

Rating Action: Renault S.A.

Moody's downgrades Renault to Ba1/NP with stable outlook

Approximately EUR 7.6 Billion of Debt Affected.

Frankfurt, February 20, 2009 -- Moody's Investors Service today downgraded Renault S.A's ("Renault") long term ratings to Ba1 from Baa2 and its short term ratings to Not Prime from P-2. The outlook on the ratings is stable. At the same time Moody's assigned a Ba1 Corporate Family Rating. This concludes Moody's review for downgrade initiated on January 13, 2009.

Falk Frey, Senior Vice President and the lead analyst at Moody's for the European automotive sector, said: "The downgrade reflects the significantly worse operating performance and negative free cash flow in FY2008 leading to a material deterioration in Renault's financial flexibility with reported net industrial debt deterioration of €5.9 billion to €7.9 billion."

In Moody's view the markets will remain challenging in 2009 with significant drops in volume expected with limited prospect of a meaningful recovery in 2010 though the scrapping bonuses may cushion the shock in some European countries. Against this background Moody's is of the opinion that the operating profitability and cash flow generation will remain very weak in the intermediate term. In addition, Renault's cash flow might no longer benefit from a sizable dividend income from its two key shareholdings in Nissan and Volvo over the medium term. As a result the time for recovery of credit metrics of Renault in line with an investment grade rating is likely to take more time than can be accommodated for such rating level without even considering more negative economic scenarios.

The Ba1 rating nonetheless continues to recognise the sound business profile of the company based on a good product offering, an adequate cost position and good market positions in several geographic areas. It also recognises that the liquidity position of the company has been mitigated by the planned loan from the French State as well as the strong focus of the company for a target of breakeven free cash flow in 2009 which nonetheless in Moody's opinion could be challenging to fully achieve. The agency also acknowledges that management is proactively addressing the operating issues of the company and remains determined to further strengthen the refinancing profile.

Renault published fiscal year group revenues of €37.8 billion, down by 7% and an operating margin of €212 million for FY2008, whereby the automotive business generated €35.6 billion revenues, down by 7.4% from previous year and an operating loss of €275 million. The loss in the automotive business was the result of a 2.2% and 30.0% fall in revenues in the third and fourth quarter that resulted in an operating loss of €873 million in the second half 2008. Renault's reported automobile free cash flow (including dividend from Nissan and Volvo) was €3.0 billion negative. Dividend payments and the acquisition of the stake in AvtoVAZ added to the increase in reported automobile net debt of €5.9 billion in 2008 to €7.9 billion.

Moody's anticipates Renault's car and light commercial vehicle demand declining by around 20% in the first quarter of 2009 which should result in a further deterioration in Renault's profitability and key credit metrics in the first half 2009. Moody's ratings anticipate a sequential improvement of volumes and cash flow generation in the subsequent quarters. The ratings could come under further downward pressure however, in case of evidence that the market environment would turn worse than anticipated with regards to volumes or prices and the company's inability to adjust capacity measures in a timely and adequate manner resulting in further sizable cash absorption by the industrial operations in contrast to the company's aim to achieve a positive free cash flow. Moody's comments nonetheless that there is some headroom built in the current rating for such negative circumstances.

The stable outlook takes into account that the liquidity position of the company has been buffered by the planned €3.0 billion loan from the French State as well as Moody's belief that the strategic nature of Renault and the automotive industry within the French economy should argue with some level of confidence for further financial support beyond the announced loan if needed.

Downgrades:

..Issuer: Renault S.A.

....Multiple Seniority Medium-Term Note Program, Downgraded to a range of Ba2 to NP from a range of

Baa3 to P-2

...Senior Unsecured Commercial Paper, Downgraded to NP from P-2

...Senior Unsecured Regular Bond/Debenture, Downgraded to Ba1 from Baa2

Assignments:

..Issuer: Renault S.A.

...Corporate Family Rating, Assigned Ba1

Outlook Actions:

..Issuer: Renault S.A.

...Outlook, Changed To Stable From Rating Under Review

The principal methodology used in rating Renault was the Global Automobile Manufacturer Industry Methodology, which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

Moody's last rating action on Renault was the review for possible downgrade of the Baa2 long- and P-2 short term ratings on January 13, 2009.

Renault S.A., headquartered in Paris, France, is one of Europe's leading car manufacturers. The group's Renault brand is the Western European market leader in light commercial vehicles and ranks number four in passenger cars. The two other brands offered by Renault are Dacia (Romania) and Renault Samsung Motors (Korea). Renault also provides financing to dealers and end-customers through its wholly owned finance company, RCI Banque. In fiscal 2008, the group sold 2.4 million vehicles and reported total revenues of €37.8 billion.

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