

Renault. Setting new standards in safety

RENAULT IN 2004



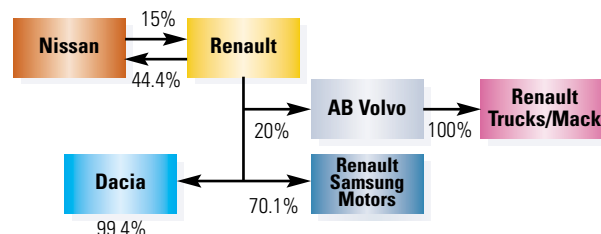
RENAULT

Key figures 2004

Market share (Western Europe and Worldwide)

(%)	2000	2001	2002	2003	2004
Western Europe					
Passenger cars	10.6	10.6	10.7	10.6	10.3
Light commercial vehicles	14.1	15.3	15.8	15.0	14.9
Cars + LCVs	11	11.2	11.3	11.1	10.8
Worldwide (cars + LCVs)	4.2	4.3	4.3	4.2	4.1

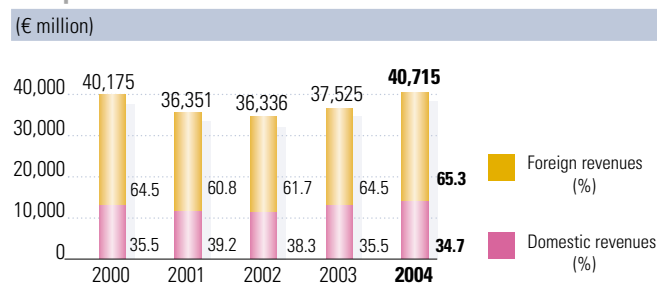
Simplified structure of the Renault group



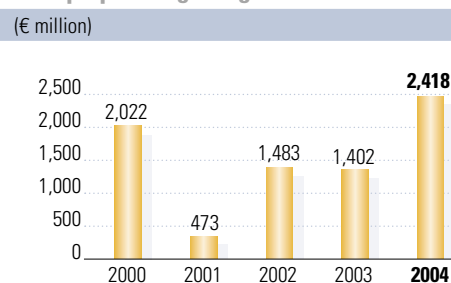
Group sales worldwide

(units)	2000	2001	2002	2003	2004
Western Europe	1,873,865	1,905,306	1,870,404	1,806,995	1,812,044
Rest of the world	481,706	507,489	534,291	581,487	677,357
Total worldwide	2,355,571	2,412,795	2,404,695	2,388,482	2,489,401
Passenger cars	2,019,902	2,074,650	2,063,979	2,055,996	2,109,209
Light commercial vehicles	335,669	338,145	340,716	332,486	380,192

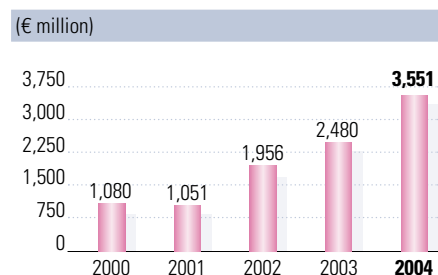
Group revenues



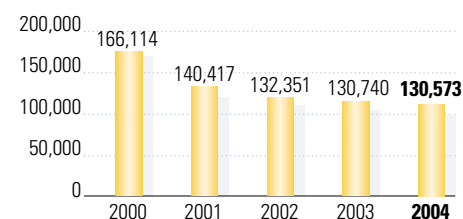
Group operating margin



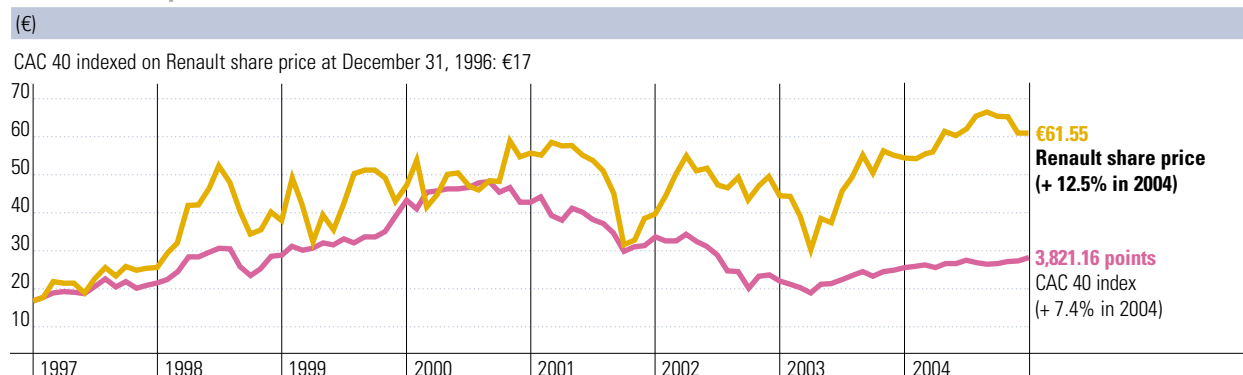
Renault net income



Employees



Renault share performance





Renault continued and extended implementation of its strategy for profitable growth throughout 2004.

The number-one brand in Europe — and the only automotive manufacturer to line up seven vehicles with top five-star ratings in Euro NCAP crash tests — Renault placed third in the Formula 1 constructors' championship and accelerated international growth. Developments included the launch of Logan and the deepening of its Alliance with Nissan. Results for the year bear out the pertinence of this strategy, with operating margin reaching 5.9% of revenues, making Renault one of Europe's most profitable volume vehicle manufacturers.

Strategy is structured around five fundamental goals:

- **Build recognition for our brand identity**
- **Be the most competitive manufacturer on our markets in terms of quality, costs and delivery times**
- **Extend our international reach**
- **Develop Renault's core values**
- **Translate success into financial performance**

Renault has thus chosen to present the business developments of 2004 in terms of these same objectives, as was already the case for our 2003 report.

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2004 in pictures

For Renault, 2004 was a year of success. Modus put in a good sales performance from the moment it was launched, while Logan attracted immediate interest at the start of what promises to be an exceptional career built on a groundbreaking concept. Like the Fluence concept car, Modus and Logan illustrate the creativity and drive that have won Renault an outstanding record of success on markets around the world.



Modus

Modus got off to a strong start in Western Europe, complementing Clio to give Renault the top place in the small-car segment. Combining a compact format and a roomy, modular interior, its styling makes for an easy appeal, adding to its other strengths.



Logan

Dacia, the Romanian brand acquired by Renault in 1999, is now moving to take its place as the reference for new automobile markets with Logan, launched in 2004. Robust and reliable, Logan is a modern sedan offering standards of equipment and performance at a price that make it unrivalled value for money.



Like its forerunner Wind, the Fluence concept car marks the beginnings of a new direction for Renault design. Outside, sleek, vigorous lines make for an exclusive aura of sensual appeal, while the interior is built for warmth, with soft shapes and quality ergonomics embodying the principles of Touch Design.

Fluence



With seven of its vehicles winning the top five-star rating in Euro NCAP crash tests, Renault boasts the safest range on the market. Renault cars are built to prevent accidents, correct failings and protect all occupants. Renault also takes the initiative to raise awareness of road safety issues, in particular through educational programs for children and young people.

Safety



International growth

In 2004, Renault successfully continued implementation of its strategy for international expansion, working towards its goal of selling 4 million cars a year by 2010. Total group sales were up 4.2% in 2004, while the rise outside Western and Central Europe was a vigorous 16.5%. In Western Europe, the Renault brand took a top 10.8% of the market for passenger cars and light commercial vehicles, reflecting in particular the success of Mégane, Traffic and Master. Shown here, Clio in Brazil.

Formula 1

The Renault F1 Team's results for 2004 match the target of ranking in the top three set at the beginning of the season. In 2005, Renault will be setting its sights even higher, battling for the world championship title.



From the Chairman

The Renault group had an excellent year in 2004.

Our results reflect the success of projects initiated some time ago to underpin our drive for profitable growth, as well as the achievement of our targets for 2004 in terms of quality, international development and operating income.

The quality of our products and services, recognized by both customers and distributors, has had an impact on our warranty costs. Progress in this area is an important source of strength for the Renault range — one of the most recent on the market. At the end of the year, our lineup was extended with the launch of Modus, an innovative model with a special appeal that has won it a ready welcome. Marking a first move in the renewal of our range of small cars, Modus is to be followed by an all-new Clio in 2005 and Twingo in 2006.

Our new engines, which make our range one of the most fuel-efficient on the market, enhance the attractiveness of our models, as does our lead in safety, illustrated by five-star ratings for seven of our vehicles in Euro NCAP crash tests. Mégane's place as the best-selling car in Europe in 2004 and the rise in sales of light commercial vehicles bear out this appeal, consolidating Renault's ranking as Europe's number-one brand for the seventh year running.

International expansion has continued at a sustained pace. A highlight was the successful launch of Logan, on schedule and to targeted standards of quality, rewarding united commitment and efforts, especially from Dacia. Logan has a key role to play in our drive to win new markets, and its very positive reception — reflected in sales well above our expectations — augurs well for its intended international career. Work to prepare the plants that are to produce Logan in Russia, Morocco and Colombia continued in 2004. Our project for Iran, which involves the production of over 300,000 cars a year, is making good headway and we have initiated promising talks in India.

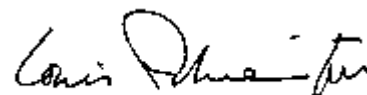
In Korea, Renault Samsung Motors extended its offering with the launch of the new SM7.

All told, sales outside Western Europe, our domestic market, were up by over 16%. Sales under the Renault brand showed vigorous rises on many markets, among them Turkey, Algeria, Russia, Mexico, Colombia and South Africa. Deployment of the Renault brand on new markets also benefited from performances in Formula 1 racing that matched targets with a place among the top three in 2004.

Renault is now clearly building momentum for the profitable and sustainable growth on which our strategy is based. In this, we can build on strong corporate values and a fundamental principle: respect for people and the environment. New initiatives in recruitment and training are under way, as well as the adoption of tools such as the Declaration of Employees' Fundamental Rights to provide ethical guidelines for expansion.

Turning to business results, net income reached a historic high. Our balance sheet is particularly solid. These good results reflect the combined effects of sales performances, focused investment and cost controls, as well as the competitiveness of our factories, which is among the highest in the world. They also bear out the wisdom of strategic investments in the Renault-Nissan Alliance, which was strengthened in 2004, and in the equity of AB Volvo, the world's second-largest truck maker. These make Renault one of the most profitable automobile manufacturers in the world.

Our performances demonstrate the success of our strategy, rewarding the combined efforts of Renault, Dacia and Renault Samsung Motors employees, to whom I would like to address my deepest thanks for their commitment, enthusiasm and professionalism. We will continue to deploy this strategy for the satisfaction of our customers, business partners and shareholders. In spring 2005, this will become the responsibility of Carlos Ghosn when he takes over from me at the head of the Renault group, which will face new challenges, but will also meet with new success.





Louis Schweitzer
Chairman and CEO

Board of Directors on December 31, 2004



Louis Schweitzer
Chairman



Yves Audvard
Renault Advanced Process Design Engineer



Michel Barbier
Renault Working Conditions Technician



Alain Champigneux
Renault Engineering Project Manager



François de Combret
Associate Director, Lazard Frères



Charles de Croisset*
Vice Chairman, Goldman Sachs Europe



Carlos Ghosn
President and Chief Executive Officer,
Nissan Motor Co., Ltd.



Jean-Louis Giredolle
Inspector of Finance and Deputy Director,
Treasury Department, Ministry of the
Economy, Finance and Industry



Itaru Koeda
Co-Chairman of the Board of Directors
and Executive Vice President,
Nissan Motor Co., Ltd.



Marc Ladreit de Lacharrière*
Chairman and Chief Executive Officer, FIMALAC



Dominique de La Garanderie*
Attorney, former Leader of the Bar (Ordre des Avocats de Paris)



Bernard Larroutourou
Managing Director, CNRS (National Center for Scientific Research)



Henri Martre*
Honorary Chairman, Aérospatiale



Jean-Claude Paye*
Attorney



François Pinault*
Honorary Chairman, Artémis, Chairman of the Pinault Foundation



Franck Riboud*
Chairman and Chief Executive Officer, Danone Group



Georges Stcherbatcheff
Renault Representative for Industry-wide Standardization



Robert Studer*
Former Board Chairman, Union de Banques Suisses

**Independent directors.*

Management Team

on January 1, 2005

Group Executive Committee



Louis Schweitzer

Chairman and Chief Executive Officer
62 years old



Patrick Blain

Executive Vice President,
Sales and Marketing
52 years old



Georges Douin

Executive Vice President, Product
and Strategic Planning and
International Operations, 59 years old

École Nationale d'Administration.
Inspector of Finance. Joined Renault
in 1986. Became Chief Financial Officer
and Head of Strategic Planning in 1988,
then Executive Vice President in 1989.
Appointed President and Chief Operating
Officer in December 1990.
Chairman and CEO of the Renault group
since May 1992.

École des Mines de Paris.
Master's Degree in Economics.
Masters of Science from Stanford
University. Joined Renault in 1977.
Senior Vice President, Market Area
France and member of the Renault
Management Committee in 1998,
then Senior Vice President, Market
Area Europe in 2000. On January 1,
2005, he was appointed Executive
Vice President, Sales and Marketing,
and became a member of the Group
Executive Committee and the
Renault-Nissan Alliance Board.

École Polytechnique.
Joined Renault in 1967 as a quality
engineer in the R&D Department.
Became Head of Engineering in 1988,
then Vice President, Technology in 1989,
before being appointed Senior Vice
President Product and Strategic Planning
and Projects in 1992. He became
Senior Vice President, Product and
Strategic Planning and International
Operations in 1997. Appointed Executive
Vice President in 1998.
Mr. Douin will retire from his executive
duties in July 2005.

