Repurchase of AB Volvo own shares	(18)	18	-
Translation adjustment and revaluation of financial instruments	(18)	-	(18)
At December 31, 2005	1,777	41	1,818

(1) 2004 figures restated for compliance with IFRS

AB Volvo owned 7.1% of its own shares at December 31, 2004. Following stock repurchases by AB Volvo between January and March 2005, and the subsequent cancellation of some of its stock in May 2005, AB Volvo finally held 5% of its own shares at December 31, 2005.

Renault's investment in AB Volvo thus stood at 21.8% at December 31, 2005, against 21.5% at December 31, 2004.

Based on AB Volvo's stock market share price of SEK 364.5 per A share and SEK 374.5 per B share at December 31, 2005, Renault's investment in AB Volvo is valued at €3,493 million (€2,549 million at December 31, 2004 based on the prices of SEK 253.5 per A share and SEK 263.5 per B share).

Changes in AB Volvo equity restated for the purposes of the Renault consolidation

€ million	December 31, 2004 ⁽¹⁾	Net income	Dividends	Other changes	December 31, 2005
Shareholders' equity – AB Volvo share	7,790	1,407	(545)	(290)	8,362
Restatements for Renault group requirements	(247)	10	-	10	(227)
Net assets restated for Renault group	7,543	1,417	(545)	(280)	8,135
Renault's share in the net assets of AB Volvo	1,625	308	(120)	(36)	1,777

(1) 2004 figures restated for compliance with IFRS

The restatements applied for Renault group requirements mainly concern cancellation of goodwill booked in AB Volvo's accounts when AB Volvo was acquired by Renault.

AB Volvo financial information under IFRS

AB Volvo financial information for 2005 established under IFRS, as published by AB Volvo, is summarised as follows:

	in millions of SEK	€ million ⁽¹⁾
2005 revenues	231,191	24,915
2005 net income	13,106	1,412
Shareholders' equity at December 31, 2005	78,768	8,390
Balance sheet total at December 31, 2005	257,135	27,388

(1) converted at the average exchange rate for 2005 i.e. SEK 9.28 = 1 euro for income statement items, and at the December 31, 2005 rate i.e. SEK 9.39 = 1 euro for balance sheet items.

16 - Inventories

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
Raw materials and supplies	1,052	957
Work-in-progress	420	332
Finished products - automobile	4,242	3,744
Other finished products	148	109
Inventories, net	5,862	5,142
<i>Inventories, gross</i>	6,330	5,632
<i>Impairment</i>	(468)	(490)

(1) 2004 figures restated for compliance with IFRS

Most impairment recorded on inventories concerns finished products.

17 – Sales financing receivables

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
Dealership receivables	4,673	4,338
Financing for end-users	12,207	11,847
Leasing and similar operations	4,498	4,229
Gross value	21,378	20,414
Impairment	(678)	(607)
Net value	20,700	19,807

(1) 2004 figures restated for compliance with IFRS

Receivable securitisation operations undertaken in 2002, 2003 and 2005, initially totalling €4,415 million, did not lead to derecognition of the receivables assigned, as all risks were retained by the Group.

Maturities of sales financing receivables

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
Within one year	10,902	10,133
After one year	9,798	9,674
Total	20,700	19,807

(1) 2004 figures restated for compliance with IFRS

18 – Automobile receivables

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
Gross value	2,176	1,979
Impairment	(121)	(101)
Automobile receivables, net	2,055	1,878

(1) 2004 figures restated for compliance with IFRS

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

19 – Other current assets

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
Prepaid expenses	120	183
Tax receivables	874	861
Other receivables	1,160	1,008
Derivatives on operating transactions (note 28)	82	-
Derivatives on financing operations of the Sales financing division (note 28)	177	346
Other current assets	2,413	2,398
<i>Gross value</i>	2,437	2,430
<i>Impairment</i>	(24)	(32)

(1) 2004 figures restated for compliance with IFRS

20. Shareholders' Equity

A. Share capital

The total number of ordinary shares issued and fully paid-up at December 31, 2005 was 284,937 thousand, with par value of €3.81 per share (the total number and par value are unchanged from December 31, 2004).

Treasury shares do not bear dividends. They accounted for 3.35% of Renault's share capital at December 31, 2005 (3.82% at December 31, 2004).

B. Renault treasury shares

In accordance with decisions approved at General Shareholders' Meetings, the Board of Directors decided to allocate all Renault treasury shares to current stock option plans awarded to Group managers and executives.

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
Total value of treasury shares	456	509
Total number of treasury shares	9,539,964	10,880,990

(1) 2004 figures restated for compliance with IFRS

C. Change in the financial instruments revaluation reserve

€ million	Cash flow hedges	Available-for-sale financial instruments	Total
Balance at January 1, 2004 ⁽¹⁾	(35)	-	(35)
Changes in fair value ⁽¹⁾	(5)	122	117
Transfer to income statement ⁽¹⁾	(5)	-	(5)
Change in the financial instruments revaluation reserve ⁽¹⁾	(10)	122	112
Balance at December 31, 2004 ⁽¹⁾	(45)	122	77
Changes in fair value	20	36	56
Transfer to income statement ⁽²⁾	-	(100)	(100)
Change in the financial instruments revaluation reserve	20	(64)	(44)
Balance at December 31, 2005	(25)	58	33

(1) 2004 figures restated for compliance with IFRS

(2) In 2005, €(5) million was transferred to financial income and expenses, €(115) million to other operating income and expenses and €20 million to current and deferred taxes.

D. Distributions

At the General and Extraordinary Shareholders' Meeting of April 29, 2005, it was decided to distribute €1.80 per share or €494 million in dividends (compared to €1.40 per share or €383 million in 2004).

After elimination of dividends received by Nissan in proportion to Renault's interest in Nissan, the dividend distribution recorded in shareholders' equity amounted to €459 million in 2005 (€357 million in 2004).

A dividend distribution of €2.40 per share, i.e. a total of €661 million, will be proposed at the General and Extraordinary Shareholders' Meeting of May 4, 2006.

E. Translation adjustment

The change in translation adjustment over the year is as follows:

€ million	2005	2004 ⁽¹⁾
Change in translation adjustment on the value of the investment in Nissan (note 14-C)	622	(337)
Impact, net of tax, of partial hedging of the investment in Nissan (note 14-G)	(10)	74
Total change in translation adjustment related to Nissan	612	(263)
Other changes in translation adjustment	166	47
Total change in translation adjustment	778	(216)

(1) 2004 figures restated for compliance with IFRS

The impact of the translation of Nissan's financial statements, after adjustment for the partial hedging operations concerning the portion of Nissan's shareholders' equity expressed in yen, mainly relates to translation by Renault of Nissan's North American and Mexican subsidiaries' shareholders' equity (note 14-D).

F. Stock option plans

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

Changes in the number of stock options held by personnel

	2005			2004		
	Number of options	Weighted average exercise price (€)	Weighted average share price at exercise dates (€)	Number of options	Weighted average exercise price (€)	Weighted average share price at exercise dates (€)
Options outstanding at January 1	12,985,340	51		11,511,246	47	
Options granted	1,631,093	73	72	2,145,650	66	69
Options exercised	(1,302,726)	41	71	(641,056)	32	62
Options expired	(14,000)	52	69	(30,500)	50	62
Options outstanding at December 31	13,299,707	54		12,985,340	51	

Stock options granted during the past two years

	2005	2004
Exercise period	Sept 14, 09 to Sept 12, 13	Sept 15, 08 to Sept 13, 12
Exercise price per share (€)	72.98	66.03
Number of shares	1,631,093	2,145,650

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

Options yet to be exercised at December 31, 2005

N° plan	Grant date	Exercise price (€)	Options outstanding	Exercise period
Plan 1	October 22, 1996	17.57	27,420	October 23, 1999 - October 21, 2006
Plan 2	October 28, 1997	24.89	97,596	October 29, 2002 - October 27, 2007
Plan 3	October 27, 1998	32.13	781,110	October 28, 2003 - October 26, 2008
Plan 4	March 16, 1999	40.82	220,000	March 17, 2004 - March 15, 2009
Plan 5	October 19, 1999	50.94	1,171,134	October 20, 2004 - October 18, 2009
Plan 6	September 7, 2000	49.27	1,521,904	September 8, 2005 - September 6, 2010
Plan 7	December 18, 2001	48.97	1,811,100	December 19, 2006 - December 17, 2011
Plan 8	September 5, 2002	49.21	1,986,700	September 6, 2007 - September 4, 2012
Plan 9	September 8, 2003	53.36	1,912,000	September 9, 2007 - September 7, 2011
Plan 10	September 14, 2004	66.03	2,139,650	September 15, 2008 - September 13, 2012
Plan 11	September 13, 2005	72.98	1,631,093	September 14, 2009 - September 12, 2013
Total			13,299,707	

G – Share-based payments

Share-based payments exclusively concern stock options awarded to personnel. These generated personnel expenses of €18 million in 2005 (€11 million for 2004).

Stock option plan values

Stock option plans 1 to 9, granted between 1996 and 2003, concern share purchase options. Plans 10 and 11, granted in 2004 and 2005, concern share subscription options.

The options awarded under these plans only become vested after a period of five years for plans 1 to 8, and four years for plans 9 to 11. The exercise period then covers five years for plans 1 to 8, and four years for plans 9 to 11. Loss of the benefit of these options follows the applicable regulations: all options are forfeited in the event of resignation, and a decision is made for each individual case when an employee leaves at the company's instigation.

The option valuation method follows a suitable binomial mathematical model, with exercise of the options anticipated and spread over the exercise period on a straight-line basis. The volatility factor applied is implicit volatility at the grant date, which represents a value coherent with market practices. The dividend used is the last known dividend at the date the plan is introduced.

