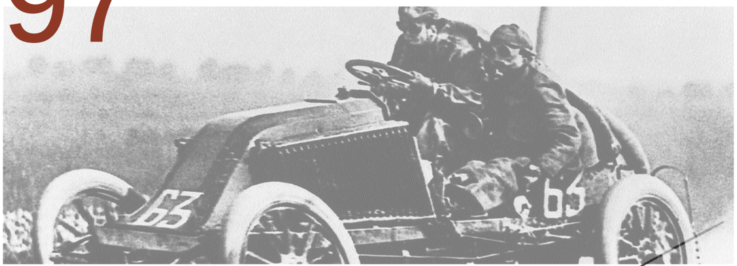
1997



Financial Report

Reference Document

Financial report for the year 1997

I

Group Profile

Renault Yesterday and Today

In 1997, Renault's worldwide sales exceeded 1.8 million vehicles and its sales reached nearly FRF 208 billion. Renault earned 60.6% of its revenues abroad and 15.8% outside Europe. At December 31, 1997, the combined workforce of the Renault Group numbered 141,315 people.

Background

One hundred years have gone by since the first "Type A" rolled out of Louis Renault's workshops in 1898. Société Renault Frères was set up in 1898 to manufacture automobile vehicles, taking advantage of automobile patents such as the first direct-drive transmission. The company, based in Billancourt, achieved international renown through its success in motor sports, and initially specialized in the construction of passenger cars and taxis. During the First World War, the company produced many trucks, light tanks and aircraft engines.

In 1922, Renault became a limited company, having made strong progress in the passenger car and commercial vehicle markets and established several production centers in France and abroad. Renault gradually emerged as the French market leader.

On being nationalized in January 1945, the company took the name "Régie Nationale des Usines Renault" and concentrated its production on the 4 CV.

Through to the mid 1980s, Renault followed a strategy of diversification in the industrial, financial and service sectors in parallel with the international expansion of its industrial and commercial activities. The Renault 5, which remains one of the Group's greatest commercial successes, was launched in 1972. The financial difficulties encountered by the company in 1984 were followed by a period of restructuring and refocusing on its core activities. The company returned to profitability in 1987.

In 1990, Renault became a limited company again; in the same year, an agreement for close cooperation was signed with the Volvo group. In 1991, the automobile and commercial vehicle activities of the two groups were associated through cross-shareholding: this was reversed in 1994 after the plans to merge the two groups were abandoned at the end of 1993.

One year later, the French Government partially opened up Renault's capital, a first step towards the privatization which took place in July 1996.

From the first small car created by Louis Renault in 1898 to the latest arrival, the Clio II, Renault has been the source of many ground-breaking concepts in automobile history: the 4 CV in 1946, the Renault 4 (the first small front-wheel drive car) in 1961, the Renault 16 in 1965 with its hatch back and modular interior, the Renault 5 with its polyester bumpers in 1972, the sale of turbo-powered vehicles starting in 1980, the Espace in 1984, the Twingo in 1993 and the Mégane Scénic in 1996 are some of the models that have contributed to the company's tradition of innovation.

Structure of the Renault Group

Renault is the parent company of the Renault Group and the principal operational structure for passenger car and light commercial vehicle activities in France. The activities of the Group are spread across three divisions:

• The Automobile Division (79.8% of sales representing FRF 165.8 billion in 1997) is responsible for the design, manufacture and sale of passenger cars and light commercial vehicles, as well as related activities such as agricultural machinery;

• The Commercial Vehicles Division (16.4% of sales representing FRF 34.2 billion in 1997) performs the same activities in the field of commercial vehicles (trucks, coaches, buses, military and special vehicles).

• The Finance Division (3.8% of sales representing 7.9 billion francs in 1997) is a complementary division with financial and commercial activities, bringing together the subsidiaries responsible for the sales financing and services, as well as for the Group's cash management.

Renault's Strategy

Renault's strategy is asserted and propagated throughout the company on the basis of the following seven strategic goals:

- To be the best on the market in terms of quality of products and services
- To develop a coherent and open group
- To present a young, strong and innovative product range
- To expand internationally
- To reduce overall costs for an uncertain future
- To work better as a team
- To be profitable so as to guarantee independence and finance development

These goals, which are regularly reviewed and enlarged, have enabled the Group to achieve its turnaround, and constitute the foundation of Renault's strategy.

Principal consolidated data over 10 years

Financial figures in millions of francs	Notes	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Sales	(1)	161,438	174,477	163,620	165,974	179,449					
	(2)				171,502	184,252	169,789	178,537	184,065	184,078	**207,912**
	(7)										
Operating income (loss)	(1)	14,385	12,944	6,299	4,663	7,920					
	(3)				4,813	7,734	609	2,317	1,259	(5,987)	**2,030**
	(7)										
Pre-tax income (loss)	(4)	8,975	9,725	1,380	4,109	6,313					
	(5)				3,969	6,481	1,094	3,485	1,976	(5,645)	**4,095**
Renault net income (loss)		8,834	9,289	1,210	3,078	5,680	1,071	3,636	2,139	(5,248)	**5,427**
Cash flow	(1)	15,260	15,050	7,919	10,113	13,149					
	(2)				12,305	16,117	11,017	12,145	11,669	6,918	**13,804**
Investments	(1)	7,295	10,361	13,213	21,554	11,685					
	(2)				20,637	13,565	12,043	16,050	15,499	17,046	**16,289**
Net financial indebtedness		23,786	17,593	27,110	15,528	12,549					
of industrial and commercial activities	(6)					8,727	7,851	(1,458)	3,368	9,385	**2,097**
Shareholders' equity		14,012	22,466	17,014	31,331	33,965	33,877	42,784	43,796	37,770	**43,917**
Total workforce	(2)	178,665	174,573	157,378	147,185	146,604	139,733	138,279	139,950	140,905	**141,315**

N.B.: In order to provide a consistent accounting reference, starting with the presentation of the results for 1993, Renault decided to adopt revised standards published by the International Accounting Standards Committee (IASC), and to modify its principles with regard to deferred taxes. In particular, Renault has applied the full consolidation of its financial subsidiaries since 1993. In order to ensure that different years can be compared effectively, Renault established pro forma accounts for the years 1991 and 1992.

(1) Excluding financial subsidiaries
(2) Including financial subsidiaries
(3) Including financial subsidiaries – new definition including income and expenses previously booked under exceptional items
(4) Financial subsidiaries accounted for by the equity method – share in income of companies accounted for by the equity method taken into account before taxes
(5) Fully consolidated financial subsidiaries – share in income of companies accounted for by the equity method taken into account after taxes
(6) New definition
(7) For comparison of the figures for 1996 and 1997, see pages 60 and 61

Exposure to Exchange Rate Risk

More than half of Renault's sales is invoiced in foreign currencies, while most of its production and development costs are denominated in French francs. For this reason, changes in exchange rates from one period to the next can have a significant impact on the Group's revenues and results. The principle currencies, other than the French Franc, in which the Group operates are the Deutsche Mark, the Pound Sterling, the Italian Lira, the Peseta and the U.S. Dollar. Variations in the exchange rates of these currencies relative to the French Franc are therefore those which can have the most significant impact. The group constantly estimates its net exposure to exchange rate risk and may decide to hedge a portion of this risk, within the strict limits laid down by senior management. A large part of the Group's consolidated debt is generated by the activities of Renault Crédit International, which is responsible for financing Group sales. The subsidiaries of Renault Crédit International are managed in such a way as to avoid exposure to exchange rate risk. For Renault Crédit International itself, exchange rate risk is managed within strictly defined limits.

SHAREHOLDERS AND THE STOCK MARKET

Principal Shareholders

At December 31, 1996, the French Government held 45.87% of Renault shares. Under the provisions determined at the time of the Initial Public Offering, the Government distributed nearly 4 million free shares to eligible Renault employees and former employees in December 1997. As a result, its holding in Renault was reduced to 44.22%, while employees and former employees held 4.03% of the shares at December 31, 1997.

During the course of 1997, AB Volvo sold its 11.35% stake in Renault's capital which it had held since the partnership between the two groups was formed. Furthermore, in the context of the shareholder protocol, several members of the Protocol and Associated Shareholders' Group have modified their holdings in Renault. In particular, Sogepaf (Elf Aquitaine Group), Natexis (formerly Crédit National) and the CCF have sold their entire stake, while Rhône-Poulenc Finance has reduced its stake from 1% to 0.15%. Other members of the pact took this opportunity to exercise their preemptive subscription right for a portion of the available stock. At the end of December 1997, the Protocol and Associated Shareholders' Group held 7.28% of Renault shares.

Distribution of capital and voting rights at December 31, 1997

	%
French State	44.22
Templeton Group (1)	4.96
Protocol and Associated Shareholders	
Lagardère Groupe	1.55
Banque Nationale de Paris	1.41
Caisse des Dépôts et Consignations	1.04
Union de Banques Suisses	0.60
Banque Cantonale Vaudoise	0.50
Bayerische Landesbank	0.40
Lazard Frères et Compagnie	0.40
AGF IART	0.26
AGF Vie	0.26
ING Group	0.25
Commerzbank	0.25
Caisse Centrale des Banques Populaires	0.20
Rhône-Poulenc Finance	0.15
Public including Renault employees and others (2)	43.54
	100.00

(1) A US fund management company

(2) No other shareholder holding a stake larger than 0.5% had come forward as of December 31, 1997. At this date, employees and former employees of the Group held 4.03% of Renault shares under collective management or directly. Renault holds 0.69% of the capital, either directly or through Cofiren, a wholly-owned subsidiary. These shares originate from the market stabilization fund for investment certificates held by employees or former employees before the Renault public offering.

The protocol shareholders signed an agreement on November 21, 1994, under the terms of which they were required to retain their entire stake for 3 months and 80% of the stake for the following 21 months. For the 3 years following these first 24 months, any sale of all or part of the 80% of the Renault shares held by a protocol shareholder either to a third party or to another protocol shareholder would be subject to the preemptive subscription right of the other protocol shareholders. The terms and conditions for the Associate Shareholders' Group, which entered the capital of Renault in July 1996, contain the same non-transferability clauses expiring on the same dates as those accepted by the Protocol Shareholders' Group formed at the time of the public offering in November 1994.

According to a survey carried out in 1995, the number of shareholders is estimated at approximately 500,000, not including Renault employees who subscribed to the employee share scheme established at the time of the public offering.

In accordance with the provisions of articles 217-2 to 217-7 of the Law of July 24, 1966, the Joint Shareholders' Meeting of June 10, 1997 authorized the company to trade in its own shares in order to stabilize the market price. Transactions made under this provision may be dealt at a maximum purchasing price of FRF 300 and a minimum selling price of FRF 100. The maximum number of shares made available for purchase may not exceed 10% of the total number of Renault shares. This authorization will be terminated at the Joint Shareholders' Meeting of June 11, 1998.
The company has not intervened to stabilize the share price.

Performance of the Renault Share Price

Renault shares have been traded on the first monthly settlement market of the Paris Bourse since the public offering on November 17, 1994. The share price at the time of the initial public offering was FRF 165. Renault has been one of the stocks making up the CAC 40 index since February 9, 1995. The shares are also traded on SEAQ in London.

Price and trading volume of Renault shares

	Number of shares	Share price (in francs)		
		Last	High	Low
July 1996	5,890,782	116.6	133.0	107.0
August 1996	3,077,136	112.3	123.0	110.1
September 1996	4,552,512	123.1	129.0	109.7
October 1996	3,469,523	110.3	125.0	108.3
November 1996	3,719,326	124.0	125.0	107.0
December 1996	6,128,186	111.5	124.0	103.0
January 1997	5,055,225	119.1	127.0	106.1
February 1997	6,912,458	146.9	150.0	117.8
March 1997	6,388,426	142.2	149.0	128.4
April 1997	6,575,058	138.2	149.4	124.5
May 1997	8,005,482	123.8	159.0	121.0
June 1997	11,956,205	148.7	156.0	115.2
July 1997	16,489,389	172.4	187.8	137.6
August 1997	11,371,983	154.0	175.0	150.5
September 1997	11,691,983	175.9	180.0	152.0
October 1997	10,864,250	160.5	186.9	148.7
November 1997	10,069,600	165.3	170.0	145.0
December 1997	9,812,083	169.3	182.0	163.7
January 1998	13,018,113	195.1	200.0	168.0
February 1998	10,468,314	212.0	212.0	188.5

Strongly affected during the second half of 1996 by the prospect of unfavorable earnings and the decline in the French car market, the year-end closing price for Renault shares was FRF 111.50. The share price recovered at the end of February 1997 with the announcement by the Group of major restructuring measures. This trend continued over the next few months, with the share price returning to a level above the IPO price in July 1997. The Asian stock market crisis in the fall of 1997 caused disruption in all international financial markets. Like most cyclical stocks, the Renault share price registered a significant drop, then recovered once again at the end of the year following a general trend on the Bourse. At year end 1997, the share price stood at FRF 169.30, giving a stock market capitalization of FRF 40.6 billion. In 1997 the share price rose by 51.8%, as compared with an increase of 29.5% in the CAC 40 index during the same period. Over the course of the year, the lowest share price was FRF 106.10 on January 6 and the highest share price was FRF 187.80 on July 23. The Renault share price has continued its rise into 1998 (+25.2% during the first two months of the year).

Performance of the Renault Share Price (reference basis: IPO price)

Of the subsidiaries and sub-subsidiaries of the Renault Group, the Spanish company F.A.S.A., 91.7% owned by Renault, is listed on the Madrid Stock Exchange, and Renault Argentina, 51.2% owned by Cofal (itself 63.1% owned by Renault) is listed on the Buenos Aires Stock Exchange.

Changes in Capital

At year end 1997, Renault's share capital was FRF 5,994,964,175 made up of 239,798,567 shares each with a nominal value of FRF 25. The number of voting rights was 238,145,021. The shares are fully subscribed and paid-up.

Changes in capital over 5 years

	Capital operations	in francs	Resulting capital in number of shares	Shares and Securities
5/1994	Issuance of 1 B share of FRF 15	3,400,628,655	179,153,807	A shares, FRF 15
	(at FRF 1,000,000,000)		45,343,485	B shares, FRF 15
			2,211,285	investment certif., FRF 15
			226,708,577	**total shares, FRF 15**
11/1994	Increase of the nominal share value	5,667,714,425	224,497,292	shares, FRF 25
	from FRF 15 to FRF 25 and elimination of certain		2,211,285	investment certif., FRF 25
	classes of shares		**226,708,577**	**total shares, FRF 25**
11/1994	Conversion of investment	5,951,805,325	238,072,213	shares, FRF 25
	certificates into shares			
	Increase in capital paid in cash:			
	issuance of 11,363,636 shares of FRF 25 (at FRF 176)			
1/1995	Subscription of 936,200 shares of FRF 25	**5,975,210,325**	**239,008,413**	**shares, FRF 25**
	through the exercise of stock warrants			
	(at FRF 25, of which FRF 15 in cash)			
8/1996	Increase in capital resulting from			
	the payment of part of the dividend in			
	shares: issuance of 790,154 shares of FRF 25 (at FRF 127)	**5,994,964,175**	**239,798,567**	**shares, FRF 25**

N.B.: The A shares were held by the French Government and the B shares by AB Volvo

The Joint Shareholders' Meeting on June 10, 1997 authorized the Board of Directors:

• in one or several operations, to issue shares with a nominal value of FRF 3 billion, on the one hand, and to issue debt securities with a nominal value of not more than FRF 20 billion, on the other (1); maintenance of preferential subscription rights to these issues (2);
• in one or several operations, by public share offering, to issue shares and other marketable securities with a nominal value of FRF 1.8 billion, on the one hand, and to issue debt securities with a nominal value of not more than FRF 20 billion, on the other (1); elimination of preferential subscription rights to these issues (2);
• to increase share capital up to a maximum nominal value of FRF 6 billion by successive or simultaneous incorporation into the capital of all or part of the reserves, earnings or additional paid-in capital, from mergers or paid-up capital, to be achieved by the creation or free allocation of shares, by increasing the nominal value of the shares, or by a combination of both methods (1) (2);
• to increase share capital by a maximum nominal value of FRF 1.8 billion by issuing new shares to compensate for shares contributed to a public exchange offer for the shares of another listed company; the nominal value of the debt securities issued, where applicable, under the conditions of this authorization shall not exceed FRF 20 billion (1) (2);
• to increase share capital by issuing shares through the employee share scheme up to a nominal limit of FRF 400 million; employees benefiting from this capital increase must be employed by Renault or the companies or joint ventures ("GIE") of which it directly or indirectly holds 50% of the capital or rights; elimination of preferential subscription rights to these issues (3).

(1) The overall limit for these authorizations is FRF 20 billion for debt securities and FRF 6 billion for the maximum nominal value of share capital increases.
(2) Authorization valid until the Shareholders' Meeting to approve the 1998 accounts.
(3) Authorization valid for 5 years from the Joint Shareholders' Meeting on June 10, 1997.

Stock Options

The Joint Shareholders' Meeting on June 7, 1996, in extraordinary session, authorized the Board of Directors, in one or more operations, to grant stock options to management and key employees of the Renault Group and related companies under the conditions set forth in Article 208-4 of the Law of July 24, 1966. If the options are exercised, the number of shares purchased shall be included in the ceiling of 0.42% of the total number of shares making up the share capital at the time of the share purchase by the Company, corresponding at that time to 1,000,000 shares with a nominal value of FRF 25 (see page 69).

Dividends

The payment of dividends is performed at the times and places specified by the General Meeting or, failing this, by the Board of Directors. Any dividend not claimed during its 5 years of validity expires under the conditions specified by law.

	Number of dividend paying shares	Earnings per share (in francs) Dividend	Tax credit	Total earnings
1993	226,708,577	2.00	1.00	3.00
1994	238,072,213	3.50	1.75	5.25
1995	239,008,413	3.50	1.75	5.25
1996	239,798,567	0	0	0
1997 (*)	**239,798,567**	**3.50**	**1.75**	**5.25**

(*) according to the proposal of the Board of Directors and the decision of the annual Shareholders' Meeting on June 11, 1998.

Redeemable shares

Renault and Diac (credit subsidiary of Renault Crédit International) made a public share offering of redeemable shares in 1983 (1,000,000 shares at FRF 1000 by Renault), in 1984 (1,000,000 shares at FRF 1000 by Renault) and in 1985 (500,000 shares at FRF 1000 by Diac). The Renault and Diac redeemable sharesa re traded on the Paris Bourse.