Group Executive Committee and Renault Management Committee

Louis Schweitzer (1)

Chairman and Chief Executive Officer

Patrick Bessy

Senior Vice President, Corporate
Communications

Patrick Blain (1)

Executive Vice President,
Sales and Marketing

Marie-Christine Caubet

Senior Vice President, Market Area Europe

Jacques Chauvet

Senior Vice President, Market Area France

Jean-Pierre Corniou

Senior Vice President,
Chief Information Officer

Alain Dassas

Senior Vice President, Finance

Remi Deconinck

Senior Vice President, Product Planning

Odile Desforges

Senior Vice President, Purchasing.
Chairman and Managing Director,
Renault-Nissan Purchasing
Organization (RNPO)

Georges Douin (1)

Executive Vice President, Product & Strategic
Planning and International Operations

Jean-Baptiste Duzan

Senior Vice President, Corporate Controller

Michel Faivre-Duboz

Senior Vice President, Vehicle
Engineering Development

Philippe Gamba

Chairman and CEO, RCI Banque

Manuel Gomez

Senior Vice President, Northern Latin America

Michel Gornet (1)

Executive Vice President, Manufacturing

Kazumasa Katoh

Senior Vice President,
Powertrain Engineering

Philippe Klein

Senior Vice President, assigned to the
Chairman's Office (effective March 1, 2005)

Jacques Lacambre

Senior Vice President, Advanced
Vehicle Engineering and Research

Patrick le Quément

Senior Vice President, Corporate Design

Benoît Marzloff

Senior Vice President, Strategy and Marketing

Luc-Alexandre Ménard

Senior Vice President, International
Operations

Bruno Morange

Senior Vice President,
Light Commercial Vehicles



Michel Gornet

Executive Vice President,
Manufacturing, 58 years old



Thierry Moulouquet

Executive Vice President,
Chief Financial Officer, 54 years old



Jean-Louis Ricaud

Executive Vice President,
Engineering and Quality,
52 years old



Michel de Virville

Corporate Secretary General
Executive Vice President, Renault
Group Human Resources, 59 years old

École Polytechnique.
Harvard Business School.
Joined Renault in 1968.
Appointed General Manager
of the Billancourt plant in 1986, then
General Manager of the Sandouville
plant in 1989. He became Senior
Vice President, Manufacturing in 1994
and joined the Renault Management
Committee. Appointed Executive Vice
President, Manufacturing, he became
a member of the Group Executive
Committee on January 1, 2005.

École Nationale d'Administration.
Joined Renault in February 1991,
as Head of Group Financial Relations,
before being appointed Vice President,
Capital Expenditures Controller in 1996.
In 1999, following the signing of the
Renault-Nissan Alliance agreement, he
joined Nissan Motor in Japan as Deputy
Chief Financial Officer. In 2000, he was
appointed Chief Financial Officer
of Nissan. On January 1, 2004,
he became Executive Vice President
and Chief Financial Officer of Renault.

École Normale Supérieure,
Agrégation diploma in Mathematics.
Chief Engineer of the École des Mines.
Began his career at Cogema.
Joined Renault in early 2002 as Senior
Vice President, Quality, and became
a member of the Renault Management
Committee. He was appointed Executive
Vice President, Engineering and Quality,
and has been a member of the Group
Executive Committee and the
Renault-Nissan Alliance Board since
January 1, 2005.

PhD in mathematics. Research engineer
at the CNRS (National Center
for Scientific Research). Ministry
of Labor (1986). Advisor at the Auditor-
General's Department. Joined Renault
in 1993. Became Head of the Human
Resources Department in 1996,
and was appointed Corporate Secretary
General in 1998, with responsibility
for the Group's Human Resources.

Thierry Moulouquet (1)

Executive Vice President,
Chief Financial Officer

Pierre Poupel

Senior Vice President, Mercosur

Jean-Louis Ricaud (1)

Executive Vice President,
Engineering and Quality

Yann Vincent

Senior Vice President, Quality

Michel de Virville (1)

Corporate Secretary General, Executive
Vice President, Group Human Resources

Up to December 31, 2004:

Patrick Faure (1) (2)

Chairman, Renault F1 Team

François Hintray (1)

*Executive Vice President,
Sales and Marketing*

Pierre-Alain De Smedt (1)

*Executive Vice President,
Industry and Technology*

Tsutomu Sawada

*Senior Vice President, Advisor
to the Chairman*



Carlos Ghosn

President and Chief Executive Officer,
Nissan Motor Co., Ltd.

Carlos Ghosn is 51 years old.
He graduated from the École
Polytechnique (1974) and
the École des Mines in Paris (1978).
In 1996, after 18 years at Michelin,
he joined Renault as Executive
Vice President in charge of
Advanced Research, Car Engineering,
Car Manufacturing, Powertrain
Operations and Purchasing.
In 1999, he was appointed Nissan's
Chief Operating Officer and then
became the company's President
and Chief Executive Officer in 2001.
Carlos Ghosn will replace
Louis Schweitzer at the head
of the Renault group in April 2005.

⁽¹⁾ Members of the Group Executive Committee.

⁽²⁾ Effective January 1, 2005, Patrick Faure resigned from the Group Executive Committee
to concentrate exclusively on his role as Chairman of the Renault F1 Team.

The rewards of good governance

Clear principles guide daily practice

Committed to the very highest standards of corporate governance, Renault made transparency in management procedures a priority once again in 2004, strengthening supervision and control by appointing new independent directors to its Board.

• New independent directors

The appointments of François Pinault and Charles de Croisset to the Board raised the number of independent directors to eight at December 31, 2004. To qualify as independent, directors may not be representatives of the French State, nor be elected by employees and employee shareholders (these directors not being subject to management authority during Board meetings). Also excluded are the Chairman and CEO and the two directors appointed by Nissan, given the company's ties to Renault, and a director appointed by a bank doing business with Renault.

• Board evaluation

On December 14, 2004, Renault undertook an in-depth assessment

of the Board's structure and operation — the third since 1998 — with a survey commissioned from a specialized external consultant. Results bore out the 2001 evaluation, highlighting significant advances in the Board's consistency, cohesion and independence, as well as the confidence and trust of management and its commitment to Renault-Nissan Alliance strategy.

• New Charter defines role and independence of auditors

In 2004 Renault signed a charter setting out its relations with Group auditors, who ensure compliance with charter provisions and with regulations in all countries where Group companies operate.

• Proposed separation of Chairman and CEO functions

In 2005, the Board will be asked to separate the functions of Chairman and Chief Executive Officer, in keeping with Anglo-American business practices. If this proposal is approved, Carlos Ghosn will be asked to become CEO. In the new structure, the Chairman will organize and preside the work of the Board of Directors. The CEO will be responsible for Group operations.

Good governance is a question of attitude



Franck Riboud*
Chairman and CEO of Danone

What are the main benefits of good corporate governance?

Many people see a corporate governance policy as a vector for communication, but they've missed the point. The real aim is to give shareholders concrete evidence of the company's ability to deliver results. Corporate governance is not

about image, it is above all an open and transparent approach to doing business.

How would you define the role of an independent director?

Rather than categories like "independent" and "dependent," I prefer to look at the overall balance and the special contribution of each director. An independent director has no conflicts of interest and risks no sanctions for straight talking, which makes it easier for him to speak his mind. And coming from a different industry — unlike Renault, Danone is in mass-market consumer goods — I approach

the business from another angle. Fresh insights can be useful as long as Board meetings allow for a genuine exchange of views, which is certainly the case at Renault, as it is at Danone. Independence is not the application of a quota; it's the way a business deals with its directors.

What guidelines do you recommend for compensation?

If you limit pay to short-term financial compensation, your business will deliver short-term financial results. So it makes sense to develop a system that takes into account short, medium and long-term factors, and

includes a component not directly linked to operating margin. A collective component is also important, since all business requires a team effort. The compensation system adopted by Renault strikes a good balance between these different requirements.

* Independent director and chairman of Renault Appointments and Remuneration Committee.

The Board of Directors and specialized committees

The Board of Directors examines strategic priorities proposed by management and ensures that decisions are implemented. It is consulted in advance on all major decisions outside normal business strategy, and is kept regularly informed of company finances. In 1996, the Board of Directors set up three specialized committees to assist it in the fulfillment of its mission and the achievement of its objectives. Committee chairmen are charged with presenting relevant input to the Board.

- **The Accounts and Audit Committee**, which has a majority of independent directors and is chaired by Robert Studer, met three times in 2004. Main issues examined included:
 - Financial statements for the Group and for Renault SA for 2003 and the first half of 2004.

- Proposed dividend for 2003.
- Review of fees paid to auditors and their network.
- 2003 balance sheet and analysis of 2004 budget prepared by internal audit.
- Analysis of France's Financial Security Act of August 1, 2003, which imposes stricter standards for audits and internal control.

- **The Appointments and Remuneration Committee**, which has a majority of independent directors and is chaired by Franck Riboud (see interview opposite) met three times in 2004. Main issues considered included:
 - Compensation for the Chairman and CEO and members of the Executive Committee.
 - Consideration of an additional retirement benefit program for senior managers, members of the Group Executive

- Committee (CEG) and the corporate officer.
- Review of the evaluation of each Board member commissioned from an outside consultant in keeping with best practice in corporate governance.
- Stock-options program for 2004.
- Renault governance.

- **The International Strategy Committee** is chaired by Henri Martre, an independent director, and met three times in 2004. Main issues examined included:
 - Renault's international strategy in Iran, China and India.
 - Group strategy in the Mercosur countries.
 - Customer expectations and product positioning on international markets.

Senior management compensation policy

Compensation of members of the Renault Management Committee (CDR) and corporate officers (*mandataires sociaux*) comprises fixed and variable components and is rounded out by a stock-option system. The variable portion is based on company performance. Criteria for determining the variable component of compensation for the Chairman and CEO are set by the Board of Directors on the basis of proposals made by the Appointments and Remuneration Committee.



The Annual General Meeting held at Maison de la Chimie, Paris, in April 2004.



Stylish, innovative, fun to drive: Modus has the hallmarks of a true Renault.

1 Renault's brand identity: setting the standard in product innovation and customer service



An increasingly rich market offering can be bewildering, which means that buyers need values they can count on. A Renault is immediately recognizable, with an attractive, modern design and innovative vehicle architecture and features. Standards of customer service that are a benchmark for the industry also contribute to a strong brand identity.

A strong brand identity

What is a Renault?

Renault: a brand that stands for daring. For vision. For warmth. Three fundamental qualities that find expression in vehicles combining an attractive design with comfort and convenience, agility and safety.

Renault's brand identity is founded on four key strengths:

- mastery of automobile fundamentals that include quality, safety and respect for the environment;
- vehicles that offer driving pleasure with responsive engines, and excellent road-holding and traveling comfort with innovative, ergonomic cabin design and comfort features;
- market positioning with continued appeal for practical-minded customers open to new ideas;
- distinctive personality with the vision to anticipate needs,

the daring to offer new solutions and the enthusiasm, passion and concern for people needed to convey genuine warmth.

Innovating for distinctive strength

Innovative design has always been a hallmark of Renault, as illustrated by the first hatchback, modular rear-seating and the minivan concept. The split-opening tailgate on Modus continues this tradition. New developments in driving features, a special focus of development at Renault, make safety the priority.



Grand Scénic carries on the Renault tradition in minivans.

Driving pleasure and a sense of safety



Rémi Deconinck

Senior Vice President, Product Planning

Who are Renault cars designed for?

For everybody with a practical, open frame of mind.

What sets a Renault apart?

Design, styling — visible personality. A Renault has immediate appeal, an emotional side in keeping with its French origins. That is modern and dynamic. Simple and functional. The quality and reliability of a Renault

show. And onboard comfort must be immediately perceived, along with something extra that has to do with light and transparency.

And at the wheel?

Driving pleasure and a sense of safety. A Renault alerts the driver and corrects errors. Passengers and driver can always count on the highest standards of safety.

What would be a good example of that in 2004?

Modus is a perfect illustration of everything I am talking about. It has an appealing design with something very French about it. It is easy to handle, spacious and suited to varied needs. Modus is quick, lively and extremely safe.

How does Renault's international expansion affect products?

Well, clearly we are not making products for the same customers as before. And that means we have to offer something different. The historical importance of Western Europe for our business must not make us neglect markets in other parts of the world. On this point, Renault has really taken the lead with the launch of Logan and I certainly don't think we will be going back on the strategy it represents. The idea of a global car that is the same everywhere is completely obsolete. Even in France, incomes vary widely — which is why we have decided to put Logan on the French market. Households with monthly incomes of around €1,500 will no

longer have to drive old, second-hand cars with out-of-date equipment and a constant risk of breakdowns.

Does Renault have a future at the top of the range?

Admittedly, Vel Satis has not altogether lived up to our expectations, but it has reached the clientele we targeted. And Espace is clearly at the upper end of the range. The Fluence concept car could also be a sign of things to come.

Innovative **design** with a winning way



Touch Design: interiors to match customers' expectations.

The strength of Renault design

Stylish design has always been a hallmark of Renault, making its range immediately recognizable with lines and proportions that express unmistakable personality. In 2004, Modus and concept cars Wind and Fluence marked the beginning of a fresh stage in the history of Renault design — while only the first is in full production, the other two announce the same new approach to brand styling. Dynamic lines provide

for an exclusive touch and seductive appeal, while design also factors in the highest standards of safety. This has immediate implications for architecture and morphology, as illustrated by front ends carefully shaped to limit the risk of pedestrian injury. Concern for safety is thus built into Renault models from the very first sketch.

Interiors with a warm welcome

Renault's Touch Design concept centers on the need to make interiors that better match user expectations with simpler architecture, more intuitive controls, and less intrusive technology. The cabin takes on sensual forms and materials are chosen for tactile

appeal, while enhanced ergonomics contribute to peace of mind. A priority is to make life simpler for all on board, raising the level of equipment without creating an impression of excessive complexity. As Patrick le Quément, Senior Vice President, Corporate

Design, explains: "As an automobile manufacturer, our job is to ensure that technology is not a burden on the driver. That is absolutely essential if driving is to remain a pleasure."



Fluence, a concept car, marking the beginning of a new direction for Renault design.

Design demands lasting appeal



Patrick le Quément

Senior Vice President, Corporate Design

Could you tell us something about the history of design at Renault?

You can distinguish three phases over the past couple of decades. In the first, beginning in 1988, the focus was on the development of innovative concepts, exemplified by Twingo and the Scénic concept car. This was followed in 1995 by a move to strong identity, beginning with the Argos concept car and continuing with the Initiale and Vel Satis concept cars. The third phase began in 2002. Here the idea was to take innovative concepts with a strong identity and add a seductive touch. With more and more models on the market, it is no longer enough to be liked, you have to be preferred. Fluence epitomizes this third phase.

How do you reconcile lasting appeal with rapid changes in fashion?

That can be a challenge. A car has to be immediately attractive, but it also has to have appeal over time. It is a question of striking the right balance.

What is the weight of safety considerations?

Safety entails some important constraints. Euro NCAP test findings already influence the shape of our vehicles and the forthcoming standards for pedestrian impact will require some rethinking of front-end design. Our job will be to ensure that visual appeal does not suffer.

Modus — a new take on compacts

Practical — with winning ways

Illustrating Renault's unique know-how in minivans, Modus offers outstanding interior space in a compact body. Convivial and friendly, it ensures standards of safety and comfort that fully match the demands of the brand.