In compliance with the standard's transitional measures, only stock option plans beginning after November 7, 2002 are valued and recorded as described above.

The plans have been valued as follows:

Grant date	Initial value (000s of €)	Unit fair value of options	Expense for 2005 (€ million)	Expense for 2004 ⁽¹⁾ (€ million)	Share price at grant date (€)	Volatility	Interest rate	Exercise price (€)	Duration of option ⁽²⁾	Dividend per share (€)
Sept 8, 2003	32,820	18.15	(8)	(8)	55.40	33%	3.79%	53.36	4-8 yrs	1.15
Sept 14, 2004	39,870	19.75	(9)	(3)	69.05	27%	3.71%	66.03	4-8 yrs	1.40
Sept 13, 2005	22,480	14.65	(1)	-	72.45	23.5%	2.68%	72.98	4-8 yrs	1.80
Total	95,170		(18)	(11)						

(1) 2004 figures restated for compliance with IFRS

(2) Period during which the option is not considered vested for tax purposes.

21 – Provisions

A. Provisions at December 31

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
Provisions for pension and other long-term employee benefit obligations	925	855
Other provisions	2,093	2,221
- Provisions for restructuring and workforce adjustment costs	435	580
- Provisions for warranty costs	945	738
- Provisions for tax risks and litigation	237	348
- Other provisions	476	555
Total provisions	3,018	3,076
Provisions – long-term	1,754	2,166
Provisions – short-term	1,264	910

(1) 2004 figures restated for compliance with IFRS

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

B. Provisions for pensions and other long-term employee benefit obligations

B1. Pension and benefit plans

Pensions and other long-term employee benefit obligations essentially concern current employees.

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

Defined-contribution plans

The Group makes earnings-related payments, in accordance with local custom, to the national organisations responsible for paying pensions and similar financial benefits. There is no actuarial liability concerning these pension arrangements.

The total expense for defined-contribution plans is approximately €700 million in both 2005 and 2004.

Defined-benefit plans

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

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

Defined-benefit plans are sometimes covered by funds. These funds are subject to regular valuation by independent actuaries. The value of fund assets, if any, is deducted from the corresponding liability. In view of the amounts involved (€247 million at December 31, 2005), the Group's exposure to risk resulting from changes in these fund asset values is low.

B2. Actuarial assumptions

The main actuarial assumptions used for the companies in France, the country accounting for most of the Group's obligations, are the following:

<u>Retirement age</u>	60 to 62
<u>Salary increase</u>	3%
<u>Discount rate ⁽¹⁾</u>	4%

(1) The rate most frequently used to value the Group's obligations in France is 4%. However, the rate varies between companies depending on the maturities of obligations.

B3. Provisions for pension and other long-term employee benefit obligations

Provisions at December 31

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
French companies	757	707
Foreign companies	168	148
Total	925	855

(1) 2004 figures restated for compliance with IFRS

Change in the provisions for pension and other long-term employee benefit obligations

€ million	2005	2004 ⁽¹⁾
Balance at January 1	855	900
Net expense for the year	131	97
Benefits paid and contributions to funds	(60)	(107)
Other changes	(1)	(35)
Balance at December 31	925	855

(1) 2004 figures restated for compliance with IFRS

Net expense for the year

€ million	2005	2004 ⁽¹⁾
Current service cost	97	65
Cost of unwinding the discount	40	41
Expected return on plan assets	(6)	(9)
Net expense for the year	131	97

(1) 2004 figures restated for compliance with IFRS

B4. Reconciliation of the value of the obligations and the provisions

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
Actuarial value of obligations not covered by funds	944	799
Actuarial value of obligations covered by funds	343	298
Value of fund assets	(247)	(230)
Obligations net of fund assets	1,040	867
Unrecorded actuarial gains (losses)	(130)	(30)
Unrecorded past service costs	15	18
Provisions for pension and other long-term employee benefit obligations	925	855

(1) 2004 figures restated for compliance with IFRS

C. Changes in other provisions

€ million	Restructuring provisions	Warranty provisions	Tax risks and litigation provisions	Other provisions	Total
At December 31, 2004 ⁽¹⁾	580	738	348	555	2,221
Increases	40	828	90	260	1,218
Reversals of provisions for application	(179)	(648)	(141)	(148)	(1,116)
Reversals of unused balance of provisions	(6)	-	(71)	(113)	(190)
Changes in scope of consolidation	-	7	-	2	9
Translation adjustments and other changes	-	20	11	(80)	(49)
At December 31, 2005	435	945	237	476	2,093

(1) 2004 figures restated for compliance with IFRS

At December 31, 2005, other provisions included €115 million of provisions established in application of environmental regulations (€139 million at December 31, 2004). These provisions principally concern environmental compliance costs for industrial land that the Group intends to sell (particularly on the Boulogne-Billancourt site) and expenses related to the EU directive on end-of-life vehicles (note 32-B.1). In 2005, €27 million were allocated to these provisions, and €42 million were reversed without application.

As greenhouse gas emissions were lower than the Group's allocated quotas, no associated provisions were booked at December 31, 2005.

22 – Other current liabilities

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
Tax liabilities (excluding current taxes)	431	642
Social liabilities	1,403	1,410
Other liabilities	3,984	3,720
Deferred income	276	272
Derivatives on operating transactions (note 28)	13	-
Total	6,107	6,044

(1) 2004 figures restated for compliance with IFRS

IV – Financial assets and liabilities

23 – Financial assets

A. Breakdown of financial assets by nature

€ million	December 31, 2005		December 31, 2004 ⁽¹⁾	
	Non-current	Current	Non-current	Current
Investments in non-controlled entities	100	-	234	-
Other securities	1	469	36	404
Loans	87	1,141	107	888
Financial assets excluding derivatives	188	1,610	377	1,292
Derivative assets on financing operations by the Automobile division (note 28)	389	261	319	106
Total	577	1,871	696	1,398
<i>Gross value</i>	625	1,872	768	1,407
<i>Impairment</i>	(48)	(1)	(72)	(9)

(1) 2004 figures restated for compliance with IFRS

Investments in non-controlled entities include shares in Renault Agriculture, owned 49% by the Group following disposal of 51% in April 2003. The 49% investment retained was deconsolidated as of the date of the agreement, since Renault does not exercise significant influence in the company.

The current portion of other securities corresponds to securities that cannot be classified as cash equivalents, mainly maturing more than 3 months after acquisition. At December 31, 2005, it includes €173 million for Scania shares (€168 million at December 31, 2004).

Loans essentially comprise interbank loans and correspond principally to the investment of cash surpluses from the Automobile division.

B. Breakdown of financial assets by category

€ million	December 31, 2005					December 31, 2004 ⁽¹⁾				
	Instruments held for trading	Instruments stated at fair value with changes in fair value taken to income	Available-for-sale instruments	Loans and receivables	Total	Instruments held for trading	Instruments stated at fair value with changes in fair value taken to income	Available-for-sale instruments	Loans and receivables	Total
Investments in non-controlled entities	-	-	100	-	100	-	-	234	-	234
Other securities – non-current portion	-	-	1	-	1	-	-	36	-	36
Loans – non-current portion	-	-	-	87	87	-	-	-	107	107
Total non-current financial assets (excluding derivatives)	-	-	101	87	188	-	-	270	107	377
Other securities – current portion	190	-	279	-	469	219	-	185	-	404
Loans – current portion	-	-	-	1,141	1,141	-	-	-	888	888
Total current financial assets (excluding derivatives)	190	-	279	1,141	1,610	219	-	185	888	1,292

(1) 2004 figures restated for compliance with IFRS

24 – Cash and cash equivalents

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
Cash equivalents: monetary investment funds and other securities	2,550	127
Cash on hand and bank deposits	3,601	5,394
Total	6,151	5,521

(1) 2004 figures restated for compliance with IFRS

25 – Financial liabilities and sales financing debts

A. Breakdown by division

€ million	December 31, 2005			December 31, 2004 (1)		
	Non-current	Current	Total	Non-current	Current	Total
Renault redeemable shares	718	-	718	447	-	447
Other financial liabilities of the Automobile division	4,916	2,547	7,463	4,942	2,447	7,389
Total financial liabilities of the Automobile division	5,634	2,547	8,181	5,389	2,447	7,836
Diac redeemable shares and subordinated loans of the Sales financing division	267	-	267	15	-	15
Total financial liabilities of the Sales financing division	267	-	267	15	-	15
Total financial liabilities	5,901	2,547	8,448	5,404	2,447	7,851
Sales financing debts	-	22,427	22,427	-	20,629	20,629
Total financial liabilities and sales financing debts	5,901	24,974	30,875	5,404	23,076	28,480

(1) 2004 figures restated for compliance with IFRS

The Automobile division's financial liabilities are reported in the balance sheet as current if they mature within one year and non-current otherwise.

Consolidation of SCI Plateau de Guyancourt at December 31, 2005 following exercise of the Group's purchase option on this entity (note 4), contributed €645 million of the increase in financial liabilities of the Automobile division at December 31, 2005.