Price and trading volumes of Renault redeemable shares

	Number of shares	Share price (in francs) Last	High	Low
July 1996	11,854	1,640	1,720	1,581
August 1996	13,126	1,646	1,660	1,595
September 1996	14,292	1,615	1,653	1,576
October 1996	55,743	1,595	1,695	1,590
November 1996	32,225	1,630	1,670	1,580
December 1996	34,763	1,600	1,660	1,575
January 1997	18,289	1,628	1,640	1,596
February 1997	14,961	1,700	1,725	1,626
March 1997	5,497	1,714	1,714	1,625
April 1997	5,747	1,670	1,694	1,630
May 1997	14,680	1,650	1,670	1,620
June 1997	12,670	1,624	1,650	1,605
July 1997	59,390	1,748	1,752	1,622
August 1997	24,584	1,830	1,850	1,730
September 1997	37,536	1,866	1,890	1,821
October 1997	14,803	1,785	1,885	1,737
November 1997	8,210	1,800	1,810	1,760
December 1997	12,637	1,790	1,820	1,750
January 1998	22,656	1,948	1,950	1,780
February 1998	101,331	2,014	2,015	1,948

At December 31, 1997, the amount of redeemable shares issued by Diac in 1985 which were still outstanding came to FRF 231,814,000. During 1997, the share price varied between FRF 980 and FRF 1050. The closing price on December 31 was FRF 1031.

SHAREHOLDER INFORMATION

Head of the Information Department:
Frédéric PERIER
Director, Investor Relations
Tel : 01 41 04 53 09
Fax : 01 41 04 51 49

Shareholders' telephone line: 01 41 04 59 99
Number charged at reduced rate: 0 801 07 19 97
Renault Group employee shareholders' telephone line: 01 41 03 13 14
Minitel: 3616 CLIFF
Address of Shareholders' Club:
RENAULT
"Actionnaires en Direct"
Service des relations avec les actionnaires - 0760
34, quai du Point du Jour - B.P. 100
92109 BOULOGNE-BILLANCOURT

In 1995, Renault created a shareholders' club called "Actionnaires en Direct", which today has about 56,000 members. These receive a quarterly newsletter as well as a summary of the annual report. Shareholders can call a special phone number at reduced rates for information. Financial information on Renault is also available via Minitel (CLIFF Renault).
An advisory committee made up of Renault shareholders was created in 1996. The role of this committee is to advise Renault on its financial communication and investor relations.
In 1997, four meetings were held, of which two were plenary sessions in the presence the Chairman. Two other sessions were held on specific topics such as the annual report and the shareholders' newsletter. The committee is composed of 12 members chosen from the shareholders' club, of whom 2 are employee shareholders.

SENIOR MANAGEMENT

The company is administered by a Board of Directors made up of fifteen members. Of these, eleven directors are chosen by the Shareholders' Meeting, three directors are employee representatives and one director is an employee shareholder representative. Directors are appointed for a term of 6 years, subject to the provisions of Article 10 of the company by-laws as regards the renewal of the Board of Directors by rotation.

Board of Directors at December 31, 1997

	Date of first appointment
Chairman	
Louis SCHWEITZER (1) Chairman and CEO	May 1992
Directors	
Pierre ALANCHE (6)	June 1997
Banque Nationale de Paris (2) represented by Michel PEBEREAU, Chairman and CEO	May 1995
Jean-Pierre CAMESCASSE (3)	April 1989
François de COMBRET (5) Associate Director of the Bank Lazard Frères et Compagnie	July 1996
Jean-Luc LAGARDERE (4) Director of Lagardère S.C.A.	May 1989
Anne LE LORIER (6) Head of the Financing and Shareholding Department Treasury Division Ministry of the Economy and Finance	May 1996
Didier LOMBARD (5) Director General of Industrial Strategies Ministry of Industry	February 1991

Henri MARTRE (6) Honorary President of Aérospatiale	July 1996
Gérard MUTEAU (3)	April 1989
Jean-Claude PAYE (5) Conseiller d'Etat	July 1996
Jean PEYRELEVADE (5) Chairman and CEO of Crédit Lyonnais	May 1994
Antoine RIBOUD (2) Honorary President of the Danone Group	May 1995
Robert STUDER (5) Chairman of the Board of Directors of Union de Banques Suisses	July 1996
Danièle TERREAU (3)	November 1996

(1) confirmed as Chairman by the Board of Directors meeting of July 26, 1996
(2) appointed by the Shareholders' Meeting of May 24, 1995
(3) elected or reelected by employees on November 5, 1996
(4) appointed by the Joint Shareholders' Meeting of July 11, 1994
(5) appointed or reappointed by the Joint Shareholders' Meeting of July 26, 1996
(6) appointed or reappointed by the Joint Shareholders' Meeting of June 10, 1997

SUMMARY TABLE OF THE ORDER OF ROTATION OF THE MEMBERS OF THE BOARD OF DIRECTORS (at the time of the Annual Shareholders' Meeting)

1997	François de COMBRET Jean PEYRELEVADE
1998	Jean-Luc LAGARDERE Louis SCHWEITZER
1999	BNP (represented by Mr PEBEREAU) Antoine RIBOUD
2000	Didier LOMBARD Robert STUDER
2001	Danièle TERREAU (1) Jean-Pierre CAMESCASSE(1) Gérard MUTEAU (1) Jean-Claude PAYE
2002	Pierre ALANCHE (1) Anne LE LORIER Henri MARTRE

(1) The appointment of the directors representing the employees and employee shareholders is not subject to renewal by rotation.

A Chairman is appointed from among the members of the Board of Directors and must be a physical person. The Chairman may be reelected. The Shareholders' Meeting may allocate for the directors, by way of fees, remuneration determined by the Shareholders' Meeting and which remains in force until a new decision is taken. Each director, regardless of the procedure by which he or she was appointed, must own at least one registered share. The Board of Directors met nine times over the course of 1997.

In accordance with the recommendations of the Viénot report in 1995, inspired by the notion of Corporate Governance popularized in the United States and Great Britain, the Renault Board of Directors has instituted by-laws and specialized committees.

The by-laws define the role of the Board of Directors, who together represent all the company shareholders. This has led to the drafting of a director's charter specifying the rights and obligations of each director. The Board of Directors has also established procedures regarding the use and/or disclosure of confidential information.

In order to examine in more detail specific topics relating to the role of the Board of Directors, three specialized committees have been set up since 1996:

- an accounts and audit committee, chaired by Robert STUDER with the participation of Jean-Pierre CAMESCASSE, Anne LE LORIER and Jean PEYRELEVADE. Its main role is to analyze the parent company accounts and consolidated accounts and to verify the relevance of the procedures adopted to establish these accounts.
- an appointments and remuneration committee, chaired by Antoine RIBOUD with the participation of François DE COMBRET, Michel PEBEREAU and Louis SCHWEITZER. Its main role is to make proposals to the Board concerning the appointment of new directors and the renewal of terms which have expired.
- an international strategy committee, chaired by Jean-Luc LAGARDERE with the participation of Didier LOMBARD, Henri MARTRE, Gerard MUTEAU, Jean-Claude PAYE and Danièle TERREAU. Its main role is to analyze the Company's international projects and to present them to the Board.

General Management and Executive Management Committee at December 31, 1997.

* Louis SCHWEITZER	Chairman and CEO
Georges BOUVEROT	Senior Vice President, Corporate Human Resources
Gérard DETOURBET	Senior Vice President, Mechanical Engineering and Manufacturing
Christian DOR	Senior Vice President Chief Financial Officer
* Georges DOUIN	Senior Vice President, Strategic and Product, Planning, International Operations
Alain DUBOIS-DUMEE	Senior Vice President, Corporate Communications
Jean-Baptiste DUZAN	Senior Vice President, Purchasing
Patrick FAURE	Executive Vice president, Marketing and Sales

Philippe GAMBA	Senior Vice President, Market Area Europe
* Carlos GHOSN	Executive Vice President
Manuel GOMEZ	Senior Vice President, International Operations
Michel GORNET	Senior Vice President, Manufacturing
* Philippe GRAS	Executive Vice President
François HINFRAY	Senior Vice President, Market Area France
Patrick LE QUEMENT	Senior Vice President, Quality and Corporate Design
* Shemaya LEVY	Chairman and CEO, of Renault V.I.
Luc-Alexandre MENARD	Senior Vice President, Mercosur
Francis STAHL	Senior Vice President, Light Commercial Vehicles Division
Philippe VENTRE	Senior Vice President,Vehicle Engineering
* Michel de VIRVILLE	Senior Vice President, Corporate Secretary-General

* Senior Management of the Renault Group, members of the Executive Management Committee of the Group, chaired by Louis SCHWEITZER

The total remuneration of executives of the Renault Group was FRF 16,882,373 in 1997. The percentage of the capital and voting rights held by the members of the managerial and administrative bodies is not significant.

Auditors

Statutory Auditors:

Deloitte Touche Tohmatsu
185, avenue Charles de Gaulle
92200 NEUILLY SUR SEINE

ERNST & YOUNG Audit
34, boulevard Haussmann
75009 PARIS

Deloitte Touche Tohmatsu was appointed for a period of six years by the Joint Shareholders' Meeting of June 7, 1996, in ordinary session. Ernst & Young Audit was appointed for the first time by order of the Ministry of the Economy and Finance on March 27, 1979. It was reappointed for a period of six years in the ordinary session of the Joint Shareholders' Meeting on June 7, 1996. Their terms will expire at the close of the Annual General Meeting convened to approve the accounts for the fiscal year 2001.

Alternate Auditors:

Deloitte Touche Tohmatsu - Audit
alternate for Deloitte Touche Tohmatsu.

Antoine Bracchi
alternate for Ernst and Young Audit

The alternate auditors were appointed or had their term renewed by the Joint Shareholders' Meeting of June 7, 1996, in ordinary session, for a period of six years. Their terms will expire at the close of the Annual General Meeting convened to approve the accounts for the fiscal year 2001.

LEGAL DOCUMENTS

As a French public limited company (Société Anonyme), Renault is governed by the provisions of the revised Law of July 24, 1966 and the provisions of Act No. 94-640 of July 25, 1994 concerning the improvement of employee profit sharing. It was created on January 16, 1945 and will expire on December 31, 2088 except in the case of early termination or renewal. The head office is located at Boulogne-Billancourt 92100 – France, 34, Quai du Point du Jour. The company is registered in the Company Register of Nanterre under the number B 780 129 987 (APE code 341 Z), Siret: 780.129.987.01918.

Legal documents relating to the issuer (by-laws, minutes of General Meetings, auditors' reports and all documents made available to shareholders) may be consulted at the head office.

Renault has as its principal object the design, manufacture, trade, repair, maintenance and leasing of motor vehicles and, in particular, commercial, light commercial and passenger vehicles, tractors, farm machinery and construction equipment, as well as the design and manufacture of all spare parts and accessories used in connection with the manufacture and operation of vehicles, all types of services relative to such operations, and more generally all industrial, commercial, financial, investments and realty operations relating directly or indirectly, in whole or in part to any of the above objects (Article 3 of the by-laws). The company's fiscal year runs for a duration of 12 months from January 1 to December 31.

Special Provisions of the By-Laws

Modification of Share Capital and Voting Rights

The Extraordinary General Meeting may, under the conditions specified by law, increase or reduce the share capital and provide the Board of Directors with authorization for these actions and the option to delegate this authorization to the Chairman of the Board.
Shares are freely transferable in accordance with legislative and regulatory provisions. The transfer of shares must be in writing.

Statutory Allocation of Net Income

The allocation of net income is performed in compliance with existinglegislation.

Distributable income consists of the current year's income, less previous losses and amounts transferred to the legal reserves, plus retained earnings brought forward from previous years. Upon recommendation by the Board of Directors, the General Meeting may then determine portions of this income to allocate to optional ordinary and extraordinary reserves or to be carried over. The balance, if any, is divided among the shares in proportion to their paid-up and non-amortized value.

In accordance with legal provisions, the General Meeting has the authority to offer each shareholder the option of receiving all or part of the distributed dividend in cash or in shares. A request for the payment of the dividend in the form of shares must be submitted within the timeframe established by the General Meeting, without exceeding three months from the date of the Meeting. The Board of Directors may choose to suspend this period for up to three months in the case of an increase in share capital.

General Meetings

General Meetings are convened in accordance with legal and regulatory provisions. They may be attended by all shareholders whose shares have been registered at least five clear days before the meeting date. Owners of bearer shares or shares registered in an account not held by the Company, in order to attend or be represented at General Meetings, must submit a certificate drawn up by the intermediary holding the account and attesting to the untransferability of the shares up to the date of the meeting, at the place indicated in the meeting notice, at least five days before the date set for the General Meeting. Owners of shares registered in an account held by the Company, in order to attend or be represented at General Meetings, must have their shares registered on their behalf in the Company register at least five days before the date set for the General Meeting. The Board of Directors is authorized to reduce the timeframe specified above.
Any shareholder may empower another shareholder or his/her spouse to serve as a representative at a Meeting. Postal votes are also permitted under the conditions set out by law.
At all General Meetings, every shareholder attending the Meeting has a number of votes equivalent to the number of shares held or represented, with no limitation other than those resulting from legal provisions. The by-laws do not provide for double or multiple voting rights.

Existence of Statutory Thresholds

Shares are registered in an account according to the provisions and terms established by law. Fully paid-up shares are either registered or to the bearer, at the discretion of their owner, subject to legislation in force and existing by-laws. However, shares must be registered when they are not fully paid-up.

The Company is authorized to make use of the appropriate legal provisions for the identification of shareholders having immediate or future voting rights in its own Shareholders' Meetings.

In addition to the legal obligation to inform the Company of the holding of certain portions of its share capital, every shareholder or fund management company that holds a number of shares equal to or greater than 0.5% of share capital, or a multiple of this percentage less than or equal to 5% of share capital, is required to inform the company of the number of shares held, by registered letter with acknowledgement of receipt, within five trading days of the registering of the shares which caused this threshold to be crossed. For holdings of more than 5%, the requirement indicated in the previous paragraph applies to increments of 1% of share capital. For the purposes of determining the thresholds described above, indirectly held shares or shares assimilated to shares held such as defined by the provisions of Articles 356-1 et seq. of Law No. 66-357 will also be taken into account. The declarer must certify that the declaration made includes all shares held or owned in the sense of the preceding paragraph, and indicate the acquisition date or dates. The declaration requirement applies in the same manner if the holding falls below any of the aforementioned thresholds, 0.5% or 1% as applicable.

If the conditions described above are not respected, any shares exceeding the fraction that should have been declared are deprived of voting rights for all Shareholders' Meetings taking place for a period of two years after the required declarations are made, insofar as this is requested at the Meeting by one or more shareholders who together hold at least 1% of share capital.

II

Renault in 1997

The year 1997 was characterized by a significant downturn in the French automobile market, although trends in the other major European markets were for the most part favorable: sales outside France more than compensated for the unfavorable impact on Renault of the decline in its domestic market. The success achieved by the Mégane, as well as by the new Safrane and Espace, changes in exchange-rate parities, better utilization of the industrial base and cost reduction measures have helped bring about a return to profitability in the Automobile Division. Sales by the Commercial Vehicles Division increased for both Mack and the European branch, despite the decline in the French market and strong downward pressure on prices. Renault V.I., also engaged in a cost reduction plan, significantly reduced its losses, breaking even at the operating level in the second half of the year. The contribution of the Finance Division was equivalent to that of 1996. Altogether, the Group achieved a significant level of profit in 1997.
Active efforts to rejuvenate its product line, based on innovative products, industrial reorganization, constant efforts to reduce costs, more effective organizational structures and the strengthening of Renault's international presence constitute the main priorities for Renault in order to further improve its competitiveness and profitability.

SALES

In an economic environment characterized by a slight upturn in growth, the European market for passenger cars experienced favorable trends in most European countries in comparison with the previous year, registering an increase of 4.8%. The light commercial vehicle market experienced more significant progress, with growth of 7.7%. The European market for heavy duty vehicles suffered a slight drop in 1997 (-1.8% for the market for trucks over 5 tonnes), whereas in the United States the truck market recovered (+5% for the market for class 8 trucks). Over the course of 1997, Renault has more than compensated for the decrease in its French sales - caused by the contraction of the French market - with an increase in foreign sales. In all, Renault achieved a worldwide increase in sales of 2.74% compared to 1996: sales totaled 1,628,653 passenger cars (+3.61%) and 208,376 light commercial vehicles (-3.6%). Furthermore, the quality of the product mix improved thanks to the success of the Mégane and the new Safrane and Espace. Sales at Renault V.I. progressed favorably for both the European branch, with 37,347 vehicles over 5 tonnes (+6.3%), and for Mack, with 30,016 trucks (+20%).

These trends, as well as favorable exchange rates, were reflected in sales by an increase of 11.7% for the Automobile Division and 14.4% for the Commercial Vehicles Division, adjusted for changes in Group's scope of consolidation and accounting principles. Group sales reached FRF 207,912 million for 1997, versus FRF 184,078 million in 1996. Adjusted for changes in the Group's scope of consolidation and accounting principles, consolidated sales saw an increase of 11.5%.

Sales by Division

	1995		1996		1996 (1)	1997 (2)		1997/ 1996 (1) change
	millions of francs	%	millions of francs	%	millions of francs	millions of francs	%	%
Automobile	142,614	77.5	145,962	79.3	**148,417**	**165,788**	79.8	+ 11.7
Commercial Vehicles	32,926	17.9	30,007	16.3	**29,888**	**34,180**	16.4	+ 14.4
Finance	8,525	4.6	8,109	4.4	**8,109**	**7,944**	3.8	- 2.0
Total	**184,065**	**100.0**	**184,078**	**100.0**	**186,414**	**207,912**	**100.0**	**+ 11.5**

(1) For the sake of comparison, figures for 1996 have been restated to account for changes in Group's scope of consolidation and accounting principles in 1997.
(2) 1997 consolidated sales take into account, in particular:
- Changes in the consolidation method of Renault Argentina (from the equity method to full consolidation on June 30, 1997) for FRF 3,935 million in the Automobile Division, and of Laudate (from the equity method to full consolidation effective as of January 1, 1997) for FRF 112 million in the Commercial Vehicles Division.
- The inclusion of Renault Polska for FRF 1,500 million and of Renault Ceska Republika for FRF 545 million into the scope of consolidation

The contribution of each division has been calculated after eliminating intercompany transactions within the Group. The Commercial Vehicle and Automobile Divisions together represented 96.2% of the total (79.8% for the Automobile Division and 16.4% for the Commercial Vehicles Division, compared to 79.3% and 16.3% respectively in 1996). The Finance Division, fully consolidated, contributed FRF 7,944 million to sales. This amount, 2% less than in 1996 taking into account the drop in interest rates, corresponds almost entirely to sales financing revenues; while finance receivables increased by 10.7% to FRF 64 billion.