The Modus concept began with careful observation of customer demand. Surveys conducted by the Product Planning Department showed that a number of would-be buyers of small cars liked the idea of a minivan in compact format. Modus gives them what they are looking for and more, with a modular interior featuring ergonomic design for convivial comfort. Body lines make for a friendly look, in keeping with a tradition the head of the Modus design team,

Patrick Lecharpy, is attached to. "Renault's entry-level models have a special warmth and charm about them," he says.

To take its place alongside Clio, Modus had to be roomy, practical and readily adaptable to different user needs. It has gained special appeal with a modular, sliding rear bench seat.

As Elisabeth Bougis, product planning project manager, explains, "The aim was to accommodate two or three passengers with

a modular design, allowing for frequent changes without having to remove the back seat."

Other practical features of Modus include storage space in the front passenger seat, a split-opening tailgate and a bicycle rack that can be stored in the trunk. Safety is naturally a priority, with innovations including two additional cornering lights that widen the driver's field of vision in bends.



In Western Europe, Modus attracted a good 65,000 orders in its first three months.



Modus: roomy, bright, safe.

Pan-European

Modus is the first Renault vehicle using the Alliance's common B platform. "We started working together very early on," explains Anne Cormier, engineering project manager. "Our aim was to set the example for quintessentially European models."

In keeping with the best Renault tradition, Modus represents a benchmark in vehicle safety, starting with a structural design that ensures outstanding balance, road-holding, and stability, while powerful brakes and electronic systems give drivers exceptional

control on the road. Passenger protection is optimum, with Modus winning the top five-star rating in Euro NCAP crash tests from the start — the first vehicle in its category to do so.

Its design draws inspiration from Scénic, the safest car of its class, with features that include a front design that deforms in the event of an impact, a magnesium armature for the steering wheel, and a collapsible steering column. A floor-mounted parking brake limits the risk of leg injury, as does padding to protect the shins and ankles of the driver and passenger. A stiff center pillar with programmed crumpling offers optimum protection in the event of lateral impact. Modus is also equipped with the third-generation Renault System for Restraint and Protection which includes up to six adaptive airbags in the front and sides. Finally, the two side

seats at the rear and the passenger seat at the front are fitted with Isofix three-point attachments for child seats, with disabling of the front airbag, the side chest airbag and the pyrotechnic pretensioner.

Reaching out to young families



Jean-François Simon

Vice President,
B Product
Range Program

How would you define Modus?

Modus is a car based on an innovative architectural concept. We wanted it to be the best in class in terms of ride

and handling, acoustics, and active and passive safety.

What sort of buyers is it for?

Our target group is very wide. We want to reach young families as well as better-off customers attracted by a high level of comfort and perceived quality in a compact format.

How did the development project go?

Modus is an innovative product, and so development was naturally an eventful

process. A highlight was the use of digitized modeling and 3D imaging that allowed us to think out details in visual representations from the start. In this, an overriding priority was to ensure a sense of well-being and comfort for everyone on board.

Did it involve any special initiatives on quality?

Around 60% of problems are not a matter of product validation, but have to do with failure to apply processes and compliance procedures. To deal

with this, we set up special teams for all risk areas — for example, the two and three-place rear bench seat and the boot chute — to analyze possible problems, adopt countermeasures and, where necessary require additional tests, either in-house or at suppliers'. In cases where defects crept in despite preventive action, detection in test drives and in the factory enabled us to make the necessary corrections before the pass-off to sales.

Mégane II range — top seller in Europe

Proud to be a Mégane

With Mégane, Renault has the advantage of a particularly broad range that has overtaken Volkswagen's Golf to win the number-one spot on the European market. Seven different body types launched in just 18 months mean that Mégane II has the diversity to match varied demands and attract customers in growing numbers. Production of Mégane II topped the million mark in summer 2004, 30 months after launch.

The Mégane range epitomizes Renault's style and know-how, combining expressive design, comfort, equipment, safety, and diversity for pleasure on the road. Onboard comfort

benefits from innovations that include storage space built into the double flat floor and accessories usually reserved to segments higher up the market, an example being the hands-free Renault card. Buyers can configure their vehicles to suit their preferences, taking their pick from four trim levels, three levels of equipment and a wide selection of diesel and gasoline engines.

Mégane is designed to offer all occupants the same level of safety. New technology helps drivers anticipate risk, while the Electronic Stability Program (ESP) combined with understeer control helps to keep the car on course. Occupants get maximum protection

with programmed deformation of the structure and the third-generation Renault System for Restraint and Protection. The Mégane Hatch, Coupé-Cabriolet and Scénic have been awarded the top five-star rating for crashworthiness in tests conducted by Euro NCAP. The Mégane Coupé-Cabriolet was the first car of its kind to win the top score.



Scénic and Grand Scénic: the fullest offering in the compact minivan segment.



The full Mégane lineup (left to right): Mégane Sedan, Scénic, Mégane Hatch, Mégane Coupé-Cabriolet, Mégane Sport Hatch, Grand Scénic, Mégane Station Wagon. At center: Mégane Renault Sport.

The foundations of success

The Mégane II development program drew on the expertise of the Renault Technocentre at Guyancourt on the outskirts of Paris, combined with that of the Vehicle Project Departments. Its success thus capitalizes on the know-how and experience built up within the Group and the shared application of best management practice. From the outset, Mégane II was designed to offer performances close to those of a vehicle in a higher segment. Design also had

to allow for a wide range of versions without undue complication of production, a goal that has been achieved with seven models coming off the same assembly line. "To do that," explains Carlos Tavares, Director of the C Product Range Program at the time Mégane II was launched, "product and process development had to be simultaneous from the start. The diversification of models is based on pre-assembly of modules upstream from the main assembly line."

An extended family

Mégane Hatch and Sport Hatch are designed for driving pleasure. In this, they have an edge with the Alliance's C platform which offers outstanding road holding with a long wheelbase and wide tracks.

Mégane Station Wagon offers significant potential on markets in Northern Europe and Italy, where this type of vehicle is especially popular. It combines dynamic lines with ample storage space.

Mégane Sedan is mainly intended for markets outside Western Europe, where sedans are the norm. It offers interior space unrivaled in the segment.

Scénic combines the modular interior and onboard comfort of a minivan with the driving pleasure of a sedan. Like other members of the Mégane range, it features sleek lines and a vertical rear window.

Grand Scénic is 23cm longer than Scénic II and has two additional seats in a third row to the rear, easily making room for six or seven occupants instead of five.

Mégane Coupé-Cabriolet is the first vehicle to feature a folding glass roof as standard equipment. It can carry either two or four people in equal comfort.

Mégane Renault Sport combines the comfort of a grand tourer with the exhilaration of a sports car. A 2-liter turbo engine generates 225hp driving through a six-speed gearbox.

First for safety

The Renault range is the safest on the market with seven vehicles awarded the top five-star rating in crash tests carried out by Euro NCAP — a result no other manufacturer has yet matched. Renault backs this up with initiatives that put its expertise to work for all road users, raising awareness of road safety at all levels.

Passive safety

Protection of vehicle occupants has always been a priority for Renault, as our history shows. Examples include the seat-belt load limiter introduced in 1995, and controlled deflation airbags in 1997. Today, the third generation of the Renault System for Restraint and Protection (SRP) equips the range, ensuring that seatbelts and airbags work together for a response in proportion with the impact. Pressures on the chest are reduced by 60 to 70% and spread to reduce the risk of injury, while the impact to head and neck is minimized.



Safety is an absolute priority for Renault. Illustration by Bertrand Dubois for the book *Driving Safety Forward: Renault and Safety* (see p. 54).

Active safety

Chassis features are defined on the basis of detailed research into driver preferences and behavior — the aim being to produce a car with predictable responses, able to correct minor driving errors and equipped with a powerful braking system. Today, improving chassis design and more efficient braking are just as important as ever, but are increasingly backed up with driver aids to enhance active safety. These alert and assist drivers, allowing for greater concentration on actual driving.

Unfailing commitment to the cause of safety

Safety is a cause that is never forgotten. Each year, the Group invests some 100 million on R&D devoted to safety, ensuring that its vehicles offer state-of-the-art active and passive safety. A staff of no fewer than 600 men and women is dedicated to this continuing process of innovation, based on a specific Renault safety-for-all approach. The results speak for themselves. Each year, Euro NCAP (European New Car Assessment Programme), a European body supported by independent experts and consumer groups, conducts crash tests on

some 20 cars from around the world. Its ratings, represented by a variable number of stars, are a benchmark for passive safety and over the past four years, seven Renault cars have been awarded the maximum of five stars — Laguna in 2001, Mégane and Vel Satis in 2002, Espace IV and Scénic II in 2003, and Mégane Coupé-Cabriolet and Modus in 2004. Not that Renault's commitment ends with its vehicles, since it is also engaged in ongoing initiatives to raise awareness of risk on the road, especially among young people.

Respect for the environment

Commitment to sustainable development

At Renault, sustainable development is built into design from the start, as illustrated by unrelenting efforts to achieve the lowest possible fuel consumption — a priority that has direct consequences for CO₂ emissions. Worldwide, Renault's lineup offers greater fuel efficiency than any other brand. Where CO₂ emissions are concerned, the many versions of Twingo, Modus, Mégane, Scénic and Kangoo all produce less than 140 grams/kilometer, while Mégane's 1.5 dCi is under 120 grams/kilometer (fuel consumption of 4.5 litres/100km in the full cycle) — an exceptional

performance in its category. These achievements reflect a long tradition of technical expertise, with Renault putting new technologies to work across the board. Gains are clear for both gasoline engines and diesel, where demand is rising steadily, particularly in Europe. Renault is a pace-setter for the reduction of all types of emissions. Commitment to sustainable development is visible at every stage in a vehicle's lifecycle, including the very end, with 95% of vehicle content recyclable for all Renault vehicles, a performance exceeding current requirements.



On the market since 2001, the K9K engine offers unrivaled fuel economy.



CO₂ emissions are exceptionally low at under 120g/km for some Mégane II models.

The fullest offering of minivans

A minivan in every segment

Renault now has at least one minivan in every market segment. Twingo, Modus, Scénic, Grand Scénic, Espace and Grand Espace target distinct customer groups, but they have one important thing in common — each is the top seller in its category.

It is now 20 years since Renault put the first Espace on the market, and in that time it has extended its offering of minivans steadily to cover the full range.

- **Twingo**, launched in 1993, was the first small minivan and has never gone out of fashion. Undiminished popularity after 12 years rewards a unique combination of affordability, modularity, easy ingress and egress, and on-board comfort. Over 2.2 million units have been sold.
- **Modus**, equivalent to Clio in size, is Renault's latest minivan. In addition to a sliding rear bench seat that split-folds to

take two or three passengers, thus enabling it to carry up to five people, innovative features include a split-opening tailgate and an integrated bike rack. In clinic tests potential customers immediately attributed Modus to Renault, showing that a minivan quickly conjures up the Renault name.

- **Scénic**, which made its debut in 1996 and was renewed in 2003, offers practical, modular design and is now also available in a longer version, Grand Scénic, which has an extra 23cm allowing it to carry up to seven people. With a 23.1% market share, Scénic II and Grand Scénic have a leading share of sales in the C-segment

minivan sector, which accounts for 10% of the market in Western Europe.

- **Espace IV** targets the upper end of the market, a concern that guided every stage in the development process. Product planning project manager Dominique Lucas confirms as much, noting in particular that "passengers in the third row at the back benefit from the same level of safety and thermal comfort as those at the front." The latest-generation Espace has a healthy 20.3% of the European market in its segment, confirming Renault's lead for top-of-the-range minivans.



Four generations of Espace — 1 million vehicles — have revolutionized the automobile market.

Espace, 20 years on and 1 million sold

Since its launch in 1984, Espace has been through no fewer than four generations, selling a total of 1 million units in 20 years. Few cars have had such an impact on the market, with "Espace" now often used as a generic name for all vehicles in its class. Over the years it has gone from success to success, with production rising from 196,000 units for Espace I to 365,200 for Espace III, while Espace IV and Grand Espace launched in 2002 continue the move up the range that began with Espace III in 1996. And Espace benefits from customer loyalty unmatched in its segment.



Renault minivans: Twingo, Modus, Scénic, Grand Scénic, Espace and Grand Espace.

Market leader in light commercial vehicles

Renault has a leading 14.9% share of the European market for light commercial vehicles. A comprehensive, up-to-date range underpins a sales strategy based on Business Centers dedicated to serving professionals. The LCV Division is a major contributor to consolidated earnings.



Master and Master RWD meet varying customer requirements.

Serving the Group

The launch of new products combined with major technical advances explain the rise in Renault's market share in 2004. The goal is to raise annual sales under the Renault name to 700,000 vehicles in Europe while continuing to generate healthy profits.

Renault's light commercial vehicles turned in an excellent performance in 2004, consolidating the deployment of the Division-wide strategy.

Renault has remained the leading LCV brand in Europe since 1998, driven by a comprehensive product offering. Kangoo Express was the top-selling small van in its segment in Europe in both 2003 and 2004, with a 21.9% market share.

In the panel van category, Renault achieved a historic first in 2004 and gained a place in the top three thanks to Traffic and New Master. The two models held a combined market share of 11.6%.

Renault's industrial facilities matched overall sales performance.

The Maubeuge and Batilly plants beat production records in 2004, with more than 230,000 units and nearly 110,000 units produced, respectively. The year 2004 also saw the ongoing international expansion of Renault's range of light commercial vehicles, with the start of Kangoo production in Malaysia.



Traffic Generation — set to raise Renault's share of the market for both panel vans and passenger-carrying vans.

New in 2004

- **Traffic Generation** rounds out the Traffic range. Similar to a minivan, it combines exceptional roominess with the comfort of a sedan.
- **Master and Traffic** adopt Quickshift, a robotized gearbox first introduced with Twingo and Clio. In its clutch-less version, this combines the responsiveness and efficiency of manual transmission with the easy use of an automatic. With six speeds built in, drivers can operate in purely automatic mode or opt for manual mode with a sequential shift.
- **New Master RWD**, presented in 2004, is in the 3.5-7 ton category and features a new 3.0 dCi common-rail turbodiesel engine from Nissan.

High-performance, fuel-efficient engines

Performance and respect for the environment

The powertrain in each vehicle is critical to reliability, performance, comfort, acoustics, fuel economy and respect for the environment.

Which is where the 4,200 staff in Renault's Powertrain Engineering Department come in, giving the company critical edge. Renault's mainstream K-series engine alone exists in four gasoline and four diesel models, ranging from 1.4- to 1.6-liter versions.

