

Renault SA

Update

Ratings

Foreign Currency

Long-Term IDR	BB+
Senior unsecured	BB+

Outlook

Long-Term Foreign-Currency IDR Stable

Financial Data

Renault SA

	31 Dec 10	31 Dec 09
Revenue (EURm)	38,971	33,712
Total adjusted debt (EURm) ^a	13,045	14,224
Net adjusted debt (EURm) ^a	3,490	8,115
Equity capital and reserves ^a (EURm)	22,638	16,363
Operating EBITDAR ^a / revenue ^a (%)	11.1	7.8
Cash flow from operations (CFO) ^a / revenue ^a (%)	9.2	13.1
Total adjusted debt ^a / operating EBITDAR ^a (x)	3.2	5.8
Net adjusted debt ^a / operating EBITDAR ^a (x)	0.9	3.3
CFO ^a /total adjusted debt ^a (%)	26.1	29.1
Funds from operations fixed charge cover ^a (x)	5.1	2.7

^a From industrial operations

Key Rating Drivers

Uncertain Environment in Europe: The current debt crisis in the EU and its impact on unemployment, consumer and corporate confidence, is having a negative impact on new car sales, notably in weaker countries including Spain and Italy. This should mitigate the growth expected from emerging regions.

Weak but Improving Mix: Despite recent improvement, notably following decisions to produce vehicles in Russia, North Africa and India, Renault SA's sales remain concentrated in western Europe and it is present in the two largest markets in the world (China and the US) only indirectly through its associate Nissan Motor Co., Ltd. ('BBB'/Stable). Renault also derives the majority of its revenue from the less profitable small- and medium-sized car segments, where competition is fiercest and price pressure is strongest.

Relationship with Nissan: Nissan's latest performance plan calls for increased free cash flow (FCF) generation and a higher dividend payment to Renault, its main shareholder. However, Renault intends to redistribute all of the dividends received from its associates therefore limiting the benefit for Renault's creditors. No change in the current Renault/Nissan structure is planned in the foreseeable future.

Improved Credit Metrics: Net financial debt has fallen substantially since 2009 as a result of positive FCF and asset sales, while EBITDA and cash flow from operations (CFO) rebounded in the same period. The combination of these factors led to lower net leverage and higher CFO on adjusted debt at end-June 2011. Fitch Ratings assumes Renault's adjusted net leverage will be unchanged at around 0.9x at end-2011, before falling gradually to 0.5x through 2013.

Higher Profitability After 2011: Renault's operating margin increased to 2.8% in 2010 (3% in H111), from -1.2% in 2009. Its cost base benefited from increased synergies with Nissan, greater amortisation of fixed costs as a result of increasing production, cost-cutting measures and the increased relocation of production to outside western Europe. However, Fitch expects continuous price pressure and unabated competition in Europe, as well as higher raw material prices and investments, to weigh on profitability in 2011 and 2012.

Sound Liquidity: Renault reported cash and cash equivalents of EUR8.5bn at group level (EUR7.1bn for its industrial operations) at end-June 2011 and a total of EUR8.5bn of available, unused credit facilities (EUR4bn at Renault SA, and EUR4.5bn at RCI Banque). Total financial debt from industrial operations was EUR9.8bn at end-June 2011 including EUR3.3bn current.

What Could Trigger a Rating Action

Credit Metrics Development: Further sustainable improvement of key credit ratios, including net adjusted leverage below 0.5x and CFO/total adjusted debt above 40% could lead to an upgrade. Conversely, net adjusted leverage remaining above 1.5x and/or CFO/total adjusted debt remaining below 25% could be negative for the ratings.

Profitability: Positive rating action could be prompted by a sustainable increase in market shares combined with improved profitability. However, a fall in global sales in 2011 and 2012 leading to negative operating margins, could put pressure on the ratings.