Breakdown of sales: France / foreign

%	1995		1996		1997	
	France	Outside France	France	Outside France	France	Outside France
Automobile	49.3	50.7	47.2	52.8	**40.5**	**59.5**
Commercial Vehicles	41.0	59.0	38.3	61.7	**32.3**	**67.7**
Finance	56.2	43.8	53.8	46.2	**48.5**	**51.5**
Total	**48.2**	**51.8**	**46.1**	**53.9**	**39.4**	**60.6**

Geographical breakdown of sales

	1995		1996		1997	
	millions of francs	%	millions of francs	%	millions of francs	%
France	88,670	48.2	84,782	46.1	**81,976**	**39.4**
Other EU countries	65,652	35.7	68,531	37.2	**85,313**	**41.1**
Total EU	**154,322**	**83.9**	**153,313**	**83.3**	**167,289**	**80.5**
Rest of Europe	5,389	2.9	6,920	3.7	**7,715**	**3.7**
Total Europe	**159,711**	**86.8**	**160,233**	**87.0**	**175,004**	**84.2**
Africa	3,120	1.7	2,834	1.5	**2,971**	**1.4**
North/South America	15,316	8.3	14,828	8.1	**21,914**	**10.5**
Asia/Pacific	5,918	3.2	6,183	3.4	**8,023**	**3.9**
Total	**184,065**	**100.0**	**184,078**	**100.0**	**207,912**	**100.0**

Sales outside France experienced growth of 26.8%. At FRF 125,936 million, they represent 60.6% of the total. Europe, the principal market for the Renault Group, accounted for 84.2% of sales. The proportion of sales achieved outside Europe increased from 13% in 1996 to 15.8% in 1997 due to growth in Renault sales outside Europe (particularly in Turkey and full consolidation in Argentina) and by Mack Trucks in the United States, and to the rise in the value of the dollar. Furthermore, Renault continues to have little exposure to Asian risk.

RESULTS

Operating income

Group operating income in 1997 was FRF 2,030 million (compared to an operating loss of FRF 5,987 million in 1996 and income of FRF 1,259 million in 1995). The improvement over 1996 can be explained in particular by the performance of the Automobile Division, whose contribution went from FRF -6,545 million in 1996 to FRF +901 million in 1997. Excluding restructuring costs, operating income of the Automobile Division would have been FRF 2,269 million versus FRF -2,760 million in 1996, on a consistent basis. The division benefited from growth in its sales, revitalization of the product mix and continued cost reduction efforts. The operating losses of the Commercial Vehicles Division were also reduced, aided by increased sales, favorable trends in the dollar exchange rate and the cost reduction program begun in 1996. Its contribution amounted to FRF -191 million (FRF -705 million in 1996). In the second half-year, operating income for the division was positive at FRF 25 million.

The Finance Division made a contribution to operating income of FRF 1,320 million, an increase of 4.5% compared to the previous year, due in particular to an increase in loans outstanding and a decrease in bad debt expenses at Renault Crédit International.

Research and development expenses fell 1% between 1996 and 1997: they reached FRF 9,038 million, compared to FRF 9,125 million in 1996 and FRF 9,220 million in 1995, and represented 4.3% of sales. Sales, general and administrative expenses reached FRF 27,731 million against FRF 25,002 million in 1996, due to an increase in sales expenses.

Other operating income and expenses constituted an expense of FRF 1,672 million (FRF 4,186 million in 1996 and FRF 221 million in 1995). These include, in particular, restructuring costs and provisions of FRF 1,544 million (FRF 3,906 million in 1996 and FRF 253 million in 1995). In 1997, restructuring costs applied primarily to manpower plans in France and Spain. In 1996, they essentially represented, in addition to the manpower plan in France, provisions for the closure of the Vilvorde factory.

Contribution to operating income by division

In millions of francs	1995 1st half	1995 2nd half	1995 Year	1996 1st half	1996 2nd half	1996 Year	1997 1st half	1997 2nd half	1997 Year
Automobile (1)	358	(1,349)	(991)	(911)	(5,634)	(6,545)	(162)	1,063	901
Commercial Vehicles	519	459	978	26	(731)	(705)	(216)	25	(191)
Finance	638	634	1,272	660	603	1,263	742	578	1,320
Total	**1,515**	**(256)**	**1,259**	**(225)**	**(5,762)**	**(5,987)**	**364**	**1,666**	**2,030**

(1) A reorganization of the management of extended warranties and maintenance contracts, which changed the relationship between the Finance and Automobile Divisions, led in 1995 to a non-recurring charge of FRF 238 million in the results of the Finance Division and a corresponding profit in the results of the Automobile Division.

Adjusted for changes in Group structure in 1997, the contribution to operating income by division, excluding restructuring, progressed as follows:

In millions of francs	1996 1st half	1996 2nd half	1996 Year	1997 1st half	1997 2nd half	1997 Year
Automobile	(898)	(1,862)	(2,760)	**46**	**2,223**	**2,269**
Commercial Vehicles	33	(631)	(598)	**(219)**	**175**	**(44)**
Finance	662	615	1,277	**768**	**581**	**1,349**
Total	**(203)**	**(1,878)**	**(2,081)**	**595**	**2,979**	**3,574**

Financial income

Financial income was positive to the amount of FRF 2,018 million (FRF 324 million in 1996 and FRF 654 million in 1995). This included FRF 419 million in capital gains realized through the disposal of shares in Elf Aquitaine and FRF 1,230 million in capital gains realized through the disposal of shares in AB Volvo. Excluding these capital gains, financial income increased slightly compared with 1996. Financial income and expenses in 1997, showing a marked increase compared with 1996, more than compensated for the decrease in dividends received.

Share in net income of companies accounted for by the equity method

Renault's share in net income of companies accounted for by the equity method represented a profit of FRF 47 million (FRF 18 million in 1996 and FRF 63 million in 1996). The equity method applied primarily to Cofal (a holding which controls Renault Argentina, in particular), of which Renault took control in June 1997 and which was not fully consolidated until June 30, 1997.

Group pre-tax income

Group pre-tax income amounted to FRF 4,095 million compared to a loss of FRF 5,645 million in 1996 and a profit of FRF 1,976 million in 1995. The contributions of the various Group divisions are given below:

Contribution to pre-tax income by division

In millions of francs	1995	1996	1997 (1)	Change 1997/1996
Automobile	(276)	(6,166)	2,370	**8,536**
Commercial Vehicles	574	(1,133)	(458)	**675**
Finance	1,678	1,654	2,183	**529**
Total	**1,976**	**(5,645)**	**4,095**	**9,740**

(1) Head-office income, which includes capitals gains of FRF 1,230 million on the disposal of AB Volvo shares, was allocated to the divisions accord by convention.

Renault net income

In accordance with the worldwide consolidated tax regime which was renewed on January 1, 1998 for a period of three years, Renault took into account the tax results of the majority of subsidiaries and foreign investments when determining income taxes, and offset against this amount certain taxes paid by the same subsidiaries and investments.

For 1997, current taxes represented a charge of FRF 964 million (FRF 1,073 million in 1996), more than compensated for by deferred tax income of FRF 2,307 million, given a reversal of a provision for deferred taxes of FRF 1,503 million. At the end of the year, net income came out at FRF 1,343 million.

Including this income and minority interests of FRF 11 million, Renault net income reached FRF 5,427 million in 1997, compared to a loss of FRF 5,248 million one year earlier.

CASH FLOWS

Cash flow statement

In millions of francs	1995	1996	1997
Cash flow	11,669	6,918	**13,804**
Decrease (increase) in working capital requirement	(3,728)	2,819	**3,940**
Decrease (increase) in finance receivables	(3,150)	(1,312)	**(6,103)**
Cash flows from operating activities	**4,791**	**8,425**	**11,641**
Property, plant and equipment, and intangibles	(15,258)	(16,393)	**(15,475)**
Disposals and other	2,812	3,072	**6,183**
Cash flows from investing activities	**(12,446)**	**(13,321)**	**(9,292)**
Proceeds from shareholders	113	168	**483**
Dividends paid	(946)	(815)	**(121)**
Net change in debt	10,503	2,697	**243**
Cash flows from financing activities	**9,670**	**2,050**	**605**
Change in cash and cash equivalents	**2,015**	**(2,846)**	**2,954**

Cash flows from operating activities

Cash flows from operating activities generated FRF 11,641 million in cash in 1997 (FRF 8,425 million in 1996).

Cash flow increased by FRF 6,886 million, from FRF 6,918 million in 1996 to FRF 13,804 million in 1997, primarily due to improvements in operating conditions in the commercial vehicle and automobile divisions. The working capital requirement decreased by FRF 3,940 million in 1997 (compared to a decrease of FRF 2,819 million in 1996), due in particular to an increase in accounts and notes payable related to changes in activity. Moreover, finance receivables increased by FRF 6,103 million in 1997.

Cash flows from investing activities

Cash flows from investing activities accounted for FRF 9,292 million in cash in 1997 (having accounted for FRF 13,321 million in 1996).

Property, plant and equipment, and intangible investments decreased by 5.6% to FRF 15,475 million. This breaks down as FRF 12,875 million for the Automobile Division (83.2%), FRF 1,066 million for the Commercial Vehicles Division (6.9%) and FRF 1,534 million for the Finance Division (9.9%). Investments by industrial and commercial companies were targeted primarily at revitalizing the product and engine lines, as well as modernization of sites. Investments by the Finance Division were represented almost entirely by assets under operating leases (essentially vehicles). Property, plant and equipment, and intangible investments, net of disposals, reached FRF 12,889 million (FRF 14,092 million in 1996 and FRF 12,337 million in 1995).

Investment in securities was FRF 814 million in 1997 (FRF 653 million in 1996). Disposal of investments, principally those in Elf Aquitaine and AB Volvo shares, contributed to a decrease in cash flows from investing activities of FRF 4,505 million in 1997.

Investment trends (property, plant and equipment, intangibles and securities).

	1995		1996		1997		1997/ 1996
	millions of francs	%	millions of francs	%	millions of francs	%	change %
By division							
Automobile	12,924	83.4	14,016	82.2	**13,642**	**83,7**	**- 2.7**
Commercial Vehicles	1,096	7.1	1,518	8.9	**1,105**	**6,8**	**- 27.2**
Finance	1,479	9.5	1,512	8.9	**1,542**	**9,5**	**2.0**
Total	**15,499**	**100.0**	**17,046**	**100.0**	**16,289**	**100,0**	**- 4.4**
By geographic market (1)							
France	12,903	83.3	14,277	83.8	**12,297**	**75,5**	**- 13.9**
Outside France	2,596	16.7	2,769	16.2	**3,992**	**24,5**	**44.2**
Total	**15,499**	**100.0**	**17,046**	**100.0**	**16,289**	**100,0**	**- 4.4**
By type							
Property, plant and equipment and intangibles	15,258	98.4	16,393	96.2	**15,475**	**95,0**	**- 5.6**
Investment in securities	241	1.6	653	3.8	**814**	**5,0**	**24.7**
Total	**15,499**	**100.0**	**17,046**	**100.0**	**16,289**	**100,0**	**- 4.4**

(1) The distinction between France and Outside France was made on the basis of where the company making the investment was established.

Cash flows from financing activities

Cash flows from financing activities generated FRF 605 million in cash in 1997 (FRF 2,050 million in 1996). These cash flows consist of debenture and bond issues and repayments, net change in other debt / loans, marketable securities and investment loans, proceeds from minority interests and dividend distribution.
In 1997, Renault Crédit International issued bonds in the amount of FRF 2 billion in January, FRF 1.5 billion in June and DEM 300 million in November.
Other debt repayments accounted for FRF 11,467 million. The reduction of investment loans and marketable securities by FRF 11,147 million helped limit cash flows from financing activities (in 1996, the reduction in investment loans and other financial assets was FRF 894 million).

In 1997, Renault did not distribute dividends to its shareholders for the year ending December 31, 1996 (in 1996, a dividend of FRF 837 million, before adjustment for treasury stocks, had been distributed for 1995, including FRF 100 million in shares).

Change in cash and cash equivalents

Adjusted for changes in exchange rates and Group structure, cash and cash equivalents increased by FRF 2,954 million in 1997 (compared with a decrease of FRF 2,846 million in 1996 and an increase of FRF 2,015 million in 1995).

FINANCIAL POSITION

The financial position of the Renault Group evolved as described below over the course of 1997.

Shareholders' equity increased from FRF 37,770 million on December 31, 1996 to FRF 43,917 million on December 31, 1997, given the results registered in 1997.

Improvements in operating conditions over the course of 1997 led to an increase in operating cash flow of FRF 6,886 million. Moreover, the Group slightly lowered its level of investment (7.8% of sales). As a result, net financial indebtedness for industrial and commercial activities fell from FRF 9,385 million on December 31, 1996 to FRF 2,097 million on December 31, 1997.
Minority interests in the consolidated balance sheet rose from FRF 2,026 million on December 31, 1996 to FRF 4,456 million on December 31,1997, due in particular to the full consolidation of Cofal and Renault Argentina and the capital increase of Renault do Brasil, subscribed to by minority interests.

RESEARCH AND DEVELOPMENT

Breakdown of research and development expenses by Division

In millions of francs	1995 (1)	1996	1997	1997/1996 change %
Automobile	7,952	7,938	8,112	+ 2.2
Commercial Vehicles	1,268	1,187	926	- 22.0
Total	**9,220**	**9,125**	**9,038**	**- 1.0**

(1) Adjusted for changes in accounting principles. Until the first half of 1996, research and development expenses corresponded to research expenses and expenses for studies relating to new and existing products, but did not include industrialization costs. In 1996, changes in the organization of the Automobile Division led to an adjustment of the definition and make-up of research and development expenses, the latter henceforth being defined as research, development and industrialization expenses relating to new products. This new definition was applied to the accounts as of December 31, 1996.

In 1997, the Group devoted FRF 9,038 million to research and development (FRF 9,125 million in 1996 and FRF 9,220 million in 1995, adjusted for changes in accounting principles). These expenses applied to research, studies and development of vehicles and engine components, on the one hand, and production technologies, on the other. This activity led to the registration of 230 patents (211 in 1996).

Renault research policy is built around six main objectives:

• Environmental protection . As part of ongoing work in the field of electric and hybrid vehicles, Renault presented the results of the Elegie program this year. Aimed at the optimization of all electric vehicle components, Elegie has resulted in progress in different areas: the supervisor (on-board energy manager), batteries, architecture, etc. One of the prototypes created by this program made the trip from Paris to Trouville (approximately 200 km) without recharging. The Fever, a fuel-cell powered demonstration vehicle, fueled by liquid hydrogen, was also presented in 1997 to the European bodies who are cofinancing the project. As leader of this project, conducted along with European partners, Renault seeks first and foremost to familiarize itself with this promising but complex technology.

• Improving fuel economy. Renault is working actively in fields contributing to reduction in vehicle fuel consumption: aerodynamics, friction, weight reduction, combustion, etc. Progress in this area is measured whenever a new vehicle or engine is brought to market: in 1997, for example, the new multi-point injection diesel engine offered a new standard in driving comfort and 17% lower fuel consumption than with indirect injection.

• Enhanced safety. Several innovations have been made by Renault in the fields of both active and passive safety: a new programmed restraint system with a controlled vent airbag (a world first), designed to work together and thereby reduce pressure on the chest in the case of a violent head-on collision, a lateral airbag protecting the passenger from the head down to the pelvis (until now lateral airbags have protected only the chest), and a new head-rest to limit the effects of rear-end collisions. Renault also made the news with the unveiling of the world's first anti-underrun device (the DPEA) for protection in the case of head-on collisions between light and heavy vehicles. Research and development is also being undertaken in the field of interactive safety (speed / distance regulator, obstacle detection, computer-assisted driving, etc.), as well as "educational" safety. The Tracs program, supported by the government within the Eureka program, was concluded this year with the development of a driving simulator for heavy road vehicles specifically designed for training purposes.

• Process control. Cost and lead time reduction play a major role in determining competitiveness. For this reason, Renault has deployed significant means in the development of simulation and collaborative engineering tools. The objective of Canet, a European program in which Renault is participating (alongside, among others, Siemens Automotive, France Telecom and a CNRS laboratory), is to improve communication between teams distributed across sites which are often separated by several hundred kilometers. Using high-speed telecommunication links designed for the simultaneous transmission of video, sound and data, Canet implements a workstation-based video-conferencing and application-sharing system.

• Quality of life on boar d. As a rule, research must anticipate social trends and the changing tastes of consumers and users (commercial vehicle drivers, public transit users), in particular in the fields of comfort and driving pleasure. The work performed by Renault involves acoustics, tactile response, vision, odors, ergonomy, etc. Bio-dummies, experimental protocols for "objectifying" vibratory comfort, odor panels, bubble cars and tactile alphabets, among others, constitute what might be dubbed "sensory design".

• Organization of transportation and mobility systems. The defining event of the year was the launch of full-scale testing of Praxitèle at Saint-Quentin-en-Yvelines. This self-service electric vehicle service (50 Clios, 5 stations) is intended to complement public transit systems. With existing navigation aids (Carminat) and the planned completion of more general mobility assistance projects (Promise) and new mass-transit systems (CIVIS), Renault has thus asserted itself as a true mobility architect.

To build on these efforts, Renault is conducting a large number of programs in partnership with fundamental or applied research laboratories (CNRS, INRIA, etc.), automotive components suppliers and market-leading companies and manufacturers in other sectors of activity (petrol, cement, etc.). This cooperation policy is supported by national and European financing, in particular the Eureka program.

Renault was awarded several prizes for creativity and inventiveness in 1997: trophies for its Industrial Design department, as part of the "Janus de l'industrie" awards, for the Scénic and Premium; the "Dauphin d'argent" for "Synthèse d'une histoire" (a film tracing the history of synthetic images at Renault) at the national festival for audiovisual and multimedia communication, in the category of technology and research; the "Trophée d'or" for technical creation for an ABS active speed sensor developed by SNR, a Renault subsidiary; the "Siegel Award" for scientific contribution by the automotive biomedicine department; the "body innovation award" (second price) for SRP in the context of international specialist conferences and the Automobile Magazine trophy for the proactive automatic transmission (fruits of the forward-looking partnership with PSA Peugeot Citroën).

The Technocentre, which brings together all vehicle research and development resources in a single location, will be entirely operational in 1998. Its objective is to reduce design costs and lead times, essential factors in the competitiveness of automobile manufacturers.