The 1.5 dCi K9K is the first in a new generation of direct-injection turbocharged diesel engines. In its 55hp version, fuel consumption and CO₂ emissions are the lowest in its categories. Within the Renault-Nissan Alliance, Renault is in charge of developing diesel engines and gearboxes, both manual and automated.

This year the Alliance will bring out its first engine, the M9R, setting new standards for technology, performance and fuel consumption. Two new 1.6- and 2.0-liter direct-injection gasoline engines co-developed under the Alliance will also be gradually introduced in the Renault range.



Engine test at Renault's technical center in Lardy near Paris.



Heat treatment of gears at the Seville plant in Spain.

Rise of particulate filters

Particulate filters break new ground in environmental protection, and are now actively encouraged by legislation in some countries. Given the choice, car-owners in Germany are increasingly opting for models equipped with particulate filters. Signs of support for tax incentives rewarding low emissions have also appeared in the run-up to adoption of the Euro 5 standard. Here Renault has taken a proactive approach, with plans to fit all vehicles with filters ahead of the standard that will make these mandatory. Other developments also help lower emissions, among them second-generation common-rail and multi-injection technologies. Under Renault's particulate filter program, filters will soon be available for every vehicle in

the range, ensuring that Renault is ready for the widespread application of filters on diesel engines in Europe by 2009-2010. Another aim is to consolidate the position of Renault's filter-equipped diesel range on the market in 2007. Experts from the Powertrain Engineering Department are now hard at work: G9T engines with filters are already available for Laguna and Vel Satis, with the F9Q and M9R units to follow. "Today emissions from diesel engines equipped with particulate filters are increasingly difficult to measure," note Laurent Fofana, Project Director for F and G Engines, and Jean-Paul Crouillère, G9 project manager. The reason is simple: "They are too low."

Service: winning new business and building loyalty

Service quality to make a difference

Service quality is a priority for the Renault brand, as demonstrated by spectacular progress in this area in under two years — from January 2003 to October 2004, the rate of returns to repair shops fell by a third. The concern for customers this reflects is also crucial to Renault's strategy for international expansion, which aims to ensure that services operate profitably and match equally demanding standards in all parts of the world. Renault currently has customer relations services in 21 countries. The 18,000 Renault dealers and subdealers around the world receive over 1 million hours

of technical and sales training each year. Documentation made available to them is designed for use in 90 countries and is translated into 18 languages, helping to ensure the same high standards of service around the world. Rewarding these and other efforts, Renault won the first Customer Service Trophy awarded by France's *L'Automobile Magazine*, ranking well ahead of competitors. Based on car-owners' assessments, this factors in not only the number of service points and the rates charged, but also the reliability of delivery times, acceptance of repairs not covered by warranty, attention to customers and responsiveness.



Quality service through an efficient, up-to-date network that is never far away. Above: the Renault dealership in Carcassonne, France.

A big investment



Mylène Ardito

Manager of the Dacia IPSO dealership, Bucharest

How does IPSO stand on the Romanian market?

We are the leading dealership in Renault's Romanian network — we accounted for 1,800 of the 11,000 sales booked in 2003. We also invested €3.5 million to prepare for the rise in Dacia sales expected to come with the Logan launch in 2004. The Renault-Dacia showroom is a good illustration of the changes under way — it bears comparison with the most modern facilities anywhere.

How do people react?

At first Romanians found the showroom a bit daunting — they were afraid they might have to pay more for their car. But now Dacia's new image is part of daily life and people's attitudes have changed. As always, though, a car is a big investment and the whole family comes along to buy.

What's special about doing business in Romania?

Well, you still get buyers who want to drive away with the car from the showroom — that's because each Dacia was different quality-wise. And some will want to be there during repair work, because garages used to "borrow" spare parts. Of course those are throwbacks, but you have to remember how fast change has been. And be patient. I am certainly optimistic for the future.

Close to customers everywhere

Renault is continuing to expand its service offerings under the Renault Minute, Renault Minute Carrosserie and Motrio banners. Renault Minute, the largest repair network in Europe, now has 888 sites altogether, including 466 in France, 349 in other parts of Western Europe and 73 elsewhere. These are backed up by the Minute Carrosserie rapid bodywork repair network, which already counts 405 sites, reflecting its success in attracting new customers with outstanding value for money and rapid repair times.

The Motrio multi-brand repair network, launched in 2003, has posted exceptional growth, with 846 distributors already signed up in France in 2004 compared with the initial target of 300. The network will be extended to other countries in Europe in 2005. Sales of multi-manufacturer spare parts under the Motrio name have risen 80% in five years.

These service networks also help Renault dealers and subdealers maintain business flows in aftersales.

The Renault sales network also draws support from Renaultp@rts, the number-one manufacturer's website in Europe for spare-part information and orders. Renaultp@rts lists 120,000 items and provides access to technical data in 10 languages, reaching out to customers worldwide.

In touch on the web

In 2004, Renault's e-commerce sites in 14 countries drew over 30 million visits. Content is regularly renewed with features making the most of the potential of new media. A good illustration is the special section devoted to Modus, which attracted a strong flow of traffic in the closing months of 2004. Visitors can reach the sites via search engines and links appearing on access providers' advertising banners, on e-commerce sites and on the sites of Renault's partners. Depending on the wording of a search, visitors may be directed to the main Renault site or that of the dealer closest to their home. In 2004, sites generated a total of nearly 400,000 qualified contacts for

the Renault sales network as a whole, many of them leading directly up to an appointment with a sales-team member. Visitors can also enter queries of all kinds, including requests for technical information, by e-mail. Renault undertakes to provide an answer within 24 hours, with an internet coordinator directing the queries to the unit best able to respond. Responses are then collected and matched with the existing customer database to allow follow-up in the next few months to consolidate loyalty. As provided by law, visitors can naturally stop Renault from sending messages whenever they wish.



The best service to match customer expectations.

The Renault range 2004



Twingo



Clio



Thalia / Symbol



Modus



Mégane Hatch



Mégane Sport Hatch



Mégane Coupé-Cabriolet



Mégane Station Wagon



Mégane Sedan



Scénic



Grand Scénic



Laguna



Laguna Station Wagon



Vel Satis



Espace



Grand Espace



Kangoo Car



Traffic Car



Kangoo Express



Traffic Van



Master Van



Deployment of the Renault Quality Plan has been a priority for manufacturing sites.

2 Competitiveness: a way of thinking and a necessity



Quality, costs and delivery times are the three ingredients of competitiveness, and as such are central to Renault's strategy. In each of these areas, representing the three fundamental levers for Renault's continuing development, the Alliance supports and contributes to efforts throughout the Group. Enabling Renault and Nissan to move ahead together, it accelerates progress for each.

Speedier design and lower costs

Modus shows the way

Reducing development times cuts costs and allows quicker responses to customer expectations. From Mégane I to Modus, the time from design freeze to the start of production has been brought down from 46 to 28 months, despite the scale of innovation in each new model.

Using digital technology, the project team was able to map out Modus in 3D from the very beginning. Anne Cormier, engineering project manager, notes that “in designing the Triptic bench seat, the ‘boot chute’ for easy access to the trunk and the ‘flip-up seat,’ we used digital modeling, simplified modeling, and computing as much as possible.”

At the Valladolid site in Spain, production of a succession of pilot lots made for a quick manufacturing release. “Clearly defined allocation of tasks to the factory and the engineering team enables us to progress quickly and efficiently,” explains Anne Cormier. “In the time between pilot production runs, we fine-tune parts and processes, improving details for the next run.”

This has been backed up by work with suppliers to ensure compliance with specifications and quality procedures, while in-house product and process experts have conducted detailed analyses of all factors that could jeopardize quality.

The emphasis on shorter time to market has not come at the expense of innovation with Modus, as the all-new Vélofix bike rack shows.



Modus is produced at the Valladolid plant in Spain.

Platforms: building new strength



Modus is the first Renault to use the B platform. It will be followed by the successor to Clio in 2005.



Renault Traffic is cross-badged with the Opel Vivaro and Nissan Primastar.

Shared platforms, distinctive identities

In 2006, Renault and Nissan will be turning out nearly 1.7 million vehicles a year, with the B platform already used for Renault Modus, Nissan March, Micra and Cube, as well as in part for Dacia Logan. Nissan brought out its first cars based on the C platform, already used for Mégane II, at the end of 2004, and all common components of the future D platform have now been defined.

In addition to common components, Alliance platforms are backed up by the development of a bank of powertrains available for all vehicles using the same platform, plus the convergence of industrial processes. Production resources are thus shared efficiently to cut costs.

Importantly, vehicles with the same platforms can nonetheless display distinctive identities. In particular,

the feel of a car for passengers and drivers can vary radically with the choice of parts such as suspension springs and rubber mountings. Settings adopted for shock absorbers, steering assistance parameters and other features also play a role.

A common platform for Renault Modus and Nissan Micra

Renault Modus and Nissan Micra, both using the Alliance's B platform, share the same understructure and chassis components. The platform integrates the powertrain and everything connected to it, including engine suspension, exhaust system and filters. It also covers hidden features such as air conditioning and all controls: steering, pedal assembly and parking brake. Yet while Modus and Micra share technology, there can be no doubt about the individuality of each vehicle.

Pooled resources, separate identities



Jacques Lacambre

Senior Vice President, Advanced Vehicle Engineering and Research

How do you go about designing a common platform?

You start by carefully defining the needs of each brand, considering all the different vehicles these could involve. Expected levels of comfort, handling and passive safety features are also important.

What does Nissan bring to Renault, and vice-versa?

We set very demanding standards for acoustics and passive safety, while Nissan brings new quality and durability requirements. Working together we have to take a more comprehensive view of different markets, an approach well suited to Renault's international expansion.

The Renault Production Way to **manufacturing** efficiency

Competitive factories

Renault factories are today among the most competitive in Europe, driven largely by the Renault Production Way (SPR). Common to all Group plants worldwide, SPR is deployed at every level of production, from designers to operators and suppliers. This Group-wide program is also a source of rationalization and a means of convergence.

Each year, the Harbour Report published by Harbour Consulting, an independent firm specialized in the manufacturing sector, ranks the productivity of European automobile sites. Renault's Valladolid plant in Spain topped the list of 38 body assembly sites and five other Group sites ranked in the top eight. In powertrain production, five of the seven best sites belong to Renault.

The Group's excellent performance is largely hinged on the Renault Production Way (SPR), which was introduced in 1998. SPR draws on

Renault's manufacturing expertise and existing practices at Nissan. It aims to raise the Group's production system to world-class standards and set productivity targets and principles for all production staff. SPR effectively supports the Group's international expansion and facilitates the implementation of the Renault-Nissan Alliance policy of common platforms and powertrains.

The Renault Production Way places employees at the core of performance, harnessing grassroots management.

The main components are standardization of operations and the ability to analyze situations — key to the success of SPR. A major training program has been set up with 150 instructors worldwide to develop the skills of all employees.

Produced at the Valladolid plant in Spain, Modus is the Group's first vehicle to benefit from total deployment of SPR from the very outset.

Patterning

The term "patterning" is used to define a thorough understanding of the most efficient movements and operations required in each function, set out in a series of standards and taught at SPR training sessions. Training helps to optimize operations and guarantee quality, ergonomics and safety. All Renault's production sites use patterning.



Productivity demands training. Here the focus is on painting skills.

Kudos for quality

Quality — the rewards of ambition

Quality is a Renault group priority. An unswerving drive for quality has been under way for several years. One concrete example is the halving of warranty costs in three years.

An ambitious Renault Quality Plan adopted in January 2003 calls for the Group to rank among the world's top three volume car manufacturers for quality. This began with a review of corporate processes from the customer's point of view, focusing on four main areas: quality milestones in projects, initial product quality, reliability and durability, and aftersales service quality.

Implementation is in three stages, the first ending in December 2004 with all quantitative targets met and in some areas exceeded — the case for the Mégane, Scénic, Clio and Twingo ranges. The second stage runs through the end of 2006 and the third is to be completed in 2010, at which point the Group will count among the very best carmakers worldwide.

Initiatives have already paid off, trimming warranty costs significantly as of 2003. In 2004 progress was confirmed and enhanced as Renault continued to develop and apply methods and processes aimed at “getting

it right the first time” — the only way to deliver consistently high quality.

The Renault Excellence Plan adopted for 2005 to 2007 will consolidate progress. Main objectives include continued reduction in the number of incidents and further improvements to reliability, plus implementation of structures for measuring incidents and breakdowns worldwide as part of the Group's international expansion. The efficiency of aftersales service will also come in for continuing attention.



Quality assessment indicators

AVES (Alliance Vehicle Evaluation System): Used by both Renault and Nissan to evaluate the quality of vehicles delivered to customers.

Demerit: Inspection and rating of a sample of powertrain parts.

PPM (parts per million): The ratio of parts with defects to the total number delivered (made-in or bought-out) expressed as a fraction of a million.

Vehicle defect rate: The ratio of vehicles without defects to the total number coming off the assembly line. Any defects detected are corrected.

Attention to customers the key to quality



Jean-Louis Ricaud

Executive Vice President, Engineering and Quality

Why is quality so important today?

Because it is a top priority for our customers. They want to be sure their cars are safe, and they do not want

more noise than necessary. A car has to look flawless and be reassuring. And perceptions of quality concern not only the vehicle itself, but also the way it is shown and sold.

What are the basic foundations of quality?

Clearly you have to define relevant indicators to measure progress. But most importantly, you have to factor in customer expectations from the first stage in vehicle design and into every area of business operation.

What are Renault's strong points in the field of quality?

Our creativity, our capacity for innovation, our technical expertise and the reach of our sales and aftersales network all add up to fantastic potential. We have everything we need to be the best. Realizing that potential is a matter of management to ensure that everybody works together for customer satisfaction.

Purchasing — the key to competitiveness

Pooling strengths

In partnership with Renault Nissan Purchasing Organization (RNPO), the Alliance's common purchasing subsidiary, the Renault group's Purchasing Department makes a vital contribution to cost reduction. In 2004, RNPO purchases totaled over €25 billion.

Purchases make up 80% of a car's value, and reducing the costs they represent while at the same time enhancing quality is an ongoing priority. In this the Purchasing Department plays a pivotal role, interfacing between suppliers and Renault engineers.

Through the Alliance, purchasing has taken on new scope, with RNPO, a joint subsidiary set up in 2001, pursuing a policy of shared purchasing and building up a network of common suppliers for the two partners.

Equally owned by Renault and Nissan, RNPO is able to reduce total purchasing costs for the Alliance. In 2004, its purchases came to over €25 billion, accounting for 70% of the total for the Alliance. The growing use of common vehicle platforms and powertrains naturally favors this increasingly unified approach to purchasing. RNPO also makes for quicker decision-making, as illustrated by its success in building a new international supplier base.

