



RENAULT

EARNINGS REPORT
2006 FIRST HALF

Earnings Report - First-half 2006

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KEY FIGURES

- Group worldwide sales: 1.3 million units, down 3.2% on first-half 2005:
 - France and Europe Regions: 951,000 units, down 7.6%.
 - Euromed, Americas and Asia-Africa Regions: 364,000 units, up 10.5%.
- Group revenues: €21,547 million (up 0.4% on a consistent basis).
- Group operating margin: €592 million, or 2.7% of revenues, versus €943 million and 4.4% in first-half 2005.
- Contributions from associated companies⁽¹⁾: Nissan for €1,013 million, versus €911 million in first-half 2005 (excl. non-recurring income⁽²⁾) and AB Volvo for €202 million, versus €167 million in the same period in 2005.
- Net income (Renault share): €1,627 million, or earnings per share of €6.34 (versus €2,170 million and €8.52 per share in first-half 2005).
- A €264 million reduction in debt, bringing the Automobile Division's net financial debt down to €1,988 million at June 30, 2006, versus €2,252 million at December 31, 2005.

OVERVIEW

The decline of 3.2%, or almost 44,000 units, in the Renault group's **worldwide sales** in first-half 2006 reflects contrasting performances:

- in European markets (France and Europe Regions), sales were down 7.6%, or 78,000 units, as Renault stepped up the selective commercial policy introduced in 2005 to reduce low value sales, ahead of product replacements starting in 2007. Despite the unfavorable product cycle, the Renault brand was still number two in the passenger car and light commercial vehicle (LCV) market, with a 9.5% share, and maintained its lead in the LCV market with a 14.2% share.
- Outside Europe, in the Euromed, Americas and Asia-Africa Regions, sales grew 10.5%, or 35,000 units, driven by the three Group brands: Renault (up 13.2%), Dacia (up 10.0%) and Renault Samsung (up 2.0%).

Group **revenues** totaled €21,547 million (up 0.4% on a consistent basis). The decline in sales in Europe was offset by growth in the rest of the world, together with activity in the sales network and powertrain sales.

(1) Under IFRS, "associated companies" corresponds to companies formerly defined as "accounted for by the equity method".

(2) In first-half 2005, Renault reported €450 million in non-recurring profit, linked to the finalization by Nissan of arrangements to transfer part of its retirement commitments to the Japanese government.

In first-half 2006, Group **operating margin** totaled €592 million, or 2.7% of revenues, versus 4.4% in first-half 2005.

The **Automobile Division** reported an operating margin of €323 million, or 1.6% of revenues, compared with 3.3% in first-half 2005. The decline was linked primarily to a leveling-off in sales in the European market, an unfavorable model mix and pricing effect, and product enrichment with, in particular, the transition to the Euro 4 standard. At the same time, Renault increased efforts to cut purchasing costs, despite an additional cost of €185 million due to the rise in raw material prices. The Group also kept down general and administrative expenses, despite a faster pace in international development.

The contribution of the Sales Financing subsidiary **RCI Banque** to operating margin was stable at €269 million, versus €266 million in first-half 2005.

Renault further consolidated its financial structure, reducing the **net debt of the Automobile Division** by €264 million to €1,988 million, or 9.7% of shareholders' equity (versus 11.5% at end-December 2005). The Automobile Division generated €714 million in free cash flow in the first six months of the year.

OUTLOOK

Renault confirms the full-year forecast

- In Europe, Renault will pursue its selective commercial policy. Renault will launch the phase-two Scénic in September and phase-two Trafic and phase-three Master in October.
- Outside Europe, Renault will release two versions of Logan especially designed for emerging markets: a station wagon and a LCV. The development of the Logan program, backed up by dynamic sales at Renault Samsung, will sustain sales growth.

Overall, Renault expects sales to remain at the same level as in 2005.

- Despite continuously rising energy costs and raw material prices, Renault confirms its forecast for operating margin of 2.5% in 2006.

Beyond 2006, Renault specifies its operating margin milestones

- In 2007, Renault will start its product offensive with eight new products launched in the second half of the year. Given this product rollout schedule, earnings will mainly be driven by the cost-reduction program accelerated under Renault Commitment 2009 in all company functions.
- In 2008 and 2009, earnings growth will gather momentum, driven by the reinforcement and expansion of the range (seven models in 2008 and nine models in 2009), as well as by the Group's continued international development.

Based on this outlook, Renault's operating margin milestones are 3.0% in 2007, 4.5% in 2008 to reach its commitment of 6% in 2009.

(3) Free cash flow = cash flow less net capital expenditure, including the change in the working capital requirement.

Chapter 1

Sales performance

On January 1, 2006, Renault introduced a new geographical organization based on five Regions* (France, Europe excl. France, Euromed, Americas and Asia-Africa). Each Region is overseen by a Regional Management Committee, accountable for

its Region's contribution to the company's results. The presentation of the Renault group's sales results reflects this new organization.

OVERVIEW

AUTOMOBILE

- The Renault group sold 1.3 million vehicles worldwide in first-half 2006, down 3.2% on first-half 2005.
- In the France and Europe Regions, Renault pursued its selective commercial policy, which partly explained the 7.6% decline in Group sales in a market that grew 1.8%. The Renault brand nevertheless took the number-two position for passenger cars and light commercial vehicles (cars + LCVs) combined, with 9.5% market share (down 1.2 points) and 911,000 units registered. The successful launch of Clio III in second-half 2005 put Renault back in the lead in the small-car segment (A + B). Renault was still number-one in the LCV market (14.2% market share), buoyed by the success of Kangoo, Master and Trafic. More than 26,600 Logans were sold in first-half 2006, underpinning Dacia's excellent performance.
- In the Euromed, Americas and Asia-Africa Regions, Group sales totaled almost 364,000 units, up 10.5% on end-June 2005. Those regions accounted for 27.7% of worldwide sales (versus 24.2% in first-half 2005). All the Group's brands made a positive contribution to growth: Renault sales expanded by 13.2%, Dacia by 10.0% and Renault Samsung by 2.0%.
 - Sales in the Euromed Region posted further growth (up 16.4%), driven mainly by Clio / Thalia and the rollout of Logan.
 - In the Americas Region too, Clio / Thalia and Logan contributed to the 13.4% increase in Group sales.
 - In the Asia-Africa Region, sales contracted by 2.8%: continued growth at Renault Samsung (1.8%) failed to offset a 12.2% decline in the Renault brand.

SALES FINANCING

- RCI Banque's average loans outstanding rose by 3% in first-half 2006 to €23.2 billion.

(1) In this report, the term "Region" refers to the geographical zones chosen by Renault for its new organization. For a list of the countries in each Region, see page 17 of this report.

1.1. AUTOMOBILE

1.1.1. Group worldwide sales - Cars + LCVs

	H1 2006*	H1 2005*	% change
GROUP	1,315,351	1,358,910	- 3.2
BY REGION			
France	385,478	393,725	-2.1
Europe	565,861	635,840	- 11.0
France + Europe	951,339	1,029,565	- 7.6
Euromed	186,691	160,343	16.4
Americas	91,602	80,812	13.4
Asia-Africa	85,719	88,190	- 2.8
Euromed + Americas + Asia-Africa	364,012	329,345	10.5
BY BRAND			
Renault	1,152,672	1,220,154	- 5.5
Dacia	103,374	80,622	28.2
Renault Samsung	59,305	58,134	2.0
BY VEHICLE TYPE			
Passenger cars	1,110,185	1,150,239	-3.5
Light commercial vehicles	205,166	208,671	-1.7

(*) Preliminary figures.

In first-half 2006, worldwide sales for the Renault group totaled 1,315,000 vehicles, down nearly 44,000 units or 3.2%. That result reflects a decline of 78,000 vehicles or 7.6% in the France and Europe Regions and an increase of 35,000 vehicles or 10.5% in the rest of the world (up 26,000 in the Euromed Region, up 11,000

in the Americas Region and down 2,000 in the Asia-Africa Region).

The Dacia and Renault Samsung brands continued to perform well, with sales up 23,000 and 1,000 units respectively, or 28.2% and 2.0%, whereas Renault brand sales contracted by 67,000 units or 5.5%.

1.1.2. France & Europe Regions

GROUP SALES BY BRAND - CARS + LCVs

	H1 2006*	H1 2005*	% change
FRANCE			
Renault	374,056	393,045	- 4.8
Dacia	11,422	680	+++
Group	385,478	393,725	- 2.1
EUROPE			
Renault	550,713	625,700	- 12.0
Dacia	15,148	10,140	49.4
Group	565,861	635,840	- 11.0
FRANCE + EUROPE			
Renault	924,769	1,018,745	- 9.2
Dacia	26,570	10,820	145.6
Group	951,339	1,029,565	- 7.6

(*) Preliminary figures.

The passenger car and LCV market stood at almost 9.6 million units and grew 1.8% in first-half 2006. Group registrations in the France and Europe Regions fell 7.7% in first-half 2006 to 938,000 units, representing market share of 9.8%, versus 10.8% in first-half 2005.

Market trends varied: Germany (up 2.1%) and Italy (up 8.1%), severely slowed last year by transport strikes, posted significant growth along with Belgium-Luxembourg (up 10.9%). Conversely, the automobile market declined in France (down 0.7%), the UK (down 3.8%) and Portugal (down 6.3%), and continued to slow in Poland (down 5.9%).

→ Renault brand

With almost 911,000 vehicles registered (down 9.4%) in first-half 2006, the Renault brand was ranked second in the passenger car and LCV market, representing market share of 9.5% (down 1.2 points).

The downturn can be attributed largely to the acceleration of the Group's selective commercial

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policy since the start of 2006. The policy focuses on sales channels that bring the highest value and on reducing unprofitable volumes. This involves a significant reduction in sales to short-term rental companies and corporate fleets and a decline in “tactical” registrations. Renault also refuses to take part systematically in the aggressive discounting programs in practice in most European markets.

The decline is also due to Renault’s ageing lineup, especially Mégane, whose sales fell 19.4% in first-half 2006 compared with the same period last year.

By country

In **France**, despite a 5.1% decline in registrations, Renault took 26.8% of the market (down 1.3 points) and consolidated its ranking as the leading brand. Clio, with the launch of Clio III in September 2005, and Mégane II were the two top-selling models in France, and took 8.8% and 8.6% of the passenger car market respectively.

In the Europe Region, Renault was the No. 1 brand in **Portugal** (14.4%) and **Slovenia** (22.8%), No. 2 in **Spain** (10.6%) and **Croatia** (13.7%) and No. 3 in **Belgium-Luxembourg** (10.5%), the **Netherlands** (8.4%) and **Switzerland** (6.5%).

In **Spain**, Renault sales contracted 15.5%, primarily due to a more selective commercial policy in a context of intense and costly incentive programs.

In **Germany**, the Renault brand’s good performance in the LCV market (up 2.8%) only partly offset the 15.0% decline in passenger car sales due to the Group’s efforts to concentrate on the most profitable sales.

In the **UK**, in a continuously shrinking market with aggressive discounting, Renault lost 1.5 points of market share, which stood at 6.0%.

In **Poland**, Renault sales contracted 8.0% to achieve market share of 7.8%. Renault was affected by the further decline in the Polish market (down 5.9%), where sales of used vehicles have largely taken over from new vehicle sales.

By model - passenger cars

The passenger car market in the France and Europe Regions totaled 8.4 million vehicles, a 1.6% rise on first-half 2005. The Renault brand’s market share came to 8.8% despite an 11.3% decline in sales.

By model, Renault’s performances were varied, but the brand continued to lead the B segment with Clio / Thalia and Modus, and the large MPV segment with Espace. Renault was ranked second in the C segment with Mégane II.

- In the *city-car segment (A segment)*, after 13 years on the market and prior to the replacement scheduled for next year, the number of **Twingos** registered fell 22.6% to more than 31,900 units and the model lost 3.1 points of market share. In France, despite a

10.5% fall-off in registrations, Twingo was still the segment-leader, with a share of 24.2%.

- Renault led the *small-car segment (B segment)* in the France and Europe Regions with its twin product offering – Modus and Clio. The brand held 12.1% of the segment, up three-tenths of a point on first-half 2005.