WORKFORCE AND HUMAN RESOURCES

Breakdown of workforce by division, at December 31

In millions of francs	1995	1996	1997	1997/1996 change %
Automobile	110,752	111,523	112,178	**+ 0.6**
Commercial Vehicles	25,812	26,049	25,860	**- 0.7**
Finance	3,386	3,333	3,277	**- 1.7**
Total	**139,950**	**140,905**	**141,315**	**+ 0.3**

Changes in Group structure are responsible for an increase in the workforce of 6,054 people in 1997, in particular:
- + 5,911 people in the Automobile Division, including Renault Argentina group (+5,914), the central European subsidiaries (+236) and Chausson Outillage (-324).
- + 143 people in the Commercial Vehicles Division, including Hansa Auto (+143).

The principal change in Group structure for the year 1996 involved the integration of 1,226 employees in the French sales subsidiaries, 922 employees in the Renault Retail Group and 1,692 employees in Karosa.

The employment plan of the Renault parent company contained provisions for 3,796 layoffs; on the other hand, 991 new hirings were made in 1997, of which the majority, in the case of workers, were the corollary either of early retirement plans or of flexible working hour agreements.

The closure of the Vilvorde factory resulted in the negotiation of a large-scale termination plan, the implementation of which led to the setting-up of a permanent placement team which, by the end of 1997, had enabled the employment of more than 600 people. This team also organizes requests for training and offers training specifically aimed at finding employment. Furthermore, approximately 300 jobs at Renault, out of the 400 planned, have already been defined, and more than 600 people will leave the company as part of an early retirement program.

The professional skills and placement scheme for unskilled young people has enrolled 1,106 young people since the signature of a framework agreement, in 1992, between the government and Renault. The job placement rate at the end of the training program is 65%: the scheme has in particular helped to create a professional qualification certificate (CAP) in industrial operations with a success rate of 83%, to create a new apprenticeship program, and to initiate new forms of cooperation between companies in employment areas - approximately 100 companies are now involved - and with government, management and labor organizations. It aims to develop true "employability" among young people involved in the scheme, a quality much sought after by industrial companies, who are often faced with the difficult task of finding relevant qualifications in their local region. Today, a dozen employment areas are involved in this process.

The general wage increase at the Renault parent company was 1% in 1997; along with individual pay raises, promotions and changes in seniority, the increase in total personnel remuneration was 2.5% in 1997, compared to 3% in 1996.

Renault devoted more than 2 million hours to training; spending was in the range of FRF 500 million for the main areas of the training plan: professional skills and employment management (29%), career training (28%), management training (13%), total quality and progress plan (8%), new technologies and initiatives (6%).

Dialogue between management and labor was concerted: the year was marked, in particular, by the signing of agreements for working hour adjustments at Sandouville, Douai, Renault Alpine and SOVAB, as well as a significant agreement in December for the Renault parent company on voluntary part-time working.

Participation in the Automobile Division employee-suggestion program reached 68% in 1997: 4.2 suggestions were made on average per person, of which 3.2 were applied. Fast-track handling of suggestions (handled and implemented in the field within days) represented 77% of the total. The average handling period for other suggestions was reduced from 4.2 months to 3.6. Savings achieved over one year were estimated at FRF 380 million, or an increase of 23% compared with 1996.

Much thought was given by Renault over the course of 1997 to the involvement of human resources in company performance, leading to a Group-wide reorganization of human resources management, the fundamental principles of which were responsibility of the hierarchy and the establishment of a new partnership between managers and human resources professionals, differentiation of management and labor policy across broad sectors of activity, "subsidiarity" and performance.

Profit sharing scheme

Profit sharing agreements were signed in the principal companies of the group in accordance with legal provisions or exceptional agreements.

Profit-related bonus schemes were also signed in the principal companies, by way of which employees were given a stake in the company's profits, progress and performance, in particular in the area of quality control.

For the Renault parent company, the amounts involved, equal to 5% of consolidated pre-tax income (before profit-sharing), excluding minority interests and with the addition of site performance bonuses, were as follows over the past five years:

(in millions of francs)	Participation	Profit Sharing
1993	0	245
1994	0	372
1995	0	290
1996	0	219
1997	**0**	**422**

Stock options

The Joint Shareholders' Meeting on June 7, 1996, in extraordinary session, authorized the Board of Directors, in one or more operations, to grant stock options to the management and key employees of the Renault Group and related companies under the conditions set forth in Article 208-4 of the Law of July 24, 1966. If the options are exercised, the number of shares purchased shall be included in the ceiling of 0.42% of the total number of shares making up the share capital at the time of the share purchase by the Company, corresponding at that date to 1,000,000 shares with a nominal value of FRF 25.

These shares may result from, either:
- purchases made by the Company under the conditions provided for in Articles 217-1, 208-1 et seq. of the Act of July 24, 1966;
- or, purchases made by the Company under the conditions provided for in Article 217-2 of the present Act.

The Board of Directors has a period of two years (until June 7, 1998) to make use of the aforementioned authorization, in one or more operations.

On October 22, 1996, the Board of Directors granted 446,250 stock options, including 64,000 reserved for senior managers of the Renault Group. These options may be exercised from October 22, 1999 through October 22, 2006. On October 28, 1997, the Board of Directors granted 553,750 stock options, including 94,000 reserved for senior managers of the Renault Group. These options may be exercised from October 29, 2002 through October 27, 2007. The following table summarizes the options granted:

	Options granted		Options remaining
Date of attribution	**Subscription price**	**Number of beneficiaries**	**at 31/12/1997**
22 October 1996	FRF 115.23	273	446,250
28 October 1997	FRF 163.30	310	553,750

The price is equal to 95% of the average opening price of Renault shares over the 20 stock-exchange sessions leading up to the Board Meeting where the decision to grant the options was taken.

ECONOMIC ENVIRONMENT

To our knowledge, Group production does not depend on patents or franchises belonging to outside parties.

Regulatory framework as regards safety, emissions and industrial environment

Among the significant events of the year 1997 in terms of safety regulations, Euro-NCAP occupies an important place. The latter provides the Brussels Commission, with the agreement of the Council of Ministers, with a tool for informing consumers and encouraging manufacturers, above and beyond regulatory requirements for passive and active safety. The Commission wishes to establish a "safety market".

The "pedestrian" draft directive is taking shape and will introduce heavy constraints in terms of vehicle design.

The mass of regulation applicable to our industrial sites has grown in 1997, and the draft directive on Volatile Organic Compounds will require increasing investment at the sites concerned.

Stages in vehicle depollution

Further to the Auto-Oil study, the "Vehicle Emissions" draft directive for 2000 and 2005 has had its first reading at the European Parliament, and the European Council has finalized a joint position which will be of critical importance with regard to engine and fuel technology in the coming years.

Reduction of vehicle CO2 emissions

The Kyoto Conference, which took place in December 1997, led to an agreement among developed countries on world-wide emissions reduction objectives for six greenhouse gases, including CO2. In parallel, the Brussels Commission is negotiating a European agreement for the reduction of vehicle fuel consumption with the Association of European Automobile Manufacturers (ACEA).

From vehicle design to the establishment of recycling processes for End-of-Life Vehicles (ELV) in France and outside France

Renault is continuing work relating to a framework agreement on recycling ELVs drawn up together with the French government. In 1997, approximately 110,000 Renault ELVswere subjected to depollution treatment and recycled at a level corresponding to 80-85% of their weight, despite a significant drop in the number of vehicles declared to be unusable.

Renault, already cooperating with Fiat, BMW and Rover, signed a partnership agreement with Volvo in July 1997. Renault has thus become the first manufacturer to be active throughout Europe in the handling of vehicles approaching the end of their life.

In July 1997, the European Commission adopted a draft directive on ELV recycling, the content and objectives of which are stricter for automobile manufacturers than the voluntary agreements already finalized in certain European countries, including Spain, Germany, Great Britain and Sweden: in particular, the recyclability objective for new vehicles has increased from 90% in 2002 in the Framework Agreements to 95% in 2005 in the Directive.

In addition, the hierarchical organization of evaluation channels, with a quota on energy value, has imposed strict design constraints on manufacturers, which Renault is integrating into its future vehicle projects.

Furthermore, Renault offers very competitive services to its sales network for the collection and handling of all end-of-life products resulting from automobile maintenance and repairs.

Litigation

At present, there is no litigation in progress that might have a substantial effect on the results, activity, assets or financial situation of the Renault Group.

LINES OF DEVELOPMENT PURSUED IN 1997

In the context of ever increasing competition, Renault has the ambition of becoming the most competitive European manufacturer by the year 2000. Only such increased competitiveness can guarantee the company freedom of action and the means for strong development. The company must therefore deploy all available resources to become the best in the business in terms of quality, speed and costs. To succeed, it must also be supported by efficient organizational structures. These factors, together with innovative products, will provide Renault with the means for lasting profitability and continued growth, particularly in the international sphere.

Cost reduction

In 1997, Renault stepped up its efforts to improve competitiveness. The cost reduction plan of FRF 3,000 per vehicle, established in March 1996, reached and even exceeded its targets, with an average reduction of FRF 3,850 of manufacturing cost per vehicle. Of these cost savings, FRF 1,700 have been passed on to the customer in the form of vehicle improvements (besides intrinsic improvements, in particular in terms of safety, fuel economy, etc., which are made regularly) through the integration of certain options into the standard model base price.

A further wave of improvements in this area has been initiated with a new plan for savings of FRF 20 billion between now and the year 2000. To reach this goal, the company must explore all possible avenues. Nevertheless, four priorities can be identified:

- Reduce purchasing costs by approximately FRF 10 billion, not only through traditional commercial productivity, but also by establishing partnership charters with suppliers in order to reduce costs for both the Group and its suppliers.
- Reduce the costs of assembly and mechanical engineering plants by increasing the utilization rate of industrial facilities, by improving productivity (with, in particular, the goal of reducing vehicle assembly time to 15 hours by the year 2000), by reducing the time needed to ramp up the production of new vehicles and to adjust capacity to demand, and by reducing tools investment.
- Reduce vehicle design cost (in particular through increased use of computer-aided engineering, parts, process and engine component standardization, reduction of the number of platforms, as well as increased output at the Guyancourt site, which brings together all resources for research and development and collaborative design with suppliers).
- Reduce sales and distribution costs

Savings must also be achieved in administrative expenditure, spare-parts purchasing and logistics, new vehicle logistics, sales structure and warranty expenses. To accelerate cost reductions in areas which have a strong potential for savings and require new approaches, seven transverse teams were formed in May 1997.

With regard to the Commercial Vehicles Division, a plan for manufacturing cost reduction of 5% per year and of tertiary productivity increase of 5-7% per year has been implemented in order to return the division to profitability.

Cost reduction must be accompanied by continuous improvement in the quality and reliability of customer service: this goal, first established by the Group in the early nineties, continues to be of central importance.

Industrial organization

The Group has also begun a reorganization of its industrial base in order to ensure that it is used in the best way possible. The closure of the Vilvorde factory, effective as of summer 1997, has enabled the Group to optimize its production capacity. The Laguna is now assembled only at the Sandouville site, and the Twingo at Flins. The Mégane is assembled at the Douai and Palencia sites. The Clio is produced at three sites: Flins, Valladolid and Novo Mesto. Agreements regarding

flexible working hours have enabled the various sites to adapt to fluctuations in the market: thus, Palencia began to use three shifts in 1997; Douai and Maubeuge will move to three shifts in the third quarter of 1998, Flins in the second half. This new organization has enabled Renault to produce 126,000 more vehicles than in 1996, despite the closure of an industrial site. The Commercial Vehicles Division, for its part, has concentrated the manufacture of coaches and buses at its Annonay factory.

Furthermore, Renault has continued its partnership policy for activities which it cannot perform alone in a competitive manner. Renault has therefore opened discussions with NTN, a Japanese automotive components supplier, in the field of universal joints, which may lead to the establishment of a joint venture in the Le Mans region. Renault V.I. has also developed new cooperative agreements in 1997, in particular with the German automotive components supplier ZF (creation of a joint venture which will take over the transmission-related activities of Renault V.I. in Bouthéon) and with the PACCAR / DAF group for the mid-range product line (trucks of 6 to 19 tonnes).

For similar reasons, the Group has distanced itself from certain activities: Renault sold its Chausson Outillage subsidiary to the Italian group Magnetto, specialized in the engineering and production of stamping tools. This subsidiary was not of sufficient size to ensure its further growth alone, and had to turn to markets external to the Renault Group in order to remain competitive. Renault V.I. has sold the muffler and air chamber manufacturing activities of its COMELA subsidiary to the American Group NELSON.

Efficient organizational structures

Efforts undertaken by the company in all areas must be based on efficient organization structures. In 1997, a Light Commercial Vehicles Division was created. Responsible for the product line from design through sale, its goal is to provide Renault with the means to regain a leading position in Europe while improving the activity's profitability. In the same way, the new Mercosur Division is responsible for its industrial, commercial and financial results.

At the distribution level, Renault has combined all its French subsidiaries and branches together into a new wholly-owned company, Renault France Automobiles. This new organization aims, in particular, to make Renault's sales structures more autonomous and responsive in light of rapidly changing trends in the automobile business, and to return to profitability.

Since 1998, Renault has established organizational structures with the purpose of advancing the simultaneous design of products and their manufacturing processes. Project Management Teams, by facilitating collaboration, aim to reduce vehicle and engine component development lead times and costs, as well as improving quality; in 1996, the role of the vehicle project heads was strengthened to enable them to exercise their responsibilities to the full in both new vehicle development and the management of existing vehicle lines.

Work continues on the construction of the Technocentre, which will bring together all vehicle research and development resources in one location. On target to be fully operational in 1998, its objective is to reduce design costs and lead times, an essential aspect of automobile manufacturer competitiveness.

In the field of commercial vehicles, a “coach and bus unit” has been created in order to further develop this activity by optimizing its operation and responsiveness, in particular in anticipation of strong growth among European public transit systems.

An innovative product range

Renault's strategy for achieving growth and competitiveness is based on an innovative product range well-adapted to customer expectations. This range must express Renault's unique personality, with a strong product offer promoting the concept of "voitures à vivre" (cars for living), the belief that technology is to be used in the service of man. Renault's strategy is to encourage a policy of innovation and diversification of the product offer, enhancing customer satisfaction, while reducing industrial diversity (in particular through a reduction in the number of platforms). This capacity for innovation, always characteristic of Renault, can be found at the design level, but also with regard to equipment, technological innovation and customer service. This policy is demonstrated, for example, by the creation of the Renault monospace line, the last of which, the Scénic, was voted "1997 Car of the Year". In 1997, Renault concentrated on the updating of its line of light commercial vehicles with the launching of the Kangoo Express and the Master, voted "1998 Van of the Year".

The passenger car line has also been strengthened by the Kangoo, a functional, non-conformist and economical car. Demonstrating Renault's capacity for innovation, the latter marks the introduction of a new line of products. The year 1998 will also see a major newcomer in the passenger car line with the new Clio.

After significant updates in the long-distance vehicle range in 1996 (Premium Range), Renault V.I. launched the Kerax program to replace the Maxter, and continued to make major improvements to the Magnum.

International Development

The year 1997 was also characterized by accelerating international development. The company continued work on the establishment of a coherent structure in South America by taking control of Renault's Partner in Argentina. The first vehicle assembled by Renault in the Curitiba factory in Brazil, at the end of 1998, will be a Mégane Scénic (to be joined by the new Clio in 1999), while the Mégane hatchback and Classic have been assembled since September 1997 in the Cordoba factory in Argentina.

As part of a strategy aimed at strengthening the positioning of its brand in a market with strong growth potential, Renault and its Turkish partner Oyak have reorganized their holdings in Turkey to achieve a balance between manufacturing and sales. Renault has thus increased its holding in the Maïs sales company from 20% to 49% and reduced its investment in the Oyak Renault industrial company from 57% to 51%.

Renault and the City of Moscow authorities signed a framework agreement in December 1997 on the creation of an industrial and commercial joint venture in Moscow. Renault will be entrusted with the operational management of this new company and will have the option of obtaining a majority stake in its capital at some point in the future. It aims at holding a market share of 8% to 10%, or more than 100,000 vehicles, by 2002. Starting in 1998, the factory will begin assembling the Mégane, progressively increasing volume to reach series production in the year 2000. The factory will assemble a second Renault vehicle starting in 2001.

PROSPECTS FOR 1998

In 1998, the size of the European automobile market for passenger cars should be close to that of 1997, around 13.5 million units. Renault's objective is to increase its market penetration both in passenger cars and in light commercial vehicles on the strength of its proven offer of innovative products.

These achievements in sales, together with cost reduction efforts, point to continued growth in operating income for the Automobile Division in 1998.

In the field of commercial vehicles, the company should benefit in the almost stable European market from the full effect of sales of new products launched in 1996 and 1997. In North America, the objective of Mack is to continue to improve its market share in the growing market for vehicles over 16 tonnes. In this context, the Commercial Vehicles Division should achieve a positive operating income in 1998.

The Finance Division, for its part, should have stable income as compared with the previous year.

III

Review of Operations

AUTOMOBILE DIVISION

The Automobile Division is responsible, on the one hand, for passenger car and light commercial vehicle activities and, on the other, for a certain number of industrial and service companies, most of which work in areas relating to the automobile activities of the division. The contribution of the division to the group's consolidated sales in 1997 reached FRF 165,788 million, or 79.8% of the total.

Western Europe, Renault's largest market, represented 83.5% of total automobile sales (passenger cars and light commercial vehicles) in 1997: 33% in France and 50.5% in other European countries. Sales in the rest of the world (16.5% of the total) were concentrated primarily in Argentina, Turkey and Central Europe.

In Western Europe, seven large car manufacturers control roughly two thirds of the passenger car market. Renault occupies the fourth position, behind Opel, Ford and Volkswagen.

Market share in Western Europe (Passenger Cars)*

	1995	1996	1997
Opel	12.5 %	12.0 %	**11.6 %**
Ford	11.7 %	11.5 %	**11.1 %**
Volkswagen	10.7 %	11.1 %	**10.4 %**
Renault	10.3 %	10.1 %	**9.9 %**
Fiat	8.5 %	8.9 %	**9.6 %**
Peugeot	7.2 %	7.1 %	**6.6 %**
Citroën	4.8 %	4.9 %	**4.7 %**

* All data on 1997 sales provided in this report are for informational purposes only and may change upon release of definitive official statistics (CCFA/AAA).

These manufacturers are also present in the light commercial vehicle market. Renault, with 11.5% of the European market, ranks second behind Ford (13.9%). For the passenger car and light commercial vehicle markets as a whole, Renault holds 10% of the market, trailing Ford (11.4%), Opel (10.9%) and Volkswagen (10.3%).