As Odile Desforges, Senior Vice President, Purchasing and Chairman and Managing Director of RNPO, notes, "The underlying dynamics at RNPO ensure that each partner progresses, drawing on the other's best."

Renault suppliers are true partners, keeping step with international expansion, as shown in Romania, where seven have set up operations to back the Logan project.



Suppliers follow as Renault sets up new plants. Above: electric wiring supplied by Valeo to the Dacia site in Pitesti, Romania.

Distribution — organizing for competitive edge

A network geared to performance

Renault is present in 118 countries through a total of 18,000 sales outlets. Reorganization of dealerships in Europe, a move hastened by new EU legislation, continues in keeping with a strategy that in some countries builds on commercial synergies with Nissan. This is based on a system of hubs, in turn built on a network of shared dealerships and outlets that meet customer expectations while reducing distribution costs.

Other priorities in Renault's drive for competitive edge are raising the number of cars built to order, and meeting promised delivery times — now the case in 90% of sales. Despite the wide variety of models on offer, close links between dealerships reduce inventory carrying costs while guaranteeing prices.

Delivering vehicles on time not only helps ensure efficient inventory management, but also contributes to the brand's reputation for quality and consolidates ties to customers. Deployment of a worldwide network of e-commerce sites is another important way to build ties. Today one in two European car-buyers turns to the web for information, with Renault websites logging 2 million visitors a month and generating 35,000 sales contacts.

Finally, Renault's Parts and Accessories Division plays a key role in sales strategy. Reporting directly to the Executive Vice President, Sales and Marketing, it is responsible for strategic planning, implementation and monitoring of worldwide operations in its field.

On this hotly contested market, the Division has two core priorities — consolidating loyalty within the Renault sales network, and winning a place with independent repairers so as to reach as many customers as possible through all channels of distribution. In this, it builds on the resources of an extensive product offering and a policy of partnerships with aftersales service and repair networks.

Distribution and sales systems matching the highest standards of quality are crucial to competitiveness. Renault has thus built up a closely-knit network served by a high-performance logistics chain. RCI Banque, which provides financing to the Renault group, plays a decisive role, as does the spare parts business.



RCI — the Renault group's financial arm.

RCI Banque — a direct contributor to Renault's earnings



Philippe Gamba

Chairman and CEO, RCI Banque

What is RCI's core mission?

We have two. In the first place, we help to make sales offerings of Renault, Nissan, Dacia and Samsung more effective, enabling them to sell more cars and thus win market share

and consolidate the loyalty of existing customers. Secondly, we provide Renault dealers with financing for their inventories and working capital requirements. As a financial institution, RCI owes it to its shareholder, Renault, to make a profit.

How did RCI do in 2004?

It was a record year. Whereas Renault has set us a minimum target of 12% return on equity, we achieved around 15% in 2004, reflecting in particular marked improvement in productivity within our business.

What percentage of Renault and Nissan sales in 2004 included financing?

Around 35%. Two-thirds of these packages included a buy-back commitment, which means we can look forward to a good deal of return business.

How does RCI back international growth?

When Renault sets up in a new country, we provide for a related financing structure, which may involve either a commercial agreement with a financial partner or a joint venture with a local bank. Or we may set up

a subsidiary and do everything ourselves.

What do you consider the main highlights of 2004?

It was a very eventful year internationally. RCI is now active in 18 countries. During the year, our retail leasing company in Romania went into operation and we decided to set up a subsidiary in South Korea. We also made a first move into Slovakia. But we've stuck to a cautious, step-by-step approach, since the complexity of international operations leaves no room for hasty action.

The Renault-Nissan Alliance — the benefits

Deepening ties

The foundation for five years of cooperation in all areas, the Renault-Nissan Alliance has enhanced competitiveness for both partners, at the same time preserving their separate cultures and identities. It has become a benchmark.

Alliance goals include a large number of common platforms by 2010 and good progress is being made towards this with the scope of the B and C platforms expanding steadily. After Modus, Clio will be the second model developed by Renault on the common B platform in 2005, following Nissan March, Micra and Cube. Renault and Nissan already share a good number of powertrains and the first engines developed by the Alliance will be ready in 2005. The Alliance has also helped the two partners move into new

markets and in some of these cross-production is already under way, as in Brazil and Mexico.

The Alliance's first joint company, Renault Nissan Purchasing Organization or RNPO, now accounts for 70% of the combined annual purchases of Renault and Nissan, generating significant savings. This is the best illustration of economies of scale within the Alliance. Production has also benefited with the Alliance Vehicle Evaluation System (AVES) now deployed at all Renault and

Nissan sites. The new Renault Production Way (SPR) includes best practices identified at Nissan. In logistics there have been a wide variety of initiatives to make the most of synergies, reducing costs and delivery times. The Alliance Quality Charter is now operational for all common projects, and closer cooperation in IS/IT through Renault Nissan Information Services or RNIS opens the way for standardization of infrastructure, combined supply chain management and shared IS/IT applications.

Creating value



Carlos Ghosn
President
and CEO,
Nissan Motor
Co., Ltd.⁽¹⁾

The Renault-Nissan Alliance has now been in place for five years. How would you rate it?

The Alliance has proven its vitality and effectiveness, strengthening the performance of each partner. In concrete terms, both companies have reported steep rises in revenues and market capitalization in the past five years — proof that working together has been rewarding.

What are the Alliance's main strengths?

From the start we have focused on achieving a dynamic balance between the two partners and identifying synergies — the founding principles of the Alliance are simple, clear and respected by all. But exchanging talent has also paid off, as have confronting experiences and sharing best practices.

These have been critical to setting higher targets, moving faster and operating more efficiently in a competitive environment.

The Alliance is a partnership of equals in which each company retains its own identity and independence.

Our sole criteria for assessing contributions are expertise, efficiency and performance.

And what are the Alliance's goals for the future?

In March 2004, we presented our vision, which calls for deployment and implementation of a strategy of profitable, sustainable growth. We have three main objectives — to rank among the world's top three automotive groups for the quality of products and services, for the technology we bring to our customers, and for operating performance.

Many observers present the Alliance as a unique case in the automotive industry. Do you share that view?

I'm convinced that this type of business model — in which independent companies work together, each retaining its own identity — will become a benchmark. Our Alliance is particularly suited to

a new century in which markets are increasingly international, fast moving, and fiercely competitive. It is a demanding model — and one worth investing in. I obviously have every hope that the Renault-Nissan Alliance will continue to progress in the same spirit. And I will continue to work hard to make that happen. Regarding Renault, I am convinced that the Alliance will bring benefits well above those we could have achieved on our own.

⁽¹⁾ This interview took place in December 2004.



The Renault-Nissan Alliance means constant exchange of expertise from the first stage in design to sales and maintenance.

Vision for the future

After its first five years the Alliance has now entered a new phase under the name Vision - Destination, with three goals the priorities in its pursuit of growth:

- To be recognized by customers as being among the best three automotive groups in the quality and value of its products and services in each region and market segment.
- To be among the best three automotive groups in key technologies, each partner being a leader in specific domains of excellence.

- To consistently generate a total operating profit among the top three automotive groups in the world, by maintaining a high operating profit margin and pursuing growth.

Renault and Nissan will be further extending cooperation, particularly in research, dividing up the workload for major areas such as fuel cells and hybrid vehicles.

Five years of success

1999: Renault acquires 36.8% of Nissan Motor. Launch of the Nissan Revival Plan.

2000: Regional cooperation in Brazil, Morocco, Australia, Taiwan and Mexico. First cross-production in Mexico.

2001: Common purchasing through RNPO. Preparations for the first common platform.

2002: Launch of Mégane II, the first vehicle built on the C platform. Cross-production in Mexico, Brazil and Spain.

Exchange of engines and common platforms. Capital ties strengthened, with Renault raising its stake in Nissan to 44.4% and Nissan acquiring a 15% interest in Renault.

2003: Rollout of Nissan Micra, based on the B platform and available with a Renault diesel engine and Renault manual gearbox.

2004: The Alliance defines and discloses Vision - Destination.



Broad industrial presence makes Renault a leader in South America. Above: Brazil.

3 Internationalization: making the world our market



Renault is responding to the fast-growing demand for automobiles seen in many regions of the world by extending the reach of its own and associated brands, in particular Dacia, which in 2004 launched Logan, a car specifically designed for new markets. The strategy is paying off, with Group sales outside Western Europe rising 16.5% in 2004.

A market revolution: Logan by Renault

To define Logan, Renault conducted in-depth research into new automobile markets and customers, identifying the expectations and practices of these new motoring publics to gauge likely trends for the near and medium term. As Jean Tavarès, Director of Customer Surveys, explains, "Our findings enabled us to define a list of requirements matching customer expectations, and Renault's teams used their creative flair and capacity for innovation to come up with an effective response."

Breaking new ground

Logan was developed with one simple idea clearly in mind — to offer a robust, reliable, modern and affordable car. As Project Director Jean-Marie Hurtiger stresses, "It was essential to offer a modern product. It would be simply unthinkable to sell an old model on emerging markets as was done before."

The decisive importance of affordability was reflected in the way the development teams worked, with their three key goals being to:

- design a simple product.
- make the most of low production costs in Romania.
- optimize costs by applying design-to-cost methods. This requires the closest possible cooperation among all those involved to ensure that savings in one area do not create added costs in another.

A fundamental design priority was to make production of Logan as simple as possible. In this digital technology provided essential support. "We would never have been able to do it without the resources of the Renault Technocentre," explains Jean-Marie Hurtiger. "It was absolutely essential for staff in Romania to share Renault's culture and working methods — for them to make the project their own." To this end, the Technocentre provided training for 150 operators, BWT leaders and engineers from the Pitesti site. The initiative was all the more needed as Logan is Dacia's first really new product in 20 years.

Success built in

Developed by Renault and produced and marketed by Dacia, Logan is a versatile and economical family car. Seating five comfortably and featuring a roomy trunk, it offers unrivaled value for money. Logan has all the fundamental qualities of a modern car with ride and handling and safety equipment meeting EU standards. Equipment is naturally adapted to conditions in the countries where it will be sold. To ensure smooth, reliable handling whatever the state of roads, Logan was tested over nearly 470,000km on a track at Renault's Aubevoye road-proving site specially designed to replicate the extreme conditions found in Russia or on the Persian Gulf. Tests were thus conducted

for both very hot and very cold climates. "All told," notes engineering project manager Odile Panciatici, "Logan underwent thousands of hours of technical tests and accumulated nearly a million kilometers of track tests before the first owner took delivery and drove away."

Initially available with either a 75hp 1.4-liter or a 90hp 1.6-liter gasoline engine, Logan will also offer a diesel option in 2005. Additional versions will follow to round out the industrial project and sales lineup, with a station wagon and a van version the first in line.

Quality manufacturing

Logan's outstanding value for money has not been achieved to the detriment of production quality. In developing its industrial processes, Dacia never lost sight of Renault fundamentals and target market expectations in terms of durability and reliability. Application of strict quality standards in production facilities and organization played a critical part in the success of the project. The Pitesti plant now meets the same standards as other Group

sites and the production quality of Logan equals that of the latest Renault vehicles. As Jean-Michel Aimé, Dacia's Quality Director, explains, "We integrated self-monitoring techniques into operations at every stage and implemented all organizational requirements of the Renault Production Way. We also set up a quality management institute to provide training for in-house teams and suppliers."



Logan: modern, reliable and affordable. Cold-climate testing shown here.

A market revolution: Logan by Renault

Producing close to customers

During 2004, work continued or started up to prepare for the extension of Logan production from Romania to Russia, Morocco, Colombia and Iran, with the worldwide target of over 700,000 vehicles a year by 2010.

- **Russia:** An investment of €230 million is to be made for the construction of a new factory in Moscow. Initial capacity in 2005 will be 60,000 vehicles a year. Renault's interest in Russian subsidiary Avtoframos stood at 76% at the end of 2004.
- **Morocco:** €22 million have been earmarked for a production line at the Somaca plant, with an annual capacity of 30,000 vehicles. Morocco offers significant sales potential itself and prospects for exports to other parts of North Africa and to the Middle East are an added advantage.
- **Colombia:** An investment of €16 million will allow the Sofasa plant in Medellin to start assembling Logan in 2005 with an annual capacity of 44,000 vehicles. Exports to other parts of Latin America are planned for 2006.
- **Iran:** Renault Pars, a joint venture alongside the state of Iran and automobile manufacturers Iran Khodro and Saipa, will be coordinating local assembly of Logan in 2006. Initial annual capacity of Saipa and Iran Khodro plants will be 300,000 vehicles for an investment of €300 million. Iran's automobile market has grown by an annual average of 33% for the past three years with sales nearing 1 million units. Iran is central to Renault's strategy for the internationalization of Logan.



Gérard Detourbet, Vice President of the Dacia program, and Jean-Marie Hurtiger, director of the X90 project, with the Logan team at the Renault Technocentre in Guyancourt outside Paris.



More than 700,000 Logans will be manufactured worldwide by 2010.

Sales policies to meet ambitious targets

The Logan program is at the heart of Renault's drive to expand its international presence. As development got under way, Dacia Sales Director Jean-Frédéric Pötin and his team began paving the way for a successful launch backed up by flawless aftersales quality. "The sales network in Romania was expanded and upgraded to match Renault quality standards," he explains. "To take one important example, we organized 65,000 hours of training. We have also arranged for sales representation of Dacia in each country where Logan is distributed." The Dacia brand will win access to new customer groups in Central

Europe, Turkey, North Africa and the Middle East and Sub-Saharan Africa, rounding out Renault's presence with a lineup designed for a market segment where demand is particularly vigorous. In other countries, such as Russia and Iran, the car will be selling under the Renault name. Subsidiaries will offer a range adapted to local market conditions. In Iran, for example, customers will be able to opt for a 16-valve engine and a specific NGV version. And in response to demand, as of 2005 the Group will be selling Logan under the Dacia brand throughout most of Western Europe.

Dacia: looking to the future

In mid-2004 the first Logan rolled off the production line at Dacia's Pitesti plant, designed to produce 200,000 vehicles a year along with 150,000 CKD kits and 160,000 engines and gearboxes. Since taking over the Romanian carmaker in 1999, Renault has invested €489 million to bring operations up to international

standards on a 290-hectare site that includes a supplier park. An additional €360 million has gone to finance development of the Logan by Renault in France. Logan received rave reviews and sales took off immediately when it hit the market in autumn 2004. Four months later, 40,000 units had been sold or ordered, making

it market leader in Romania. Robust demand in 2004 fueled strong growth at Dacia, where sales soared 39.1% and exports rose a healthy 26.2% full year. This, in turn, led the Pitesti plant to arrange for a third shift to start up in February 2005, a move that will boost output from 300 to 500 units a day.