- Sales of **Modus** were down 57,000 units on first-half 2005, when sales of the model took off after its launch in September 2004. Modus captured 12.5% of the mini-MPV segment. Growth in the segment fell short of expectations and initial sales targets were not achieved. Nevertheless, 282,400 examples have been sold since the model was launched and customer surveys show a very high level of satisfaction among Modus owners.

- After the launch in September 2005 of Clio III, voted Car of the Year 2006 in Europe, **Clio** led the B segment in first-half 2006 with 10.1% of the segment. Clio II has been kept in the range as an entry level complement to Clio III, and still generated 30% of Clio sales in first-half 2006. A total of 250,955 Clios were sold between January and June 2006. For the third-generation Clio, Renault has deployed a new industrial organization at Flins in France and Bursa in Turkey, which already makes Clio Symbol and has been making Clio III since January 2006. A Renault Sport version, launched in May, is manufactured at the Dieppe plant. Clio III had an unprecedented standard of quality at market launch. That is one of the concrete achievements of Renault’s efforts to improve quality.

- **Thalia**, a sedan version of Clio, contributed to Renault’s performance in Europe in the B segment with almost 4,500 units sold.

Altogether, the A and B small-car segments grew 8.2%, generating more than one-third of sales in the France and Europe Regions.

- **Kangoo Car** is ranked second in the *passenger-carrying van segment*, with 14.1% of the segment (versus 16.8% in first-half 2005).
- **Mégane II**, which has been on the market for four years, recorded a 19.4% drop in sales since the beginning of 2006 (76,000 vehicles down on first-half 2005). With 3.6% of the European passenger car market in first-half 2006, Mégane II was the second biggest-selling vehicle in Europe across all categories. Mégane II was also number two in the *C segment* with 11.2% of the segment (13.3% in first-half 2005) and number one in the segment in France (26.3% of the segment), Slovenia (23.9%), Portugal (19.1%), Spain (13.7%) and the Netherlands (10.8%).

In first-half 2006, Renault registered almost 302,000 Mégane IIs in the France and Europe Regions, taking the number of Mégane IIs sold in the Regions to 2.2 million since the launch of the first models in the program in third-quarter 2002.

Since the launch of phase two in January 2006, featuring the Alliance's new 150hp 2.0 dCi 16V diesel engine, **Mégane II** has held up well in a segment that contracted 4.8% and that was consequently the subject of aggressive discounting. A phase-two model will also be launched for **Scénic II** starting in September 2006, with the release of a new version – the five-seat **Grand Scénic**.

- In the *upper midrange D segment*, which was flat, (dipping 0.9%) after contracting for three consecutive years, almost 47,700 **Lagunas** were sold in first-half 2006, which was 25.2% off first-half 2005.
- With 2,700 **Vel Satis** registered in first-half 2006, Renault's share of the executive *E1 segment* declined half a point to 0.8%, despite the new version launched in April 2005. In June 2006, Vel Satis was equipped with two new diesel engines: the 2.0 dCi, fitted with a particulate filter and available with 150hp and 175hp outputs, and the 180hp 3.0 dCi V6 in a more powerful version and now teamed with a six-speed proactive automatic transmission.
- **Espace IV**, which has been on the market for four years, confirmed its number-one position in the *MPV segment* with 17.5% of the segment in first-half 2006 (down 2.7 points). The MPV segment contracted 10%. Espace led the segment in France (38.9%), the Netherlands (28.7%), Belgium-Luxembourg (23.1%) and Switzerland (19.9%). In March 2006 Espace benefited from the launch of a phase-two model, equipped with the new Alliance diesel engine in 150hp and 175hp formats and fitted with a particulate filter. More than 23,800 Espace models were sold in first-half 2006, which is 8,500 units more than its nearest rival.

By model - light commercial vehicles

The light commercial vehicle market in the France and Europe Regions stood at 1.2 million vehicles, up 3.6% on first-half 2005. With stable LCV sales (168,000 units sold), the Renault brand took 14.2% of the market, off half a point, and remained number one.

Renault sales continued to grow in Germany (up 2.8%) and France (up 4.2%), where Renault garnered 34.5% of the market. By contrast, sales were down 2.4% in Italy, 5.2% in Spain and 10.4% in the UK.

- In the *small van segment*, **Kangoo Express** was still number one in the France and Europe Regions with a 19.6% share of the segment (seven-tenths of a point lower than in first-half 2005). With 55,600 units sold, Kangoo Express was the second biggest-selling LCV in Europe across all categories.
- In the *car-derived van segment*, **Clio Van** remained out in front with 14.4% of the segment (1.1 points down on 2005). Registrations of **Mégane Van** fell back 8.2% and its share of the segment fell 1.2 points to 5.4%.
- In the *van segment*, Renault was in second position with a practically stable share of the market, off one-

tenth of a point to 13.7%. Sales of **Trafic** were down a slight 0.2% while sales of **Master** were up 0.3%. A phase two for Trafic and a phase three for Master, due for release in October 2006, will reinforce the appeal of the range and boost sales. To comply with Euro 4 standards, the diesel engine range will be completely renewed with the advent of the 2.0 dCi engine developed by the Alliance. This more powerful, more flexible and more fuel-efficient engine will come in two versions – 90hp and 115hp. The power of the 2.5 dCi, which will be fitted with a particulate filter, has also been raised from 135hp to 150hp. These developments will be accompanied by new manual and robotized 6-speed gearboxes.

→ Dacia brand

With more than 57,000 Logans sold since its launch in Europe in 2005, Dacia has established a strong position in the France and Europe Regions. Sales of Logan have more than doubled since first-half 2005 (26,500 units of which more than 11,400 in France). Building on the success of the 1.4 and 1.6 gasoline engines, in March 2006 the Logan range in France and Europe added a 1.5 dCi diesel engine, already available on Clio, Modus and Kangoo. In many countries, this engine is the cheapest diesel engine and contributes to Logan's unequalled value for money. In second-quarter 2006, the new engine accounted for 33% of the registration mix in the France and Europe Regions.

1.1.3. Euromed Region

GROUP SALES BY BRAND - CARS + LCVs

	H1 2006*	H1 2005*	% change
Renault	111,222	91,362	21.7
Dacia	75,388	68,856	9.5
Renault Samsung	81	125	- 35.2
Group	186,691	160,343	16.4

(*) Preliminary figures.

In first-half 2006, the automobile market in the Euromed Region expanded 16.8% on first-half 2005. In this environment, Group sales grew 16.4% to almost 187,000 vehicles, representing 10.6% of the market and 14.2% of Renault's worldwide sales.

→ Renault brand

The Renault brand grew sales by a further 21.7% to more than 111,000 units, equal to 59.6% of Group sales in the Region. The Renault brand's market share came to 6.2%, stable on first-half 2005.

- In **Turkey**, the market gained 6.8% in first-half 2006. Renault sales were down 6.6% and the brand was number two in the passenger car and LCV market, with a share of 13.2%, 1.9 points down on

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first-half 2005. Renault led the passenger car market and was number one in both the B segment, where it held 17.8% with Thalia, Clio and Modus, and the C segment, with Mégane (16.6% of the segment). Mégane and Thalia are respectively the leading and fourth biggest-selling models across all segments. The Group's total market share, including Logans sold under the Dacia brand, reached 14.4%.

- In **Russia**, Renault sales surged 194.4%, powered by the success of Logan, which is assembled at the Avtoframos plant in Moscow and sold since September 2005 under the Renault brand. In first-half 2006, almost 21,000 Logans were registered on the Russian market and 25,000 vehicles were manufactured between April 2005 and May 2006 at the Moscow plant. To keep pace with demand and the international deployment of the model, output will increase from 60,000 to 80,000 vehicles a year from 2007.
- In **Morocco**, Renault was in second position, behind Dacia, with 15.5% of the market. In first-half 2006, Renault sales rose 5.9%, buoyed by a market that expanded 33.4% and a 25% increase in sales of Kangoo (4,100 units sold in first-half 2006).

→ Dacia brand

Dacia sales increased 9.5% in the Euromed Region on first-half 2005. With almost 75,400 vehicles registered, Dacia took 4.4% of the market in the Region.

- In **Romania**, Dacia sales fell off 10.1% to 56,400 units. Dacia's share of the Romanian market was down 6.7 points to 42.7%. The market was on hold while consumers waited for bonuses announced by the Romanian government aimed at taking the oldest vehicles off the road. The downturn can also be attributed to the drop in sales of the pickup, whose volumes plummeted 39.1% to 6,600 units at end-June 2006. Dacia nevertheless continued to lead the market, with 34 points of market share ahead of its nearest rival. This performance was driven by the success of Logan, which accounted for 42.9% of the passenger cars registered in Romania and sales of which grew a further 5.7% to almost 49,800 units. Since the model was launched in September 2004, more than 158,000 Logans have been sold in Romania and more than 250,000 units manufactured at the Dacia plant in Pitesti, Romania.

Combining the Renault and Dacia brands, the Group's total share of the Romanian passenger car and LCV market was 50.5%.

- In **Morocco**, Logan has been assembled at the SOMACA plant in Casablanca since July 2005, using CKDs mainly shipped from Romania. With this local plant and 7,000 Logans sold in first-half 2006, Dacia won 16.7% of the market in just a few months. The brand led the Moroccan market and Logan was the top-selling vehicle across all categories.

Thanks to the strong combined performance of the Renault and Dacia brands in Morocco, the Group expanded its market share by 12.1 points to 32.2%.

- Logan has also been a big success in **Turkey**, where more than 4,100 units were sold, a 14.8% increase on first-half 2005, and in **Algeria** and **Ukraine** (4,100 and 2,200 units sold respectively in first-half 2006).

1.1.4. Americas Region

GROUP SALES BY BRAND - CARS + LCVs

	H1 2006*	H1 2005*	% change
Renault	89,847	79,470	13.1
Dacia	241	-	-
Renault Samsung	1,514	1,342	12.8
Group	91,602	80,812	13.4

(*) Preliminary figures.

The automobile market in the Americas Region expanded 9.4% on first-half 2005. With 91,600 vehicles sold, an increase of 13.4%, the Group took 4.3% of the market. The Region accounted for 7% of Renault's worldwide sales.

The bulk of the Group's sales in the Americas Region (98%) were generated by the Renault brand, which grew sales by 13.1% to reach 4.2% market share in first-half 2006.

- In **Argentina**, the automobile market grew 18.2%. Driven by Clio (up 102.4%), Kangoo (up 79.0%) and Mégane (up 33.8%), Renault increased sales by 40.4%. With almost 27,000 units sold, Renault's market share gained 1.8 points to 11.6%.
- In **Brazil**, Renault took 2.9% of the market with more than 23,300 vehicles sold. Renault sales remained practically stable (down 0.4%) on first-half 2005 in a market that expanded 8.4%. The Brazilian market has seen the expansion of flex-fuel engines, which accounted for 76% of registrations. Despite the launch of Clio 1.6 16V Hi-Flex, Renault's product range needs to be expanded and adapted to take full advantage of market growth. Thalia performed well again, increasing sales by 5.8%, but sales volumes of Mégane fell 8.7%. The launch of Mégane II Sedan in March 2006, which already generated 39% of Mégane sales in second-quarter 2006, was a first step towards boosting sales. The station wagon version of Mégane II will be released at the end of the year. Other significant launches are planned under the Renault Commitment 2009, plan aimed at reinforcing Renault's product range in Brazil and the export potential of Curitiba, which will assemble Logan from 2007.

- In **Colombia**, in a market that expanded 42.1%, Renault sales grew 40.9%. With 15,000 vehicles sold, Renault took 17.8% of the market (down just two-tenths of a point on first-half 2005) and consolidated its number-two position. The fall-off in sales of Thalia (down 11.9%) and Mégane (down 18.8%) were offset by strong performances by Clio (up 61.3%) and Twingo (up 36.8%), and by the success of Logan. The model was launched under the Renault brand in September 2005 and 2,900 units were sold in first-half 2006.
- In **Mexico**, Renault's market share fell half a point to 1.9% in a market that gained 1.4%. In first-half 2006, Renault sales fell 18.3% to almost 9,900 units and were negatively impacted by poor performances by all the models in the range (Mégane: down 30.4%, Kangoo: down 17.9%, Clio: down 9.0%).
- In **Venezuela**, Logan's popularity enabled Renault to grow sales by 28.8% and more than offset losses on other models, especially Twingo, down 32.9%. Logan was also launched under the Renault brand in September 2005 and accounted for 39.8% of the brand's sales mix in first-half 2006, with nearly 2,200 units sold.