Renault offers a complete range of models and is present in all segments of the passenger and light commercial vehicle markets. Most models are available in a number of versions with different bodies, engines and accessories.

In the small car segment, Renault markets three models: the Twingo, the Clio and the Kangoo. The Clio, which will be replaced by the new Clio in 1998, is in the upper end of the segment. The Clio is the second highest selling car in France, with a market share of 7% in 1997; in Western Europe as a whole, the Clio represented 2.6% of total car sales in 1997. The Twingo, whose new line was launched in September 1996, expanded its market share to 1.6% in 1997. In October 1997, Renault launched the Kangoo. A functional, non-conformist and economical car, the Kangoo does not replace any other vehicle in the product range; rather it has established itself as complementary to this innovative generation of "voitures à vivre" (cars for living), launched alongside the traditional sedans. With its three-pronged offer taking advantage of the complementary roles of the Clio, Twingo and Kangoo, Renault is the European market leader in the small car segment.

In the lower end of the mid-range segment, Renault launched the Mégane in November 1995 in two versions: a five-door hatchback and a coupé. The Mégane family was rounded out in October 1996 with the addition of a four-door version (Classic) and a monospace version (Scénic). Once again living up to its reputation for innovation, Renault has in this way expanded its monospace range, already represented by the Espace and the Twingo, by applying the concept to the lower end of the mid-range segment: the Scénic, voted 1997 Car of the Year and 1997 Imported Car of the Year in Japan, instantly proved a resounding commercial success. With market share of 8.4%, the Mégane has become the best-selling car in France as well as the top-selling French car in Western Europe, with a market share of 3.6% in 1997. It finished the year with the third largest market share in the lower end of the mid-range segment in Western Europe.

In the upper end of the mid-range segment, Renault launched the Laguna, a family sedan, in 1994. The Laguna Nevada, a station wagon seating 5 or 7, was added to the range in 1995. In 1997, the Laguna captured a market share of 1.4% in Europe.

In the high-end segment, Renault offers two models: the Safrane and the Espace. The Safrane, launched in 1992, is

Renault's top of the range sedan and is the result of the Group's desire to be present in all segments. The Espace is the fruit of a partnership between Renault and Matra. Launched in 1984, it pioneered the concept of monospace vehicles. Renault renewed its range in this segment by launching a new version of the Safrane and the new Espace in autumn 1996, followed by the Grand Espace in January 1998. These two models achieved European market shares of 0.2% and 0.4%, respectively, in 1997.

In the light commercial vehicle segment, Renault has been very active, offering modified versions of passenger cars, the Express van and pick-up, and the Trafic and Master ranges. These include a wide selection of flatbed trucks and vans with carrying capacities ranging from 900kg to 1800kg, and a minibus with a seating capacity of 9 to 17. In the fall of 1997, the range was rejuvenated with the launch of the Kangoo Express, which replaced the Express, and the new Master, voted "1998 Van of the Year".

Finally, Renault has kept some older models in its catalogue which, although no longer sold in Europe, have been modified according to specific local requirements (such as the Renault 9/12 and 19).

The goals of quality and cost reduction pursued by the Automobile Division have resulted in significant changes to its relationships with suppliers and the development of partnerships and cooperation well in advance of the launch of a new model. Major suppliers are therefore involved from the design stage onwards. Certain suppliers are involved in the entire design process of a vehicle sub-system and not just a specific part, helping to reduce design costs and lead times while improving quality. Renault has also involved its suppliers in just-in-time delivery procedures, contributing to inventory reduction and the optimization of flows. The proportion of a vehicle purchased from suppliers represents approximately 60-70% of the manufacturing cost, depending on the model and version.

In 1997, the Automobile Division had more than thirty industrial sites in France and outside France. The main sites are given below:

Flins	Clio, Twingo
Douai	Mégane
Sandouville	Safrane, Laguna, Laguna Nevada
Maubeuge	Express, Kangoo
Batilly	Trafic, Master, B80/110
Palencia (Spain)	Laguna, Mégane
Valladolid (Spain)	Twingo, Clio, engines
Novo Mesto (Slovenia)	Clio
Bursa (Turkey)	Renault 9/12/19, Mégane
Cordoba (Argentina)	Renault 9/19, Clio, Mégane, Trafic
Cléon	Engines, transmissions, aluminium casting
Le Mans	Front/rear transmissions, mechanical components, iron casting
Lorient (S.B.F.M.)	Iron casting

The Renault Group distributes its vehicles in Europe through a primary distribution network and a secondary distribution network. The primary distribution network is made up of Renault subsidiaries and exclusive dealers who sell and maintain Renault vehicles within the geographic market assigned to them. During 1997, Renault France Automobiles, a wholly-owned subsidiary, was created to bring together the subsidiaries and branches in the French sales network. This new organization has enabled Renault's sales structures to achieve a higher level of autonomy and responsiveness in the context of a rapidly changing car market, and to return to profitability. In addition, it has provided increased scope to address the specific needs of the sales and service professions, faced with increasingly demanding customers. The secondary distribution network is made up of Renault sales and service outlets and approved sales representatives, also exclusive, who are generally small garage-type sites with commercial ties to a dealer.

The Renault distribution network in Europe

	1995		1996		1997	
	Europe	of which France	Europe	of which France	Europe	of which France
Branches and subsidiaries	125	68	122	73	**123**	**71**
Dealers	2,429	412	2,342	401	**2,340**	**385**
Other sales outlets	11,136	6,416	10,016	6,390	**10,770**	**6,326**
Total	**13,690**	**6,896**	**12,480**	**6,864**	**13,233**	**6,782**

New European regulations regarding automobile distribution allow manufacturers, under certain conditions, to grant exclusive distribution rights for their cars within a certain geographical area and to prevent their distribution networks from selling their products to intermediaries outside the network.

As part of the strategy for opening up the Renault Group, the Automobile Division has established collaborative projects and partnerships to promote the sharing of development costs. Renault has concluded a number of cooperation agreements with PSA Peugeot Citroën. The two groups have worked together since 1966 in the development of mechanical parts: engines at their jointly-owned subsidiary "Française de Mécanique" and automatic transmissions at the "Société de Transmissions Automatiques". Matra and Renault have collaborated on the design and manufacture of the Espace since the early 1980s. Renault has also signed a number of commercial and industrial agreements involving component sharing, notably with Volkswagen (transmissions), Volvo (transmissions and engines) and Daewoo (engines). In 1996, Renault and General Motors signed an agreement for cooperation in the field of light commercial vehicles. Renault and General Motors Europe are jointly developing a 2.5-2.8 tonne light commercial vehicle, to be marketed separately by the two manufacturers under different names around the year 2000. Renault will supply General Motors Europe with a 2.8-3.5 tonne light commercial vehicle starting in the fall of 1998. Built in Batilly, it will be marketed by Renault, Vauxhall and Opel under their respective brands.

Sales

Worldwide sales of passenger cars and light commercial vehicles (1)

	1995	1996	1997	1997/1996 change %
Passenger cars	1,521,688	1,571,868	**1,628,653**	+ 3.61
Light commercial vehicles	223,661	216,150	**208,376**	- 3.60
Total	**1,745,349**	**1,788,018**	**1,837,029**	**+ 2.74**

(1) Including commercial vehicles under 5 tonnes and sales of unregistered vehicles (sales in temporary transit and sales to government bodies)

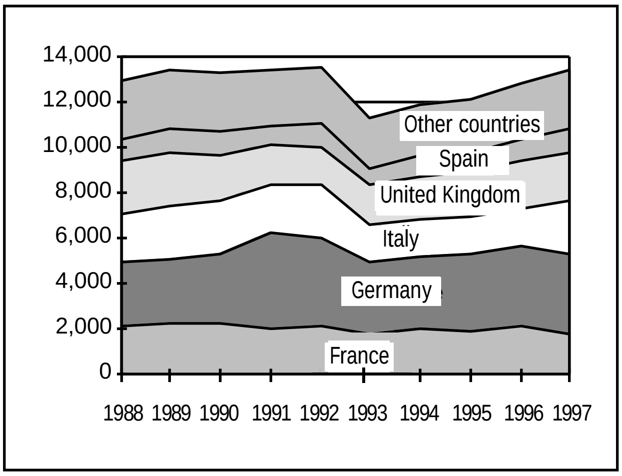
Renault's worldwide sales in 1997 stood at 1 837 000 passenger cars and light commercial vehicles, an increase of 49 000 in comparison with 1996.

Western Europe

Following sustained growth in 1996, the European passenger car market continued to experience growth throughout 1997. The year ended with a total of 13.4 million registered vehicles, an increase of 4.8%. This increase was primarily due to growth in the Italian and Spanish markets (+39.2% and +11.1% respectively) under the effect of government incentives. Sweden and the United Kingdom also saw major expansion in their automobile markets (+22.4% and +7.2% respectively). The French market, on the other hand, experienced a serious contraction (-19.7%) following the ending of French government subsidies for new car buyers in October 1996. Only two other national markets, Austria and Portugal, experienced negative growth (-10.4% and -2.1% respectively). The German market remained more or less unchanged (+0.9%). Against this backdrop, Renault's market share in Western Europe fell from 10.1% in 1996 to 9.9% in 1997. This fall was primarily due to the decline in the French market, where Renault has achieved the most significant penetration, although Renault's market share increased in both France (from 26.6% in 1996 to 27.3% in 1997) and in the rest of Europe (from 6.8% in 1996 to 7.3% in 1997).

For Renault, the number of passenger cars registered in Western Europe increased from 1,290,000 in 1996 to 1,326,000 in 1997, representing an increase of 2.8%. The large increase in Renault sales outside France (+18.7%) more than compensated for a fall in sales in its domestic market (-17.5%).

Western Europe
Total market (thousands of passenger cars)



Renault in Western Europe – passenger cars

	% change in registrations		Renault market share %			Renault registrations
	Total market (1)	Renault	1995	1996	1997	1997
Total Western Europe (2)	**4.8**	**2.8**	**10.3**	**10.1**	**9.9**	**1,326,311**
of which:						
France	- 19.7	- 17.5	29.2	26.6	27.3	**467,914**
Germany	0.9	15.8	5.2	5.3	6.1	**215,484**
Italy	39.2	61.4	6.1	6.0	6.9	**167,351**
United Kingdom	7.2	20.3	6.2	6.5	7.3	**159,235**
Spain	11.1	7.4	13.9	13.3	12.8	**129,832**
Belgium-Luxembourg	0.1	- 11.9	11.1	11.1	9.8	**41,704**
Netherlands	1.0	16.1	7.3	7.2	8.2	**39,327**
Portugal	- 2.1	- 8.2	12.8	12.6	11.9	**25,289**
Switzerland	1.1	6.7	6.7	6.4	6.8	**18,707**
Austria	- 10.4	- 3.9	6.5	6.1	6.5	**17,953**

(1) All makes
(2) E.U., Iceland, Norway and Switzerland

The French market has been at its lowest level since 1975, having slipped from second to fourth place among European markets. Continuing the turnaround begun in the last quarter of 1996, Renault's market share has increased from 26.6% in 1996 to 27.3% in 1997, with 467,914 passenger cars registered in France (-17.5% compared with 1996). The Mégane has taken its place as the French market leader in passenger cars with a market share of 8.4%, ahead of the Clio, which had a market share of 7%. The Twingo accounted for 4.8% of car registrations. The Laguna has confirmed its status as market leader in the upper end of the mid-range segment, with a market share of 3.9%. The Safrane and the Espace head up the high-end segment with French market shares of 1.2% and 1.4%, respectively.

In Northern Europe, Renault has continued its growth with a market share of 6.7% in 1997 (6.1% in 1996). Renault has further reinforced its position as Germany's largest importer

with a market share of 6.1% in 1997 (5.3% in 1996). Renault has also strengthened its position in the United Kingdom, where its market penetration increased from 6.5% in 1996 to 7.3% in 1997, and is making progress in the Nordic countries, especially in Sweden with a market share of 5.1% (compared with 4.6% in 1996).

In Southern Europe, the Italian and Spanish markets, expanding rapidly as a result primarily of Government subsidies, represented a market share of 8.7% for Renault, compared with 8.6% in 1996. In Italy, Renault's market share increased from 6% in 1996 to 6.9% in 1997. The company achieved a market share of 12.8% in Spain in 1997 (13.3% in 1996) and a Portuguese market share of 11.9% (12.6% in 1996).

The European market for light commercial vehicles, for its part, has grown by 7.7% and now stands at 1,491,423 units. Renault, with 172,000 vehicle registrations, did not maintain its market share, which fell from 13.4% in 1996 to 11.5% in 1997. In a French market which has suffered a contraction of 5.6%, Renault registered 103,758 vehicles, equivalent to a market share of 33.2%. The renewal of the range with the launch of the Kangoo Express and the new Master in autumn 1997 should enable the company to regain its position.

The total number of Renault vehicles registered in Western Europe (passenger cars and light commercial vehicles) reached 1,498,311 units, an increase of 1.5% compared with 1996. Renault holds the fourth position in this market, with a market share of 10% (10.4% in 1996).

In Central Europe

In Central Europe (Poland, Hungary, Slovakia, the Czech Republic, Slovenia), Renault suffered a fall in its market share for passenger cars, from 6.8% in 1996 to 5.5% in 1997, the result of increasingly intense competition.

Rest of the World

Renault sales in the rest of the world totaled 254,500 passenger cars and light commercial vehicles, compared with 218,000 in 1996.

In Argentina, the market for passenger cars and light commercial vehicles enjoyed sustained growth (+13%) in 1997. With sales of 73,890 vehicles, Renault had a market share of 18% compared with 20.3% in 1996. In Brazil, Renault's market penetration remained unchanged at 0.5%. As for other Latin American countries, the company's market share fell from 11.8% to 10.5% in Columbia, while rising from 2.9% to 3.3% in Chile and from 4.9% to 5.7% in Uruguay. In a Turkish market experiencing rapid expansion for the third consecutive year (+52.6%), Renault achieved a market penetration of 21.7% in 1997 (compared with 24.1% in 1996), with sales of 94,391 vehicles.

Production

Throughout 1997, Renault has had to rely on the flexibility of its production system to cope with fluctuations in demand. The year 1997 was characterized by a rationalization of its industrial base in order to optimize production capacity: The Vilvoorde site ceased its body-assembly activities in September, enabling assembly of the Laguna to be concentrated at a single site in Sandouville, the Twingo at Flins, the Mégane at two sites (Douai and Palencia) and the Clio at three sites (Flins, Valladolid and Novo Mesto). The Palencia site moved to three shifts in 1997. Douai and Maubeuge will also expand to three shifts in 1998 in order to adapt to demand.

Renault production worldwide by origin, passenger cars and light commercial vehicles

	1995	1996	1997
Passenger cars and light commercial vehicles:			
manufactured in France	1,003,900	976,369	**1,121,970**
manufactured outside France	757,743	764,521	**745,649**
Total	**1,761,643**	**1,740,890**	**1,867,619**

Renault production worldwide by model, passenger cars

Passenger cars	1995	1996	1997
Renault Supercinq	40,881	16,409	-
Renault Twingo	251,669	223,740	**223,795**
Renault Clio	428,799	409,354	**412,383**
Renault Kangoo	-	-	**20,775**
Renault 9	73,707	54,327	**44,333**
Renault 11	363	-	-
Renault 12	22,000	19,881	**22,159**
Renault 19	264,926	60,780	**69,137**
Renault Mégane	57,995	448,539	**555,707**
Renault 21	15,073	1,153	-
Renault Laguna	272,142	225,025	**205,536**
Renault Spider	-	524	**675**
Renault Safrane	35,688	29,543	**30,954**
Renault Espace	54,795	34,109	**61,065**
Renault Alpine	9	-	-
Total PC	**1,518,047**	**1,523,384**	**1,646,519**

Renault production worldwide by model, light commercial vehicles

Light commercial vehicles	1995	1996	1997
Renault Express	122,446	105,895	**87,251**
Renault Kangoo Express	-	2	**16,833**
Renault Twingo Utility	212	3,287	**2,664**
Renault Supercinq Utility	242	296	-
Renault Clio Utility	47,333	42,416	**45,457**
Renault 19 Utility	8,191	-	-
Renault Mégane Utility	13	11,022	**12,229**
Renault 21 Nevada Utility	543	-	-
Renault Laguna Nevada Utility	3	185	**468**
Renault Espace Utility	181	94	-
Renault Trafic	49,415	43,998	**39,333**
Renault Master	15,017	10,311	**7,717**
Renault Master 2	-	-	**9,148**
Total LCV	**243,596**	**217,506**	**221,100**
Total PC + LCV	**1,761,643**	**1,740,890**	**1,867,619**

In 1997, Renault production worldwide reached 1,867,619 units, representing an increase of 7.3% compared with 1996.

Financial Results

In millions of francs	1995	1996	1997
Sales of the division	146,007	149,004	**169,062**
Contribution of the division :			
• to sales (1)(2)	142,614	145,962	**165,788**
• to operating income	(991)	(6,545)	**901**
• to pre-tax income	(276)	(6,166)	**2,370**
Research and Development Expenses (3)	7,952	7,938	**8,112**
Property, plant and equipment, and intangibles	12,750	13,550	**12,875**
Investment in securities	174	466	**767**
Workforce at year-end (4)	110,752	111,523	**112,178**

(1) The contribution to sales for 1996, adjusted for changes in Group structure and accounting principles, totaled FRF 148,417 million.

(2) Sales for 1997 included, in particular, the entry of new subsidiaries into the scope of consolidation: Renault Polska for FRF 1,500 million, Renault Ceska Republika for FRF 545 million, as well as the full consolidation of the Renault Argentina group starting in June 30, 1997, for FRF 3,935 million.

(3) Until the first half of 1996, research and development expenses corresponded to research expenses and expenses for studies relating to new and existing products, but did not include industrialization costs. In 1996, changes in the organization of the Automobile Division led to an adjustment of the definition and make-up of research and development expenses, the latter henceforth being defined as research, development and industrialization expenses relating to new products. This new definition was applied to the accounts as of December 31, 1996. Research and development expenses for 1995 have been restated to conform with the new definition.

(4) The impact of changes in Group structure has resulted in the addition of 5,911 employees, of which Renault Argentina (+5,914), Central European subsidiaries (+236) and Chausson Outillage (-324).

Sales

The contribution of the Automobile Division to Group sales totaled FRF 165,788 million in 1997. Adjusted for changes in Group structure and consolidation methods, this represents an increase of 11.7% compared with 1996. This growth is the result of increased sales abroad, which have more than compensated for the fall in sales on the domestic market, as well as an improved product mix and favorable exchange rates. This figure also included the contribution to revenues made by the industrial and service companies working in areas relating to the automobile activities of the division, in particular SNR (FRF 1,914 million) and CAT (FRF 1,301 million). Furthermore, Renault Agriculture contributed FRF 3,241 million to Group sales.