Plans now call for new station wagon and van versions of the Logan sedan to be rolled out in 2007. The Renault 65hp 1.5 dCi diesel engine will also be available in the near future, and an additional €300 million will be invested in ongoing upgrades to Dacia facilities.

International expansion drives sales

2.5 million cars sold

Group sales of passenger cars and light commercial vehicles under the Renault, Dacia and Renault Samsung Motors brands rose 4.2% altogether in 2004, with growth outside Western Europe reaching 16.5%. These results are an encouraging sign for Renault's strategy of profitable growth, aimed at selling 4 million vehicles a year by 2010.

Renault continued international expansion in 2004, with sales worldwide up 4.2% and nearly 2.5 million vehicles sold.

- **In Western Europe,** 1,812,044 new Renault passenger cars and light commercial vehicles were registered during the year. Successes reflected in sales growth of 18.7% for Mégane — the region's top-selling model — and 16.2% for Trafic confirmed Renault's leading position in Western Europe for the seventh year running, with 10.8% of the passenger car/LCV market.
- **In Central Europe,** Renault won 10.3% of the market with

108,746 vehicles sold, and was the top-selling brand in Slovenia.

- **In Eastern Europe,** Group sales rose 32.6%, with the Renault brand up 27.5% and Dacia 34.6%. In Russia, Renault saw a strong 42% increase, while in Turkey sales surged 98.3%.
- **In Latin America,** Group sales were up 15.5%. Sales in the Mercosur headed up sharply, rising 69.1% in Argentina, 30.7% in Mexico and 7% in Colombia. In Brazil, where 53,588 new Renaults were registered during the year, the focus was on cost reduction.
- **In Africa and the Middle East,** sales rose 33.5% to 91,628 vehicles, with a steep 91.6% surge to 28,252 units in Algeria and a 40.4% increase in Morocco. In South Africa, 14,152 vehicles were sold for a rise of 65.1%.
- **In Asia-Pacific,** the Group sold 95,808 vehicles. Renault Samsung Motors held 9.3% of the Korean passenger car market, which contracted 13.5%. The successful launch of the new SM7 sedan should make for renewed sales growth in 2005.



Thalia/Symbol, the sedan version of Clio, is manufactured in Turkey, Brazil, Argentina and Colombia. Its success in Central Europe has been a driver for Renault's expansion in the region.

Turkey — Renault leads the field

Renault has consolidated its top ranking in Turkey with the production of the Mégane sedan at the Oyak Renault plant in Bursa. Launched in September 2003, this new model is in a segment that accounts for 40% of all automobile sales in Turkey. It is thus well-placed to help Renault make the most of a market representing an estimated 450,000 passenger cars in 2004, but where there are still only 67 cars for every 1,000 people. Manufactured exclusively in Turkey and exported to 84 countries, the Mégane sedan reinforces Renault's place as Turkey's top exporter of passenger cars.

Exports account for over 80% of production at the Oyak Renault plant in Bursa, with output of some 700 vehicles a day including the Clio Symbol sedan as well as the Mégane sedan. The site, which has now integrated the Renault Production Way, multiplied export sales by 10 between 1998 and 2002, with destinations in Western and Eastern Europe, the Middle East and North Africa. Highly competitive, it is part and parcel of Renault's strategy for profitable growth, aimed at generating half of all sales outside Western Europe in 2010.



In 2004 Renault consolidated its presence in Latin America. Above: Clio in Mexico.

High growth potential

Sales outside Western Europe should continue to rise as a percentage of the Group total in 2005 and beyond, with markets in Russia, Eastern Europe, North Africa and Latin America offering strong potential. Growth will be underpinned by development of the Renault brand, with several new products making a key contribution. Mégane now offers customers a complete lineup, while Modus, which got off to a strong start on markets in

Europe, will make its first full-year contribution. Further impetus will come from the renewal of Clio scheduled for the second half of 2005, along with rollouts of new versions of Laguna and Vel Satis.

Meanwhile, Logan will continue to expand its reach, with first-half launches in some 15 countries, including Russia, Syria, Slovenia, Poland, the Baltic States and Lebanon. It will be sold in Morocco as of the second half,

followed by Colombia. Expansion stands to benefit from scope for moves into China and India, while in Iran production of Logan will start up in 2006.

Renault group sales worldwide

Passenger cars + LCVs (units)	2003	2004	% change
Renault group	2,388,482	2,489,401	+ 4.2%
o/w			
• Renault	2,208,310	2,308,728	+ 4.5%
• Dacia	68,741	95,627	+ 39.1%
• Renault Samsung Motors	111,431	85,046	- 23.7%
Western Europe	1,806,995	1,812,044	+ 0.3%
Rest of the world	581,487	677,357	+ 16.5%

The Group in Korea: Renault Samsung Motors

The creation of Renault Samsung Motors is often cited as an example of success in South Korea, a country long closed to foreign investment. This Renault subsidiary builds on strengths that include a recent range, ultra-modern production facilities and a state-of-the-art technical center. Renault Samsung Motors, in which Renault has held a 70% equity interest since 2000, also benefits from synergies within the Renault-Nissan Alliance.

Renewing the range

Integrating the latest technology, the Renault Samsung Motors plant in Busan produced 117,630 vehicles in 2004. The site assembles SM3 and SM5, plus the new SM7, a roomy sedan equipped with 3.5 V6 and 2.3 Neo VQ engines developed through the Renault-Nissan Alliance. Designed and developed in 24 months on the Nissan Teana base for an investment of €220 million, SM7 is a luxury offering that marks Renault Samsung Motors' debut at the upper end of the market.

The SM5 sedan has won a deserved reputation for quality and in 2003 output topped the 350,000 mark.

In September 2003, a new version came out, featuring added equipment and enhanced safety. SM3 has been on the market since September 2002 and development took only 21 months. A compact sedan with up-to-date styling, SM3 targets younger drivers in the 25-to-35 age bracket.

With the successful launch of SM7 at the end of 2004, Renault Samsung Motors will have the benefit of a revamped lineup in 2005, a position reinforced by the addition of the new version of SM5 at the beginning of the year.

Efficient manufacturing

In 2005, Renault Samsung Motors aims to consolidate its place on the Korean market, Asia's second largest, and at the same time expand export sales. The company targets annual sales of 300,000 vehicles in 2010.

In this, it will be drawing on the resources of the Giheung technical center, which brings together engineers and technicians from Korea, Japan and France. The center has the scale and equipment to provide effective support for ongoing development of the range.

Renault Samsung Motors is also laying the foundations for future success with training assistance and materials to familiarize South Korean students with automobile technology. Korea will also be the site for the production of the Renault group's future SUV. High environmental standards are an integral part of business development. Renault Samsung Motors has already obtained ISO 14001 environmental certification for its production site and the certification process is under way for the sales network, while implementation of eco-design principles continues for new offerings.



Samsung's SM7 is the new standard-setter for luxury sedans in South Korea.

Trucks — the contribution of **AB Volvo**

Growth quickens

In 2002, Renault moved to consolidate its truck business, giving it the backing of AB Volvo, a world leader in the field, and at the same time took a 20% interest in the Swedish firm.

The benefits of synergies between the Renault Trucks, Mack Trucks and Volvo Trucks brands within the AB Volvo group are now apparent.

As in 2003, AB Volvo reported a healthy rise in sales volumes

and revenues in 2004, while operating income was up by more than 70%. Its strategy is based on a presence in over 130 countries worldwide, with its three brands complementing each other's geographical reach and ranges. It is also active in other fields including buses, marine engines, aero engines and construction equipment.

Renault Trucks and Volvo Trucks enjoy a dominant position in Europe, where the two brands

have a combined 25% share of the market for trucks over 16 tons. Renault Trucks holds a clear lead in France with market share ranging from 35 to 45%, depending on the segment, and is reinforcing its positions in other parts of Europe, as illustrated by a steep rise in sales outside Western Europe. The Group has signed a framework agreement

with Dongfeng Motors, the world's largest truck manufacturer, with a view to starting joint production in China.

Asia a focus for AB Volvo's worldwide expansion



Patrick Faure

Director,
AB Volvo and
Chairman,
Renault
F1 Team

How has the image of Renault Trucks and Mack Trucks shaped up with AB Volvo?

It may seem surprising, even paradoxical, but the new links have enabled both brands to consolidate their distinctive identities. Renault Trucks is centered on its headquarters near Lyon more firmly than ever, while Mack Trucks has maintained its focus on heavy-duty and special trucks. At the same time, Volvo Trucks has successfully consolidated its worldwide reputation as a leading contender in long-distance road hauling.

Where are the most promising markets for the future?

In Asia. And to be competitive and

generate sales on a sufficient scale, we will need to build our presence there on partnerships with local manufacturers. Nissan is present in these markets, via Nissan Diesel in Japan, in which Renault also has an equity interest, and via its equally-owned joint venture with Dongfeng in China. Japan and China account for the largest sales volumes in the region. Dongfeng focuses on mid-range 17- to 25-ton trucks, a segment where Volvo Trucks is practically unrepresented and the production of Renault Trucks is too low to carry much weight on the world market.

How would you sum up the impact of the sale of Renault Trucks to AB Volvo?

It was a very wise decision for Renault in industrial terms, but also in terms of the impact on finances and the workforce. AB Volvo has seen results improve steadily and turned in a particularly good performance in 2004. Truck markets are starting to pick up and the link-up with AB Volvo has helped to accelerate the process.



Radiance, the concept truck developed by Renault Design, embodies the three core values of Renault Trucks: efficiency, warmth and innovation.

The Radiance concept truck

The Radiance concept truck developed by Renault Trucks illustrates the brand's three core values — efficiency, warmth and innovation. This project anticipates the future of road transport and began with a request from Volvo Trucks, reflecting AB Volvo's search for distinctive styling to set Renault and Volvo models apart.

The Radiance was designed and developed by Renault Corporate Design teams headed by Patrick le Quément, working

in cooperation with Product Planning and Marketing Departments. Embodying a commitment to making Renault Trucks the pacesetter for truck design the Radiance truck is in perfect keeping with the spirit of the Renault brand, featuring harmonious lines and a cab built in accordance with Renault's Touch Design concept. It fully achieves the three goals defined at the outset of the project, combining the easy handling of a passenger car with the efficiency of an office environment and comfort of a home.

Motor sport: catching the public eye

Formula 1: Renault joins the top three

Enhancing Renault's image in France and around the world, participation in motor sport opens the way into new markets.

Results for the 2004 season match the goals stated at the beginning of the year, with Renault placed in the top three. Fitted with a new engine, the R23 significantly improved performances to take the Renault F1 Team to the podium six times, placing third in Australia, then third in Spain, first in Monaco, second in France, third in Germany and third in Hungary. The Renault F1 Team thus clearly showed that it is a competitor to be reckoned with, providing much of the excitement for the season.

In 2005, the aim defined by Patrick Faure, Chairman of the Renault F1 Team, is to be in the running for the two championship titles — the constructors' and the drivers'. Progress has been built on close cooperation between team headquarters at Enstone in the UK, where the car chassis are assembled, and Renault's Viry-Châtillon site near Paris, where the engines are developed. Renault's wealth of engineering resources provides the advanced

know-how and technical backup so vital to victory. As Patrick Faure explains, "It took two or three years to get the needed cooperation really going, but now it works perfectly. Everybody wins, since the racing team benefits from the advanced engineering capacities of the Technocentre and Renault as a whole from the culture of tight deadlines that is part and parcel of Formula 1 racing."



The Renault F1 Team's results in 2004 signal its ambitions for 2005, when it will be in the fight for both the constructors' and the drivers' championships.



Set to fly Renault's colors on the track — Mégane Trophy weighs in at around 950kg and has a 3.5-liter 24V V6 engine developing over 320hp connected to a semi-automatic six-speed gearbox.

From rallies to the track: present worldwide

Already French Champion in 2003 with a Clio Super 1600 developed by Renault Sport Technologies, Simon Jean-Joseph won the European Rally Championship in 2004, a victory that has raised the profile of the Renault brand on promising markets such as Poland, the Czech Republic and Turkey. Clio Super 1600 also competed in the Junior World Rally

Championship, plus 13 national championships, including France. Last but not least, the Clio Cup Rally gave younger drivers a chance to test their mettle. Also through Renault Sport Technologies, the Group organizes racing championships in 15 countries under the Clio Cup, Formula Renault 1600 and Formula Renault 2000 banners.

In 2005 these will be joined by the Mégane Trophy and the World Series by Renault as part of our Renault Days event. Such races put vehicles designed and built by Renault in the spotlight. With Renault Sport Technologies, Renault is able to organize races for its brand in virtually any part of the world — reinforcing its international image in the process.



Safety is a fundamental commitment for Renault. Above: primary-school children participating in a "Safety for All" contest.

4 Corporate values: Renault's first priorities



For Renault, good corporate citizenship is a matter of strong values underpinning a strategy of sustainable development — producing safe vehicles, promoting road safety among current and future drivers, and striving to reduce health hazards, improve working conditions, and preserve the environment.

Safety on a broad front

The Renault range is the world's safest, with seven vehicles awarded top five-star ratings in crash tests conducted by Euro NCAP. But Renault's commitment to road safety goes beyond the standards built into its vehicles, since it also involves initiatives to raise awareness and promote more responsible behavior on the road.

Innovating to serve all road users

Each year, Renault invests some €100 million in safety research and development, pursuing a strategy of integral safety. This means factoring in safety issues from the earliest stages of a vehicle's design and development.

Prevention

To limit risks, Renault fits vehicles with systems that enable drivers to assume their own responsibilities more effectively. To take just one example, speed limiters available on nearly all Renault models allow drivers to concentrate on the road without any risk of exceeding speed limits. Other features such as Xenon headlights and the tire pressure monitoring system make for more accurate perception of the environment, thus helping drivers to avoid risks.

Correction

Renault cars offer outstanding road-holding and braking performances — fundamental factors in active safety. These features are backed up with driver-assistance systems that swing into action in difficult circumstances — ABS with EBD, Emergency Brake Assist, Electronic Stability Program (ESP) and ASR (traction control).

Protection

Renault vehicles are designed to provide all occupants with maximum levels of protection. This protection is of three kinds

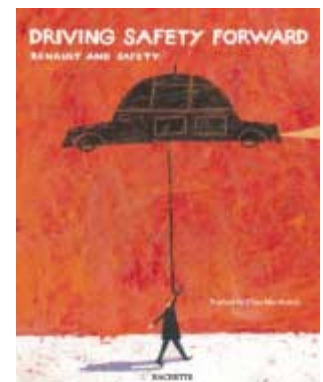


Since 2000, Renault has promoted road-safety awareness among children from the earliest age.