A total of 6,100 Logans were sold in first-half 2006. Most of these vehicles were sold under the Renault brand, except 241 units sold under the Dacia brand in Guadeloupe, Martinique, French Guiana and St Martin.

1.1.5. Asia-Africa Region

GROUP SALES BY BRAND - CARS + LCVs

	H1 2006*	H1 2005*	% change
Renault	26,834	30,577	- 12.2
Dacia	1,175	946	24.2
Renault Samsung	57,710	56,667	1.8
Group	85,719	88,190	- 2.8

(*) Preliminary figures.

In the Asia-Africa Region, the market expanded 11.8% on first-half 2005 whereas Group sales contracted 2.8%. With more than 85,700 vehicles sold, the Group took 0.8% of the market. Group sales in the Asia-Africa Region accounted for 7% of Renault's worldwide sales.

→ Renault Samsung brand

In first-half 2006, sales of Renault Samsung Motors were up 1.8% to more than 57,700 units on the strength of the brand's strong performance in **South Korea** (where Renault Samsung generates 97.3% of its worldwide sales).

In Korea, Renault Samsung held 12.5% (down half a point) of the passenger car market. Since the complete replacement of the product range between November 2004 and August 2005, Renault Samsung has managed to hold onto its third position in the Korean market:

- The **SM7**, launched in fourth-quarter 2004, recorded sales of 9,000 units in first-half 2006 and took 12.6% of the "Large and Luxury" segment, remaining in second position despite a 41.5% fall-off in sales.
- The new **SM5**, released at the beginning of 2005, sold more than 32,800 units, a 13.1% increase in sales on first-half 2005. Renault Samsung's share of the mid-segment reached 26.3%, which consolidated its number-two position in the segment.
- After a complete restyling in August 2005, sales of **SM3** in first-half 2006 jumped 37.8% to 16,000 units. SM3's share of the sub-mid segment totaled 23.9%, taking Renault Samsung to second position in the segment.

At end-June, Renault Samsung Motors exported 15,700 vehicles, mainly for sale by Nissan under its own brand, as part of the Alliance agreement.

→ Renault brand

Sales of the Renault brand declined 12.2% to 26,800 units in the Asia-Africa Region, negatively impacting the Group's performance in the Region.

- In **South Africa** (including Namibia), the Renault brand's leading market in the Asia-Africa Region, Renault sold 8,700 vehicles in first-half 2006, down 11.6% on first-half 2005. Sales of Mégane dropped 36.9% whereas Clio and Modus grew 12.9% and 46.4% respectively in first-half 2006.

Chapter 1

Sales performance

INTERNATIONAL ROLL OUT OF THE LOGAN PROGRAM

LOGAN UNIT SALES	H1 2006*	H1 2005*	Total since Sept. 2004
DACIA BRAND			
France	11,422	680	21,220
Europe	15,113	9,750	37,143
Euromed	68,757	51,510	193,420
<i>o/w:</i>			
Romania	49,809	47,127	117,210
Morocco	6,998	-	6,998
Turkey	4,136	3,602	8,215
Americas	241	-	403
Asia-Africa	1,174	194	2,718
LOGAN TOTAL UNDER THE DACIA BRAND	96,707	62,134	254,904
RENAULT BRAND			
Euromed	21,115	-	28,172
<i>o/w:</i>			
Russia	21,115	-	21,115
Americas	5,846	-	8,704
LOGAN TOTAL UNDER THE RENAULT BRAND	26,961	-	36,876
LOGAN TOTAL	123,668	62,134	291,780

(*) Preliminary figures.

Production

The plant in Romania is the main Logan production site, supplying 35 of the 42 countries where Logan is sold, namely the whole of the France and Europe Regions plus Turkey, Algeria, Ukraine, the Middle East and Central Africa. Logan is also manufactured in Russia (since April 2005), Morocco (since June 2005) and Colombia (since July 2005). Production of Logan will start up shortly in Iran, followed by India and Brazil in 2007.

Sales and marketing

Logan is sold under the Renault brand in four countries (Russia, Colombia, Venezuela and Ecuador) and under the Dacia brand in the rest of the world, and makes a strong contribution to the brand's growth.

Since the model was launched in Romania in September 2004, 292,000 Logans have been sold worldwide. Logan has been a major success, especially in France and in the Europe Region, where the model is available in 26 countries (including Spain,

Germany, Italy, Netherlands, Belgium, Luxembourg, Switzerland, Poland, Serbia, Hungary, Czech Republic, Slovakia, Slovenia, Croatia and Bosnia).

Sales of Logan in the France and Europe Regions account for 21.5% of worldwide sales of the model. The bulk of Logan sales were recorded in the Euromed Region (72.7% of total sales in first-half 2006), with Romania alone accounting for 40.3% of sales (versus 75.8% in first-half 2005). The remainder was generated by the Americas and Asia-Africa Regions, which contributed 5% and 1% of worldwide Logan sales respectively.

Expanding the range

The Logan range will be expanded with the launch of a station wagon version and a small van in Romania in second-half 2006 followed by other European countries. The Logan Steppe show-car, premiered at Geneva, demonstrates the Group's plans to extend the Logan range. The ongoing deployment of Logan is part of Renault Commitment 2009 plan and will include the launch of a pickup and a hatchback.

1.2. SALES FINANCING

1.2.1. Proportion of new vehicle registrations financed

In first-half 2006, RCI Banque financed a stable share of Renault, Nissan and Dacia registrations in the **France and Europe Regions** (33.2%, versus 33.3% in first-half 2005). RCI Banque's performance was stable on the Renault brand (34.2%, versus 34.3% in first-half 2005) and improved on the Nissan brand (30.1% at end-June 2006, versus 28.9% at end-June 2005).

Outside Europe, the proportion of registrations financed by RCI Banque varied significantly by Region:

- in the **Americas Region**, RCI Banque's share fell to 29.8% from 33.5% in first-half 2005, since good results achieved in Argentina were not enough to offset the decline in Brazil;
- by opening a finance subsidiary in South Korea in March 2006, RCI Banque is now present in the **Asia-Africa Region**, with a share of 8.4% (South Korea is currently RCI Banque's only outlet in the Region);
- in the **Euromed Region**, the proportion of registrations financed by RCI Banque rose significantly to 34.1% (versus 29.5% in first-half 2005) on strong results in Romania.

1.2.2. RCI Banque's new financing contracts and average loans outstanding

RCI Banque generated €5.1 billion in new financing contracts excluding "card" business at end-June 2006 (versus €5.3 billion in first-half 2005, a decline of 4.3%) with 500,734 new contracts in first-half 2006, compared with 541,683 in first-half 2005, a decline of 7.6%.

In first-half 2006, RCI Banque's average loans outstanding grew 3% (or 2.6% on a like-for-like basis) to €23.2 billion, including €5.6 billion in network loans outstanding and €17.6 billion in customer loans outstanding.

1.2.3. International expansion

Aside from the start-up of business in South Korea, RCI Banque continued to expand internationally, by increasing its presence in Poland (full ownership of the consumer credit business, which enhances coverage of the country with 100% RCI Banque solutions) and Romania.

In first-half 2006, RCI Banque also launched finance businesses in:

- **Russia** (consumer finance for Renault and Nissan, through an accord with IMB, a bank in the HVB group);
- **Colombia** (start-up of RCI Servicios Colombia SA in March 2006 through a business agreement);
- **Croatia** (start-up of consumer business through an agreement with ZABA in January 2006).

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Sales performance

1.3. SALES AND PRODUCTION STATISTICS

TOTAL INDUSTRY VOLUME - CARS + LCV (IN UNITS)

MAIN RENAULT GROUP MARKETS

	H1 2006*	H1 2005*	% change
France Region	1,344,377	1,353,868	- 0.7
Europe Region	8,232,289	8,048,878	2.3
<i>o/w:</i>			
Germany	1,837,187	1,798,887	2.1
Italy	1,450,716	1,341,890	8.1
UK	1,413,693	1,468,940	- 3.8
Spain+Canary Islands	1,008,743	1,009,084	0.0
Belgium+Luxembourg	393,569	354,759	10.9
Poland	137,860	146,531	- 5.9
FRANCE + EUROPE REGIONS	9,576,666	9,402,746	1.8
Euromed Region	1,721,366	1,474,367	16.8
<i>o/w:</i>			
Romania	132,072	126,948	4.0
Russia	861,635	712,164	21.0
Turkey	325,363	304,541	6.8
Algeria	75,317	77,180	- 2.4
Morocco	42,096	31,559	33.4
Americas Region	2,118,528	1,937,030	9.4
<i>o/w:</i>			
Mexico	528,657	521,106	1.4
Colombia	85,315	60,048	42.1
Brazil	817,774	754,100	8.4
Argentina	232,691	196,840	18.2
Asia-Africa Region	10,898,439	9,748,453	11.8
<i>o/w:</i>			
South Africa	297,996	253,141	17.7
South Korea	568,931	534,461	6.4
EUROMED + AMERICAS** + ASIA-AFRICA REGIONS	14,738,333	13,159,850	12.0

(*) Preliminary figures.

(**) Excludes North America

RENAULT GROUP

REGISTRATIONS (REG'S) AND MARKET SHARE (MKT SH.) - CARS + LCVs

SALES PERFORMANCE ON MAIN MARKETS	H1 2006*		H1 2005*	
	Reg's (in units)	Mkt Sh. (as a %)	Reg's (in units)	Mkt Sh. (as a %)
France Region	371,705	27.7	380,524	28.1
Europe Region	565,797	6.9	635,691	7.9
<i>o/w:</i>				
Germany	87,206	4.7	97,952	5.4
Italy	87,021	6.0	92,852	6.9
UK	84,213	6.0	109,441	7.5
Spain+Canary Islands	110,416	10.9	126,461	12.5
Belgium+Luxembourg	41,622	10.6	40,688	11.5
Poland	11,637	8.4	13,269	9.1
FRANCE + EUROPE REGIONS	937,502	9.8	1,016,215	10.8
Euromed Region	186,691	10.6	160,343	10.9
<i>o/w:</i>				
Romania	66,651	50.5	73,984	58.3
Russia	30,864	3.6	10,483	1.5
Turkey	46,936	14.4	49,752	16.3
Algeria	13,006	17.3	10,932	14.2
Morocco	13,555	32.2	6,339	20.1
Americas Region	91,602	4.3	80,812	4.2
<i>o/w:</i>				
Mexico	9,885	1.9	12,099	2.3
Colombia	15,165	17.8	10,765	17.9
Brazil	23,345	2.9	23,441	3.1
Argentina	26,986	11.6	19,214	9.8
Asia-Africa Region	85,719	0.8	88,190	0.9
<i>o/w:</i>				
South Africa	8,675	2.9	9,811	3.9
South Korea	57,710	10.1	55,881	10.5
EUROMED + AMERICAS + ASIA-AFRICA REGIONS	364,012	2.5	329,345	2.5

(*) Preliminary figures.