B. Breakdown by nature

€ million	December 31, 2005			December 31, 2004 ⁽¹⁾		
	Non-current	Current	Total	Non-current	Current	Total
Redeemable shares	733	-	733	462	-	462
Bonds	3,415	4,950	8,365	4,140	5,431	9,571
Other debts represented by a certificate	252	13,701	13,953	-	11,482	11,482
Borrowings from credit institutions	1,063	5,236	6,299	524	4,810	5,334
Other interest-bearing borrowings	267	701	968	205	1,054	1,259
Total financial liabilities, sales financing debts (excluding derivatives)	5,730	24,588	30,318	5,331	22,777	28,108
Derivative liabilities on financing operations (note 28)	171	386	557	73	299	372
Total financial liabilities and sales financing debts	5,901	24,974	30,875	5,404	23,076	28,480

(1) 2004 figures restated for compliance with IFRS

Redeemable shares

The redeemable shares issued in October 1983 and April 1984 by Renault SA are subordinated perpetual shares. They earn a minimum annual return of 9% comprising a fixed portion (6.75%) and a variable portion that depends on consolidated revenues and is calculated based on identical Group structure and methods. The return on redeemable shares, amounting to €17 million for 2005 (€24 million in 2004), is included in interest expenses. These shares are listed on the Paris Stock Exchange, and traded for €561 at December 31, 2004 and €900.5 at December 31, 2005 for par value of €153, leading to a corresponding €271 million adjustment to the fair value of redeemable shares recorded in other financial expenses (note 9-B).

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

Changes in bonds

In 2005, Renault SA redeemed bonds issued in 1996, 1998, and 2002 for a total of €388 million, and undertook two new bond issues totalling €245 million and maturing in 2010 and 2012.

RCI Banque also redeemed bonds for a total of €1,045 million in 2005.

Credit lines

At December 31, 2005 the Renault group's open credit lines with banks amounted to the equivalent of €10,895 million in various currencies (€9,714 million in 2004), with maturities extending to 2010. The short-term portion amounted to €2,848 million at December 31, 2005 (€2,929 million in 2004). A total of €262 million of these credit lines was in use at December 31, 2005 (€211 million at December 31, 2004).

C. Breakdown by maturity**Financial liabilities of the Automobile division**

€ million	December 31, 2005						
	Total	- 1 yr	1 - 2 yrs	2 - 3 yrs	3 - 4 yrs	4 - 5 yrs	+ 5 yrs
Bonds issued by Renault SA (by issue date)							
1999	500	500	-	-	-	-	-
2000	500	-	500	-	-	-	-
2001	360	360	-	-	-	-	-
2002	1,042	-	-	-	1,042	-	-
2003	1,401	172	-	418	-	770	41
2004	397	-	90	-	257	-	50
2005	252	-	-	-	-	180	72
Accrued interest, expenses and premiums	47	52	(2)	(1)	(1)	(1)	-
Total	4,499	1,084	588	417	1,298	949	163
Other debts represented by a certificate	46	46	-	-	-	-	-
Borrowings from credit institutions	1,739	676	718	170	107	5	63
Other interest-bearing borrowings	1,543	1,276	33	38	30	29	137
Total	7,827	3,082	1,339	625	1,435	983	363
Redeemable shares	718						
Derivative liabilities on financing operations	378						
Total financial liabilities	8,923						

Financial liabilities of the Sales financing division and sales financing debts

€ million	December 31, 2005						
	Total	- 1 yr	1 - 2 yrs	2 - 3 yrs	3 - 4 yrs	4 - 5 yrs	+ 5 yrs
Bonds issued by RCI Banque (year of issue)							
1996	307	307	-	-	-	-	-
1997	249	-	-	-	249	-	-
2001	241	241	-	-	-	-	-
2002	675	-	-	675	-	-	-
2003	1,264	300	-	964	-	-	-
2004	1,100	-	-	-	1,100	-	-
Accrued interest, expenses and premiums	46	58	(6)	(5)	(1)	-	-
Total	3,882	906	(6)	1,634	1,348	-	-
Other debts represented by a certificate	13,907	6,319	2,909	1,665	73	1,765	1,176
Borrowings from credit institutions	4,662	3,093	433	452	354	330	-
Other interest-bearing borrowings	625	625	-	-	-	-	-
Total	23,076	10,943	3 336	3,751	1,775	2,095	1,176
Redeemable shares	15						
Derivative liabilities on financing operations	179						
Total financial liabilities and sales financing debts	23,270						

Interdivision transactions

€ million	December 31, 2005						
	Total	- 1 yr	1 - 2 yrs	2 - 3 yrs	3 - 4 yrs	4 - 5 yrs	+ 5 yrs
Bonds	(16)	(1)	-	-	(15)	-	-
Borrowings from credit institutions	(102)	(102)	-	-	-	-	-
Other interest-bearing borrowings	(1,200)	(1,200)	-	-	-	-	-
Total	(1,318)	(1,303)	-	-	(15)	-	-

Total financial liabilities, sales financing debts

€ million	December 31, 2005						
	Total	- 1 yr	1 - 2 yrs	2 - 3 yrs	3 - 4 yrs	4 - 5 yrs	+ 5 yrs
Bonds	8,365	1,989	582	2,051	2,631	949	163
Other debts represented by a certificate	13,953	6,365	2,909	1,665	73	1,765	1,176
Borrowings from credit institutions	6,299	3,667	1,151	622	461	335	63
Other interest-bearing borrowings	968	701	33	38	30	29	137
Total	29,585	12,722	4,675	4,376	3,195	3,078	1,539
Redeemable shares	733						
Derivative liabilities on financing operations	557						
Total financial liabilities and sales financing debts	30,875						

€ million	December 31, 2004 ⁽¹⁾						
	Total	- 1 yr	1 - 2 yrs	2 - 3 yrs	3 - 4 yrs	4 - 5 yrs	+ 5 yrs
Bonds	9,571	1,607	1,878	580	2,050	2,596	860
Other debts represented by a certificate	11,482	5,476	1,762	1,406	1,335	63	1,440
Borrowings from credit institutions	5,334	3,377	417	574	432	452	82
Other interest-bearing borrowings	1,259	1,044	8	26	26	25	130
Total	27,646	11,504	4,065	2,586	3,843	3,136	2,512
Redeemable shares	462						
Derivative liabilities on financing operations	372						
Total financial liabilities and sales financing debts	28 480						

(1) 2004 figures restated for compliance with IFRS

Short-term drawings on credit lines with maturities of more than one year amounted to €58 million at December 31, 2005 (€79 million at December 31, 2004), of which €3 million concerned the Automobile division (€4 million in 2004).

D. Breakdown by currency

€ million	December 31, 2005		December 31, 2004 ⁽¹⁾	
	before derivatives	after derivatives	before derivatives	after derivatives
Euro	26,559	24,565	25,269	22,999
Yen	1,527	3,321	1,318	3,369
Other	2,232	2,432	1,521	1,740
Total financial liabilities and sales financing debts (excluding derivatives)	30,318	30,318	28,108	28,108

(1) 2004 figures restated for compliance with IFRS

E. Breakdown by interest rate**Effective interest rates**

€ million	December 31, 2005			December 31, 2004 ⁽¹⁾		
	Balance ⁽²⁾	Effective interest rates		Balance ⁽²⁾	Effective interest rates	
		before derivatives	after derivatives		before derivatives	after derivatives
Bonds issued by Renault SA and RCI Banque (issue date)						
1995	-	-	-	295	7.64	2.82
1996	307	6.61	2.55	624	6.35	2.79
1997	234	6.55	2.60	242	6.94	2.95
1998	-	-	-	95	1.98	1.5
1999	500	5.29	1.96	496	5.29	1.96
2000	500	6.53	2.88	748	5.16	2.73
2001	601	1.96	1.96	599	1.87	1.87
2002	1,717	5.16	4.58	1,932	5.64	4.26
2003	2,665	3.56	2.79	2,915	3.8	2.76
2004	1,497	2.68	2.42	1,496	2.49	2.43
2005	252	1.29	1.29	-	-	-
Accrued interest, expenses and premiums	92	-	-	129	-	-
Total bonds	8,365	4.03	2.93	9,571	4.13	2.92
Other debts represented by a certificate	13,953	2.63	2.70	11,482	2.42	2.38
Borrowings from credit institutions	6,299	3.04	3.25	5,334	3.45	3.41
Other interest-bearing borrowings	968	5.22	5.22	1,259	7.84	7.84
Redeemable shares	733	13.27	13.27	462	12.79	12.79
Total financial liabilities and sales financing debts (excluding derivatives)	30,318	3.22	3.32	28,108	3.23	3.20

(1) 2004 figures restated for compliance with IFRS

(2) excluding derivative liabilities on financing operations

Breakdown by type of interest rate

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
	after derivatives	after derivatives
Fixed rate	10,656	10,757
Floating rate	19,662	17,351
Total financial liabilities, sales financing debts (excluding derivatives)	30,318	28,108

(1) 2004 figures restated for compliance with IFRS

26. Management of financial risks

Foreign exchange risks

The Automobile division is exposed to foreign exchange risks in the course of its industrial and commercial business. These risks are monitored and centralised by Renault's Cash and Financing department.

It is Renault's general policy not to hedge operating cash flows in foreign currencies.

However, subsidiaries' financing cash flows in foreign currencies are hedged in the same currencies when they are managed by Renault SA.

Equity investments are not hedged, except for the portion of Nissan's shareholders' equity expressed in yen, totalling 463 billion yen at December 31, 2005 (note 14-G).

Renault Finance may undertake operations unrelated to operating cash flows on its own behalf, primarily to maintain the Group's expertise on the financial markets. This has no significant impact on Renault's consolidated results.

Interest rate risk

The Renault group's exposure to interest rate risk mainly concerns the sales financing business of RCI Banque and its subsidiaries.

Interest rate risk is monitored using a methodology common to the entire RCI group, to allow overall management of interest rate risks at consolidated group level. Exposure is assessed daily and hedging is systematic.

Renault Finance carries out interest rate transactions on its own behalf, within strictly defined risk limits.

Counterparty risk

The Group only does business on the financial and banking markets with quality counterparties, and is not subject to any significant risk concentration.