— programmed crumpling (body structure made from high-strength steel), reinforced cabin structures and equipment including advanced restraint systems and airbags.

Awareness

Since 2000, Renault has actively promoted awareness of road safety among children — future road users — under an international program dubbed "Safety for All". Deployed in 12 countries, this has already reached nearly 6 million youngsters.



Spreading the word

In 2004, Renault teamed up with French publisher Hachette to bring out a book reviewing the current situation and prospects for road safety around the world under the title "Driving Safety Forward". Translated into six languages, it has been widely circulated both within the Group and among the general public with 120,000 copies printed.

A culture of safety

In industrialized countries, injuries sustained on the road between home and work are more common than any other type of work-related accident. Within the Group, tens of thousands of employees use a car for their job every day and Renault has thus developed an in-house program for road-safety education and training. Each year, all Group sites systematically

organize a special road safety week, contributing to the development of a culture of safety that has already reduced the number of days of absence resulting from road accidents by close to 32% over the past three years. Group policies in this area are clearly defined, calling for continued efforts on a broad front to achieve measurable results.



Renault vehicles are designed to ensure maximum safety for all occupants.

Safety: everyone's concern



**Jean-Yves
Le Coz**

Director,
Road Safety
Policy

Your job is very unusual in automobile manufacturing. Could you tell us something about your mission?

There is a technical side to it, regarding the definition and implementation of Renault's technical safety strategy. But I am also a spokesman, presenting Renault's positions on safety issues to people inside and outside the Group. Then there is training to raise awareness in the public at large and within our

sales network. We have to ensure that people in contact with customers have the information and material they need to make those customers more aware of safety issues. Safety needs to be perceived as a function naturally associated with the automobile.

Wouldn't you agree that better driver behavior is now the key to greater safety on the road?

There is no secret to the laws of physics applied to absorb energy on impact and bring a moving body to a halt. And we are probably nearing a point where research into passive safety will no longer be the main source of progress. Instead, we have to focus on active safety — on ways to prevent accidents from happening. Which means ways to avoid and correct driver error.

Would human and social sciences have something to contribute?

That's a touchy point. Social sciences don't work like, say, physics with a set of clearly defined equations.

Developing systems to assist drivers demands an understanding of extremely complex factors shaping patterns of behavior.

How can behavior be influenced?

One simple way is to reduce demands on the driver — to take the stress out of driving and make it more relaxed. But while drivers need information and support, it would be a dangerous mistake to reduce their sense of personal responsibility. As you can imagine, striking the right balance is not easy.

With the internationalization of Renault's operations, is the promotion of road safety also being extended?

Our aim is to be at the highest level of safety on each market, even where safety is not a big selling point. Road accidents are now the ninth cause of mortality worldwide, but by 2020 they are likely to be the third main cause. The number of deaths on the road has risen by 60% over the past few years as more and more people in developing countries have cars. Here we are working with authorities, offering the support of our expertise to develop road safety awareness. Renault's concerns in this area are part of our commitment to good corporate citizenship. And failure to act could only encourage rejection of the automobile.

Human resources: building growth together

Renault recruits

To meet growth objectives, continue renewal of its range and innovate, the Renault group needs to reinforce the expertise on tap. To this end, it will be hiring 10,000 people in 2005, including 5,000 outside France. The drive concerns staffing in all areas of operation, from engineering and production to sales and support functions.

Renault's recruitment policies reflect factors that include business expansion and the implementation of a strategy for profitable growth as well as demographic trends and the renewal of age groups. From 1999 to 2004, 40,000 people joined the Group, including nearly 24,000 in France. Pace will remain brisk, with 10,000 recruitments planned for 2005, which will also see sub-dealers and dealers in Renault's French network take on an estimated 4,000 new employees. This vigorous drive will give Renault the resources

it needs to progress effectively towards its strategic goals. And with Renault's increasingly international business base, recruitment is now worldwide in scope.

To keep step with international expansion and ensure smooth integration of new recruits, Renault deploys human resource policies at three complementary levels:

- Group-wide policies applying uniformly to all employees around the world concern

training, working conditions, employee representation, pension rights and other areas of general interest.

- Other policies concern the many specific areas of expertise involved in Renault's operations. These policies apply to all employees in a given business function worldwide.
- Finally, local policies integrate constraints and opportunities in each country, in particular applicable labor law.



Dacia and Renault teams share expertise at the Technocentre in Guyancourt, France.

Our employees' skills set will make a difference



Jean-Marie Kerebel

Vice President,
Central Human
Resources

HR rules for the Group worldwide. Renault has worked with union representatives to draw up a declaration of fundamental employee rights. This defines global rules and principles, such as Renault's commitment to working conditions and equal opportunity.

What would you say was the most important development in 2004?

The Logan launch, new projects for China, Russia and Iran — in 2004 Renault became truly international.

What does that entail in terms of human resources?

The challenge for human resources is to provide Renault with the skills it needs in order to grow and define

What about training?

Training is absolutely essential, because we know that it is the skills and expertise of our workforce that will really make the difference in the years ahead. The right for all employees, whatever their age and position, to have access to training throughout their working life is also included in our declaration of fundamental employee rights.



1



2



3



4

Renault offers career opportunities in many different sectors.
 (1) Valérie Jean (Technocentre in Guyancourt outside Paris) - (2) Marc Depire (Technocentre)
 (3) Ludovic Loison (Flins) - (4) Laure Dutronc (Technocentre)

The men and the women of Renault

International recruitment raises questions of the Group's image and identity, including what it means to be part of Renault. Renault offers all employees and job applicants three commitments — to open opportunities for progress in their careers, to give them access to training throughout their working lives and to provide a working environment that combines commitment to

excellence with a congenial atmosphere. The Group's human resources policy has four priorities: strengthen competitiveness, support international expansion, develop skills and attract and motivate employees. In France, a highlight of 2004 was the signature of an agreement on the end of the program initiated in 1999 to favor early

International recruitment



Anne-Sophie Belloc

Recruitment Officer,
Employee Management Department

We also send around a hundred interns abroad each year under the government-sponsored VIE corporate volunteer program. They are often excellent recruits.

Does Renault have a good image with students?

With the Renault-Nissan Alliance and projects like Logan, Renault's international reach is now well recognized. Our ties to leading engineering and business schools also help to give us a high profile with students.

How important is international recruitment?

Our aim is for recruits with an international profile to account for a quarter of our total intake.

What exactly does that involve?

These recruits may be from France or other countries. We want them to build up their professional know-how in France, then take up a position in another part of the world.

What sort of background do you look for?

We start out with leading engineering and business schools. Subsidiaries are another source of recruits.

What new trends are emerging?

In 2004, we started focusing more on some nationalities, particularly Iranian and Chinese, in keeping with the direction of our international expansion.

retirement of older employees and accelerate renewal of the workforce and skills (priority 1). As a matter of fairness, it was decided to phase this out by November 30, 2006 rather than impose an abrupt halt. During the year, the Competencies 2010 program continued (priority 3), underpinning the development of the skills Renault needs to fulfill its strategic goals for 2010.

Now an integral part of corporate culture, this defines specific objectives that lead up to concrete initiatives for training, recruitment and career planning in each sector. On February 18, 2004 another important agreement was signed with unions, this time to reinforce the principle of equal treatment for men and women (priority 4).

Fundamental rights

On October 12, 2004, Renault Chairman and CEO Louis Schweitzer and union representatives signed the Renault Group Employees' Fundamental Rights Declaration. Concerning all Group employees and suppliers, it defines the rules and principles Renault applies throughout the world in the areas of health, safety and working conditions.

Putting values to work

Renault has for many years applied a Code of Good Conduct, which outlines the rules to observe when dealing with third parties both within and outside the Group.

The "Renault Management System for Safety and Working Conditions" defines strict requirements in these areas, which are backed up by regular audits. By the end of 2005, the system, a recognized benchmark

in automobile manufacturing, will have been implemented at all Group sites.

The Employees' Fundamental Rights Declaration will reinforce action in this area and extend it to suppliers, who are required in particular to satisfy the criteria regarding forced labor, child labor and working conditions.

Fundamental employee rights

On October 12, 2004, Renault, the Renault Group Works Council and the International Metalworkers' Federation signed a declaration of employee rights to be respected worldwide. Comprising 10 points, this reflects Renault's continuing support for sustainable development and the highest standards of corporate responsibility. The Renault group undertakes to:

- 1.** Make improved health, safety and working conditions a priority, underpinned by a Group-wide policy.
- 2.** Not to employ people younger than the mandatory school-leaving age or below the age of 15.
- 3.** Not to discriminate for any reason whatsoever and treat employees with dignity.
- 4.** Condemn the use of forced labor and agree not to make use of such labor.
- 5.** Commit to protect jobs and, if necessary, train workers for other jobs or find other jobs for them within the Group.
- 6.** Provide every one of its workers, worldwide, with the training necessary to properly perform their job and build a career.
- 7.** Develop a policy to adjust working hours in line with the needs of the company's various sectors, taking into account employees' wishes.
- 8.** Recognize the principle of fair compensation for work.
- 9.** Ensure that employees are represented in all Group companies and strictly respect freedom of association.
- 10.** Inform its suppliers of the contents of this declaration and urge them to consider adhering to it.



Renault makes an active contribution to training and education programs around the world. Above: Nelson Mandela inaugurating construction of a school in South Africa in September 2004.

Protecting the environment

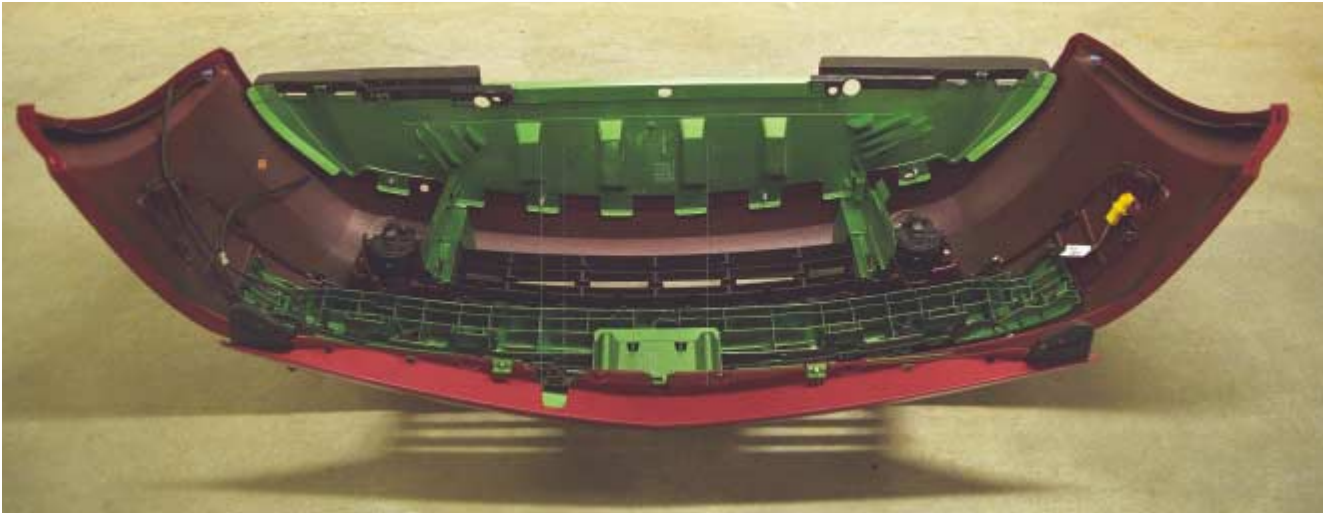
Environmentally responsible manufacturing

A regularly updated and extended subsidiary-risk database enables Renault to keep precise track of health and ecotoxicity hazards relating to all products entering and leaving the company. Now in the process of international deployment, the database is to be extended to products used in dealerships. Expertise in this area, which concerns over 3,000 substances, provides the basis for effective initiatives to eliminate toxic hazards, with examples including lead-free

cataphoresis and factories that do not release any waste water. Similarly, the products used in vehicle components are selected to avoid any that could cause pollution at the end of the vehicle lifecycle. To this end, we work in close cooperation with suppliers, achieving results that include the near-elimination of heavy metals. Recycling is naturally another prime concern, which raises the issue of how materials are to be reused. In this area, too, Renault has taken the lead, as illustrated by the

18kg of recycled plastic built into each Modus. Recycled materials are now used to make bumpers and dashboard components, whereas they had previously been used for hidden parts. Finally, all Renault industrial sites have been audited to identify risks of leftover pollutants seeping into the soil or groundwater. In Romania, Dacia's Pitesti plant is undergoing extensive decontamination.

Environmental protection is a core value for Renault and an essential part of its commitment to sustainable development as a socially responsible firm. In this, it sets ambitious targets for concrete, measurable results at every stage in the vehicle lifecycle.



More than 95% of the materials in a Renault vehicle are recyclable. Above: Espace IV's front bumper.

Protecting the environment

Using energy wisely

Energy conservation begins with careful monitoring of each stage in the manufacturing process. While steadily enhancing levels of equipment, Renault nonetheless aims to reduce the energy required to produce a vehicle by 2.5% a year. To take just one example, when heating systems are replaced, combined heat and power systems using energy already produced is systematically preferred to traditional boilers.

Renault vehicles are also designed with energy savings in mind, as seen in the low fuel consumption of the K9 engine, representing close to 60% of Renault's diesel sales.

Reduction of CO₂ emissions is part of the same process. Many Renault factories have already

switched from oil to natural gas, cutting greenhouse emissions, and Renault is developing vehicles that run on alternative sources of energy. An example of this is the Mégane sedan with a 1.6-liter 16-valve flex-fuel engine, powered solely by sugar-cane alcohol. The car will be launched in Brazil in the second half of 2005.