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RENAULT GROUP REGISTRATIONS IN FRANCE AND EUROPE REGIONS BY MODEL (IN UNITS) - CARS + LCVs

	H1 2006*	H1 2005*	% change
Twingo	31,925	41,244	- 22.6
Clio / Clio III	269,829	192,741	40.0
Thalia	4,477	7,989	- 44.0
Modus	50,040	105,095	- 52.4
Logan	26,498	10,430	154.1
Mégane / Mégane II	310,833	386,142	- 19.5
Laguna	46,993	63,233	- 25.7
Vel Satis	2,737	4,639	- 41.0
Espace / Espace IV	24,124	30,915	- 22.0
Kangoo	84,349	88,901	- 5.1
Trafic / Trafic II	40,752	40,925	- 0.4
Master / Master II	39,206	37,775	3.8
Mascott** / RWD Master	5,426	5,363	1.2
Other	313	823	- 62.0
REGISTRATIONS IN FRANCE + EUROPE	937,502	1,016,215	- 7.7

RENAULT GROUP REGISTRATIONS IN EUROMED, AMERICAS AND ASIA-AFRICA REGIONS BY MODEL (IN UNITS) - CARS + LCVs

	H1 2006*	H1 2005*	% change
Twingo	5,999	5,602	7.1
Clio / Clio III	49,365	38,430	28.5
Thalia / Symbol	38,953	47,748	- 18.4
Modus	2,776	1,615	71.9
Logan	97,133	51,704	87.9
Mégane / Mégane II	59,561	66,200	- 10.0
Laguna	2,110	3,678	- 42.6
Vel Satis	59	56	5.4
Espace / Espace IV	119	64	85.9
SM3	17,180	13,168	30.5
SM5	33,083	29,496	12.2
SM7	9,042	15,470	- 41.6
Pick-up (1300)	6,603	11,143	- 40.7
Kangoo	33,138	30,836	7.5
Trafic / Trafic II	2,231	1,775	25.7
Master / Master II	6,434	4,970	29.5
Mascott** / RWD Master	260	181	43.6
Other	61	7,209	- 99.2
REGISTRATIONS IN EUROMED + AMERICAS + ASIA-AFRICA	364,107	329,345	10.6

(*) Preliminary figures.

(**) Mascott is distributed by Renault Trucks, a subsidiary of AB Volvo.

RENAULT GROUP

SALES PERFORMANCE OF MODELS BY SEGMENT FRANCE AND EUROPE REGIONS*

	% change H1 06 / H1 05	Renault market share			
		% H1 2006	% H1 2005	% pts change H1 06 / H1 05	Rank H1 2006
PASSENGER CARS					
A segment					
Twingo	24.1	5.1	8.2	- 3.1	11
B segment					
Clio / Clio III	4.8	10.1	7.3	2.8	1
Thalia	4.8	0.2	0.3	- 0.1	33
Modus	4.8	2.0	4.5	2.5	17
Logan	4.8	1.1	0.5	0.6	22
C segment					
Mégane / Mégane II	- 4.8	11.2	13.3	2.1	2
D segment					
Laguna	- 0.9	3.5	4.7	1.2	11
E1 segment					
Vel Satis	- 6.7	0.8	1.3	- 0.5	16
MPV segment					
Espace / Espace IV	- 10.0	17.5	20.2	- 2.7	1
Passenger - carrying van					
Kangoo	3.6	4.7	5.0	0.3	2
Trafic / Trafic II	3.6	2.9	3.0	- 0.1	11
LIGHT COMMERCIAL VEHICLES					
Car-derived vans					
Twingo	12.0	0.3	0.4	- 0.1	35
Clio	12.0	14.4	15.6	- 1.1	1
Modus	12.0	1.3	0.6	0.7	19
Mégane / Mégane II	12.0	5.4	6.6	- 1.2	4
Small vans					
Kangoo	1.2	19.6	20.4	- 0.7	1
Vans					
Trafic / Trafic II	- 0.5	6.2	6.2	0,0	7
Master / Master II	- 0.5	6.6	6.5	0.1	6
Mascott / RWD Master	- 0.5	0.3	0.2	0.1	21

(*) Preliminary figures.

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Sales performance

RENAULT GROUP WORLDWIDE PRODUCTION BY MODEL AND SEGMENT ⁽¹⁾ (IN UNITS) - CARS + LCVs

	H1 2006*	H1 2005*	% change
Logan	130,572	72,097	81.1
Solenza	-	5,694	-
Total low-cost segment	130,572	77,791	67.8
Twingo	36,193	47,172	- 23.3
Clio**	115,232	248,966	- 53.7
Clio III	217,521	6,299	+++
Thalia	45,226	56,202	- 19.5
Modus	42,698	103,076	- 58.6
Total A and B segments	456,870	461,715	- 1.0
Mégane / Mégane II	370,696	460,891	- 19.6
SM3	33,679	12,927	160.5
Total C segment	404,375	473,818	- 14.7
Laguna II	44,971	66,830	- 32.7
SM5	34,155	28,701	19.0
SM7	10,360	15,274	- 32.2
Espace IV	25,035	31,724	- 21.1
Vel Satis	2,651	5,019	- 47.2
Total D, E and MPV segments	117,172	147,548	- 20.6
Kangoo	122,221	133,673	- 8.6
Trafic II ⁽²⁾	-	-	-
Master II	58,992	57,841	2.0
Mascott	9,252	7,861	17.7
Pick-up 1310	6,431	11,080	- 42.0
Total small vans, vans and pickups	196,896	210,455	- 6.4
WORLDWIDE GROUP PRODUCTION	1,305,885	1,371,327	- 4.8

(1) Production data are taken from vehicles rolling off the assembly lines.

(2) New Trafic production at the General Motors Europe plant in Luton (UK) and the Nissan plant in Barcelona (Spain) was not recorded as Renault production.

(*) Preliminary figures.

(**) In first-half 2006, this figure includes 4,993 Renault-badged Clios produced at the Nissan plant in Aguascalientes, Mexico.

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NEW REGIONAL MANAGEMENT STRUCTURE - COUNTRIES IN EACH REGION

AMERICAS	ASIA-AFRICA	EUROMED	EUROPE (EXCL. FRANCE)	FRANCE
NORTHERN LATIN AMERICA	ASIA PACIFIC	EASTERN EUROPE	Austria	Metropolitan France
Colombia	Australia	Bulgaria	Germany	
Costa Rica	Indonesia	Moldova	Belgium-Lux.	
Cuba	Japan	Romania	Bosnia	
Ecuador	Malaysia		Cyprus	
Honduras	New Caledonia	RUSSIA / CIS	Croatia	
Mexico	New Zealand	Armenia	Denmark	
Nicaragua	Singapore	Belarus	Spain	
Panama	Tahiti	Georgia	Finland	
El Salvador	Thailand	Kazakhstan	Greece	
Venezuela		Russia	Hungary	
Dominican Republic	INDIA	Ukraine	Ireland	
Guadeloupe		...	Iceland	
French Guiana	MIDDLE EAST & FRENCH-SPEAKING AFRICA	TURKEY	Italy	
Martinique	Saudi Arabia	Turkey	Kosovo	
	Egypt	Turkish Cyprus	Macedonia	
SOUTHERN LATIN AMERICA	Jordan	...	Malta	
Argentina	Lebanon	NORTH AFRICA	Montenegro	
Brazil	Libya	Algeria	Norway	
Bolivia	Pakistan	Morocco	Baltic States	
Chile	Gulf States	Tunisia	Netherlands	
Paraguay	Syria		Poland	
Peru	+ French-speaking Africa		Portugal	
Uruguay			Czech Republic	
	AFRICA & INDIAN OCEAN		UK	
	South Africa		Serbia	
	+ sub-Saharan Africa		Slovakia	
	Indian Ocean islands		Slovenia	
			Sweden	
	KOREA		Switzerland	
	IRAN			
	CHINA			
	Hong Kong			
	Taiwan			
	ISRAEL			

Chapter 2

Financial statements

2.1. COMMENTS ON THE FINANCIAL RESULTS

OVERVIEW

- The Group's consolidated revenues totaled €21,547 million, up 0.4% on first-half 2005 on a consistent basis.
- Operating margin reached €592 million, or 2.7% of revenues, versus 4.4% in first-half 2005.
- Nissan's contribution to Renault's earnings amounted to €1,013 million in first-half 2006, versus €911 million in first-half 2005 (excl. non-recurring income ⁽¹⁾). AB Volvo contributed €202 million, versus €167 million in first-half 2005.
- Net income (Renault share) totaled €1,627 million, compared with €2,170 million in first-half 2005.
- The Automobile Division generated €714 million in free cash flow ⁽²⁾ (versus €1,549 million in first-half 2005). The Division's net financial debt was down €264 million over December 31, 2005 to €1,988 million.

2.1.1. Consolidated financial statements

Group **revenues** rose 0.4% on a consistent basis to €21,547 million in first-half 2006.

DIVISIONAL CONTRIBUTION TO GROUP REVENUES

€ million	2006 reported			2005, 2006 scope			Chg 2006 / 2005			2005 reported
	Q1	Q2	H1	Q1	Q2	H1	Q1	Q2	H1	
Automobile	10,055	10,505	20,560	9,500	11,020	20,520	5.8%	- 4.7%	0.2%	20,374
Sales financing	483	504	987	461	489	950	4.8%	3.1%	3.9%	950
Total	10,538	11,009	21,547	9,961	11,509	21,470	5.8%	- 4.3%	0.4%	21,324

The contribution of the **Sales Financing subsidiary** RCI Banque to Group revenues amounted to €987 million, up 3.9%. The increase is chiefly due to growth in insurance services and average loans outstanding (up 3%) amid a decline in leasing-related income.

The contribution of the **Automobile Division** to Group revenues rose 0.2% on a consistent basis to €20,560 million. This is attributable to a decline in sales in European markets, due to the selective commercial policy and anticipation ahead of replacements for several key products in the range

(Twingo, Kangoo, Laguna), scheduled for 2007. The negative impact was offset by sales growth in the rest of the world across all three Group brands, by the start-up of exports of SM3 by Renault Samsung Motors on behalf of Nissan, by a slightly positive currency effect, mainly in South Korea and Mercosur, and by other businesses, including sales of spare parts, powertrains and built-up vehicles to partners.

Group **operating margin** in first-half 2006 came to €592 million, or 2.7% of revenues, versus 4.4% in first-half 2005.

(1) In first-half 2005, Renault reported €450 million in non-recurring profit, linked to the finalization by Nissan of arrangements to transfer part of its retirement commitments to the Japanese government.

(2) Free cash flow = cash flow less net capital expenditure, including the change in the working capital requirement.

DIVISIONAL CONTRIBUTION TO GROUP OPERATING MARGIN

€ million	H1 2006	H1 2005	Year 2005
Automobile	323	677	858
% of revenues	1.6%	3.3%	2.2%
Sales financing	269	266	465
% of revenues	27.3%	28.0%	24.7%
Total	592	943	1,323
% of revenues	2.7%	4.4%	3.2%

The **Sales Financing subsidiary** RCI Banque contributed €269 million to Group operating margin, or 27.3% of its revenues, versus €266 million in first-half 2005.

The operating margin of the **Automobile Division** amounted to €323 million (1.6% of the Division's revenues), versus €677 million (3.3% of revenues) in first-half 2005.

This decline can be attributed primarily to:

- A leveling-off in sales, particularly in the European market;
- An unfavorable mix and price effect against a backdrop of strong sales growth for Clio and Logan;

- Product enrichment, particularly the costs of the transition to the Euro 4 standard, which were not passed on to the end customer;
- An increase in manufacturing costs, since fixed costs had to be absorbed across a smaller sales base.

At the same time, the Group stepped up efforts to cut purchasing costs, despite an additional cost of €185 million due to the rise in raw material prices.

The Group managed to curb the rise in general and administrative expenses despite the faster pace of its international expansion.

RESEARCH AND DEVELOPMENT EXPENSES (*)

€ million	H1 2006	H1 2005	Year 2005
R&D expenses	1,227	1,160	2,264
% of revenues	5.7%	5.4%	5.5%
Capitalized development expenses	- 543	- 421	- 833
% of R&D expenses	44.3%	36.3%	36.8%
Amortization	337	320	603
R&D expenses recorded in the income statement	1,021	1,059	2,034
% of revenues	4.7%	5.0%	4.9%

(*) R&D expenses are fully incurred by the Automobile Division.

In first-half 2006, **Research and Development expenses** amounted to €1,227 million, €67 million higher than in first-half 2005 and equivalent to 5.7% of revenues (versus 5.4% in first-half 2005).

This increase is mainly due to the development of the future product line-up under Renault Commitment 2009 (24 products in three years), and relates chiefly to capitalizable expenses. Capitalized R&D expenses reached €543 million, up €122 million, or 44.3% of the total, versus 36.3% in first-half 2005.