Results

The contribution of the Automobile Division to the Group's operating income was positive in 1997, at FRF 901 million (after a loss of FRF 6,545 million in 1996 and of FRF 991 million in 1995). This was due to a combination of both increased revenues and reduced costs. Restructuring costs and provisions, for their part, totaled FRF 1,368 million (compared with FRF 3,785 million in 1996 and FRF 221 million in 1995). They essentially covered costs associated with workforce reduction (in 1996, they also covered provisions related to the closure of the Vilvoorde site, of FRF 2,800 million). The division has devoted FRF 8,112 million to its research and development program; adjusted for changes in accounting methods, these expenses totaled FRF 7,938 million in 1996 and FRF 7,952 million in 1995.

The contribution of the division to Group pre-tax income was FRF 2,370 million (FRF -6,166 million in 1996 and FRF –276 million in 1995).

Investments

Investment in property, plant and equipment, and intangibles has fallen in comparison with 1996, adjusted for changes in Group structure. It totaled FRF 12,875 million and represented 7.8% of the contribution of the Automobile Division to sales. This decrease was a result of a strict policy of carefully planned and timed investments, aimed at generating the highest possible return for each franc invested. This policy was inspired by the objective set by the Group Executive Committee to maintain the ratio of investment to sales within the range of 6-7%, while continuing to pursue an ambitious

program of renewal of vehicle and mechanical components, along with Renault's international development. Investments in the vehicle range represented 42% of the total, compared with 60% in 1996, of which the majority related to investments in the new Clio. These investments were devoted primarily to new vehicles (the Clio, Kangoo and Master), to increasing the production capacity for the Scénic, to the industrialization of the Mégane in Turkey and Brazil, to the multi-valve K and F engines and to the establishment of flexible engine machining lines. Industrial investments outside the product range related mainly to the construction of the Ayrton Senna factory in Brazil, the adaptation of the Douai factory to water-based paints and the modernization of the surface treatment units at Sandouville, the stamping lines at Flins and Sandouville and of engine-testing and engineering facilities.

The workforce of the Automobile Division decreased in size by 4.7%, adjusted for changes in Group structure.

COMMERCIAL VEHICLES DIVISION

The Commercial Vehicles Division is the second largest division in the group in terms of revenues, contributing FRF 34,180 million or 16.4% of total sales in 1997. Its activities in Europe are carried out through the intermediary of Renault V.I. S.A., a wholly-owned subsidiary of Renault, and in North America through Mack Trucks Inc. ("Mack"), a wholly-owned subsidiary of Renault V.I. S.A. In 1997, 59.3% of sales were accounted for by the European branch and 40.7% by the North American branch. The Renault V.I. Group is one of only four commercial vehicle manufacturers in the world active on the industrial and commercial level in both Europe and North America.

In 1997, 30.1% of sales by the Renault V.I. Group were made in France, 37.5% in North America, 6.2% in Spain, 12% in the rest of Western Europe and 14.2% in the rest of the world.

The Renault V.I. Group designs, manufactures and distributes a complete range of trucks, coaches and buses, covering all transportation requirements for goods and people, as well as logistical and tactical vehicles and engines for military use. Renault V.I. also offers a range of service vehicles for municipal purposes (fire engines, garbage collection trucks and road maintenance vehicles). Renault V.I. and Mack develop and manufacture their own engines, as well as the drive axles and axle assemblies used in their vehicles.

In Europe, the main truck models are the Messenger in the low-end segment and the Midliner in the mid-range segment. The latter is manufactured in France and sold both in Europe and the United States. In 1996, Renault updated almost all of the vehicles of over 16 tonnes and under 400 horsepower in the range with the launch of the Premium range: Premium road (for medium- and long-distance transportation of goods) and Premium distribution (for heavy distribution). Renault also sells the Magnum for long-distance transportation. Launched in 1990, with an engine upgrade in 1996, the Magnum cab interior was redesigned in 1997, in addition to the truck being equipped with a new axle and many new options, mainly of electronic nature. The range of vehicles designed for use in construction sites and under extreme conditions was updated in 1997 with the launch of the new Kerax, replacing the Maxter. The Renault V.I. range of coaches includes the Iliade, launched in 1996 for touring, the Tracer for scheduled services and the Recreo for the transportation of schoolchildren. The Agora range of low-floor buses is available in articulated and natural-gas-fueled models. In the Czech Republic, Karosa designs, manufactures and markets a complete range of coaches and buses.

In North America, Mack manufactures short- and long-distance road vehicles and is the market leader in construction site and municipal vehicles. Since 1995, Mack's product range has been extended with the addition of the CH600 "Millennium", which has a cabin designed for long-distance drivers. As with Renault V.I. Europe, most of the trucks manufactured by Mack are equipped with Mack components and engines. This gives Mack a competitive edge in the North American market, where other manufacturers equip their vehicles with third-party components and engines.

The Commercial Vehicles Division has 17 industrial sites in eight countries. The major sites are as follows:

France:	
Annonay	Buses, coaches
Blainville	Midliner, Premium, Military vehicles
Bourg-en-Bresse	Magnum, Premium
Bouthéon	Transmissions
Limoges	Components, reconditioning of military vehicles
Vénissieux - Saint Priest	Engines, axles, stamping, forging, casting, rear axles
Spain:	
Villaverde	Premium, Kerax, mechanical engineering
United States:	
Winnsboro	CH, CL
Macungie	MR advanced cab range, LE and DM extreme-use, DMM, RB, RD
Hagerstown	Engines, transmissions
Australia:	
Brisbane	Assembly of Mack tracks and Renault V.I. trucks and buses
Czech Republic:	
Vysoké Myto	Assembly of Karosa coaches and buses

In 1994, Renault V.I.'s efforts in quality control led to ISO 9002 certification for all of its production centers. In 1996, the European branch received ISO 9001 certification. Renault V.I. has continued these efforts in 1997, resulting in the success of its follow-up audit, the awarding of AQAP110 military certification and ISO 9002 or 9001 certification for all its European subsidiaries.

Renault V.I. has continued its policy of industrial cooperation with a view to sharing development costs and reducing production costs. On December 31, 1997, for example, Renault created a joint venture with ZF, to which the transmission activity of Bouthéon will be transferred. Renault V.I. has also finalized a cooperation agreement with the Finnish manufacturer SISU, announced in late 1996, concerning the acquisition and use, through a joint venture, of the SISU Trucks sales network in Finland and the distribution of SISU and Renault vehicles through this network, as well as commercial synergies in neighboring countries and export markets. The agreement also contains provisions for supplying SISU with Renault components (engines, cabs, transmissions). Renault V.I. and Iveco have combined their activities in the field of safety and fire-fighting products since 1996, through the creation of Eurofire, an organization with a worldwide scope in which Renault V.I. holds a 15% stake. Renault V.I. and Matra Transport have been working together since 1996 on the development of new reserved-lane light urban transport systems. This led, in 1997, to the presentation of a full-scale model of Civis, an intermediate transport vehicle.

Renault V.I. has signed an agreement with the PACCAR/DAF group for the joint development of components, in particular a cab, for mid-range vehicles (trucks from 6-19 tonnes).

Renault V.I. has withdrawn from certain activities in order to concentrate on its core business. The muffler and air chamber activities of the COMELA subsidiary have therefore been sold to the American group NELSON.

The distribution network of the Renault V.I. Group consists of more than 2,200 outlets, including more than 1,300 in Europe, 700 in North America and 200 in the rest of the world.

In 1997, Renault V.I. had the fifth largest market share for high-end industrial vehicles (more than 16 tonnes) in Europe with 11.6% of the market, trailing Mercedes, Volvo, Scania and Man. In the United States, Mack had a market share of 12.5% in 1997 for class 8 vehicles (more than 16 tonnes), putting it in third place behind Freightliner and Navistar.

Worldwide sales by Renault V.I. of vehicles of more than 5 tonnes, trucks, coaches and buses reached 67,363 units, an increase of 12% in comparison with 1996. Renault also sold 4,917 Messengers of 3.5-5 tonnes (+11%). These figures are based on the invoicing of vehicles which were registered an average of 3-4 months later.

Truck Sales

Consolidated sales of trucks of more than 5 tonnes

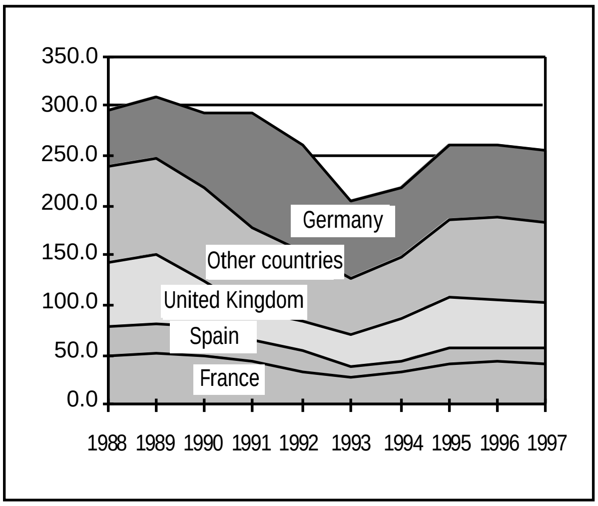
	1995	1996	1997	Change 1997/1996 in %
Europe	32,011	26,788	**28,058**	**+ 4.7**
• France	20,053	16,683	**16,127**	**- 3.3**
• Spain	3,707	2,908	**4,081**	**+ 40.3**
• Other Europe	8,251	7,197	**7,850**	**+ 9.1**
North America	27,801	23,010	**27,115**	**+ 17.8**
Rest of the World	7,562	7,113	**8,988**	**+ 26.4**
Total	**67,374**	**56,911**	**64,161**	**+ 12.7**
Of which over 16 tonnes				
Europe	22,508	18,971	**19,998**	**+ 5.4**
• France	14,905	12,495	**11,903**	**- 4.7**
North America	25,723	21,666	**25,518**	**+ 17.8**
Rest of the World	5,662	4,980	**6,205**	**+ 24.6**
Total	**53,893**	**45,617**	**51,721**	**+ 13.4**

Western Europe

Sales by Renault V.I. of trucks of more than 5 tonnes in Western Europe in 1997 totaled 28,058 vehicles, an increase of 4.7% compared with 1996. In the high-end segment of more than 16 tonnes, 19,998 vehicles were sold (+5.4%).

After an almost stable year in 1996, a small contraction in the market was experienced in 1997. The number of registrations for all makes in Europe for trucks over 5 tonnes was 255,214 units. This represented a decrease of 1.8% in comparison with the 259,900 registrations in 1996. These figures give no indication of the significant disparities existing between different countries. Whereas some markets registered an increase in 1997, such as Spain (+27%) and Portugal (+35.5%), others changed little, for example Germany (+2%), and still others experienced a significant decline, as in France (-9.9%), Italy (-13.8%) and the United Kingdom (-8.4%).

Western Europe – total market
in thousands of trucks of over 5 tonnes



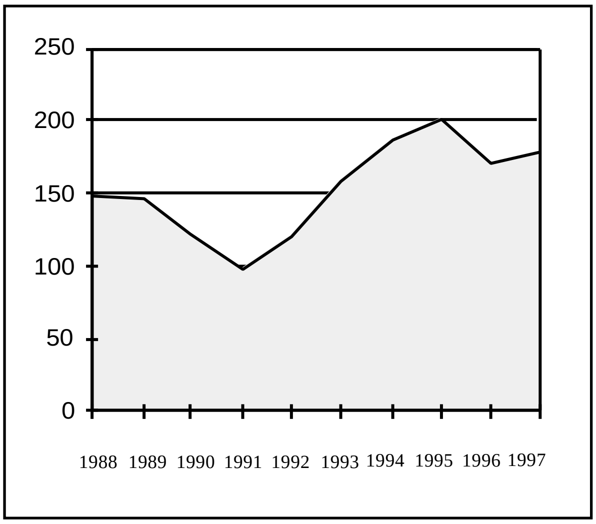
Despite good sales performance in Southern Europe, Renault V.I. suffered due to a decrease in market share in an increasingly competitive French market. The Group now accounts for 10.7% of the European market for trucks of over 5 tonnes (10.9% in 1996) and 11.6% of the market for trucks of over 16 tonnes (11.7% in 1996).

In France, the market for trucks over 5 tonnes reached 39,184 units in 1997, a decrease of 9.9%. Renault V.I.'s share of this market fell from 41.2% in 1996 to 39% in 1997. In the other European countries, Renault experienced an increase in market share in Portugal (+2.5 points) and Italy (+1.4 points), stable market share in the United Kingdom and Germany and a decline in Belgium (-0.8 points).

North America

After a decline in sales in 1996, the North American market for class 8 vehicles has begun to take off again; this can be seen in an increase in the number of vehicles sold of 9.7%, from 199,000 vehicles in 1996 to 218,350 vehicles in 1997.

United States - total market
in thousands of Class 8 trucks



In the United States, where the market for class 8 vehicles totaled 178,551 units (+5%), Mack strengthened its position, increasing its market share from 12.1% to 12.5%. This puts Mack in third place among manufacturers, with 22,375 retail sales, an improvement of 8.7% compared with 1996. Moreover, Mack remained market leader for construction site and municipal vehicles. Mack also sold 1,651 French-built Midliners on the American market for class 6 and 7 vehicles, 15.5% more than in 1996.

Rest of the World

In accordance with its strategy, the Renault V.I. group has improved its penetration of export markets further afield, selling 8,988 trucks over 5 tonnes outside Western Europe and North America (+26.4%). Sales of the European branch of Renault V.I., at 6,087 vehicles, have increased rapidly (+19%). Eastern Europe (including Turkey and the CIS) became the largest export market in 1997, representing 34% of export sales, just ahead of Africa/North Africa (33%). Renault V.I. has also increased its sales in the Middle-East/Asia-Pacific region, which represented 12% of the total. Mack, for its part, exported 2,901 vehicles (+45.1%), mainly to Latin America. With 659 sales in Australia, Mack has held onto its second place behind Kenworth with a market share of 15.3%.

Sales of Coaches and Buses

In the field of coaches and buses, 1997 was characterized by the success of the Iliade coach and the Agora range of low-floor buses, with contracts for the delivery of 330 Iliade coaches in Saudi Arabia and 40 buses in Spain. Sales of Renault V.I. coaches and buses, including Karosa vehicles, totaled 3,203 units and thus remained stable in comparison with 1996.

The French coach market grew by 3.7% in 1997. Renault V.I. achieved a market penetration of 49.1% (44.9% in 1996). The French bus market, which relies heavily on purchases made by major operators, was down 5.5%; Renault's market share increased to 60.4% (52% in 1996). Renault V.I. was also present in several European markets, such as Belgium, Italy, Spain and Germany. Coaches and bus sales in Western Europe, excluding France, represented 333 vehicles, a fall of 5.9%.

Production

Consolidated production

	1995	1996	1997	Change 1997/1996 in %
Trucks under 5 tonnes	6,201	3,941	**4,600**	**+ 16.7**
Trucks over 5 tonnes	67,461	56,566	**63,913**	**+ 13.0**
• Europe	39,781	32,952	**35,671**	**+ 8.3**
• Mack Trucks	27,680	23,614	**28,242**	**+ 19.6**
Coaches and buses (1)	2,544	3,265	**3,346**	**+ 2.5**
Total over 5 tonnes	**70,005**	**59,831**	**67,259**	**+ 12.4**
Overall total	**76,206**	**63,772**	**71,859**	**+ 12.7**

(1) Including Karosa in 1996 and 1997

Renault V.I.'s European production sites had a varied year with a decline in activity in the first half and a significant upturn in the second. For the year as a whole, production in the European branch increased by 8.6%. Activity in North America sustained a high level throughout the year (+19.6%). Renault V.I.'s total production reached 71,859 units, an increase of 12.7% over 1996 levels.

During the course of 1997, Renault V.I. completed the industrial reorganization of its coach and bus production, with the complete transfer of its body and fitting lines for the Agora range of buses to the Annonay factory.

The development of synergies between Europe and the United States has continued. Since 1996, the Group has had a single shared range of 10-16 liter engines. Other than the American E9, which has been used in the Magnum since 1990, the Mack E7, which is used in most of the American vehicles, has become the Group standard 12 liter engine, and the 10 liter engine developed by the European branch is used in the Mack RD range under the name E5. The strengthening of ties between the two branches has been reaffirmed by the creation of two Group project departments, jointly run and responsible for the development of engines and motorized chassis for road and construction site use. In addition to these new structures, group technical competence centers are now managed as shared resources. At the same time there has been increased exchange of horizontal technology (suspension, brakes, electronics, etc.). Since 1996, Renault V.I. and Mack have also had a shared purchasing organization, participating actively in cost reduction efforts.

Results

In millions of francs	1995	1996	1997
Sales of the division	33,522	30,500	**34,301**
Contribution of the division			
• to sales (1)	32,926	30,007	**34,180**
• to operating income (loss)	978	(705)	**(191)**
• to pre-tax income (loss)	574	(1,133)	**(458)**
Research and Development Expenses	1,268	1,187	**926**
Property, plant and equipment, and intangibles	1,070	1,412	**1,066**
Investments in securities	26	106	**39**
Workforce at year-end (2)	25,812	26,049	**25,860**

(1) The contribution to sales for 1996, adjusted for changes in Group structure and accounting principles, totaled FRF 29,888 million.
(2) The effect of changes in Group structure was an increase of 143 employees (Hansa Auto)

The Commercial Vehicles Division achieved FRF 34,301 million in sales for 1997, an increase of 12.5% over 1996 levels (FRF 30,500 million). Increased export sales, which more than offset the contraction in the French market and downward pressure on prices, led to an increase in revenue of 3.9% for the European branch of Renault V.I.; an increase in sales invoiced and the appreciation of the dollar led to growth of 29.5% in Mack revenue expressed in French francs.

Despite improved results for both the European branch and Mack, the contribution of the Commercial Vehicles Division to the Group's operating income remained negative at FRF -191 million (FRF -705 million in 1996). In the second half-year, the Division's operating income was positive at FRF 25 million. This favorable trend is due to increased revenues, as well as the cost reduction policy followed by Renault V.I. since 1996.

The Division made a negative contribution to Group pre-tax income in 1997 of FRF -458 million (FRF -1,133 million in 1996).