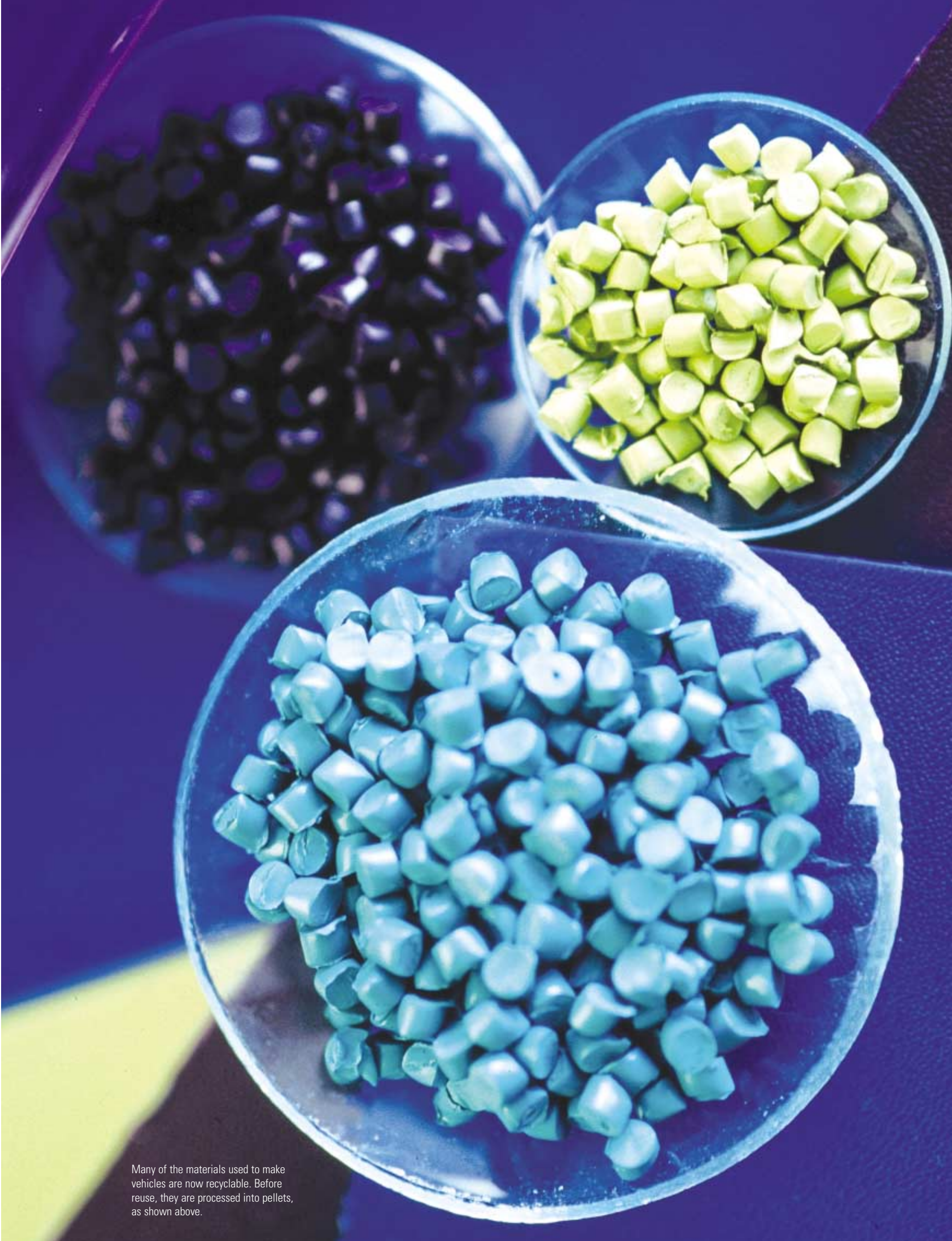
Finally, effective preservation of resources calls for the active, day-to-day commitment of all Renault employees, from designers to assembly workers. Renault has moved to underpin this with a steady flow of communications to develop awareness and encourage respect for the environment, including the dedicated website: www.sustainability.renault.com.

Environmental management

A network of some 1,500 people is charged with implementing Renault's environmental policy throughout the company. The scope of management in this area has expanded to cover areas set to undergo changes as a result of environmental concerns, as well as operations to emerge with technologies such as hybrid drive units. A review to identify all areas concerned was completed in 2004 and will be followed up in 2005 with training programs to prepare staff for the developments ahead. Environmental management also concerns suppliers, more specifically joint development of related material and implementation of common training programs, plus sharing of training material developed by Renault. In addition, Renault has launched initiatives targeting dealerships with advice on maintenance and repair methods, as well as customers with information on recycling. For Alice de Brauer, Director, Environment Policy for Industrial Sites, this is all part of a much broader process. As she says, "Continuous progress hinges on unfailing management commitment."



Renault production sites are closely watched to avoid any risk of pollution. Above: settlement tank at the Palencia plant in Spain.



Many of the materials used to make vehicles are now recyclable. Before reuse, they are processed into pellets, as shown above.



A strong market start for Modus contributed to the overall rise in Renault's 2004 sales.

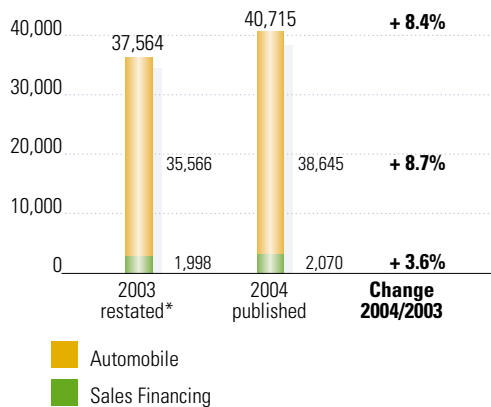
5 Results in line with strategic priorities



The profitable growth strategy that Renault has implemented for several years has translated into a steady rise in earnings. Renault in 2004 reported its best-ever results, which back up the wisdom of strategic decisions and enable the Group to view the future with confidence. Renault plans to pursue its international development and forge ahead with its range renewal.

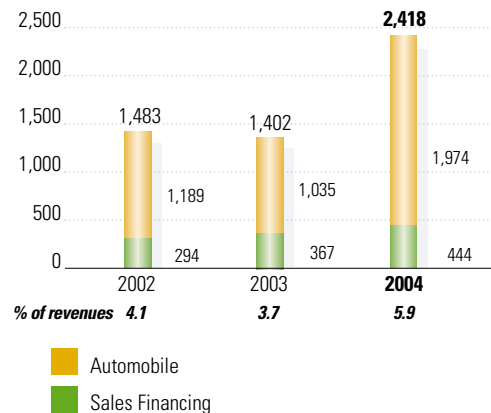
Net income reaches all-time high in 2004

Revenues by Division (€ million)



* 2003 data restated on a consistent basis with 2004 (published 2003 revenues: €37,525 million).

Operating margin by Division (€ million)



Revenues up 8.4%⁽¹⁾

In a context marked by modest market growth in Western Europe and vigorous trends on some other markets, particularly Turkey, Renault sold 2.5 million vehicles worldwide in 2004 — 100,000 or 4.2% more than in 2003. Growth in its two business divisions brought an 8.4%⁽¹⁾ rise in total revenues to €40.7 billion.

- Revenues of the Automobile Division rose 8.7% to €38.6 billion. This reflects the success of the Renault product offering

and a move higher up the range in Western Europe, with the Mégane lineup and light commercial vehicles doing especially well, plus firm trends in spare parts business and quickening sales in the rest of the world.

- Revenues of the Sales Financing Division rose 3.6% to €2.1 billion, buoyed by rises in outstanding customer financing and associated services.

(1) On a consistent basis.

Operating margin surges 72.5%

Operating margin, the litmus test for Renault's business performance, rose by over €1 billion to €2.4 billion, representing 5.9% of revenues compared with 3.7% in 2003:

- The Automobile Division generated an operating margin of close to €2 billion, representing 5.1% of revenues compared with 2.9% in 2003. In addition to an improved product mix and prices in Western Europe, this reflects continued cost cutting, higher productivity in

European factories and a rise in the contribution of business in other parts of the world, in turn due to strong sales growth in Turkey and lower losses on business in Mercosur countries.

- The Sales Financing Division contributed €0.4 billion or 21.4% of revenues with margins holding steady, while outstanding customer financing was on the rise and risk remained under firm control.

Summary income statement

(€ million)	2002	2003	2004
Revenues	36,336	37,525	40,715
Operating margin	1,483	1,402	2,418
Other operating income and expenses	(266)	(168)	(270)
Operating income	1,217	1,234	2,148
Financial expense	(91)	(71)	(348)
Share in net income of Nissan Motor	1,335	1,705	2,199
Pre-tax income	2,457	3,023	4,252
Taxes	(447)	(510)	(634)
Renault net income	1,956	2,480	3,551
Earnings per share (in euros)	7.53	9.32	13.35

Net income up 43.2% to €3.5 billion

Alongside operating margin, main items affecting results for the year were:

- A €270 million net charge under "Other operating income and expenses", compared with €168 million in 2003. This includes in particular charges for early retirement of older employees.
- A charge of €343 million relating to the cash tender offer for Renault's redeemable shares in the first half of 2004.
- Income of €2,199 million from Renault's interest in Nissan. Renault booked 15 months

of income from Nissan in 2004 to allow recognition of this income to cover the same 12-month period from 2005 on. The extra quarter recognized in 2004 represented an amount of €0.4 billion.

- A tax charge of €634 million, compared with €541 million in 2003.

Net income for the year thus reached a record €3,551 million, compared with €2,480 million in 2003. This set earnings per share at €13.35, compared with €9.32 in 2003.

Financial structure strengthened further and debt almost eliminated

Strong results for the year allowed further reinforcement of the balance sheet:

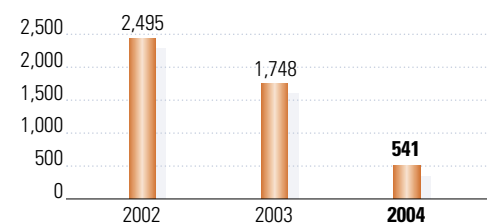
- Net financial indebtedness of the Automobile Division fell €1.2 billion from December 31, 2003 to €0.5 billion at December 31, 2004, a sharp decline reflecting the combined effects of strong operating performances and disciplined investment.
- Group shareholders' equity rose €2.5 billion to €16.1 billion at December 31, 2004.

At that date, net financial debt of the Automobile Division represented no more than 3.4% of equity compared with 12.9% a year earlier.

Net return on equity came to 28.4% in 2004, exceeding Renault's minimum target of 11% by a wide margin.

Net financial debt of the Automobile Division

(€ million)



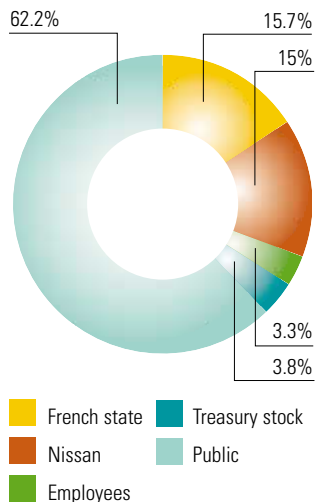
Return on equity* (%)



* Before appropriation of net income for the year.

Forging lasting ties to shareholders

Renault shareholders at December 31, 2004

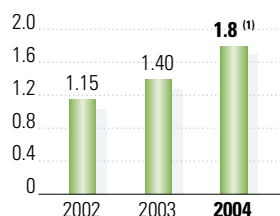


A survey of the ownership of Renault bearer shares at December 31 provides a reliable guide to the breakdown of shares held by the public. At that date, French and foreign institutional investors held some 57% of equity and individual shareholders approximately 5%.

Fresh rise in dividend

The Annual General Meeting on April 29, 2005 will be asked to approve a dividend of €1.80 per share. This represents a further rise of 28.6% after 22% in 2003 and 25% in 2002.

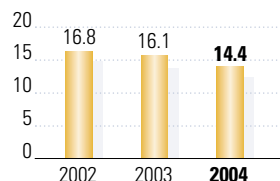
Dividend per share (€)



(1) Subject to decision of Annual General Meeting on April 29, 2005.

Distributed earnings will thus represent 14.4% of net income.

Payout (%)



Communications — transparency and accessibility

Renault demonstrates its active commitment to transparent communications with a steady flow of publications backed by the resources of its renault.com site, which includes a section dedicated to shareholders. A wide range of events and meetings are also organized each year for shareholders in France and other countries. The Renault shareholder club set up in 1995 now counts 10,000 members and since 1996 Renault has also had a Shareholders' Advisory Committee. Services to individual shareholders include a toll-free information line (0 800 650 650 in France) and a dedicated e-mail address (communication.actionnaires@renault.com).

In October 2004, Renault communications for individual shareholders won the third Fils d'Or prize awarded by French weekly *La Vie Financière*, daily *Le Figaro* and Synerfil, a consultancy specializing in shareholder relations. This annual award is for the best shareholder communications from the companies in the CAC 40 stock-market index.

Looking ahead

Financial outlook

In 2005, Renault expects the automobile market to remain stable in Europe and to grow slightly in the other main countries in which the Group operates, with the exception of Turkey.

Against this background, Renault will benefit in 2005 from the ongoing renewal of its range. Building on the success of the Mégane family and light commercial vehicles, Renault will profit from the first full year of Modus sales and the launch of the all-new Clio in the second half. The Group will pursue its

development outside Europe thanks to the vitality of its current range and the rollout of the Logan program in many countries, including the production start-up in Russia, Morocco and Colombia.

Overall, in a sluggish market and an environment impacted by the rise in raw material prices, Renault intends to continue to grow its global sales and report a Group operating margin — under IFRS ⁽¹⁾ — higher than 4% of revenues.

Approved by the Board of Directors on February 7, 2005.

⁽¹⁾ The main impact of the application of IFRS on Renault's operating margin is the retrospective application of IAS 38 (capitalization of development costs). The application of this standard to the 2004 financial statements would have reduced operating margin by approximately €300 million, or 0.75% of revenues.

Product outlook

Renault will continue to renew and expand its range in 2005.

A main highlight will be the launch of the replacement for Clio in the second half, targeting a strategic segment of European and world markets to spearhead growth. This marks a fresh phase in the renewal of Renault's range of compact cars that began with Modus in 2004. The release in January 2005 of an Initiale version will extend appeal to new customers and build on its excellent start.

Renault will also be bolstering positions higher up the range with new versions of Laguna and Val Satis to be rolled out in spring.

The X90 program will take an important new step forward with the production of Logan, which made a strong start in 2004, set to get under way in Russia in the first half, in Morocco in the second half and in Colombia at year end. Offering unrivaled value for money, Logan will also go to market in Western Europe at the end of the first half and will later be available in a 65hp 1.5 dCi diesel version.

Renault Samsung Motors, too, continues renewal of its range. The SM7, a luxury sedan designed at the Renault Samsung Motors R&D center in South Korea and equipped with the latest technology, made its debut in December 2004 and will be building market

momentum over the year. It is joined by the new-generation SM5, a family sedan embodying the highest standards of comfort and safety that was unveiled in January 2005.

The Renault group is thus well placed to move ahead with its strategy of profitable growth and international development, drawing on the strength of a renewed range that has the breadth to meet varied customer expectations and needs.



The new concept car Zoé makes city driving pure pleasure.



New Laguna — innovative design and new advances in road handling and interior comfort.

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