Other operating income and expenses showed income of €57 million, including €120 million from the sale of land in France and Spain.

After recognizing this item, Group **operating income** came out at €649 million, versus €1,207 million in first-half 2005.

Net financial income/expense showed a charge of €36 million, compared with a charge of €186 million in first-half 2005.

- Automobile debt service amounted to €24 million, down €5 million on first-half 2005 despite a rise in average indebtedness during the period. The Group continued to optimize its debt service by managing cash funds more actively.
- The fair value change in Renault SA redeemable shares in first-half 2006 had a negligible impact, i.e. a €4 million increase, compared with a negative impact of €174 million in first-half 2005.

Renault booked a profit of €1,212 million from its share in the **net income of associated companies**⁽¹⁾ at June 30, 2006.

(1) Under IFRS, "associated companies" corresponds to companies formerly defined as "accounted for by the equity method".

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- Renault continued to benefit from **Nissan's** performance, with a €1,013 million contribution (versus €911 million, excl. non-recurring income of €450 million in first-half 2005).
- **AB Volvo**, accounted for by the equity method in Renault's financial statements, contributed a positive €202 million, versus €167 million in first-half 2005.

In first-half 2006, **current and deferred taxes** amounted to a net charge of €166 million, compared with a net charge of €346 million in first-half 2005. The effective tax rate (before the impact of income from associated companies) was 27.1%, compared with 33.9% in first-half 2005. The decline is attributable in particular to tax credits for research activity in South Korea.

Net income (Renault share) for first-half 2006 was €1,627 million, compared with €2,170 million in first-half 2005. After neutralizing treasury stock and Renault shares held by Nissan, earnings per share came to €6.34, versus €8.52 in first-half 2005.

2.1.2. Investments and future-related costs

Net capital expenditure by the Automobile Division came to €1,795 million in first-half 2006 (including €543 million in capitalized R&D expenses), compared with €1,405 million in first-half 2005 (including €421 million in capitalized R&D).

TANGIBLE AND INTANGIBLE INVESTMENTS NET OF DISPOSALS BY DIVISION

€ million	H1 2006	H1 2005	Year 2005
Tangible investments	1,676	1,424	2,903
Intangible investments	564	440	876
<i>o/w capitalized R&D</i>	543	421	833
Total acquisitions	2,240	1,864	3,779
Disposal gains	- 445	- 459	- 900
Total - Automobile Division	1,795	1,405	2,879
Total - Sales Financing	- 72	45	66
TOTAL - GROUP	1,723	1,450	2,945

In first-half 2006, capital expenditure by the Automobile Division was directed primarily at renewing products and components and upgrading facilities.

- In Europe, range-related investments accounted for 65% of total gross outlays. Funds were allocated chiefly to the next Laguna and to a new vehicle for the B segment.

- International investments accounted for 26% of the gross total spend. Funds were assigned to the production of Logan in Brazil, a new version of Logan in Romania, and the Renault Samsung Motors range.

The main non product-related investments were in quality, working conditions and the environment, as in 2005.

RENAULT GROUP - FUTURE-RELATED COSTS

€ million	H1 2006	H1 2005	Year 2005
Capital expenditure, net of disposals	1,723	1,450	2,945
Capitalized development expenses	- 543	- 421	- 833
Leased vehicles (net of disposals)	- 221	- 290	- 293
Net industrial and commercial investments (1)	959	739	1,819
<i>% of revenues</i>	4.5%	3.5%	4.4%
R&D expenses (2)	1,227	1,160	2,264
<i>% of revenues</i>	5.7%	5.4%	5.5%
Future-related costs (1)+(2)	2,186	1,899	4,083
<i>% of revenues</i>	10.2%	8.9%	9.9%



In addition to these outlays, the Group incurs expenses on its R&D projects. In all, **future-related** costs for the Group's automobile businesses were equivalent to 10.2% of revenues.

2.1.3. Automotive debt

The net **financial debt of the Automobile Division** amounted to €2,252 million at December 31, 2005.

In first-half 2006, it fell by €264 million to €1,988 million, or 9.7% of shareholders' equity (compared with 11.5% at December 31, 2005).

The following items contributed to this outcome:

- cash flow contracted by €67 million compared with first-half 2005 to €2,297 million, including €377 million in dividends from associated companies (compared with €314 million in first-half 2005), of which:
 - €206 million from Nissan;
 - €158 million from AB Volvo.

- net capital expenditure amounted to €1,795 million, compared with €1,405 million at June 30, 2005.
- the working capital surplus was up €212 million at June 30, 2006, owing to a seasonally-driven rise in trade payables.

Consequently, the Automobile Division generated €714 million in **free cash flow**.

- The dividend payout for first-half 2006 was €681 million, compared with €554 million in first-half 2005, including €664 million paid by Renault SA.

The improvement in the Automobile Division's net financial debt is also attributable to translation gains (including €192 million in yen-denominated debt) and a fair value gain on financial instruments (€30 million).

AUTOMOBILE DIVISION - NET FINANCIAL DEBT

€ million	H1 2006	Year 2005
Non-current financial liabilities	5,857	5,634
Current financial liabilities	3,718	3,289
Non-current financial assets - other securities, loans and derivatives on financing operations of the Automobile Division	- 529	- 477
Current financial assets	- 1,939	- 1,917
Cash and cash equivalents	- 5,119	- 4,277
Net financial debt of the Automobile Division	1,988	2,252

2.1.4. Shareholders' equity

In first-half 2006, **shareholders' equity** grew by €780 million to €20,441 million, versus €19,661 million at December 31, 2005.

The main reasons for the increase were:

- Recognition of €1,659 million in net income for first-half 2006;
- A €617 million dividend payout by Renault, or €2.40 per share, for 2005, given Renault's equity interest in Nissan and treasury stock;
- A €473 million decline in translation adjustments, mainly including the indirect impact of the change in Nissan shareholders' equity, net of yen hedging;
- A €174 million increase in the financial instrument revaluation reserve (cash flow hedges and available-for-sale financial instruments);

- A reduction in the number of treasury shares (2.93% of Renault's capital at June 30, 2006, compared with 3.35% at December 31, 2005), which lifted shareholders' equity by €53 million.

2.1.5. Off-balance sheet commitments and contingent liabilities

The Group made no significant new commitments during the period under review. The main off-balance sheet commitments are discussed in Note 19 of the notes to the consolidated financial statements, which contain no material omissions, to the best knowledge of senior management.

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2.2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.2.1. Consolidated income statements

€ million	H1 2006	H1 2005	Year 2005
Sales of goods and services	20,836	20,645	39,978
Sales Financing revenues	711	679	1,360
Revenues (note 4)	21,547	21,324	41,338
Cost of goods and services sold	(16,789)	(16,424)	(32,137)
Cost of sales financing	(474)	(433)	(926)
Research and development expenses (note 5)	(1,021)	(1,059)	(2,034)
Selling, general and administrative expenses	(2,671)	(2,465)	(4,918)
Operating margin	592	943	1,323
Other operating income and expenses (note 6)	57	264	191
Operating income	649	1,207	1,514
Net interest income (expense)	(76)	(43)	(95)
<i>Interest income</i>	102	119	153
<i>Interest expenses</i>	(178)	(162)	(248)
Other financial income and expenses, net	40	(143)	(232)
Financial expense (note 7)	(36)	(186)	(327)
Share in net income (loss) of associates	1,212	1,536	2,597
<i>Nissan (note 11)</i>	1,013	1,361	2,275
<i>Other associates (note 12)</i>	199	175	322
Pre-tax income	1,825	2,557	3,784
Current and deferred taxes (note 8)	(166)	(346)	(331)
NET INCOME	1,659	2,211	3,453
Net income - minority interests' share	32	41	86
Net income - Renault share	1,627	2,170	3,367
Earnings per share ⁽¹⁾ in € (note 9)	6.34	8.52	13.19
Diluted earnings per share ⁽¹⁾ in € (note 9)	6.26	8.45	13.08
Number of shares outstanding (in thousands) (note 9)			
for earnings per share	256,579	254,838	255,177
for diluted earnings per share	259,869	256,919	257,342

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

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2.2.2. Consolidated balance sheets

ASSETS - € million	June 30, 2006	Dec. 31, 2005
NON-CURRENT ASSETS		
Intangible assets	3,182	2,972
Property, plant and equipment (note 10)	12,704	12,691
Investments in associates	12,862	12,452
<i>Nissan (note 11)</i>	10,841	10,477
<i>Other associates (note 12)</i>	2,021	1,975
Non-current financial assets (note 16)	567	577
Deferred tax assets	258	309
Other non-current assets	384	358
Total non-current assets	29,957	29,359
CURRENT ASSETS		
Inventories (note 13)	6,187	5,862
Sales financing receivables	20,585	20,700
Automobile receivables	2,479	2,055
Current financial assets (note 16)	2,416	1,871
Other current assets	2,196	2,413
Cash and cash equivalents	6,614	6,151
Total current assets	40,477	39,052
TOTAL ASSETS	70,434	68,411
SHAREHOLDERS' EQUITY AND LIABILITIES - € million		
SHAREHOLDERS' EQUITY		
Share capital	1,086	1,086
Share premium	3,453	3,453
Treasury shares	(403)	(456)
Revaluation of financial instruments	207	33
Translation adjustment	114	562
Other reserves	13,934	11,153
Net income - Renault share	1,627	3,367
Shareholders' equity - Renault share	20,018	19,198
Shareholders' equity - minority interests' share	423	463
Total shareholders' equity (note 14)	20,441	19,661
NON-CURRENT LIABILITIES		
Deferred tax liabilities	228	231
Provisions - long-term (note 15)	1,865	1,754
Non-current financial liabilities (note 17)	6,128	5,901
Other non-current liabilities	499	516
Total non-current liabilities	8,720	8,402
CURRENT LIABILITIES		
Provisions - short-term (note 15)	988	1,264
Current financial liabilities (note 17)	2,948	2,547
Sales financing debts (note 17)	22,050	22,427
Trade payables	8,475	7,788
Current tax liability	285	215
Other current liabilities	6,527	6,107
Total current liabilities	41,273	40,348
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	70,434	68,411

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2.2.3. Changes in consolidated shareholders' equity

€ million	Number of shares (thousand)	Share capital	Share premium	Treasury shares	Revaluation of financial instruments	Translation adjustment	Other reserves	Net income - Renault share	Shareholders' equity (Renault share)	Shareholders' equity (minority interests)	Total shareholders' equity
Balance at Dec. 31, 2004	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)
Net income - 1 st half-year 2005	-	-	-	-	-	-	-	2,170	2,170	41	2,211
Cost of stock option plans	-	-	-	-	-	-	12	-	12	-	12
Change in other reserves	-	-	-	30	(134)	615	-	-	511	21	532
Impact of changes in the scope of consolidation and capital increases	-	-	-	-	-	-	-	-	-	26	26
Balance at June 30, 2005	284,937	1,086	3,453	(478)	(57)	399	11,141	2,170	17,714	412	18,126
Allocation of 2004 net income	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-
Net income - 2 nd half-year 2005	-	-	-	-	-	-	-	1,197	1,197	45	1,242
Cost of stock option plans	-	-	-	-	-	-	12	-	12	-	12
Change in other reserves	-	-	-	22	90	163	-	-	275	11	286
Impact of changes in the scope of consolidation and capital increases	-	-	-	-	-	-	-	-	-	(5)	(5)
Balance at Dec. 31, 2005	284,937	1,086	3,453	(456)	33	562	11,153	3,367	19,198	463	19,661
Allocation of 2005 net income	-	-	-	-	-	-	3,367	(3,367)	-	-	-
Dividends	-	-	-	-	-	-	(617)	-	(617)	(17)	(634)
Net income - 1 st half-year 2006	-	-	-	-	-	-	-	1,627	1,627	32	1,659
Cost of stock option plans	-	-	-	-	-	-	31	-	31	-	31
Change in other reserves	-	-	-	53	174	(448)	-	-	(221)	(25)	(246)
Impact of changes in the scope of consolidation and capital increases	-	-	-	-	-	-	-	-	-	(30)	(30)
Balance at June 30, 2006	284,937	1,086	3,453	(403)	207	114	13,934	1,627	20,018	423	20,441

Details of changes in consolidated shareholders' equity are given in note 14.

