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Renault & RCI Banque: R&I Affirms A, Outlook Negative
R&I Affirms A, Outlook Negative: Renault & RCI Banque

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: Renault S.A.
Foreign Currency Issuer Rating
R&I RATING: A (Affirmed)
RATING OUTLOOK: Negative (Changed from Stable)

ISSUER: RCI Banque
Foreign Currency Issuer Rating
R&I RATING: A (Affirmed)
RATING OUTLOOK: Negative (Changed from Stable)

Commercial Paper Programme
R&I RATING: a-1 (Affirmed)

RATIONALE:

French automobile manufacturer Renault S.A. (Renault), which boasts annual group sales close to 2.5 million vehicles, is developing an independent strategy based on its cooperation with Nissan Motor Co., Ltd. The company's three main brands are Renault (France), Dacia (Romania) and Renault Samsung (South Korea). Based on its alliance with Nissan, Renault has achieved positive results through platform sharing in the B and C segment and complementary supply of 1.5-2.0-liter class engines, as well as joint purchasing for roughly 92% of production materials. In early 2008 Renault also formed a capital and business alliance with Russia's largest automaker OAO AvtoVAZ, with Renault acquiring a 25% equity stake aimed at achieving synergy from a technological development, purchasing and production perspective.

With sales highly dependent on its "Clio," "Megane" and "Logan" lines, Renault is affected easily by the life cycle and model changes of these specific models. Because the Western Europe region accounts for roughly 60% of all vehicles sold, sales are also characterized by susceptibility to Europe's economic and market conditions. Although sales of the low-priced strategic "Logan" compact had been growing, particularly in newly developing countries, sales in 2008 have been affected by Europe's deteriorating business climate and have slowed quickly. While Renault has decided to offer voluntary retirement to 4,000 employees in France and is pursuing other cost reduction measures, including plans to trim 2,000 jobs at subsidiaries in Europe, given Europe's current economic conditions there is a strong probability Renault's earning capacity and cash flow generating capability will remain dull for the near-term future.

Renault has an ample equity capital cushion, and its financial structure is comparatively strong. With net debt of 3,472 million euro (approximately 580 billion yen) for its automobile operations alone at the end of June 2008, however, reducing debt has become an issue.

Based on its latest review, R&I has affirmed the Foreign Currency Issuer Rating

at A. Nevertheless, because of the severe direction of the earnings environment and the significant possibility the balance between Renault's debt and cash flow will deteriorate if the company does not quickly improve earnings capacity and its ability to generate cash flow through cost reductions or other measures, R&I has revised the Rating Outlook to Negative.

R&I will watch closely to see whether Renault can simultaneously diversify its sales regions and improve profitability, by taking advantage of model changes scheduled from the second half of 2008 to focus efforts on sales of "Megane" and by further pursuing sales of the "Logan" brand in newly-developing countries.

RCI Banque is a captive sales finance subsidiary wholly-owned by Renault S.A., and integration with the parent company is extremely high. As the holder of a banking license, RCI Banque is subject to the provisions of French banking laws and its management is conservative. R&I evaluates these points positively, and has affirmed the rating at A, identical to the parent company. Ratios such as the loan loss percentage have remained low, and the company has maintained sound asset quality.

R&I RATINGS:

ISSUER: Renault S.A.

FOREIGN CURRENCY ISSUER RATING: A (Affirmed)

RATING OUTLOOK: Negative (Changed from Stable)

LONG-TERM ISSUE RATING:	Issue Date	Redemption	Issue Amount (mn)
Japanese Yen Bonds Second Series (2003)	Dec 02, 2003	Dec 02, 2008	Yen 30,000
Japanese Yen Bonds Third Series (2004)	Dec 15, 2004	Dec 15, 2009	Yen 25,000
Japanese Yen Bonds Fourth Series (2005)	Dec 15, 2005	Dec 15, 2010	Yen 25,000
Japanese Yen Bonds Fifth Series (2005)	Dec 15, 2005	Dec 14, 2012	Yen 10,000
Japanese Yen Bonds Sixth Series (2006)	Dec 14, 2006	Dec 14, 2011	Yen 50,000
Japanese Yen Bonds Seventh Series (2008)	Jan 23, 2008	Jan 24, 2011	Yen 32,000
Japanese Yen Floating Rate Bonds First Series (2008)	Jan 23, 2008	Jan 24, 2011	Yen 12,500
Japanese Yen Bonds Eighth Series (2008)	Jan 23, 2008	Jan 23, 2013	Yen 5,000

R&I RATING: A (Affirmed)

ISSUER: RCI Banque

FOREIGN CURRENCY ISSUER RATING: A (Affirmed)

RATING OUTLOOK: Negative (Changed from Stable)

PROGRAMME: Euro Medium-term Note Programme

ISSUE LIMIT: Euro 12,000 million

R&I RATING: 1 year or longer: A (Affirmed)

less than 1 year: a-1 (Affirmed)

PROGRAMME: Euro Commercial Paper Programme

ISSUE LIMIT: Euro 2,000 million

R&I RATING: a-1 (Affirmed)

Issuer Rating is R&I's opinion regarding an issuer's overall capacity to repay its entire financial obligation, and it will be assigned to all issuers. The rating of individual obligations (i.e. bonds and loans etc.) includes the prospect of recovery and reflects the terms and conditions of the agreement and it may be lower or higher than the Issuer Rating.