The various Group entities' counterparty risk is managed using a scoring system, based principally on their long-term credit rating and equity level. For Group companies with significant exposure, compliance with authorised limits is monitored on a daily basis under strict internal control procedures.

Liquidity risk

The Automobile division is financed via the capital markets, through:

- long-term resources (bond issues, private placements, etc),
- short-term bank loans or commercial paper issues,
- a receivable securitisation programme by RCI Banque.

These financing arrangements are secured by confirmed "evergreen" or permanently renewable credit agreements. The documentation for these credit facilities contains no clause that might adversely affect credit availability as a result of a change in Renault's credit rating.

At all times, RCI Banque thus has sufficient financial resources at its disposal to guarantee continuity of business without calling on the Automobile division, in compliance with strict internal standards.

Commodity risk

Renault's Purchases department hedges part of its commodity risks using financial instruments such as forward purchase contracts, purchase options and tunnel contracts. These hedges concern physical purchasing operations required by the factories, and are subject to volume and time constraints. The Group does not take any speculative positions on metals.

At December 31, 2005, outstanding commodity hedges concerned certain purchases of copper and aluminium. These transactions are not currently classified as hedges.

27 - Fair value of financial instruments

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

€ million	December 31, 2005		December 31, 2004 ⁽¹⁾	
	Balance sheet value	Fair value	Balance sheet value	Fair value
ASSETS				
Non-current financial assets	577	573	696	687
Sales financing receivables	20,700	20,820	19,807	19,898
Automobile receivables	2,055	2,055	1,878	1,878
Current financial assets	1,871	1,871	1,398	1,398
LIABILITIES				
Non-current financial liabilities	5,901	6,098	5,404	5,737
Current financial liabilities	2,547	2,518	2,447	2,372
Sales financing debts	22,427	22,504	20,629	20,740
Trade payables	7,788	7,788	7,234	7,234

(1) 2004 figures restated for compliance with IFRS

Assumptions and methods adopted:

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

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

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

The main assumptions and valuation methods are as follows:

- **Financial assets:**

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

Loans: for loans with an original maturity of less than three months and for floating-rate loans, the value recorded on the balance sheet is considered to be the fair value. Other fixed-rate loans have been measured by discounting future cash flows using the rates offered to Renault at December 31, 2005, and December 31, 2004 for loans with similar conditions and maturities.

- **Sales financing receivables:** fixed-rate sales financing receivables have been estimated by discounting future cash flows at rates that would be applicable to similar loans (conditions, maturity and debtor quality) as at December 31, 2005, and December 31, 2004.
- **Financial liabilities and sales financing debts:** the fair value has been determined by discounting future cash flows at the rates offered to Renault at December 31, 2005 and December 31, 2004 for borrowings with similar conditions and maturities. For sales financing debts evidenced by securities issued with a life of less than 90 days, the value recorded on the balance sheet is considered the fair value.

28 - Fair value of derivatives

The fair value of derivatives is their balance sheet value.

€ million	December 31, 2005				December 31, 2004 ⁽¹⁾			
	ASSETS		LIABILITIES		ASSETS		LIABILITIES	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Fair value hedges	-	-	-	-	-	1	-	1
Hedge of the net investment in Nissan	103	53	-	-	165	22	-	-
Derivatives not designated as hedges	-	85	-	87	-	51	2	36
Total foreign exchange risk on financing operations	103	138	-	87	165	74	2	37
Cash flow hedges	25	23	12	109	3	28	19	178
Fair value hedges	53	61	13	16	31	242	19	6
Derivatives not designated as hedges	208	216	146	174	120	108	33	78
Total interest rate risk	286	300	171	299	154	378	71	262
Total derivatives on financing operations ⁽²⁾	389	438	171	386	319	452	73	299

(1) 2004 figures restated for compliance with IFRS

(2) Current derivative assets on financing operations are classified partly as current financial assets (€261 million in 2005, €106 million in 2004) and partly as other current assets (€177 million in 2005, €346 million in 2004).

€ million	December 31, 2005				December 31, 2004 ⁽¹⁾			
	ASSETS		LIABILITIES		ASSETS		LIABILITIES	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Cash flow hedges	-	-	-	6	-	-	-	-
Total foreign exchange risk on operating transactions	-	-	-	6	-	-	-	-
Derivatives not designated as hedges	-	82	-	7	-	-	-	-
Total commodity risk	-	82	-	7	-	-	-	-
Total derivatives on operating transactions	-	82	-	13	-	-	-	-

(1) 2004 figures restated for compliance with IFRS

The specialist subsidiary Renault Finance handles the Automobile division's short-term interbank investments. It is also Nissan's counterparty in derivatives trading to hedge exchange, interest rate and commodity risks.

The fair values of derivatives reported in the Group's consolidated balance sheet assets and liabilities mainly relate to Renault Finance's business conducted on its own behalf and its transactions with Nissan.

29 - Maturities of derivatives

€ million	December 31, 2005				December 31, 2004 ⁽¹⁾			
	Nominal	- 1 yr	1-5 years	+ 5 yrs	Nominal	- 1 yr	1-5 years	+ 5 yrs
Derivatives on financing operations								
● Foreign exchange risk								
- Currency swaps - purchases	2,488	840	1,597	51	3,022	534	1,712	776
- Currency swaps - sales	2,640	893	1,696	51	2,842	519	1,580	743
- Forward purchases	12,991	12,991	-	-	14,456	14,456	-	-
- Forward sales	12,983	12,983	-	-	14,428	14,428	-	-
● Interest rate risk								
- Interest rate swaps	69,558	21,260	47,723	575	63,564	22,913	37,343	3,308
- FRAs	-	-	-	-	-	-	-	-
- Other interest rate hedging instruments	517	292	225	-	-	-	-	-
Derivatives on operating transactions								
● Foreign exchange risk								
- Forward purchases	106	104	2	-	-	-	-	-
● Commodity risk								
- Forward purchases	222	111	111	-	-	-	-	-
- Forward sales	118	59	59	-	-	-	-	-

(1) 2004 figures restated for compliance with IFRS

V – Cash flows and other information

30 – Cash flows

A. Cash flow

Other unrealised income and expenses, by nature

€ million	2005	2004 ⁽¹⁾
Net allocation to long-term provisions	210	220
Net effects of sales financing credit losses	167	155
Net gain (loss) on asset disposals	(194)	(104)
Repurchase of redeemable shares	-	121
Change in fair value of redeemable shares	271	170
Change in fair value of other financial instruments	(93)	30
Deferred taxes	26	95
Other	6	61
Other unrealised income and expenses	393	748

(1) 2004 figures restated for compliance with IFRS

B. Cash flows from operating activities

Change in working capital

€ million	2005	2004 ⁽¹⁾
Decrease (increase) in net inventories	(496)	(116)
Decrease (increase) in Automobile receivables	(88)	161
Decrease (increase) in other assets	(256)	59
Increase (decrease) in trade payables	364	53
Increase (decrease) in other liabilities	(127)	270
Decrease (increase) in working capital	(603)	427

(1) 2004 figures restated for compliance with IFRS

C. Cash flows from investing activities

Capital expenditure

€ million	2005	2004 ⁽¹⁾
Purchases of intangible assets (note 12-B)	(880)	(791)
Purchases of property, plant and equipment (note 13-B)	(3,223)	(3,171)
Total purchases for the period	(4,103)	(3,962)
Deferred payments	85	39
Total capital expenditure	(4,018)	(3,923)

(1) 2004 figures restated for compliance with IFRS

31 – Related parties

A. Remuneration of senior executives and directors

The consideration and related benefits of the President and CEO and the Chairman of the Board of Directors amounted to €12.7 million for 2005 (€4.4 million for 2004 for the Chairman and CEO). The consideration and related benefits comprise a fixed and a variable portion, employer social-security levies and charges related to retirement compensation, the complementary pension scheme and stock-option plans.

Directors' fees amounted to €552,332 in 2005 (€540,119 in 2004), of which €52,500 for the President and CEO and the Chairman of the Board (€28,000 in 2004 for the Chairman and CEO).

B. Renault's investment in Nissan

Details of Renault's investment in Nissan are provided in note 14.

C. Renault's investment in AB Volvo

Details of Renault's investment in AB Volvo are provided in note 15.

32 – Off-balance sheet commitments and contingent liabilities

Renault enters into a certain number of commitments in the course of its business, some of which (e.g. retirement and other personnel benefits, litigations, etc) are covered by provisions.

Details of off-balance sheet commitments and contingencies are provided below.

A. Ordinary operations

The Group is committed for the following amounts:

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
Customer guarantees and endorsements (sales financing)	-	81
Other guarantees given	518	524
Opening of confirmed credit lines for customers	2,091	2,221
Firm investment orders	826	695
Lease commitments	317	1,114
Assets pledged or mortgaged	216	186

(1) 2004 figures restated for compliance with IFRS

Lease commitments include rent from non-cancellable leases. The breakdown is as follows:

€ million	December 31, 2005	December 31, 2004 ⁽¹⁾
Less than 1 year	55	132
Between 1 and 5 years	207	503
More than 5 years	55	479
Lease commitments	317	1,114

(1) 2004 figures restated for compliance with IFRS

The reduction in lease commitments is essentially due to consolidation of the SCI Plateau de Guyancourt, which owns the real estate assets of the Technocentre (note 4).

B. Special operations

B.1. End-of-life vehicles

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

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

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

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

For countries where the legislation is not yet complete, until the laws are in existence, it is impossible to accurately determine whether the Group will have to bear a residual cost.