2.2.4. Consolidated statements of cash flows

€ million	H1 2006	H1 2005	Year 2005
Net income	1,659	2,211	3,453
Cancellation of unrealised income and expenses:			
Depreciation and amortisation	1,519	1,507	2,705
Share in net income (loss) of associates	(1,212)	(1,536)	(2,597)
Dividends received from associates	377	314	516
Other unrealised income and expenses (note 18)	135	167	393
Cash flow	2,478	2,663	4,470
Financing for final customers	(6,306)	(6,941)	(12,998)
Customer repayments	6,154	6,217	12,485
Net change in renewable dealer financing	187	(236)	(304)
Decrease (increase) in sales financing receivables	35	(960)	(817)
Bond issuance by the Sales financing division	-	-	-
Bond redemption by the Sales financing division	(851)	(254)	(1,045)
Net change in other sales financing debts	47	1,904	3,119
Net change in other securities and loans of the Sales financing division	26	(3)	(39)
Net change in sales financing financial assets and debts	(778)	1,647	2,035
Decrease (increase) in working capital (note 18)	344	391	(603)
CASH FLOWS FROM OPERATING ACTIVITIES	2,079	3,741	5,085
Capital expenditure (note 18)	(2,283)	(1,987)	(4,018)
Acquisitions of investments, net of cash acquired	(100)	(26)	(59)
Disposals of property, plant and equipment and intangibles	560	537	1,073
Disposals of investments, net of cash acquired, and other	47	65	100
CASH FLOWS FROM INVESTING ACTIVITIES	(1,776)	(1,411)	(2,904)
Contributions from minority shareholders ⁽¹⁾	-	-	(2)
Dividends paid to parent company shareholders (note 14)	(664)	(494)	(494)
Dividends paid to minority shareholders	(17)	(60)	(60)
Purchases/sales of treasury shares	53	34	56
Cash flows with shareholders	(628)	(520)	(500)
Bond issuance by the Automobile division	500	-	245
Bond redemption by the Automobile division	(169)	(76)	(388)
Net increase (decrease) in other financial liabilities of the Automobile division	415	(437)	(867)
Net decrease (increase) in other securities and loans of the Automobile division ⁽²⁾	(18)	(133)	(149)
Net change in financial assets and liabilities of the Automobile division	728	(646)	(1,159)
CASH FLOWS FROM FINANCING ACTIVITIES	100	(1,166)	(1,659)
INCREASE IN CASH AND CASH EQUIVALENTS	403	1,164	522
Cash and cash equivalents: opening balance	6,151	5,521	5,521
Increase	403	1,164	522
Effect of changes in exchange rate and other changes	60	54	108
Cash and cash equivalents: closing balance	6,614	6,739	6,151

(1) Via capital increases or capital reductions.

(2) Short-term investments of Automobile division cash surpluses

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2.2.5. Segment information

1. Consolidated income statements by division

€ million	Automobile	Sales financing	Interdivision transactions ⁽¹⁾	Consolidated total
H1 2006				
External sales (note 4)	20,560	987	-	21,547
Interdivision sales ⁽¹⁾	59	112	(171)	-
Revenues	20,619	1,099	(171)	21,547
Operating margin	297	269	26	592
Operating income	354	269	26	649
H1 2005				
External sales	20,374	950	-	21,324
Interdivision sales ⁽¹⁾	93	126	(219)	-
Revenues	20,467	1,076	(219)	21,324
Operating margin	669	266	8	943
Operating income	932	267	8	1,207
Year 2005				
External sales	39,458	1,880	-	41,338
Interdivision sales ⁽¹⁾	147	268	(415)	-
Revenues	39,605	2,148	(415)	41,338
Operating margin	858	465	-	1,323
Operating income	1,058	456	-	1,514

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

2. Consolidated balance sheets by division - June 30, 2006

ASSETS - € million	Automobile	Sales financing	Interdivision transactions ⁽¹⁾	Consolidated total
NON-CURRENT ASSETS				
Property, plant and equipment and intangible assets	15,483	482	(79)	15,886
Investments in associates	12,849	13	-	12,862
Non-current financial assets - investments in non-controlled entities	2,264	4	(2,230)	38
Non-current financial assets - other securities, loans and derivatives on financing operations of the Automobile division	529	-	-	529
Deferred tax assets and other non-current assets	512	119	11	642
Total non-current assets	31,637	618	(2,298)	29,957
CURRENT ASSETS				
Inventories	6,176	11	-	6,187
Customer receivables	2,703	21,090	(729)	23,064
Current financial assets	1,939	1,137	(660)	2,416
Other current assets	1,740	2,084	(1,628)	2,196
Cash and cash equivalents	5,119	1,535	(40)	6,614
Total current assets	17,677	25,857	(3,057)	40,477
TOTAL ASSETS	49,314	26,475	(5,355)	70,434
SHAREHOLDERS' EQUITY AND LIABILITIES - € million				
SHAREHOLDERS' EQUITY	20,399	2,229	(2,187)	20,441
NON-CURRENT LIABILITIES				
Deferred tax liabilities and long-term provisions	1,793	252	48	2,093
Non-current financial liabilities	5,857	271	-	6,128
Other non-current liabilities	476	23	-	499
Total non-current liabilities	8,126	546	48	8,720
CURRENT LIABILITIES				
Short-term provisions	927	61	-	988
Current financial liabilities	3,718	-	(770)	2,948
Sales Financing debts	-	22,631	(581)	22,050
Trade payables	8,519	17	(61)	8,475
Other current liabilities and current tax liability	7,625	991	(1,804)	6,812
Total current liabilities	20,789	23,700	(3,216)	41,273
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	49,314	26,475	(5,355)	70,434

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

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Consolidated balance sheets by division - December 31, 2005

ASSETS - € million	Automobile	Sales financing	Interdivision transactions ⁽¹⁾	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 AND LIABILITIES - € million				
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

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

3. Consolidated cash flow statements by division

€ million	Automobile	Sales Financing	Interdivision transactions ⁽¹⁾	Consolidated total
H1 2006				
Net income	1,472	171	16	1,659
Cancellation of unrealised income and expenses:				
Depreciation and amortisation	1,520	29	(30)	1,519
Share in net income (loss) of associates	(1,210)	(2)	-	(1,212)
Dividends received from associates	377	-	-	377
Other unrealised income and expenses	138	(11)	8	135
Cash flow	2,297	187	(6)	2,478
Decrease (increase) in sales financing receivables	-	30	5	35
Net change in sales financing financial assets and debts	-	(796)	18	(778)
Decrease (increase) in working capital	212	131	1	344
CASH FLOWS FROM OPERATING ACTIVITIES	2,509	(448)	18	2,079
Purchases of intangible assets	(564)	(1)	-	(565)
Purchases of property, plant and equipment ⁽²⁾	(1,676)	(59)	17	(1,718)
Disposals of property, plant and equipment and intangibles ⁽²⁾	445	115	-	560
Acquisition of investments, net of disposals and other	(52)	-	(1)	(53)
CASH FLOWS FROM INVESTING ACTIVITIES	(1,847)	55	16	(1,776)
Cash flows with shareholders	(628)	(1)	1	(628)
Net change in financial assets and liabilities of the Automobile division	767	-	(39)	728
CASH FLOWS FROM FINANCING ACTIVITIES	139	(1)	(38)	100
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	801	(394)	(4)	403
H1 2005				
Net income	2,022	184	5	2,211
Cancellation of unrealised income and expenses:				
Depreciation and amortisation	1,475	48	(16)	1,507
Share in net income (loss) of associates	(1,536)	-	-	(1,536)
Dividends received from associates	314	-	-	314
Other unrealised income and expenses	89	76	2	167
Cash flow	2,364	308	(9)	2,663
Decrease (increase) in sales financing receivables	-	(1,177)	217	(960)
Net change in sales financing financial assets and debts	-	1,224	423	1,647
Decrease (increase) in working capital	590	(189)	(10)	391
CASH FLOWS FROM OPERATING ACTIVITIES	2,954	166	621	3,741
Purchases of intangible assets	(440)	(2)	-	(442)
Purchases of property, plant and equipment ⁽²⁾	(1,424)	(155)	34	(1,545)
Disposals of property, plant and equipment and intangibles ⁽²⁾	459	94	(16)	537
Acquisition of investments, net of disposals and other	47	(8)	-	39
CASH FLOWS FROM INVESTING ACTIVITIES	(1,358)	(71)	18	(1,411)
Cash flows with shareholders	(520)	(1)	1	(520)
Net change in financial assets and liabilities of the Automobile division	(11)	-	(635)	(646)
CASH FLOWS FROM FINANCING ACTIVITIES	(531)	(1)	(634)	(1,166)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,065	94	5	1,164

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

(2) Including impact of leased vehicles

	H1 2006	H1 2005
On purchases of property, plant and equipment	€ (624) million	€ (632) million
On disposals of property, plant and equipment	€ 403 million	€ 342 million

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€ million	Automobile	Sales financing	Interdivision transactions ⁽¹⁾	Consolidated total
Year 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⁾	(2,903)	(288)	53	(3,138)
Disposals of property, plant and equipment and intangibles ⁽²⁾	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

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

(2) Including impact of leased vehicles:

On purchases of property, plant and equipment € (1,131) million
 On disposals of property, plant and equipment € 838 million

2.2.6. Notes to the consolidated financial statements

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I - ACCOUNTING POLICIES AND SCOPE OF CONSOLIDATION

1. Approval of the financial statements

The Renault group's half-year 2006 consolidated financial statements were prepared by the Board of Directors on July 26, 2006.

2. Accounting policies

The consolidated financial statements at December 31, 2005 have been prepared under the IFRS (International Financial Reporting Standards) as issued by the IASB (International Accounting Standards Board) at December 31, 2005 and for which the regulations of adoption have been published in the Official Journal of the European Union at the closing date.

The accounting policies used in preparing the consolidated half-year financial statements at June 30, 2006 are compliant with IAS 34 "Interim financial reporting" and the accounting policies are identical to those applied in the financial statements for the year ended December 31, 2005.

The following new standards, which came into force at January 1, 2006 and were adopted by regulations published in the Official Journal of the EU at the closing date, have also been applied, but have no significant impact on the financial information reported:

- the amendment to IAS 19 on actuarial gains and losses, group plans and disclosures (the Renault group has not opted to recognise actuarial gains and losses in equity);
- the amendments to IAS 39 on the fair value option and on cash flow hedge accounting of forecast intragroup transactions;
- the amendment to IAS 21 on the effects of changes in foreign exchange rates.

Interpretation IFRIC 4, Determining Whether an Arrangement Contains a Lease, has no impact on the financial statements at June 30, 2006.

3. Changes in the scope of consolidation

A. Changes in the first-half of 2006

Renault Pars (Iran) has been consolidated since January 1, 2006. This company is held 51% by Renault and 49% by the Iranian company AID co, an entity set up by IDRO (Industrial Development & Renovation Organization, a state-owned Iranian body in charge of the automotive industry) and Iran's two leading automakers, Iran Khodro and Saipa. Renault Pars holds the Logan license, and is responsible for engineering, quality control, purchasing and logistics, coordination of sales policy, marketing and after-sales services. Iran Khodro and Saipa will manufacture and sell the Logan.

At January 1, 2006, 24 dealers in Europe (located in Belgium, the Czech republic, Luxembourg, Poland, Portugal, and Switzerland) were also consolidated for the first time.

There were no other significant changes in the scope of consolidation during the first-half of 2006.

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B. Changes in the second half of 2005

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, the Group has consolidated this company since December 2005. Renault will be its sole shareholder as of December 31, 2007.