The income of the Renault V.I. Group, as expressed in its own consolidated accounts, was FRF -313 million before tax and FRF -321 million after tax (FRF -764 million and FRF -791 million, respectively, in 1996). The Renault V.I. Group's pre-tax income is converted to the Commercial Vehicles Division's contribution to Group pre-tax income as follows:

Renault V.I. Group pre-tax profit	(313)
Restatements and consolidation adjustments	(29)
Share of head office costs	(116)
Contribution to division pre-tax income	(458)

The level of the property, plant and equipment, and intangible investments for the division totaled FRF 1,066 million, while research and development costs came to FRF 926 million. These investments amounted to 5.8% of revenue. Mack's share corresponded to about 25% of these expenses. More than half of these investments were used for product development, particularly engines and future product ranges. Other significant expenses included the upgrading of production sites and capacity increases. For Mack, the product plan represented a very significant part of investment expenditure in the product range update and engine development program. The main guidelines for research and development activities were environmental protection (development of engines conforming to the Euro 3 and Euro 4 standards and the development of alternative energy sources, in particular natural gas), the improvement of active and passive safety systems, as well as technology and innovation indispensable for the improvement of vehicle performance in terms of productivity, quality and reliability.

The Renault V.I. Group's workforce totaled 25,860 employees, with a decrease of 2.2% to 20,346 employees in Europe and an increase of 5.2% to 5,514 people at Mack, this increase being the result of an upturn in activity.

FINANCE DIVISION

The principal missions of the Finance Division are to:

- propose attractive financing packages, backed up by services that simplify the acquisition and use of passenger cars, light commercial and commercial vehicles, and which promote customer loyalty,

- finance the vehicle inventories and spare parts of dealers and of Renault France Automobile, a wholly-owned subsidiary of Renault, grouping together all subsidiaries and branches.

- undertake cash and financial risk management for the Renault Group (Société Financière et Foncière and Renault Finance).

The Finance Division also contributes to the financing of some of the Group's capital expenditure and investments, including IT hardware.

As financial platforms in the service of the Renault group, its network and its customers, the companies in the Finance Division are, for the most part, controlled by a holding company, Compagnie Financière Renault, a wholly-owned subsidiary of Renault. More than forty companies, including one of the largest European car loan groups and two banks, contribute to the development of the industrial and commercial activities of the Group. In 1997, the consolidated net income before taxes and the share of companies accounted for using the equity method of the Compagnie Financière Renault was FRF 2,221.7 million, including capital gains realized on the disposal of Elf Aquitaine stock for a gross amount of FRF 419 million. Net income was FRF 1,551.8 million. Compagnie Financière Renault thus confirmed its position as a dependable profit center for the Group.

Sales Financing for Renault Vehicles

The Renault Crédit International (RCI) Group in Europe provides sales financing for Renault customers, and also finances the dealer network. With its comprehensive and flexible offer, it constitutes an essential tool in the Renault Group's commercial strategy.

With a total balance-sheet of nearly FRF 80 billion at the end of 1997, RCI is one of the principal groups in the car loan field in Europe. Under the direction of a bank holding, the group has consolidated shareholders' equity of FRF 7.6 billion, more than 95% of which is made up of own funds, representing a "solid core".

Consolidated net income was FRF 943 million in 1997, compared to FRF 793 million in 1996. This growth is the result of an increase in the net income of both French and European subsidiaries thanks to an increase in loan portfolios, a reduction in costs associated with risk management, control of operating costs and a fall in the tax burden.

In an ever more competitive financing market, RCI booked 688,687 new contracts in 1997 for a total amount of FRF 37.3 billion, an increase over 1996 figures of 6% in terms of volume and 9.3% in value. This performance confirms the quality of the products and the effectiveness of the marketing effort of the Group's financial subsidiaries, as well as the good relations with the sales subsidiaries in each country.
As a result, RCI provided finance for 35.5% of new Renault vehicles sold in Europe, nearly one percentage point more than in 1996.
At the end of 1997, RCI had 3,202 employees, including 1,983 in France and 1,219 in the rest of Europe.

In France, three companies are responsible for the financing of Renault sales:
- Diac SA finances Renault customers through its automobile distribution network,
- Diac Location, French market leader in long-term auto fleet leasing, proposes a complete range of leases, together with services.
- Cogéra has been financing the vehicle inventories and spare parts of Renault dealers and Renault France Automobiles since October 1997. It is also responsible, on the Group's behalf, for risk monitoring and management in the dealer network.

In 1997, the Diac Group financed 235,659 customer loan contracts, down 11% compared to 1996. Consolidated pre-tax net income for the year was FRF 630 million.

Outside France, the RCI Group has offices in Germany, Great Britain, Spain, Italy, Portugal, Austria, Belgium, the Netherlands and Switzerland, operating through a branch (Germany) and approximately 30 subsidiaries. The branch and subsidiaries, which offer customers products and services similar to those proposed in France, but adapted to local requirements and conditions, financed 453,028 customer contracts in 1997, an increase of 18% compared to 1996.
Furthermore, the policy of supporting Renault's international development has taken concrete form with the establishment of representative offices (in Hungary, Slovenia, Czech Republic, Poland and Brazil) and the negotiation of financing agreements with local banks. In Brazil, for example, RCI signed an agreement with Banco Real to finance Renault's dealer network and customers.

Sales Financing in Europe

Country	Year	Renault share of total market (*) (%)	RCI penetration rate (%)	Number of contracts	Sums financed	Net outstanding year-end	of which Renault network
					in millions of francs		
France	1997	28.2	31.8	235,659	14,385	26,661	6,481
	1996	27.7	30.7	264,603	15,699	26,928	5,571
Germany	1997	6.0	53.2	173,383	8,022	16,681	3,346
	1996	5.3	54.5	154,952	7,024	14,978	2,912
United Kingdom	1997	6.9	34.4	88,177	5,851	10,805	3,145
	1996	6.3	32.6	68,628	3,875	7,200	2,114
Spain	1997	12.6	27.7	51,993	2,572	5,146	1,385
	1996	13.0	31.4	48,752	2,442	4,718	1,321
Italy	1997	6.9	44.3	91,355	4,205	5,705	1,085
	1996	6.1	47.3	62,640	2,882	4,021	1,058
Netherlands	1997	7.5	8.5	5,885	482	1,506	757
	1996	6.8	8.2	5,653	424	1,418	745
Portugal	1997	11.7	42.8	20,656	855	1,773	566
	1996	12.4	43.2	21,653	809	1,682	544
Austria	1997	6.3	19.7	5,258	276	849	307
	1996	6.0	24.4	6,705	349	932	347
Switzerland	1997	6.6	19.6	5,578	413	695	172
	1996	6.3	18.9	4,960	354	421	11
Belgium	1997	9.6	23.1	10,743	194	506	187
	1996	11.1	19.3	10,475	221	512	211
Europe	1997	10.5	35.5	688,687	37,254	70,328	17,430
(10 countries)	1996	10.8	34.6	649,021	34,079	62,810	14,833

(*) passenger cars and light commercial vehicles

The RCI Group rounds off its financing offer with a range of services linked to automobile acquisition and use in Europe. These services both help Renault to stand out from the competition, and increase customer satisfaction and loyalty. They take the following forms:

• maintenance contracts (extended warranties and maintenance) managed, on Renault's behalf, by Sigma and local platforms in Europe.
• technical automobile assistance proposed in France and abroad by Delta Assistance; the assistance platform set up in association with Gesa, the Spanish subsidiary of UAP, has offered a similar service in Spain since 1994.
• auctions of used vehicles organized by Transparcs.
• insurance (mainly covering risks connected with loan contracts and automobile usage) by various brokerage firms in France (Reca) and in Europe (Dissa in Spain, RVD in Germany, Gest Seguros in Portugal).

The development and enhancement of the range of services has continued, in particular through the implementation of a development strategy in the long-term auto leasing market: the Overlease activity has been launched in Germany, Spain and Italy (in a joint venture with Europcar-Lease). RCI now offers long-term leasing services in eight European countries.

Alongside these actions, the aim of which is to ensure long-term growth in the number of loan portfolios and activities of RCI, the Group has taken certain measures designed to optimize its European structures:
• centralizing German and Spanish IT operations at the Marne-la-Vallée site,
• changes to legal structures in order to make the most of the possibilities presented by the second European directive (creation of a branch of Renault Bank in Germany, approval of the supervisory authorities for the creation of a refinancing branch in Italy).

The aim of RCI's financial policy is to ensure the refinancing security of the Group's activity, to optimize the cost of its resources, to manage all financial risk in a rigorous manner and to maintain a sound and well-structured balance sheet. These objectives, set out and implemented by the RCI SA Banque holding, are based on the globalization of financing and the diversification of resources. The short-term ratings of Renault Crédit International in 1997 were P2 from Moody's, A2 from Standard and Poor's, A1 from IBCA and F1 from Fitch.

Financing the Sale of Commercial Vehicles

The Renault V.I. Finance holding company brings together all the Renault Group's investments in financing and service companies for customers and the Renault V.I. network. This activity has been developed in partnership with specialized banking establishments in France and abroad.

In France, sales financing for end customers of Renault V.I. was affected in 1997 by the decline in the French market: 3,327 new financing contracts were drawn up, representing a drop of 25% compared with 1996. Finance receivables outstanding reached FRF 3.3 billion at the end of December 1997, an increase of 8.5% compared with 1996.

In Great Britain, Italy and Belgium, where its activity is still in its initial phases, Renault V.I. Finance financed 894 new vehicles, compared with 74 the previous year, for a total of FRF 381 million, compared with FRF 28 million in 1996. Finance receivables outstanding reached FRF 492 million at year end, compared with FRF 19 million the previous year.

In 1998, Renault V.I. France has committed itself to pursuing its growth and plans, in particular, to make an investment in a financing company to be established in Spain.

Consolidated net income for the fiscal year totaled FRF 0,7 million.

Participation in the Cash and Financial Risk Management of the Renault Group

For its industrial and commercial activities, the Renault Group has established a financial organization enabling it to:
• automate and simplify the handling of cash management, while improving the safety and reliability of these operations and lowering intermediation costs;
• centralize cash surpluses and to meet the refinancing needs of subsidiaries;
• centralize the management of currency positions, in Francs and in foreign currency, in order to minimize foreign exchange, interest rate and counterparty risk, while reducing administrative costs;
• centralize any necessary financing activities, including security, at the parent company level.

In this context, Compagnie Financière Renault provided Renault's Treasury and Financing Department, responsible for all cash and financing management for the industrial and commercial activities of the Renault Group in France and in Europe, with the tools necessary to:
• centralize the cash flows of the Group (Société Financière et Foncière)
• manage the market operations of the Group – foreign exchange, interest rates and deposits (Renault Finance).
• perform hedging operations on the commodity transactions of the Purchasing Department (Renault Acceptance B.V.).

Société Financière et Foncière (SFF)

Société Financière et Foncière is a fully-fledged bank within the Renault Group. Its mission, within the centralized cash and financing management structures of the Group, is to offer Renault and its industrial and commercial subsidiaries a range of services tailored to their needs and enabling the integrated management of Group cash flows. SFF is in charge of all cash flows at Renault, as well as the French and European subsidiaries and sub-subsidiaries of the Automobile Division. It handles very significant volumes, while limiting its expenses, maintaining a high standard of quality and strengthening its security systems.

The fiscal year was characterized by the stability of the non-consolidated net income after taxes, which increased from FRF 32.6 million in 1996 to FRF 33.0 million in 1997. The increase in net banking income and the decrease in general and administrative expenses offset an increase of 15% in the corporate tax rate. The total balance-sheet of SFF increased from FRF 1,990 million in 1996 to FRF 2,168 million in 1997.

Renault Finance

A company under Swiss law domiciled in Lausanne, Renault Finance handles the majority of the currency positions managed by Renault and its industrial and commercial subsidiaries. It also manages currency positions on its own account in order to offer the Group a competitive level of service for all financial products.
Due to the widespread fall in interest rates, in particular for the Swiss Franc, net income for Renault Finance decreased in 1997 to CHF 36 million, from CHF 48.8 million in 1996. The total balance-sheet on December 31, 1997 totaled CHF 6.6 billion.

Renault Acceptance B.V.

Renault Acceptance B.V., a company under Dutch law, is part of the financing operations management structure of the Group. It acts through the intermediary of its branch in Lausanne, which has been operational since the end of the first half of 1997. It performs hedging operations on the commodity transactions of Renault's Purchasing Department, as well as maintaining a presence in the bond markets. The first six months of activity show a balanced result. The total balance-sheet on December 31, 1997 was NLG 134.5 million.

Other Responsibilities

In its role as a financial holding company, Compagnie Financière Renault participates in the development of the Renault Group's activities and performs certain financial investments in order to advance this goal.
For Compagnie Financière Renault, the year 1997 was characterized by several significant operations which lightened its balance sheet: disposal of the investment in Elf Aquitaine (June 1997) and repayment, at maturity, of the 1985 bond for an amount of FRF 1 billion.

The Finance Division also participates in the financing of the Group's real-estate and IT investments, through the intermediary of specialized subsidiaries of Compagnie Financière Renault: SIAM for real-estate investments and SOFIMIN for IT investments.
During the course of 1997, SIAM continued to be active in the expansion or disposal of certain Renault branches. At the end of 1997, its net assets totaled FRF 1,021 million on shareholders' equity of FRF 1,108 million.

Results

In millions of francs	**1995**	**1996**	**1997**
Sales of the division	9,200	8,686	**8,771**
Contribution of the division			
• to sales	8,525	8,109	**7,944**
• to operating inome	1,272	1,263	**1,320**
• to financial income	411	397	**858**
• to pre-tax income	1,678	1,654	**2,183**
Property, plant and equipment and intangibles	1,438	1,431	**1,534**
Investment in securities	41	81	**8**
Workforce at year-end	3,386	3,333	**3,277**

The contribution of the Financial Division to Group consolidated sales in 1997 was FRF 7,944 million, compared with FRF 8,109 million in 1996. This decrease in sales was essentially due to a reduction in the interest rates of customer loans, following the reduced pressure on interest rates in the majority of European countries.

Nevertheless, its contribution to operating income grew by 4.5% in comparison with the previous year, from FRF 1,263 million to FRF 1,320 million, due to growth in financial receivables outstanding and a new reduction in expenses relating to risk management at Renault Crédit International, which represented 0.4% of financial receivables outstanding, compared with 0.5% in 1996.

Its contribution to financial income reached FRF 858 million, compared with FRF 397 million in 1996. This includes, in particular, income related to the activities of Société Financière et Foncière (SFF) and Renault Finance. In 1997, this income also included capital gains of FRF 419 million generated by Compagnie Financière Renault through the disposal of Elf Aquitaine stock.

Pre-tax income for the Compagnie Financière Renault group, as stated in its own consolidated accounts, totaled FRF 2,222 million. The effect of this income on the contribution of the Finance Division to the pre-tax income of the Group is as follows:

Pre-tax income of the CFR group (formerly SME)	2,222
Restatements and consolidation adjustments	(3)
Share of head office and interest expenses	(36)
Contribution to pre-tax income of the division	2,183

IV

Consolidated Financial Statements of the Renault Group for the 1997 Fiscal Year

Consolidated Income Statements

(In millions of French francs)	1997	1996	1995
Sales	**200,037**	176,023	175,596
Finance revenues (Note 4)	**7,875**	8,055	8,469
Sales (Note 3)	**207,912**	**184,078**	**184,065**
Cost of goods and services sold	**(162,932)**	(147,036)	(144,959)
Cost of sales financing (Note 4)	**(4,509)**	(4,716)	(5,000)
Research and development expenses	**(9,038)**	(9,125)	(9,220)
Selling, general and administrative expenses	**(27,731)**	(25,002)	(23,406)
Other operating income and expenses (Note 5)	**(1,672)**	(4,186)	(221)
Costs and operating expenses	**(205,882)**	**(190,065)**	**(182,806)**
Operating income	**2,030**	**(5,987)**	**1,259**
Net interest income	**289**	65	526
Other income and expenses, net (a)	**1,729**	259	128
Financial income (Note 7)	**2,018**	**324**	**654**
Share in net income of companies accounted for under the equity method (Note 11)	**47**	18	63
Group pre-tax income	**4,095**	**(5,645)**	**1,976**
Current and deferred tax (Note 8)	**1 343**	379	305
Net income before minority interests	**5,438**	**(5,266)**	**2,281**
Minority interests	**(11)**	18	(142)
Net income (Renault)	**5,427**	**(5,248)**	**2,139**
Earnings per share in French francs (Note 1-J)	**22.79**	**(22.07)**	**9.03**
Average number of shares outstanding (in thousands)	**238,151**	**237,750**	**236,887**

(a) of which FRF 1.6 million corresponds to capital gains on the sale of Elf Aquitaine and AB Volvo stock.