B.2. Renault Argentina

Renault Argentina SA manages a savings plan called Plan Rombo SA, designed to enable savers' groups to acquire vehicles. The savers make monthly contributions to the plan and a vehicle is delivered at the end of a given period. At December 31, 2005, Plan Rombo SA had approximately 500 savers' groups on its books. Renault Argentina SA and Plan Rombo SA are jointly responsible to subscribers for the correct operation of the plan. Renault's corresponding off-balance sheet commitment amounts to 105 million Argentinean pesos at December 31, 2005.

B.3. Other commitments

- Disposals of subsidiaries or businesses by the Group generally include representations and warranties in the buyer's favour. At December 31, 2005, Renault had not identified any significant risks in connection with these operations.
- Following partial sales of subsidiaries during previous years, Renault retains options to sell all or a portion of its residual investment. Exercising these options would not have any significant impact on the consolidated financial statements.

- Under the agreement signed in April 2003, when Renault sold a 51% stake in Renault Agriculture to Claas, Renault and Claas have options respectively to sell and purchase an additional 29% of the capital of Renault Agriculture, to be exercised within a one-year period beginning April 30, 2005, and further options respectively to sell and purchase the remaining 20%, which can be exercised from January 1, 2010.

Group companies are periodically subject to tax inspections in the countries in which they operate. Tax adjustments are recorded as provisions in the financial statements. Contested tax adjustments are recognised on a case-by-case basis, taking into account the risk that the proceedings or appeal may be unsuccessful.

33. Consolidated companies

Fully consolidated companies (subsidiaries)

Renault group's interest (%)		December 31, 2005	December 31, 2004
AUTOMOBILE			
Renault SAS	France	100	100
Mecanizacion Contable S.A. (Meconsa)	Spain	100	100
Renault Développement Industriel et Commercial (RDIC)	France	100	100
Renault Espana SA and subsidiaries	Spain	100	100
Renault Group BV	Netherlands	100	100
Société Immobilière Renault Habitation (SIRHA)	France	100	100
Technologie et Exploitation Informatique (TEI)	France	100	100
SCI Plateau de Guyancourt	France	note 4	-
Vehicle Engineering and Manufacturing			
Auto Châssis International (ACI) Le Mans	France	100	100
Auto Châssis International (ACI) Romania	Romania	100	100
Auto Châssis International (ACI) Valladolid	Spain	100	-
Auto Châssis International (ACI) Villeurbanne	France	100	100
CACIA	Portugal	100	100
Emboutissage Tôlerie Gennevilliers (ETG)	France	100	100
Fonderie le Mans	France	100	100
IDVU	France	100	100
Maubeuge Construction Automobile (MCA)	France	100	100
Renault Industrie Belgique (RIB)	Belgium	100	100
SCI Parc Industriel du Mans	France	100	100
SNC Renault Cléon	France	100	100
SNC Renault Douai	France	100	100
SNC Renault Flins	France	100	100
SNC Renault Le Mans	France	100	100
SNC Renault Sandouville	France	100	100

Renault group's interest (%)		December 31, 2005	December 31, 2004
Société des Automobiles Alpine Renault	France	100	100
Société de Magasinage et de Gestion des Stocks	France	100	100
Société de Transmissions Automatiques	France	80	80
Société de Véhicules Automobiles de Batilly (SOVAB)	France	100	100
Other companies			
Arkanéo	France	100	100
Car life Siège and subsidiaries	France	100	100
France Services Rapides and subsidiary	France	100	100
Groupe SNR (Société Nouvelle de Roulements)	France	100	100
Grigny Ltd	United Kingdom	100	100
Renault F1 Team Ltd	United Kingdom	100	100
Sales - France			
Renault France Automobiles (RFA) and subsidiaries	France	100	100
Sales - Europe			
Renault Amsterdam	Netherlands	100	100
Renault Belgique Luxembourg	Belgium	100	100
Renault Ceska Republica	Czech Republic	100	100
Renault Croatia	Croatia	100	100
Renault Espana Comercial S.A. (RECSA) and subsidiaries	Spain	100	100
Renault Hungaria	Hungary	100	100
Renault Italia and subsidiaries	Italy	100	100
Renault Nissan Deutsche AG and subsidiaries	Germany	100	100
Renault Nissan Nederland	Netherlands	100	100
Renault Nissan Suisse SA	Switzerland	100	100
Renault Nissan Osterreich	Austria	100	100
Renault Polska	Poland	100	100
Renault Portuguesa	Portugal	100	100
Renault Retail Group	United Kingdom	100	100
Renault Nissan Roumanie	Romania	100	100

Renault group's interest (%)		December 31, 2005	December 31, 2004
Renault Slovakia	Slovakia	100	100
Renault Slovenia d.o.o.	Slovenia	100	100
Renault U.K	United Kingdom	100	100
Renault Vienne	Austria	100	100
International Operations and Asia – Pacific			
AFM Industrie	Russia	100	100
Avtoframos	Russia	93	76
Dacia and subsidiaries	Romania	99	99
Sociedad de Fabricacion de Automotores (Sofasa) ⁽¹⁾	Colombia	60	60
Oyak Renault Otomobil Fabrikalari	Turkey	52	52
Renault Algérie	Algeria	100	100
Renault Corporativo S.A. de C.V.	Mexico	100	100
Renault Industrie Roumanie	Romania	100	-
Renault Maroc	Morocco	80	80
Renault Mexico	Mexico	100	100
Renault Samsung Motors	South Korea	70	70
Renault South Africa and subsidiaries	South Africa	51	-
Renault Vénézuéla	Venezuela	100	100
Revoz	Slovenia	100	100
Mercosur			
Cofal	Luxembourg	77	77
Renault Argentina Group	Argentina	88	67
Renault do Brasil LTDA	Brazil	78	78
Renault do Brasil SA	Brazil	77	77
After-sales			
SODICAM 2	France	100	100
French Investment Financing Companies			
Société Immobilière de Construction Française pour l'Automobile et la Mécanique (SICOFRAM) and subsidiary	France	100	100
Société Immobilière d'Epone	France	100	100

Renault group's interest (%)		December 31, 2005	December 31, 2004
Société Immobilière pour l'Automobile et la Mécanique (SIAM)	France	100	100
Holding companies and other Credit Institutions			
Motor Reinsurance Company	Luxembourg	100	100
Renault Holding (merged with Renault Finance in 2005)	Switzerland	-	100
Renault Finance	Switzerland	100	100
Société Financière et Foncière (SFF)	France	100	100
SALES FINANCING			
Sales financing - France			
DIAC	France	100	100
Diac Location	France	100	100
Compagnie de Gestion Rationnelle (COGERA)	France	100	100
RCI Banque	France	100	100
Société de Gestion, d'Exploitation de Services en Moyens Administratifs (SOGESMA)	France	100	100
Sales financing – outside France			
Accordia Espana SA	Spain	100	100
Consorcio Renault do Brasil	Brazil	100	100
Nissan Finance Ltd	United Kingdom	100	100
RCI Finance CZ sro	Czech Republic	100	-
RCI Financial Services Belgique	Belgium	100	100
RCI Financial Services BV	Netherlands	100	100
RCI Finanzholding GmbH	Germany	100	100
RCI Gest SCA and subsidiaries	Portugal	100	100
RCI Leasing GmbH	Germany	100	100
Refactor	Italy	100	100
Renault Autofin SA	Belgium	100	100
RCI Banque AG	Austria	100	100
RCI Bank Polska	Poland	100	-
RCI Finantare Romania	Romania	100	100
Renault Crédit SA	Switzerland	100	100

Renault group's interest (%)		December 31, 2005	December 31, 2004
Renault Credit Polska	Poland	100	100
Renault Credit RT	Hungary	100	-
Renault Financiaciones	Spain	100	100
RNC (ex Accordia)	Italy	100	100
Holding Companies and Other Credit Institutions			
Renault Acceptance Gmbh	Germany	100	100
Renault Acceptance Ltd	United Kingdom	100	100
Service companies			
ARTIDA	Spain	100	100
Overlease Espagne	Spain	100	100
RCI Gest Seguros	Portugal	100	100
RCI Versicherungs Service Gmbh	Germany	100	100
Réalisation, Etudes, Courtage et Assurances (RECA)	France	100	100
Renault do Brasil S/A Corr. de Seguros	Brazil	100	100
Renault Services SA	Belgium	100	100
Société Internationale de Gestion et de Maintenance Automobile (SIGMA)	France	100	100

Proportionately consolidated companies (joint ventures)

Renault group's interest (%)		December 31, 2005	December 31, 2004
AUTOMOBILE			
Vehicle Engineering and Manufacturing			
Française de Mécanique	France	50	50
GIE TA 96	France	50	50
SALES FINANCING			
CFI Renault do Brasil	Brazil	60	60
Cia Arrademento Mercantil Renault do Brasil	Brazil	60	60
RCI Leasing Romania	Romania	50	50
Renault Credit Car	Belgium	50	50

Renault group's interest (%)		December 31, 2005	December 31, 2004
Renault Financial Services Ltd (RFS)	United Kingdom	50	50
ROMBO Compania Financiera	Argentina	60	60
RCI Leasing CZ sro	Czech Republic	50	-
Syigma Finance	France	50	50
Overlease Italia	Italy	49	49

Companies accounted for by the equity method (associates)

Renault group's interest (%)		December 31, 2005	December 31, 2004 ⁽¹⁾
AUTOMOBILE			
AB Volvo group	Sweden	21.8	21.5
Nissan group	Japan	45.7	45.8
MAIS	Turkey	49	49
SALES FINANCING			
Nissan Renault Finance Mexico	Mexico	15	-
Nissan Renault Wholesale Mexico	Mexico	15	15

(1) 2004 figures restated for compliance with IFRS

The percentage control is different from the percentage ownership for the following entity:

Renault group's % control		December 31, 2005	December 31, 2004 ⁽¹⁾
AB Volvo group	Sweden	21.3	21.2

(1) 2004 figures restated for compliance with IFRS

VI – Comparison between IFRS and previous policies

34 – Comparative consolidated financial statements under IFRS and previous policies

- A - Analysis of the restatement of Nissan's contribution
- B – Comparison of consolidated income statements for 2004 (IFRS / previous policies)
- C - Comparison of consolidated balance sheets at December 31, 2004 (IFRS / previous policies)
- D - Comparison of changes in consolidated shareholders' equity for 2004 (IFRS / previous policies)
- E - Comparison of consolidated statements of cash flows for 2004 (IFRS / previous policies)
- F – Comparison of segment information for 2004 (IFRS / previous policies)
 - F1 – Consolidated income statements by division
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 - F3 – Consolidated cash flow statements by division
- G – Analysis of the transition to IFRS: consolidated income statements for 2004
- H – Analysis of the transition to IFRS: consolidated balance sheets at December 31, 2004
- I – Analysis of the transition to IFRS: consolidated shareholders' equity
 - I1 – January 1, 2004
 - I2 - December 31, 2004

A- Analysis of the restatement of Nissan's contribution

Renault's 2004 financial statements included five quarters for Nissan, covering the period October 1, 2003 to December 31, 2004.