II - INCOME STATEMENT

4. Revenues

A. 1st half 2005 revenues applying 1st half 2006 Group structure and methods

€ million	Automobile	Sales financing	Total
First-half 2005 revenues	20,374	950	21,324
Changes in scope of consolidation	146	-	146
First-half 2005 revenues applying first-half 2006 Group structure and methods	20,520	950	21,470
First-half 2006 revenues	20,560	987	21,547

B. Breakdown of revenues

€ million	H1 2006	H1 2005	Year 2005
Sales of goods	20,130	19,935	38,602
Sales of services	706	710	1,376
Sales of goods and services	20,836	20,645	39,978
Income on customer financing	499	451	909
Income on leasing and similar operations	212	228	451
Sales financing revenues	711	679	1,360
Revenues	21,547	21,324	41,338

C. Breakdown of revenues by geographic area

€ million	H1 2006	H1 2005	Year 2005
France	7,599	7,547	14,289
Europe	9,666	10,205	19,326
Euromed	1,878	1,544	3,445
Asia-Africa	1,312	1,042	2,158
America	1,092	986	2,120
Total revenues	21,547	21,324	41,338

In the table above, consolidated revenues are presented by location of customers. The 5 regions

shown are the new geographic areas introduced under the Renault Commitment 2009 growth plan.

5. Research and development expenses

€ million	H1 2006	H1 2005	Year 2005
Research and development expenses	(1,227)	(1,160)	(2,264)
Capitalised development expenses	543	421	833
Amortisation of capitalised development expenses	(337)	(320)	(603)
Total	(1,021)	(1,059)	(2,034)

Capitalised development expenses mainly comprise the cost of prototypes, the cost of studies invoiced by

external firms, the cost of personnel assigned to the project and a share of overheads.

6. Other operating income and expenses

€ million	H1 2006	H1 2005	Year 2005
Restructuring and workforce adjustment costs and provisions	(36)	(44)	(109)
Gains and losses on disposal of businesses or operating entities	(24)	146	119
Gains and losses on disposal of property, plant and equipment and intangible assets (except vehicle sales)	120	155	148
Unusual items	(3)	7	33
Total	57	264	191

Most of the gain on disposal of property, plant and equipment and intangible assets in first-half 2006 and in 2005 results from sales of land (in Spain and France).

7. Financial expense

Other financial income and expenses include a profit of €4 million for first-half 2006 (compared with a charge of €174 million for first-half 2005) resulting from changes in the fair value of Renault SA redeemable shares.

8. Current and deferred taxes

The effective tax rate (excluding the impact of Renault's shares in net income of associates) is 27.1% for the first half of 2006, compared with 33.9% in the first half of 2005. The high level of tax credits resulting from the favourable tax regime granted for research carried out in Korea was a major contributing factor.

A deferred tax liability is booked in respect of the difference between the value in consolidation of associates and their tax value. The change in this deferred tax liability, which is related to an increase in the value in consolidation of associates, accounts for 2.4 percentage points of the effective rate of 27.1%.

9. 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 (€1,627 million for first-half 2006 and €2,170 million for first-half 2005) 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	H1 2006	H1 2005	Year 2005
Shares in circulation	284,937	284,937	284,937
Treasury shares	(8,879)	(10,518)	(10,176)
Shares held by Nissan x Renault's share in Nissan	(19,479)	(19,581)	(19,584)
Number of shares used to calculate basic earnings per share	256,579	254,838	255,177

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	H1 2006	H1 2005	Year 2005
Number of shares used to calculate basic earnings per share	256,579	254,838	255,177
Number of dilutive stock options	3,290	2,081	2,165
Number of shares used to calculate diluted earnings per share	259,869	256,919	257,342

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III - BALANCE SHEET

10. Property, plant and equipment

€ million	Gross value	Depreciation and impairment	Net value
Value at December 31, 2005	28,971	(16,280)	12,691
Acquisitions (note 18-C) / (depreciation)	1,514	(1,160)	354
(Disposals) / reversals	(841)	396	(445)
Translation adjustment	(52)	33	(19)
Change in scope of consolidation and other	179	(56)	123
Value at June 30, 2006	29,771	(17,067)	12,704

11. Investment in Nissan

A. Nissan consolidation method

Renault is still 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.

Following Nissan's equity transactions in the first half of 2006, Nissan held 2.6% of its own shares at June 30, 2006, compared to 3.0% at December 31, 2005. Consequently, Renault's percentage interest in Nissan was 45.5% at June 30, 2006, compared to 45.7% at December 31, 2005.

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 ⁽¹⁾	Net		
At December 31, 2005	10,626	(962)	9,664	813	10,477
First-half 2006 net income	1,013	-	1,013	-	1,013
Dividend distributed	(206)	-	(206)	-	(206)
Translation adjustment	(483)	-	(483)	(34)	(517)
Other changes ⁽²⁾	122	-	122	(48)	74
At June 30, 2006	11,072	(962)	10,110	731	10,841

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

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

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

	Dec. 31, 2005	Net income for first- half 2006	Divi- dends	Translation adjustment (1)	Other changes (2)	June 30, 2006
in billions of yen						
Shareholders' equity - Nissan share under Japanese GAAP	2,882	262	(62)	22	33	3,137
Restatements for Renault group requirements:						
Restatement of fixed assets	494	(16)				478
Provision for pension and other long-term employee benefit obligations	(207)	24		2	(7)	(188)
Capitalisation of development expenses	423	58		(1)		480
Other restatements	(362)	(13)	(4)	(8)	28	(359)
Net assets restated for Renault group requirements	3,230	315	(66)	15	54	3,548
€ million						
Net assets restated for Renault group requirements	23,255	2,227	(450)	(1,063)	370	24,339
Renault's share	45.7%					45.5%
(before neutralisation described below)	10,626	1,013	(206)	(483)	122	11,072
Neutralisation of Nissan's investment in Renault (3)	(962)					(962)
Renault's share in the net assets of Nissan	9,664	1,013	(206)	(483)	122	10,110

(1) The €483 million change in translation adjustments essentially reflects the decline of the US dollar and the Mexican peso against the Euro. Operations undertaken by Renault to hedge the portion of Nissan shareholders' equity expressed in yen are included in Renault shareholders' equity.

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

(3) At June 30, 2006, Nissan held 15% of Renault.

E. Nissan net income under Japanese GAAP

Since Nissan's financial year ends at March 31, the Nissan net income included in the first-half 2006

Renault consolidation is the sum of Nissan's net income for the final quarter of its 2005 financial year and the first quarter of its 2006 financial year.

	January to March 2006 Final quarter of of Nissan's 2005 financial year in Japan		April to June 2006 First quarter of Nissan's 2006 financial year in Japan		January to June 2006 Reference period for Renault's first-half 2006 consolidated financial statements	
in billions of yen	in billions of yen	€ million (1)	in billions of yen	€ million (1)	in billions of yen	€ million (1)
Net income - Nissan share	152	1,081	110	765	262	1,846

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

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F. Renault - Nissan cooperation

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

The main transactions described in the 2005 annual report continued in 2006.

The first half of 2006 saw new transactions between the two Groups. Since February 2006, the Renault group has sold Nissan approximately 16,500 Nissan badged Samsung SM3 vehicles, generating sales revenues of €110 million. The two Groups have also been working together since March 2006 on development of a new V6 diesel engine.

Total sales by Renault to Nissan and purchases by Renault from Nissan during the first half of 2006 amounted to an estimated €700 million and €660 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.

12. Investments in other associates

Details of other investments in other associates are as follows:

- Balance sheet value: €2,021 million at June 30, 2006 (€1,975 million at December 31, 2005),
- Renault's share in the net income of other associates: €199 million for first-half 2006 (€175 million for first-half 2005 and €322 million for the year 2005).

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

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

€ million	Share in net assets	Net goodwill	Total
At December 31, 2005	1,777	41	1,818
First-half 2006 net income	202	-	202
Dividend distributed	(158)	-	(158)
Repurchase of AB Volvo own shares	-	-	-
Translation adjustment and revaluation of financial instruments	31	1	32
At June 30, 2006	1,852	42	1,894

AB Volvo owned 4.9% of its own shares at June 30, 2006 (5.0% at December 31, 2005). Renault's investment in AB

Volvo stood at 21.8% at June 30, 2006, unchanged from December 31, 2005.

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

€ million	Dec. 31, 2005	Net income	Dividends	Other changes	June 30, 2006
Shareholders' equity - AB Volvo share	8,362	928	(725)	146	8,711
Restatements for Renault group requirements	(227)	-	-	(3)	(230)
Net assets restated for Renault group requirements	8,135	928	(725)	143	8,481
Renault's share in the net assets of AB Volvo	1,777	202	(158)	31	1,852

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.

13. Inventories

€ million	June 30, 2006	Dec. 31, 2005
Raw materials and supplies	1,076	1,052
Work-in-progress	422	420
Finished products - automobile	4,549	4,242
Other finished products	140	148
Inventories, net	6,187	5,862
<i>Inventories, gross</i>	<i>6,681</i>	<i>6,330</i>
<i>Impairment</i>	<i>(494)</i>	<i>(468)</i>

14. Shareholders' equity

A. Share capital

The total number of ordinary shares issued and fully paid-up at June 30, 2006 was 284,937 thousand, with par value of €3.81 per share (the total number and par value are unchanged from December 31, 2005).

Treasury shares do not bear dividends. They accounted for 2.93% of Renault's share capital at June 30, 2006 (3.35% at December 31, 2005).

B. Distributions

At the General and Extraordinary Shareholders' Meeting of May 4, 2006, it was decided to distribute €2.40 per share or €664 million in dividends (compared to €1.80 per share or €494 million in 2005).

After elimination of dividends received by Nissan in proportion to Renault's interest in Nissan, the dividend distribution recorded in shareholders' equity amounted to €617 million in first-half 2006 (€459 million in 2005).

C. Stock option and share attribution 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.

During the first half of 2006, a stock option plan and a share attribution plan were introduced as part of the Renault Commitment 2009 growth plan, and another stock option plan was awarded for the year 2006.

Compared to plans awarded in previous years, these plans include new service and performance conditions.

CHANGES IN THE NUMBER OF STOCK OPTIONS AND SHARE ATTRIBUTION RIGHTS HELD BY PERSONNEL

	Number	Weighted average exercise price (€)	Weighted average share price at exercise dates (€)
Outstanding at December 31, 2005	13,299,707	54	
Granted	3,514,700	81	90
Exercised	(1,188,756)	45	83
Expired			
Outstanding at June 30, 2006	15,625,651	61	

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D. Share-based payments

Share-based payments exclusively concern stock options awarded to personnel. These generated personnel expenses of €15 million in first-half 2006 (€18 million for year 2005).

Stock option and share attribution plan values

The valuation model used is unchanged from previous financial statements. For the new plans

introduced in May 2006 including conditions based on the achievement of Renault Commitment 2009 objectives, a new variable in the form of the best estimate of the percentage achievement of performance conditions is also included in the calculation, but the basic valuation model is identical.

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

Type of plan	Grant date	Initial value (000s of €)	Unit fair value	Expense for first-half 2006 (€ million)	Expense for first-half 2005 ⁽¹⁾ (€ million)	Share price at grant date (€)	Volatility	Interest rate	Exercise price (€)	Duration ⁽¹⁾	Dividend per share (€)
Stock purchase options	Sept 8, 2003	32,820	18.15	(4)	(4)	55.40	33.0%	3.79%	53.36	4-8 years	1.15
Stock subscription options	Sept 14, 2004	39,870	19.75	(5)	(5)	69.05	27.0%	3.71%	66.03	4-8 years	1.40
Stock subscription options	Sept 13, 2005	22,480	14.65	(3)	-	72.45	23.5%	2.68%	72.98	4-8 years	1.80
Stock subscription options	May 4 - June 30, 2006 ⁽²⁾	25,678	15.33	(1)	-	87.11	28.1%	3.90%	87.98	4-8 years	2.40 to 4.50
Stock subscription options	May 4 and 12, 2006 ⁽²⁾	27,736	17.89	(1)	-	93.02	26.8%	3.87%	87.98	4-8 years	2.40 to 4.50
Attribution of free shares	May 12, 2006	22,390	77.21	(1)	-	93.50	N/A	3.88%	N/A	4-8 years	2.40 to 4.50
Total		170,974		(15)	(9)						

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

(2) Options have been awarded at different dates within the stated period. The information reported may correspond to weighted averages based on quantities awarded per attribution date.