Related Research

Fitch: European Automakers Better Prepared Now Than in H208 for Potential Slowdown (September 2011)

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Peer Group

Issuer	Country
BBB	
Hyundai Motor Company	South Korea
Kia Motors Corporation	South Korea
Nissan Motor Co., Ltd.	Japan
BB+	
Ford Motor Company	United States
Peugeot S.A.	France
Renault SA	France
BB	
Fiat S.p.A.	Italy
General Motors Company	United States

Issuer Rating History

Date	LT IDR (FC)	Outlook/ Watch
22 Sep 11	BB+	Stable
11 Feb 11	BB+	Stable
7 Oct 10	BB+	Stable
19 Jul 10	BB	Stable
25 Mar 09	BB	Negative
18 Feb 09	BBB-	Negative
20 Nov 08	BBB	Negative
6 Aug 08	BBB+	Stable
5 Jun 07	BBB+	Stable
16 Oct 06	BBB+	Stable
24 Feb 06	BBB+	Stable
25 May 05	BBB+	Stable
8 Dec 04	BBB+	Stable
14 Apr 04	BBB	Positive
12 Mar 04	BBB	Stable
2 Sep 03	BBB	Stable
7 Jun 02	BBB	Stable
12 Nov 01	BBB	Stable
31 Oct 01	BBB+	RWN
1 Sep 00	BBB+	Stable

Snapshot Profile: Major Issuer-Specific Rating Factors and Trends

Rating factor	Status ^a	Trend
Operations	Average	Improving
Market position	Average	Neutral
Finances	Average	Improving
Governance	Average	Neutral
Geography	Weak	Improving

^a Relative to auto manufacturer peers
Source: Fitch

Related Criteria

Corporate Rating Methodology (August 2011)

Immediate Peer Group – Comparative Analysis

Sector Characteristics

Operating Risks

The industry's operational risk is high. Demand is volatile and cyclical, as cars are big-ticket consumer discretionary items, highly exposed to economic trends. The sector is politically and socially critical to the overall economy, and is subject to potential government interference. Overcapacity remains a pivotal issue that is difficult to address. Geographical and product diversification is important to mitigate the effect of cyclical, although the latest downturn was unusually simultaneous across regions. Another industry challenge includes the need to adapt to new business models driven by evolving powertrains and emissions legislation.

Financial Risks

The auto industry is characterised by capital-intensiveness and high operating leverage (high fixed costs), leading manufacturers to look for economies of scale. Profit margins are usually cyclical and low in view of permanent price pressure and sharp competition. Working-capital swings can also be material, as was the case in 2008 and 2009. Solid, steady liquidity is critical to finance capex and R&D, as well as the refinancing needs of captive finance subsidiaries.

Peer Group (At End-June 2011)

	Ford BB+/Positive	PSA BB+/Stable	Renault BB+/Stable	Fiat BB/Negative
EBITDAR margin (%)	8.7	8.4	10.1	12.6
Total adj. debt/EBITDAR (x)	1.7	2.5	3.1	6.9
CFO/total adj. debt (%)	50	34	22	5

Source: Fitch, companies

Key Credit Characteristics

With relatively high operational and financial risks, auto manufacturers' ratings are clustered in the 'BB' and 'BBB' categories, although strong credit characteristics can lift ratings to the 'A' category. Leverage is usually low, and most groups report a net cash position through the cycle. However, this is mitigated by weak and cyclical profitability and cash generation, as well as superior refinancing risk – notably to meet the high and ongoing financing needs of finance subsidiaries.

Overview of Companies

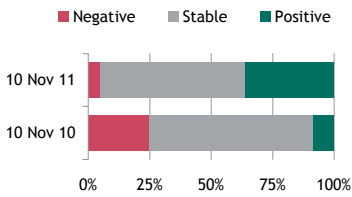
Ford Motor Company ('BB+/Positive) – the ratings are underpinned by strong financial performance and continued debt reduction through the first nine months of 2011, as well as Ford's competitive product portfolio, which Fitch expects will drive continued FCF strength.

Peugeot SA ('BB+/Stable) – the ratings reflect revised projections on PSA's main credit metrics, including profitability and cash flow generation through 2013. They are also underpinned by the improved performance of the group's non-auto businesses and improving, albeit still weak, geographic diversification.

Fiat S.p.A. ('BB'/Negative) – the ratings reflect the combination with Chrysler LLC (in which Fiat owns a 53.5% stake and expects to own 58.5% by year-end) and the increasingly challenging environment for the two companies. Chrysler has a weaker credit profile than Fiat and Fitch believes that sustained benefits to Fiat from the combination with Chrysler will only accrue in the medium-to-long term.

Distribution of Sector Outlooks

Directional Outlooks and Rating Watches



Fitch's expectations are based on the agency's internally produced, conservative rating case forecasts. They do not represent the forecasts of rated issuers individually or in aggregate. Key Fitch forecast assumptions include:

- low- to mid-single-digit revenue growth in 2012-2013;
- operating margin to improve further to 2.5%-3.5% in 2012-2013, as automotive margins reach about 2.2%-2.5%;
- normalising working-capital patterns, increasing capex through 2013 to support growth strategy, and dividend payments increasing gradually in the period.