IAS 28 "Investments in Associates" requires accounting periods to be consistent from one year to the next. The Renault group therefore decided to consolidated Nissan's net income over the 12-month period January 1 – December 31, 2004.

The Nissan quarter covering the period October 1 – December 31, 2003 and contributing €432 million, was thus eliminated from the net income of associates and included in shareholders' equity at January 1, 2004.

The value of the investment in Nissan at January 1, 2004 was consequently reduced, from €7,219 million to €7,086 million.

All the restated consolidated financial statements presented below take into account this restatement of Nissan's contribution.

B – Comparison of consolidated income statements for 2004 (IFRS / previous policies)

€ million	2004		
	under previous policies, excl. additional Nissan quarter	total impacts of transition to IFRS	under IFRS excl. additional Nissan quarter
Sales of goods and services	38,772	151	38,923
Sales financing revenues	1,943	(574)	1,369
Revenues	40,715	(423)	40,292
Cost of goods and services sold	(31,162)	72	(31,090)
Cost of sales financing	(1,171)	259	(912)
Research and development expenses	(1,383)	(293)	(1,676)
Selling, general and administrative expenses	(4,581)	82	(4,499)
Operating margin	2,418	(303)	2,115
Other operating income and expenses	(270)	27	(243)
Operating income	2,148	(276)	1,872
Interest expenses	(22)	0	(22)
Repurchase of redeemable shares	(343)	222	(121)
Other financial income and expenses, net	17	(205)	(188)
Financial income (expense)	(348)	17	(331)
Share in net income of associates	2,020	(97)	1,923
<i>Nissan</i>	1,767	(78)	1,689
<i>other associates</i>	253	(19)	234
Pre-tax income	3,820	(356)	3,464
Current and deferred taxes	(634)	73	(561)
Net income	3,186	(283)	2,903
Net income - minority interests' share	67		67
Net income - Renault share	3,119	(283)	2,836
Earnings per share in € ⁽¹⁾	11.73	(0.57)	11.16
Diluted earnings per share in € ⁽¹⁾	11.73	(0.63)	11.10
Number of shares outstanding (in thousands)			
for earnings per share	265,960	(11,792)	254,168
for diluted earnings per share	265,960	(10,525)	255,435

(1) Net income – Renault share, divided by number of shares stated

C – Comparison of consolidated balance sheets at December 31, 2004 (IFRS / previous policies)

€ million	Dec 31, 2004 under previous policies	total impacts of transition to IFRS	Dec 31, 2004 under IFRS
ASSETS			
Non-current assets			
Intangible assets	1,969	688	2,657
Property, plant and equipment	10,595	1,002	11,597
Investments in associates	9,992	(279)	9,713
<i>Nissan</i>	8,259	(330)	7,929
<i>Other associates</i>	1,733	51	1,784
Non-current financial assets	769	(73)	696
Deferred tax assets	451	114	565
Other non-current assets	438	(35)	403
Total non-current assets	24,214	1,417	25,631
Current assets			
Inventories	5,142		5,142
Sales financing receivables	20,633	(826)	19,807
Automobile receivables	1,878		1,878
Current financial assets	1,248	150	1,398
Other current assets	2,306	92	2,398
Cash and cash equivalents	5,521		5,521
Total current assets	36,728	(584)	36,144
TOTAL ASSETS	60,942	833	61,775

€ million	Dec 31, 2004 under previous policies	total impacts of transition to IFRS	Dec 31, 2004 under IFRS
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	16,444	(580)	15,864
Non-current liabilities			
Deferred tax liabilities	220	234	454
Provisions - long-term	2,137	29	2,166
Non-current financial liabilities	4,858	546	5,404
Other non-current liabilities	442	(16)	426
Total non-current liabilities	7,657	793	8,450
Current liabilities			
Provisions – short-term	926	(16)	910
Current financial liabilities	2,326	121	2,447
Sales financing debts	20,355	274	20,629
Trade payables	7,234	-	7,234
Current tax liability	197	-	197
Other current liabilities	5,803	241	6,044
Total current liabilities	36,841	620	37,461
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	60,942	833	61,775

D – Comparison of changes in consolidated shareholders' equity for 2004 (IFRS/previous policies)

€ million	Share capital and premium	Treasury shares	Revaluation of financial instruments	Translation adjustment	Other reserves	Net income – Renault share	Shareholders' equity - Renault share	Minority interests	Total shareholders' equity
Balance at December 31, 2003 under previous policies	4,539	-	-	(1,066)	7,638	2,480	13,591	395	13,986
Elimination of additional Nissan quarter	-	-	-	-	(133)	-	(133)	-	(133)
Balance at January 1, 2004 after elimination of additional Nissan quarter	4,539	-	-	(1,066)	7,505	2,480	13,458	395	13,853
Total impacts of transition to IFRS	-	(519)	(35)	1,066	(887)	-	(375)	-	(375)
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)	-	-	-
Dividends	-	-	-	-	(357)	-	(357)	(35)	(392)
Cost of stock option plans	-	-	-	-	11	-	11	-	11
Change in other reserves	-	11	112	(216)	-	-	(93)	8	(85)
Impact of changes in scope of consolidation and capital increases	-	-	-	-	-	-	-	(51)	(51)
2004 net income under IFRS	-	-	-	-	-	2,836	2,836	67	2,903
Balance at December 31, 2004 under IFRS	4,539	(508)	77	(216)	8,752	2,836	15,480	384	15,864

E - Comparison of consolidated statements of cash flows for 2004 (IFRS / previous policies)

€ million	2004		
	under previous policies, excl. additional Nissan quarter	total impacts of transition to IFRS ⁽¹⁾	under IFRS excl. additional Nissan quarter
Net income	3,186	(283)	2,903
Cancellation of unrealised income and expenses:			
- Depreciation and amortisation	2,266	486	2,752
- Share in net income (loss) of associates	(2,019)	96	(1,923)
- Dividends received from associates	552	-	552
- Net allocation to long-term provisions	224	(4)	220
- Repurchase of redeemable shares	343	(222)	121
- Net effects of sales financing credit losses	155	-	155
- Net gain (loss) on asset disposals	(117)	13	(104)
- Change in fair value of redeemable shares	-	170	170
- IAS 39 Financial Instruments	-	30	30
- IFRS 2 Share-based payments	-	11	11
- Deferred taxes	168	(73)	95
- Other	50	-	50
Cash flow	4,808	224	5,032
Decrease (increase) in sales financing receivables	(1,202)	74	(1,128)
Net change in sales financing financial assets and debts	944	-	944
Decrease 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 IN CASH AND CASH EQUIVALENTS	989	-	989
Cash and cash equivalents: opening balance	4,276	-	4,276
Increase in cash	989	-	989
Effect of changes in exchange rate and other changes	256	-	256
Cash and cash equivalents: closing balance	5,521	-	5,521

(1) For an analysis of the transition to IFRS concerning 2004 net income, see chapter 3.1.4.2 of the 2004 annual report.

F – Comparison of segment information for 2004 (IFRS / previous policies)**F1 – Consolidated income statements by division**

€ million	Automobile	Sales financing	Interdivision transactions ⁽¹⁾	Consolidated total
2004 under previous policies				
Sales of goods and services	38,645	127		38,772
Sales financing revenues	-	1,943		1,943
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 expense				(348)
Share in net income (loss) of associates	2,020	-	-	2,020
Pre-tax income				3,820
Current and deferred taxes				(634)
Net income				3,186
2004 : impacts of the transition to IFRS				
Sales of goods and services	(219)	370	-	151
Sales financing revenues	-	(574)	-	(574)
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 expense				17
Share in net income (loss) of associates	(97)	-	-	(97)
Pre-tax income				(356)
Current and deferred taxes				73
Net income				(283)

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

F1 – Consolidated income statements by division (continued)

€ million	Automobile	Sales financing	Interdivision transactions ⁽¹⁾	Consolidated total
2004 under IFRS				
Sales of goods and services	38,426	497	-	38,923
Sales financing revenues	-	1,369	-	1,369
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 expense				(331)
Share in net income (loss) of associates	1,923	-	-	1,923
Pre-tax income				3,464
Current and deferred taxes				(561)
Net income				2,903