15. Provisions

A. Breakdown of provisions by nature

€ million	June 30, 2006	Dec. 31, 2005
Provisions for pension and other long-term employee benefit obligations	947	925
Other provisions	1,906	2,093
Provisions for restructuring and workforce adjustment costs	374	435
Provisions for warranty costs	917	945
Provisions for tax risks and litigation	218	237
Other provisions	397	476
Total provisions	2,853	3,018
Provisions - long-term	1,865	1,754
Provisions - short-term	988	1,264

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. Changes in other provisions

	Restructuring provisions	Warranty provisions	Tax risks and litigation provisions	Other provisions	Total
€ million					
At December 31, 2005	435	945	237	476	2,093
Increases	13	472	26	250	761
Reversals of provisions for application	(86)	(494)	(30)	(250)	(860)
Reversals of unused balance of provisions	(2)	-	(15)	(39)	(56)
Changes in scope of consolidation	-	-	1	(10)	(9)
Translation adjustments and other changes	14	(6)	(1)	(30)	(23)
At June 30, 2006	374	917	218	397	1,906

At June 30, 2006, other provisions included €102 million of provisions established in application of environmental regulations (€115 million at December 31, 2005). 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. In first-half 2006, €7 million were allocated to these provisions, and €18 million were reversed without application.

16. Financial assets

BREAKDOWN OF FINANCIAL ASSETS BY NATURE

	June 30, 2006		December 31, 2005	
	Non-current	Current	Non-current	Current
€ million				
Investments in non-controlled entities	38	-	100	-
Other securities	1	565	1	469
Loans	88	1,593	87	1,141
Derivative assets on financing operations by the Automobile division	440	258	389	261
Total	567	2,416	577	1,871
<i>Gross value</i>	<i>608</i>	<i>2,419</i>	<i>625</i>	<i>1,872</i>
<i>Impairment</i>	<i>(41)</i>	<i>(3)</i>	<i>(48)</i>	<i>(1)</i>

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 June 30, 2006, it includes €199 million for Scania shares (€173 million at December 31, 2005).

Loans essentially comprise short-term investments of Automobile division cash surpluses with financial institutions.

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17. Financial liabilities and sales financing debts

BREAKDOWN BY NATURE	June 30, 2006			December 31, 2005		
	Non-current	Current	Total	Non-current	Current	Total
€ million						
Redeemable shares (Renault SA)	722	-	722	718	-	718
Bonds	3,747	979	4,726	3,415	1,084	4,499
Other debts represented by a certificate	-	51	51	-	46	46
Borrowings from credit institutions	895	696	1,591	1,063	584	1,647
Other interest-bearing borrowings	295	1,075	1,370	267	626	893
Derivative liabilities on financing operations	198	147	345	171	207	378
Total financial liabilities of the Automobile division	5,857	2,948	8,805	5,634	2,547	8,181
Redeemable shares (DIAC)	19	-	19	15	-	15
Bonds	-	2,972	2,972	-	3,866	3,866
Other debts represented by a certificate	252	13,754	14,006	252	13,655	13,907
Borrowings from credit institutions	-	5,107	5,107	-	4,652	4,652
Other interest-bearing borrowings	-	90	90	-	75	75
Derivative liabilities on financing operations	-	127	127	-	179	179
Financial liabilities and sales financing debts of the Sales financing division	271	22,050	22,321	267	22,427	22,694
Total financial liabilities and sales financing debts	6,128	24,998	31,126	5,901	24,974	30,875

Redeemable shares of Renault SA

These shares are listed on the Paris Stock Exchange, and traded for €900.5 at December 31, 2005 and €905.0 at June 30, 2006 for par value of €153, leading to a corresponding €4 million downward adjustment to the fair value of redeemable shares recorded in other financial income and expenses (note 7).

The observed decline in the fair value of Renault SA redeemable shares, despite a higher trading price on the market, is due to the shares' trading price failing to fully reflect interest accrued between January 1 and June 30, 2006.

IV - CASH FLOWS AND OTHER INFORMATION

18. Cash flows

A. Other unrealised income and expenses, by nature

€ million	H1 2006	H1 2005	Year 2005
Net allocation to long-term provisions	284	72	210
Net effects of sales financing credit losses	4	74	167
Net gain (loss) on asset disposals	(97)	(299)	(194)
Change in fair value of redeemable shares (Renault SA and DIAC)	(1)	174	271
Change in fair value of other financial instruments	(6)	(32)	(93)
Deferred taxes	(34)	174	26
Other	(15)	4	6
Other unrealised income and expenses	135	167	393

B. Change in working capital

€ million	H1 2006	H1 2005	Year 2005
Decrease (increase) in net inventories	(252)	(816)	(496)
Decrease (increase) in Automobile receivables	(329)	(401)	(88)
Decrease (increase) in other assets	27	(802)	(256)
Increase (decrease) in trade payables	560	1,399	364
Increase (decrease) in other liabilities	338	1,011	(127)
Decrease (increase) in working capital	344	391	(603)

C. Capital expenditure

€ million	H1 2006	H1 2005	Year 2005
Purchases of intangible assets	(565)	(442)	(880)
Purchases of property, plant and equipment (note 10)	(1,514)	(1,386)	(3,223)
Total purchases for the period	(2,079)	(1,828)	(4,103)
Deferred payments	(204)	(159)	85
Total capital expenditure	(2,283)	(1,987)	(4,018)

19. 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.

Ordinary operations

The Group is committed for the following amounts:

€ million	June 30, 2006	Dec. 31, 2005
Customer guarantees and endorsements (Sales financing)	-	-
Other guarantees given	525	518
Opening of confirmed credit lines for customers	1,725	2,091
Firm investment orders	972	826
Lease commitments	301	317
Assets pledged or mortgaged	202	216

20. Subsequent events

No significant event has occurred subsequent to June 30, 2006.

Chapter 2

Statutory Auditors' report

Renault, S.A.

Period from January 1, 2006 to June, 30, 2006

STATUTORY AUDITOR'S REVIEW REPORT ON THE HALF-YEAR FINANCIAL INFORMATION FOR 2006

This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders

In our capacity of statutory auditors and in accordance with the requirements of article L 232-7 of the French Commercial Law (the Code de Commerce), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of Renault, for the period January 1 to June 30, 2006,
- the verification of information given in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial are not prepared, in all material respects, in accordance with IAS 34- standard of the IFRSs as adopted by the European Union applicable to Interim financial information.

In accordance with professional standards applicable in France, we have also verified the information given in the half-year management report commenting the condensed half-year consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine and Paris-La-Défense, July 27, 2006

The statutory auditors
French original signed by

DELOITTE & ASSOCIES

P. Chastaing-Doblin A. Raimi

ERNST & YOUNG Audit

J.F. Bélorgey D. Mary-Dauphin

Chapter 3

Financial Information on the Alliance

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Chapter 3

Financial Information on the Alliance

The purpose of the financial data in this section is twofold: to broadly quantify the economic significance of the Renault-Nissan alliance through key performance indicators, and to make it easier to compare the assets and liabilities of the two Groups. The data of both Groups comply with the accounting standards applied by Renault in 2006.

The characteristics of the Alliance mean, among other things, that Renault and Nissan's assets and liabilities cannot be combined. Consequently, these data do not correspond to a consolidation as defined by generally accepted accounting principles and are not certified by the statutory auditors.

The information concerning Renault is based on the consolidated figures released at June 30, 2006, while the information concerning Nissan is based on the restated consolidated figures prepared for the purposes of the Renault consolidation, covering the period from January 1 to June 30, 2006 whereas Nissan's financial year-end is March 31.

KEY PERFORMANCE INDICATORS

The preparation of the key performance indicators under Renault accounting policies takes into account the following differences from the figures published by Nissan under Japanese accounting standards:

- revenues are presented net of discounts and rebates;
- sales with buy-back commitments have been restated as leases;
- reclassifications have been made when necessary to harmonise the presentation of the main income statement items;
- restatements for harmonisation of accounting standards and adjustments to fair value applied by Renault for acquisitions of 1999 and 2002 are included.

Revenues 1st half 2006

	Renault	Nissan ⁽¹⁾	Inter-company eliminations	Alliance
€ million				
Sales of goods and services	20,836	31,137	(1,360)	50,613
Sales financing revenues	711	2,197	-	2,908
Revenues	21,547	33,334	(1,360)	53,521

(1) Converted at the average exchange rate for first-half 2006 : EUR 1 = JPY 142.2.

The Alliance's intercompany business mainly consists of commercial dealings between Renault and Nissan. These items have been eliminated to produce the revenue indicator. Their value is estimated on the basis of Renault's first-half 2006 results.

The **operating margin, the operating income and the net income** of the Alliance for first-half 2006 are as follows:

	Operating margin	Operating income	Net income ⁽²⁾
€ million			
Renault	592	649	646
Nissan ⁽¹⁾	2,905	3,047	2,336
Alliance	3,497	3,696	2,982

(1) Converted at the average exchange rate for first-half 2006: EUR 1 = JPY 142.2.

(2) Renault's net income is adjusted to exclude Nissan's contribution and Nissan's net income is similarly adjusted to exclude Renault's contribution.

Intercompany transactions impacting the indicators are minor and have therefore not been eliminated.

For the Alliance, the operating margin is equivalent to 6.5% of revenues.

In first-half 2006, the Alliance's **research and development expenses**, after capitalisation and amortisation, are as follows:

€ million	
Renault	1,021
Nissan	1,074
Alliance	2,095

Chapter 3

Financial Information on the Alliance

BALANCE SHEET INDICATORS

CONDENSED RENAULT AND NISSAN BALANCE SHEETS

RENAULT AT JUNE 30, 2006

ASSETS - € million

Intangible assets	3,182
Property, plant and equipment	12,704
Investments in associates (excluding Alliance)	2,021
Deferred tax assets	258
Inventories	6,187
Sales financing receivables	20,585
Automobile receivables	2,479
Other assets	5,563
Cash and cash equivalents	6,614
Total assets excluding investment in Nissan	59,593
Investment in Nissan	10,841
TOTAL ASSETS	70,434

NISSAN AT JUNE 30, 2006 ⁽¹⁾

ASSETS - € million

Intangible assets	4,670
Property, plant and equipment	33,858
Investments in associates (excluding Alliance)	163
Deferred tax assets	264
Inventories	6,554
Sales financing receivables	24,585
Automobile receivables	3,657
Other assets	6,209
Cash and cash equivalents	2,740
Total assets excluding investment in Renault	82,700
Investment in Renault	1,686
TOTAL ASSETS	84,386

(1) Converted at the closing rate for first-half 2006: EUR 1 = JPY 145.8.

The values shown for Nissan assets and liabilities reflect restatements for harmonisation of accounting standards and adjustments to fair value applied by Renault for acquisitions made in 1999 and 2002, mainly concerning revaluation of land and other tangible fixed assets, capitalisation of development expenses, and pension-related provisions.

Balance sheet items have been reclassified where necessary to make the data consistent across both Groups.

Nissan's restated balance sheet includes the securitised items presented off-balance sheet in Nissan's financial statements under Japanese GAAP.

SHAREHOLDERS' EQUITY AND LIABILITIES - € million

Shareholders' equity	20,441
Deferred tax liabilities	228
Provisions for pension and other long-term employee benefit obligations	947
Financial liabilities of the Automobile division	8,805
Financial liabilities of the Sales financing division and sales financing debts	22,321
Other liabilities	17,692

TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES

70,434

SHAREHOLDERS' EQUITY AND LIABILITIES - € million

Shareholders' equity	26,527
Deferred tax liabilities	2,390
Provisions for pension and other long-term employee benefit obligations	2,979
Financial liabilities of the Automobile division	2,996
Financial liabilities of the Sales financing division and sales financing debts	33,219
Other liabilities	16,275

TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES

84,386

Purchases of property, plant and equipment by both Alliance groups for first-half 2006, excluding leased vehicles, amount to:

€ million

Renault	1,094
Nissan	1,710
Alliance	2,804

Based on the best available information, Renault estimates that the impact of full consolidation of Nissan on its shareholders' equity calculated under current accounting policies would result in :

- a maximum 5-10% decrease in shareholders' equity - Group share;
- a €15 billion increase in shareholders' equity - minority interests' share.

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