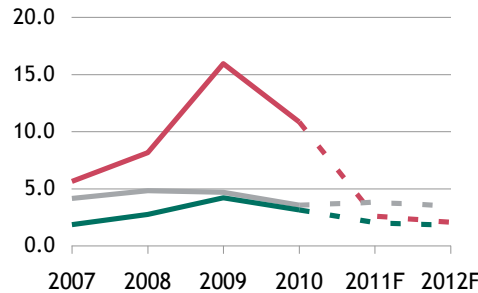
Definitions

- Leverage: Gross debt plus lease adjustment minus equity credit for hybrid instruments plus preferred stock divided by FFO plus gross interest paid plus preferred dividends plus rental expense.
- Interest cover: FFO plus gross interest paid plus preferred dividends divided by gross interest paid plus preferred dividends.
- FCF/revenue: FCF after dividends divided by revenue.
- FFO profitability: FFO divided by revenue.
- For further discussion of the interpretation of the tables and graphs in this report, see Fitch's "Interpreting the New EMEA and Asia-Pacific Credit Update Format", dated 25 November 2009 and available at www.fitchratings.com.

Renault SA — Auto & Related Median — Developed BB Cat Median — Source: Company data; Fitch

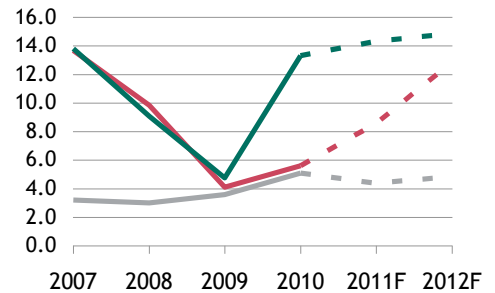
Leverage

including Fitch expectations



Interest Cover

including Fitch expectations



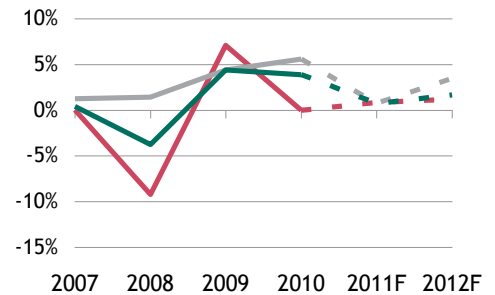
Debt Maturities and Liquidity at 10 November 2011

Debt maturities	(EURbn)
2011	0.8
2012	5.0
2013	3.0
2014	3.6
After 2014	5.2
Cash and equivalents ^a	8.5
Undrawn committed facilities ^a	8.5
Renault SA EUR4bn	
RCI Banque EUR4,5bn	