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

F2 – Consolidated balance sheets by division

€ million	Automobile	Sales financing	Interdivision transactions ⁽¹⁾	Consolidated total
December 31, 2004 under previous policies				
Non-current assets				
Property, plant and equipment and intangibles	11,991	760	(187)	12,564
Investments in associates	9,992	-	-	9,992
Non-current financial assets	2,879	14	(2,124)	769
Deferred tax assets and other non-current assets	690	137	62	889
Current assets				
Inventories	5,130	12	-	5,142
Trade receivables	1,988	20,967	(444)	22,511
Current financial assets	1,348	526	(626)	1,248
Other current assets	1,753	665	(112)	2,306
Cash and cash equivalents	4,451	1,074	(4)	5,521
TOTAL ASSETS	40,222	24,155	(3,435)	60,942
Shareholders' equity	16,476	1,717	(1,749)	16,444
Non-current liabilities				
Deferred tax liabilities and long-term provisions	2,158	154	45	2,357
Non-current financial liabilities	4,843	407	(392)	4,858
Other non-current liabilities	375	67	-	442
Current liabilities				
Provisions - short-term	857	69	-	926
Current financial liabilities	2,860	-	(534)	2,326
Sales financing debts	-	20,947	(592)	20,355
Trade payables	7,307	-	(73)	7,234
Other current liabilities and current tax liability	5,346	794	(140)	6,000
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	40,222	24,155	(3,435)	60,942

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

F2 - Consolidated balance sheets by division (continued)

€ million	Automobile	Sales financing	Interdivision transactions ⁽¹⁾	Consolidated total
2004: impacts of the transition to IFRS				
Non-current assets				
Property, plant and equipment and intangibles	1,823	(232)	99	1,690
Investments in associates	(279)	-	-	(279)
Non-current financial assets	29	(2)	(100)	(73)
Deferred tax assets and other non-current assets	109	3	(33)	79
Current assets				
Inventories	-	-	-	-
Trade receivables	-	(821)	(5)	(826)
Current financial assets	150	-	-	150
Other current assets	(3)	1,299	(1,204)	92
Cash and cash equivalents	-	-	-	-
TOTAL ASSETS	1,829	247	(1,243)	833
Shareholders' equity				
	(643)	97	(34)	(580)
Non-current liabilities				
Deferred tax liabilities and long-term provisions	181	82	-	263
Non-current financial liabilities	546	-	-	546
Other non-current liabilities	-	(16)	-	(16)
Current liabilities				
Provisions - short-term	(11)	(5)	-	(16)
Current financial liabilities	121	-	-	121
Sales financing debts	-	279	(5)	274
Trade payables				-
Other current liabilities and current tax liability	1,635	(190)	(1,204)	241
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,829	247	(1,243)	833

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

F2 - Consolidated balance sheets by division (continued)

€ million	Automobile	Sales financing	Interdivision transactions ⁽¹⁾	Consolidated total
December 31, 2004 under IFRS				
Non-current assets				
Property, plant and equipment and intangibles	13,814	528	(88)	14,254
Investments in associates	9,713	-	-	9,713
Other non-current financial assets	2,908	12	(2,224)	696
Deferred tax assets and other non-current assets	799	140	29	968
Current assets				
Inventories	5,130	12	-	5,142
Trade receivables	1,988	20,146	(449)	21,685
Current financial assets	1,498	526	(626)	1,398
Other current assets	1,750	1,964	(1,316)	2,398
Cash and cash equivalents	4,451	1,074	(4)	5,521
TOTAL ASSETS	42,051	24,402	(4,678)	61,775
Shareholders' equity				
	15,833	1,814	(1,783)	15,864
Non-current liabilities				
Deferred tax liabilities and long-term provisions	2,339	236	45	2,620
Non-current financial liabilities	5,389	407	(392)	5,404
Other non-current liabilities	375	51	-	426
Current liabilities				
Provisions - short-term	846	64	-	910
Current financial liabilities	2,981	-	(534)	2,447
Sales financing debts	-	21,226	(597)	20,629
Trade payables	7,307	-	(73)	7,234
Other current liabilities and current tax liability	6,981	604	(1,344)	6,241
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	42,051	24,402	(4,678)	61,775

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

F3 – Consolidated statements of cash flows by division

€ million	Automobile	Sales financing	Interdivision transactions ⁽¹⁾	Consolidated total
2004 under previous policies				
Net income	3,020	261	(95)	3,186
Cancellation of unrealised income and expenses:				
- Depreciation and amortisation	2,133	195	(62)	2,266
- Share in net income (loss) of associates	(2,019)	-	-	(2,019)
- Dividends received from associates	552	-	-	552
- Net allocation to long-term provisions	236	(12)	-	224
- Repurchase of redeemable shares	343	-	-	343
- Other unrealised income and expenses	86	165	5	256
Cash flow	4,351	609	(152)	4,808
Decrease (increase) in sales financing receivables	-	(1,190)	(12)	(1,202)
Net change in sales financing financial assets and debts	-	892	52	944
Decrease (increase) in working capital	401	37	(31)	407
Cash flows from operating activities	4,752	348	(143)	4,957
Purchases of intangible assets	(788)	(3)	-	(791)
Purchases of property, plant and equipment	(2,177)	(766)	251	(2,692)
Disposals of property, plant and equipment and intangibles	142	496	(169)	469
Acquisition of investments, net of disposals and other	(85)	(8)	-	(93)
Cash flows from investing activities	(2,908)	(281)	82	(3,107)
Cash flows with shareholders	(400)	(100)	100	(400)
Net change in financial assets and liabilities of the Automobile division	(464)	-	3	(461)
Cash flows from financing activities	(864)	(100)	103	(861)
Increase (decrease) in cash and cash equivalents	980	(33)	42	989

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

F3 - Consolidated statements of cash flows by division (continued)

€ million	Automobile	Sales financing	Interdivision transactions ⁽¹⁾	Consolidated total
2004: impacts of the transition to IFRS				
Net income	(295)	10	2	(283)
Cancellation of unrealised income and expenses:				
- Depreciation and amortisation	529	(91)	48	486
- Share in net income (loss) of associates	96	-	-	96
- Dividends received from associates	-	-	-	-
- Net allocation to long-term provisions	(4)	-	-	(4)
- Repurchase of redeemable shares	(222)	-	-	(222)
- Other unrealised income and expenses	141	9	1	151
Cash flow	245	(72)	51	224
Decrease (increase) in sales financing receivables	-	58	16	74
Net change in sales financing financial assets and debts	-	-	-	-
Decrease (increase) in working capital	131	(111)	-	20
Cash flows from operating activities	376	(125)	67	318
Purchases of intangible assets	-	-	-	-
Purchases of property, plant and equipment	(724)	461	(177)	(440)
Disposals of property, plant and equipment and intangibles	348	(336)	126	138
Acquisition of investments, net of disposals and other	-	-	-	-
Cash flows from investing activities	(376)	125	(51)	(302)
Cash flows with shareholders	-	-	-	-
Net change in financial assets and liabilities of the Automobile division	-	-	(16)	(16)
Cash flows from financing activities	-	-	(16)	(16)
Increase (decrease) in cash and cash equivalents	-	-	-	-

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

F3 - Consolidated statements of cash flows by division (continued)

€ million	Automobile	Sales financing	Interdivision transactions ⁽¹⁾	Consolidated total
2004 under IFRS				
Net income	2,725	271	(93)	2,903
Cancellation of unrealised income and expenses:				
- Depreciation and amortisation	2,662	104	(14)	2,752
- Share in net income (loss) of associates	(1,923)	-	-	(1,923)
- Dividends received from associates	552	-	-	552
- Net allocation to long-term provisions	232	(12)	-	220
- Repurchase of redeemable shares	121	-	-	121
- Other unrealised income and expenses	227	174	6	407
Cash flow	4,596	537	(101)	5,032
Decrease (increase) in sales financing receivables	-	(1,132)	4	(1,128)
Net change in sales financing financial assets and debts	-	892	52	944
Decrease (increase) in working capital	532	(74)	(31)	427
Cash flows from operating activities	5,128	223	(76)	5,275
Purchases of intangible assets	(788)	(3)	-	(791)
Purchases of property, plant and equipment	(2,901)	(305)	74	(3,132)
Disposals of property, plant and equipment and intangibles	490	160	(43)	607
Acquisition of investments, net of disposals and other	(85)	(8)	-	(93)
Cash flows from investing activities	(3,284)	(156)	31	(3,409)
Cash flows with shareholders	(400)	(100)	100	(400)
Net change in financial assets and liabilities of the Automobile division	(464)	-	(13)	(477)
Cash flows from financing activities	(864)	(100)	87	(877)
Increase (decrease) in cash and cash equivalents	980	(33)	42	989

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

G – Analysis of the transition to IFRS: consolidated income statements for 2004

€ million	2004 under previous policies excl. additional Nissan quarter	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 adjustment (7)	IFRS 1 /IAS 23 Borrowing costs (8)	IFRS 1 /IAS 38 Development expenses (9)	IFRS 2 Share-based payments (10)	IFRS 3 Business combinations except associates (11)	Impacts of transition to IFRS on associates (12)	Total impacts of transition to IFRS	2004 under IFRS
Sales of goods and services	38,772	-	151	-	-	-	-	-	-	-	-	-	-	151	38,923
Sales financing revenues	1,943	-	(454)	-	(120)	-	-	-	-	-	-	-	-	(574)	1,369
Revenues	40,715	-	(303)	-	(120)	-	-	-	-	-	-	-	-	(423)	40,292
Cost of goods and services sold	(31,162)	-	80	-	(1)	-	-	-	4	-	(11)	-	-	72	(31,09)
Cost of sales financing	(1,171)	-	143	-	116	-	-	-	-	-	-	-	-	259	(912)
Research and development expenses	(1,383)	-	-	-	-	-	-	-	-	(293)	-	-	-	(293)	(1,676)
Selling, general and administrative expenses	(4,581)	-	51	-	31	-	-	-	-	-	-	-	-	82	(4,499)
Operating margin	2,418	-	(29)	-	26	-	-	-	4	(293)	(11)	-	-	(303)	2,115
Other operating income and expenses, net	(270)	-	-	-	(3)	-	-	-	-	-	-	30	-	27	(243)
Operating income	2,148	-	(29)	-	23	-	-	-	4	(293)	(11)	30	-	(276)	1,872
Interest income (expenses)	(22)	-	-	-	-	-	-	-	-	-	-	-	-	-	(22)
Repurchase of redeemable shares	(343)	-	-	-	-	222	-	-	-	-	-	-	-	222	(121)
Other financial income and expenses	17	-	-	-	(35)	(170)	-	-	-	-	-	-	-	(205)	(188)
Financial income (expense)	(348)	-	-	-	(35)	52	-	-	-	-	-	-	-	17	(331)
Share in net income of associates	2,020	-	-	-	-	-	-	-	-	-	-	-	(97)	(97)	1,923
<i>Nissan - 12 months</i>	1,767	-	-	-	-	-	-	-	-	-	-	-	(78)	(78)	1,689
<i>Other associates</i>	253	-	-	-	-	-	-	-	-	-	-	-	(19)	(19)	234
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)
Net income	3,186	(23)	(18)	-	(10)	34	-	-	3	(191)	(11)	30	(97)	(283)	2,903

(1) *Mainly deferred taxes on temporary differences between the consolidated and fiscal value of investments in associates (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 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 depreciation of the vehicles capitalised.*

The breakdown of the impacts of the transition to IFRS by revenue items has been reviewed since the restated consolidated financial statements under IFRS were first published in the 2004 annual report. The same applies to the breakdown of costs by nature (cost of goods and services sold/ sales financing costs).

(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 (expense) 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 unrealised loss on the remaining shares, resulting from changes in the market value during the year, amounts to €170 million.*

(6) *The Group has decided to include previously unrecognised 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 or income in 2004, there is no impact on 2004 net income.*

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

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

(9) *The expense corresponds to the year's amortisation charge for development expenses originating prior to 2002 and capitalised 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 amortises goodwill. This has an impact of €30 million, excluding associates.*

(12) *The impacts of the transition to IFRS on associates mainly concern Nissan. Chapter 3.1.4.2 of the 2004 annual report, entitled "Consolidated financial statements restated for compliance with IFRS", analyses the impacts of each standard.*

H – Analysis of the transition to IFRS: consolidated balance sheets at December 31, 2004

€ million	Dec 31, 2004 under previous policies (13)	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 adjustment (7)	IFRS 1 /IAS 23 Borrowing costs (8)	IFRS 1 /IAS 38 Development expenses (9)	IFRS 2 Share-based payments (10)	IFRS 3 Business combinations except associates (11)	Impacts of transition to IFRS on associates (12)	Total impacts of transition to IFRS	Dec 31, 2004 under IFRS
ASSETS															
Non-current assets															
Intangible assets	1,969	-	-	-	-	-	-	-	-	681	-	7	-	688	2,657
Property, plant and equipment	10,595	-	1,015	-	-	-	-	-	(13)	-	-	-	-	1,002	11,597
Investments in associates	9,992	-	-	-	-	-	-	-	-	-	-	-	(279)	(279)	9,713
<i>Nissan</i>	8,259	-	-	-	-	-	-	-	-	-	-	-	(330)	(330)	7,929
<i>Other associates</i>	1,733	-	-	-	-	-	-	-	-	-	-	-	51	51	1,784
Non-current financial assets	769			(509)	436	-	-	-	-	-	-	-	-	(73)	696
Deferred tax assets	451	(32)	142	(1)	(50)	111	12		3	(71)	-	-	-	114	565
Other non-current assets	438	-	-	-	(35)	-	-	-	-	-	-	-	-	(35)	403
Current assets															
Inventories	5,142	-	-	-	-	-	-	-	-	-	-	-	-	-	5,142
Sales financing receivables	20,633	-	(1,010)	-	184	-	-	-	-	-	-	-	-	(826)	19,807
Automobile receivables	1,878	-	-	-	-	-	-	-	-	-	-	-	-	-	1,878
Current financial assets	1,248	-	-	-	150	-	-	-	-	-	-	-	-	150	1,398
Other current assets	2,306	-	-	-	92	-	-	-	-	-	-	-	-	92	2,398
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

H - Analysis of the transition to IFRS: consolidated balance sheets at December 31, 2004 (continued)

€ million	Dec 31, 2004 under previous policies (13)	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 adjustment (7)	IFRS 1 /IAS 23 Borrowing costs (8)	IFRS 1 /IAS 38 Development expenses (9)	IFRS 2 Share-based payments (10)	IFRS 3 Business combinations except associates (11)	Impacts of transition to IFRS on associates (12)	Total impacts of transition to IFRS	Dec 31, 2004 under IFRS
Shareholders' equity	16,444	(41)	(256)	(508)	288	(207)	(27)	-	(8)	443	-	15	(279)	(580)	15,864
Non-current liabilities															
Deferred tax liabilities	220	9	-	-	60	-	-	-	(2)	167	-	-	-	234	454
Provisions – long-term	2,137	-	-	(2)	-	-	39	-	-	-	-	(8)	-	29	2,166
Non-current financial liabilities	4,858	-	-	-	228	318	-	-	-	-	-	-	-	546	5,404
Other non-current liabilities	442	-	-	-	(16)	-	-	-	-	-	-	-	-	(16)	426
Current liabilities															
Provisions – short-term	926	-	(10)	-	(6)	-	-	-	-	-	-	-	-	(16)	910
Current financial liabilities	2,326	-	-	-	121	-	-	-	-	-	-	-	-	121	2,447
Sales financing debts	20,355	-	-	-	274	-	-	-	-	-	-	-	-	274	20,629
Trade payables	7,234	-	-	-	-	-	-	-	-	-	-	-	-	-	7,234
Current tax liability	197	-	-	-	-	-	-	-	-	-	-	-	-	-	197
Other current liabilities	5,803	-	413	-	(172)	-	-	-	-	-	-	-	-	241	6,044
TOTAL SHAREHOLDERS' 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 the consolidated and fiscal value of investments in associates (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 capitalised 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 unrecognised 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, 2004 has been reclassified as "Other reserves". This reclassification has no impact on equity.*
- (8) *Since the Group has decided to stop capitalising 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 capitalised amount of development expenses originating prior to 2002 and the corresponding 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 amortises 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 amortisation of goodwill as of that date.*
- (12) *The impacts of the transition to IFRS on associates mainly concern Nissan. Chapter 3.1.4.2 of the 2004 annual report, entitled "Consolidated financial statements restated for compliance with IFRS", analyses the impacts of each standard. These impacts include cancellation of negative goodwill concerning associates via an adjustment to equity at January 1, 2004.*
- (13) *Assets and liabilities related to non-consolidated subsidiaries and joint ventures (securities, loans and borrowings), security deposits, and derivative assets of the Sales financing division, classified as financial assets and liabilities in the consolidated financial statements restated under IFRS published in the 2004 annual report, have been reclassified as other operating assets and liabilities.*

I – Analysis of the transition to IFRS: consolidated shareholders' equity**I.1 - Consolidated shareholders' equity at January 1, 2004**

€ million	Share capital and premium	Treasury shares	Revaluation of financial instruments	Translation adjustment	Other reserves	Net income - Group share	Shareholders' equity - Group share	Minority interests	Total shareholders' equity at January 1, 2004
Balance at January 1, 2004 under previous policies	4,539	-	-	(1,066)	7,638	2,480	13,591	395	13,986
Elimination of additional Nissan quarter	-	-	-	-	(133)	-	(133)	-	(133)
Balance at January 1, 2004 after elimination of additional Nissan 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 Redeemable shares	-	-	-	-	(241)	-	(241)	-	(241)
IFRS1 / IAS 19 Actuarial gains/losses on pensions	-	-	-	-	(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 Share-based payments	-	-	-	-	-	-	-	-	-
IFRS3 Business combinations	-	-	-	-	(14)	-	(14)	-	(14)
Impacts of the transition to IFRS for associates	-	-	-	-	(127)	-	(127)	-	(127)
Total impacts of the transition to IFRS	-	(519)	(35)	1,066	(887)	-	(375)	-	(375)
Balance at January 1, 2004 under IFRS	4,539	(519)	(35)	-	6,618	2,480	13,083	395	13,478

I.2 - Consolidated shareholders' equity at December 31, 2004

€ million	Share capital and premium	Treasury shares	Revaluation of financial instruments	Translation adjustment	Other reserves	Net income - Group share	Shareholders' equity - Group share	Minority interests	Total shareholders' equity au December 31, 2004
Balance at December 31, 2004 under previous policies	4,539	-	-	(1,791)	9,761	3,551	16,060	384	16,444
Elimination of additional Nissan quarter	-	-	-	565	(133)	(432)	-	-	-
Balance at December 31, 2004 after elimination of additional Nissan 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 Redeemable shares	-	-	-	-	(241)	34	(207)	-	(207)
IFRS1 / IAS 19 Actuarial gains/losses on pensions	-	-	-	-	(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 Share-based payments	-	-	-	-	11	(11)	-	-	-
IFRS3 Business combinations	-	-	-	(1)	(14)	30	15	-	15
Impacts of the transition to IFRS for associates	-	-	-	(55)	(127)	(97)	(279)	-	(279)
Total impacts of the transition to IFRS	-	(508)	77	1,010	(876)	(283)	(580)	-	(580)
Balance at December 31, 2004 under IFRS	4,539	(508)	77	(216)	8,752	2,836	15,480	384	15,864