^a At end-June 2011
Source: Fitch, Bloomberg

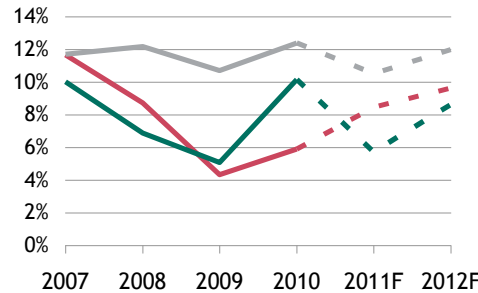
FCF/Revenues

including Fitch expectations



FFO Profitability

including Fitch expectations

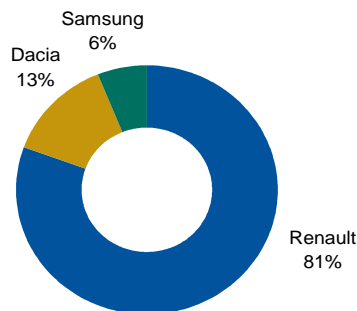


Capex/CFO

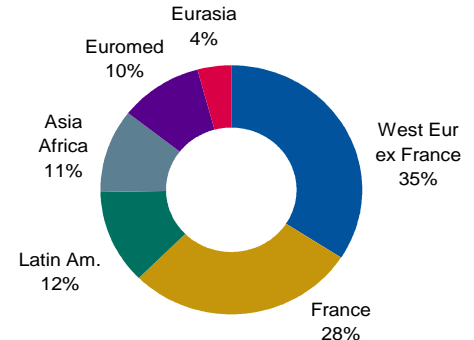
including Fitch expectations



FY10 Unit Sales by Brand



FY10 Geographic Split



Renault SA Financial Summary

	31 Dec 2010 EURm Original	31 Dec 2009 EURm Original	31 Dec 2008 EURm Original	31 Dec 2007 EURm Original	31 Dec 2006 EURm Original
INCOME STATEMENT					
Revenues	38,971	33,712	37,791	40,682	41,528
Revenue Growth	16	(11)	(7)	(2)	0
EBIT	3,924	(2,516)	320	2,913	3,137
Interest Expense Net of Interest Income	354	353	216	101	110
Net Income	3,420	(3,125)	571	2,669	2,869
BALANCE SHEET					
Cash and Equivalents	10,566	8,418	2,617	5,594	7,622
Total Assets	70,107	63,978	63,831	68,198	68,766
Short-term Debt	23,912	23,737	24,169	22,713	24,927
Senior Long-Term Debt	6,823	8,807	5,576	4,697	4,662
Subordinated Debt	273	241	197	716	768
Total Debt	31,008	32,785	29,942	28,126	30,357
Common Equity	22,235	15,982	18,959	21,577	20,718
Off-Balance Sheet Debt	1,936	2,040	2,200	2,400	2,000
Total Adjusted Capitalisation	55,701	51,297	51,558	52,595	53,558
Total Adjusted Debt	32,944	34,825	32,142	30,526	32,357
Preferred Stock + Minority Interests	522	490	457	492	483
CASH FLOW					
Operating EBITDAR (Op. EBITDAR)	4,410	3,005	3,430	4,519	4,148
Cash Interest Paid, Net of Interest Received	382	223	165	70	79
Cash Tax Paid	186	192	350	243	309
Associate Dividends	88	81	688	936	602
Other Changes before Funds From Operations**	(1,630)	(1,212)	(306)	(396)	(49)
FUNDS FROM OPERATIONS	2,300	1,459	3,297	4,746	4,313
Working Capital	(330)	3,204	(1,534)	210	214
CASH FLOW FROM OPERATIONS	1,970	4,663	1,763	4,956	4,527
Non-Operational Cash Flow*	(30)	65	192	615	423
Capital Expenditure	1,867	2,309	4,369	4,644	4,644
Dividends Paid	77	22	1,077	913	686
FREE CASH FLOW	(4)	2,397	(3,491)	14	(380)
Receipts from Asset Disposals	219	236	927	1,086	1,152
Business Acquisitions	39	86	662	67	30
Business Divestments	3,121	0	74	63	55
Exceptional & Other Cash Flow Items	0	0	88	26	(131)
NET CASH IN/OUTFLOW	3,297	2,547	(3,064)	1,122	666
Equity Issuance/(Buyback)	60	127	(113)	(126)	85
FX movement	95	57	(76)	(146)	57
Other Items Affecting Cash Flow**	473	227	(1,540)	(647)	(88)
NET CASH FLOW AVAILABLE FOR FINANCING	3,925	2,958	(4,793)	203	720
CLOSING NET DEBT	20,442	24,367	27,325	22,532	22,735
PROFITABILITY					
Op. EBITDAR/Revenues (%)	11.32	8.91	9.08	11.11	9.99
EBIT/Revenues (%)	10.07	(7.46)	0.85	7.16	7.55
FFO Return on Adjusted Capital (%)	5.46	4.26	7.65	10.31	9.14
CREDIT RATIOS					
Funds From Operations/Gross Interest Expense (x)	5.60	4.10	9.84	13.66	13.95
FFO Fixed Charge Cover (x)	4.10	3.01	6.09	8.03	8.40
Op. EBITDAR/Net Fixed Charges (x)	7.40	4.94	6.99	11.27	11.52
Adjusted Leverage/FFO (x)	10.83	15.94	8.15	5.63	6.61
Total Adjusted Debt Net of Cash/Op. EBITDAR (x)	5.07	8.79	8.61	5.52	5.96
Total Adjusted (Recourse) Debt/Total Adjusted Capitalisation (%)	59.14	67.89	62.34	58.04	60.41

Off Balance sheet debt reflects 8 times gross rent expense plus off balance sheet debt with full/limited recourse.

* Includes Analyst Estimate

** Balancing Item

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