Consolidated Balance Sheets at December 31

(In millions of French francs)	1997	1996	1995
ASSETS			
Intangible assets	**595**	357	367
Property, plant and equipment (Note 9)	**58,780**	55,104	52,687
Assets under operating lease (Note 10)	**1,799**	1,799	1,889
Investments in companies at equity accounted for under equity method (Note 11)	**712**	757	890
Other investments (Note 12)	**1,204**	2,897	2,851
Other financial assets	**2,279**	2,152	2,047
Finance receivables (Note 13)	**64,009**	57,808	56,052
Deferred tax assets (Note 8)	**9,280**	7,211	7,906
Inventories (Note 14)	**24,353**	21,663	20,131
Accounts and notes receivable (Note 15)	**17,374**	15,913	15,889
Other receivables and pre-paid expenses (Note 16)	**14,120**	10,378	10,538
Loans (Note 17)	**26,369**	36,307	39,638
Marketable securities (Note 18)	**1,889**	1,191	1,531
Cash and cash equivalents (Note 1-O)	**10,392**	7,264	10,590
Total assets	**233,155**	**220,801**	**223,006**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	**5,995**	5,995	5,975
Share premium account	**15,524**	15,524	15,444
Retained earnings	**18,522**	23,677	22,375
Translation adjustment	**(1,551)**	(2,178)	(2,137)
Net income	**5,427**	(5,248)	2,139
Shareholders' equity (Note 19)	**43,917**	37,770	43,796
Minority interests (Note 20)	**4,456**	2,026	2,154
Redeemable shares (Note 21)	**2,317**	2,317	2,388
Deferred tax liabilities (Note 8)	**4,459**	4,578	6,415
Provisions for pensions and other post-retirement benefits (Note 22)	**7,012**	6,372	6,031
Other provisions for risks and liabilities (Note 23)	**12,394**	10,064	7,790
Bonds (Note 24)	**20,199**	19,782	17,000
Other borrowings (Note 24)	**78,742**	86,254	88,107
Accounts and notes payable	**35,900**	29,882	29,171
Other liabilities (Note 25)	**20,589**	17,672	17,120
Deferred income	**3,170**	4,084	3,034
Total shareholders' equity and liabilities	**233,155**	**220,801**	**223,006**

Change in Consolidated Shareholders' Equity

(In millions of French francs)	Number of shares (in thousands)	Share capital	Share premium account	Foreign currency translation adjustment	Retained earnings	Total
Balance at December 31, 1994, before allocation	**238,072**	**5,952**	**15,444**	**(2,123)**	**23,511**	**42,784**
Capital increase (Note 19A)	936	23			(9)	**950**
Treasury stocks	(1,653)				(155)	(1,808)
Dividend					(827)	(827)
Change in translation adjustment and other				(14)	(145)	(159)
Income for the 1995 fiscal year					2,139	2,139
Balance at December 31, 1995, before allocation	**237,355**	**5,975**	**15,444**	**(2,137)**	**24,514**	**43,079**
Capital increase (Note 19A)	790	20	80			**890**
Dividend					(837)	(837)
Change in translation adjustment and other				(41)		(41)
Income for the 1996 fiscal year					(5,248)	(5,248)
Balance at December 31, 1996, before allocation	**238,145**	**5,995**	**15,524**	**(2,178)**	**18,429**	**37,770**
Capital increase (Note 19A)						
Treasury stocks	1,000				93	93
Dividend						
Change in translation adjustment				627		627
Income for the 1997 fiscal year					5,427	5,427
Balance at December 31, 1997, before allocation	**239,145**	**5,995**	**15,524**	**(1,551)**	**23,949**	**43,917**

Statement of Cash Flows

(In millions of French francs)	1997	1996	1995
OPERATING ACTIVITIES			
Renault net income	**5,427**	(5,248)	2,139
Depreciation and amortization	**11,002**	10,629	9,469
Net effects of sales financing credit losses	**577**	571	606
(Profits) losses on asset disposal	**(2,017)**	330	(280)
Appropriation (reversal) of long-term net valuation provisions	**876**	1,694	160
Share in net income of companies accounted for under the equity method (net of dividends received)	**(34)**	74	201
Deferred taxes	**(2,038)**	(1,114)	(768)
Minority interests	**11**	(18)	142
Cash flow	**13,804**	**6,918**	**11,669**
Decrease (increase) in inventories	**(418)**	(88)	377
Decrease (increase) in accounts and notes receivable	**(338)**	327	(2,387)
Decrease (increase) in other receivables and accrued expenses	**(2,529)**	(1,158)	653
Increase (decrease) in trade accounts and notes payable	**3,885**	(42)	(1,352)
Increase (decrease) in other payables and deferred income	**3,340**	3,780	(1,019)
Decrease (increase) in working capital requirement	**3,940**	**2,819**	**(3,728)**
Retail financing	**(37,684)**	(31,567)	(29,162)
Customer repayment	**32,668**	28,852	29,269
Change in renewable net dealer financing	**(1,087)**	1,403	(3,257)
Decrease (increase) in receivables from sales financing	**(6,103)**	**(1,312)**	**(3,150)**
CASH FLOWS FROM OPERATING ACTIVITIES	**11,641**	**8,425**	**4,791**

Statement of Cash Flows

(In millions of French francs)	1997	1996	1995
INVESTING ACTIVITIES			
Acquisitions of investments, net of cash acquired	**(814)**	(653)	(241)
Capital expenditure for property, plant, equipment and intangibles	**(15,475)**	(16,393)	(15,258)
Disposal of investments, net of cash disbursed	**4,505**	144	268
Proceeds from sales of property, plant and equipment and intangible assets	**2,586**	2,301	2,921
Net investment	**(9,198)**	**(14,601)**	**(12,310)**
Net (increase) decrease in other financial assets (1)	**(94)**	151	(136)
Receivables on AB Volvo relative to the disposal of VTC		1,129	
CASH FLOWS FROM INVESTING ACTIVITIES (1)	**(9,292)**	**(13,321)**	**(12,446)**
FINANCING ACTIVITIES			
Bond issuance	**4,497**	4,080	1,148
Bond redemption	**(3,934)**	(1,401)	(2,607)
Net increase (decrease) in other borrowings	**(11,467)**	(806)	(1,203)
Net increase (decrease) in marketable securities (1)	**(611)**	334	(1,312)
Net increase (decrease) in loans (1)	**11,758**	560	14,479
Proceeds from issuance of share capital			14
Proceeds from minority interests	**483**	168	99
Dividends paid to parent company shareholders		(737)	(827)
Dividends paid to minority interests	**(121)**	(78)	(119)
Other		(70)	(2)
CASH FLOW FROM FINANCING ACTIVITIES (1)	**605**	**2,050**	**9,670**
CHANGE IN CASH AND CASH EQUIVALENTS (Note 1-0)	**2,954**	**(2,846)**	**2,015**
Balance at the beginning of the year	**7,264**	10,590	8,486
Increase (decrease)	**2,954**	(2,846)	2,015
Effects of exchange rates on cash and cash equivalents	**174**	(480)	89
Balance at the end of the year	**10,392**	**7,264**	**10,590**

(1) From 1997, variations in marketable securities and loans are included in cash flow from financing activities. Before this date they were counted in cash flow from investing activities. Data for 1995 and 1996 have been adjusted accordingly.

Information by Division

(In millions of French francs)	Renault S.A. Head Office (a)	Automobile Division	Commercial Vehicles Division	Finance Division	Consolidated
1997 fiscal year					
Sales		169,062	34,626	8,613	
Interdivision eliminations (b)		(3,274)	(446)	(669)	
Contribution to consolidated sales		165,788	34,180	7,944	**207,912**
Contribution to consolidated operating income		901	(191)	1,320	**2,030**
Contribution to consolidated pre-tax income (a)		2,370	(458)	2,183	**4,095**
Total assets	6,372	102,306	19,720	104,757	**233,155**
Investments in securities	(24)	791	39	8	**814**
Investments in property, plant, equipment and intangibles		12,875	1,066	1,534	**15,475**
Depreciation and amortization		9,392	975	635	**11,002**
Research and development expenses		8,112	926		**9,038**
Workforce		112,178	25,860	3,277	**141,315**
1996 fiscal year					
Sales		149,004	30,501	8,682	
Interdivision eliminations (b)		(3,042)	(494)	(573)	
Contribution to consolidated net sales		145,962	30,007	8,109	**184,078**
Contribution to consolidated operating income		(6,545)	(705)	1,263	**(5,987)**
Contribution to consolidated pre-tax income		(6,166)	(1,133)	1,654	**(5,645)**
Total assets	6,573	89,287	18,616	106,325	**220,801**
Investments in securities	(58)	524	106	81	**653**
Investments in property, plant, equipment and intangibles		13,550	1,412	1,431	**16,393**
Depreciation and amortization		9,078	880	671	**10,629**
Research and development expenses		7,938	1,187		**9,125**
Workforce		111,523	26,049	3,333	**140,905**
1995 fiscal year					
Sales		146,007	33,522	9,200	
Interdivision eliminations (b)		(3,393)	(596)	(675)	
Contribution to consolidated sales		142,614	32,926	8,525	**184,065**
Contribution to consolidated operating income		(991) (c)	978	1,272 (c)	**1,259**
Contribution to consolidated pre-tax income		(275)	574	1,677	**1,976**
Total assets	8,928	84,615	18,301	111,161	**223,005**
Investments in securities		174	26	41	**241**
Investments in property, plant, equipment and intangibles		12,750	1,070	1,438	**15,258**
Depreciation and amortization		8 015	757	697	**9,469**
Research and development expenses		7,952	1,268		**9,220**
Workforce		110,752	25,812	3,386	**139,950**

(a) The activity of the Renault and Cofiren head offices is allocated to the other divisions according to convention. Head Office income, which in 1997 included a capital gain on the sale of AB Volvo shares for FRF 1,230 million, has likewise been divided between the divisions according to convention.
(b) Interdivision transactions are carried out under near-market conditions.
(c) In 1995, re-organization of the management of extended warranties and maintenance contracts, which changed the relationship between the Finance Division and the Automobile Division, generated a non-recurring loss of FRF 238 million in the results of the Finance Division and a corresponding profit in the results of the Automobile Division.

Information by Geographical Area (a)

(In millions of French francs)	France	Other EU countries	Other European countries	Other countries	Consolidated
1997 fiscal year					
Sales	181,822	102,888	10,544	23,297	
Inter-area eliminations	(82,085)	(23,546)	(4,341)	(667)	
Contribution to consolidated sales	99,737	79,342	6,203	22,630	**207,912**
Contribution to consolidated operating income	242	1,098	137	553	**2,030**
Contribution to consolidated pre-tax income	1,926	1,114	306	749	**4,095**
Total assets	123,300	64,674	30,424	14,757	**233,155**
Investments in securities	795	15		4	**814**
Investments in property, plant, equipment and intangibles	11,502	2,176	393	1,404	**15,475**
Depreciation and amortization	8,761	1,383	166	692	**11,002**
Workforce	95,455	25,220	4,827	15,813	**141,315**
1996 fiscal year					
Sales	165,892	89,733	7,638	14,599	
Inter-area eliminations	(63,265)	(25,999)	(3,913)	(607)	
Contribution to consolidated sales	102,627	63,734	3,725	13,992	**184,078**
Contribution to consolidated operating income	(6,317)	(16)	100	246	**(5,987)**
Contribution to consolidated pre-tax income	(6,241)	(63)	290	369	**(5,645)**
Total assets	121,410	56,336	36,928	6,127	**220,801**
Investments in securities	650	3			**653**
Investments in property, plant, equipment and intangibles	13,627	1,936	211	619	**16,393**
Depreciation and amortization	8,590	1,523	177	339	**10,629**
Workforce	99,524	27,299	4,599	9,483	**140,905**
1995 fiscal year					
Sales	165,505	84,341	6,702	15,710	
Inter-area eliminations	(60,389)	(23,261)	(3,499)	(1,044)	
Contribution to consolidated sales	105,116	61,080	3,203	14,666	**184,065**
Contribution to consolidated operating income	(918)	1,345	61	771	**1,259**
Contribution to consolidated pre-tax income	(512)	1,393	227	868	**1,976**
Total assets	118,800	52,039	44,935	7,232	**223,006**
Investments in securities	204	12		25	**241**
Investments in property, plant, equipment and intangibles	12,699	2,043	102	414	**15,258**
Depreciation and amortization	7,679	1,341	140	309	**9,469**
Workforce	99,884	26,974	3,107	9,985	**139,950**

(a) The geographical breakdown is based on the areas in which Group companies are located. The breakdown of sales by sales and marketing area is given in Note 3.

Notes to the Consolidated Financial Statements

1 - Accounting Policies

The Group financial statements are prepared in accordance with French law and the International Accounting Standards published by I.A.S.C., with the exception of standard 9 which requires the capitalization of development costs. Like other international automobile manufacturers, Renault continues to expense these costs.

A. Consolidation

The consolidated financial statements include the financial statements of all significant companies controlled directly or indirectly by the Group.

Companies in which Renault exercises significant influence over operating and financial policies are included in the consolidated financial statements on an equity basis. Joint ventures controlled by different groups are proportionately integrated.

All significant transactions between consolidated companies and unrealized internal profits are eliminated.

B. Translation of the financial statements of foreign subsidiaries.

A) AS A GENERAL RULE, THE FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES ARE TRANSLATED AS FOLLOWS:

• Balance-sheet items, with the exception of shareholders' equity, are translated at the year-end rate of exchange.
• Income-statement items are translated at the average exchange rates of the year.
• The translation adjustment is included in consolidated shareholders' equity and has no effect on the result.

B) THE FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES OPERATING IN HIGHLY INFLATIONARY ECONOMIES (THE INFLATION RATE OVER THREE YEARS IS IN EXCESS OF 100%) ARE TRANSLATED AS FOLLOWS:

• Balance sheet items are translated into French francs at the year-end rate used for the transfer of dividends after adjusting non-monetary items for local inflation.
• After adjustment for inflation on monetary items, items in the income statement are translated using the same year-end rate as for the balance sheet.
• The translation adjustment is included in shareholders' equity and has no effect on the result.

C) FOR FOREIGN COMPANIES WHOSE OPERATIONS ARE AN INTEGRAL PART OF THOSE OF THE PARENT, THE HISTORICAL RATE METHOD IS APPLIED FOR NON-MONETARY BALANCE-SHEET AND INCOME STATEMENT ITEMS AND THE TRANSLATION ADJUSTMENT IS INCLUDED IN THE INCOME FOR THE YEAR.

C. Translation of foreign currency transactions

At year-end, monetary balances denominated in foreign currencies that have not been hedged are translated at the year-end rate. The resulting foreign exchange differences together with the exchange gains and losses on transactions in foreign currencies for the year are recognized in the income statement. Hedged foreign currency operations are translated at the hedged rate.

D. Sales

Sales includes all income from the ordinary activities of consolidated companies. It includes sales of goods and services as well as income from sales financing.

A. SALES OF GOODS AND SERVICES

Sales and margin recognition

Sales revenue is recognized when vehicles are made available to the distribution network in the case of non-group dealers, or upon delivery to the end user when the delivery is direct. The margin on sales is recognized immediately for cash sales and when financing arrangements (leasing, long-term lease operations, consisting of lease financing for the purchase of

Notes to the Consolidated Financial Statements

vehicles by private individuals and companies) are considered as Loans. However, the sale is not recognized if the vehicle is covered by a leasing contract issued by a finance company belonging to the Group, when the Group has made a buy-back commitment. These vehicles are entered as assets under operating leases and depreciated over their probable duration of use. A provision is recognized on delivery if the repurchase value appears likely to exceed the probable resale value.

Product warranty costs

Estimated or incurred costs related to product and part warranty are expensed at the time of the sale of the products and parts. Renault also offers its customers extended warranty and maintenance contracts, the income and result of which are recognized over the period during which the service is to be provided.

Sales incentive programs

All expenses related to these programs are deducted from net sales when the corresponding sales are registered. Programs approved after the sale in question are provisioned as approved.

The Group implements promotional programs in the form of reduced interest rates on financing offered to end users. This cost is recognized immediately when the rates offered are below market rates, in other words when they do not cover refinancing and handling costs.

B. SALES FINANCING

The sales financing companies in the Group mainly finance the sale of automobiles and commercial vehicles to dealers or end users. Financing is provided in the form of standard loans or leasing arrangements, including long-term lease operations. Except where the group is committed to repurchase leased vehicles, financing is treated as credit and recorded on the balance sheet at the nominal amount of the non-reimbursed capital with a deduction for any provisions. Income from sales financing is calculated so as to yield a constant interest rate over the contract period.

Commissions payable

Commissions are recognized when financing is granted to customers.

Credit losses

Allowances for credit losses are made as soon as these receivables are deemed to be uncollectible. Provisions are determined on a case-by-case basis or using a statistical approach.

E. Research and development expenses.

Research and development expenses are defined as research, development and production costs relating to new products. They are recorded in the costs for the tax year in which they are incurred.

F. Pensions and other post-retirement benefits

The cost of retirement indemnities, pensions and other post-retirement benefits (health care of former employees, other benefit costs) is entered as these vested benefits are earned by employees. These rights are determined at the end of each fiscal year on the basis of seniority, and the likelihood of the person being employed by the company at retirement age or at the minimum age required for eligibility in cases where certain benefits are irrevocably acquired before that date. The liability is calculated on an actuarial basis, using assumptions concerning future salary levels, retirement age and the return on plan assets. The effects of changes in this actuarial basis for calculation are only recognized when they lead to a re-evaluation of the provision for these liabilities of more than 10%; they are then recognized over the remaining years of service of active employees.

Notes to the Consolidated Financial Statements

When the terms of pension and post-retirement benefits change, the effect of these modifications is spread over the remaining years of service of employees, in the case of employees who are still active. In the case of retired persons, the corresponding effect is recognized in full in the results for the period during the course of which the modification was implemented.

G. Restructuring measures

The estimated cost of restructuring measures (workforce adjustments, industrial reorganization, etc.) is recorded as an expense as soon as such measures receive final approval.

H. Operating income

Operating income includes all revenues and costs directly related to the ongoing activities of the Group, whether recurring or resulting from one-off decisions or operations, such as restructuring costs. Unusual items, defined as relating to revenues and costs that are unusual owing to their frequency, nature and amount, are included in income from ordinary activities. Income from financial transactions, from companies accounted for under the equity method or any extraordinary items is not included. Extraordinary items are very strictly defined and correspond to revenues and costs of significant amounts that are due to events beyond the Group's control.

For companies providing financing to customers of the Group (dealers or end users):

• Revenues from sales financing are included in sales.
• The net financing cost of sales is considered to be an operating expense. It includes primarily the interest incurred by sales financing companies, other costs and income directly related to the handling of sales financing (temporary investments, hedging and management of interest rate and foreign currency risks), depreciation of assets on operating leases as well as the gains and losses on disposals of leased assets.

I. Income tax

The Group recognizes deferred taxes for all temporary differences between tax and net carrying values of assets and liabilities on the consolidated balance sheet. Using the variable carry-forward method, deferred taxes are calculated by applying the last tax rate in force. Deferred tax assets are recorded on temporary differences and on losses or credits that may be brought forward, and are written down when their future realization is unlikely.

Retained earnings of consolidated subsidiaries may give rise to the appropriation of a provision for taxes on dividends, unless dividend payment is unlikely.

J. Earnings per share

Renault's earnings per share is calculated using the weighted average number of outstanding shares, corresponding to the shares making up the share capital after deduction of treasury stock.

K. Property, plant and equipment

Property, plant and equipment are carried at historical or production cost. Design expenses are included in the cost of production, together with costs relating to financing which are borne during the period of construction.

Repair and maintenance costs are recognized as expenses, except those incurred to increase productivity or to prolong the life of an asset.

Leased equipment is recorded as an acquisition when the lease terms are similar to those of a purchase carried out on credit.

Notes to the Consolidated Financial Statements

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	In use prior to 1987	In use since 1987
Buildings	15 to 40 years	15 to 30 years
Special tools		5 years
Machinery and equipment	5 to 16 years	5 to 10 years
Other tangible assets		4 to 6 years

L. Marketable and other securities

Equity securities

Equity securities in non-consolidated companies are presented on the balance sheet at their acquisition price, excluding accessory purchasing costs, with the deduction of any provisions made. The corresponding dividends are booked in the year in which they are distributed.

Provisions are recognized when the fair value of the investments falls below their cost of acquisition. The fair value is determined by taking into account likely future profitability, the commercial opportunity that the investment represents for the Group, and the share in net assets.

Debt securities

Debt securities only include fixed income securities acquired with the intention of being held on a long-term basis, usually until maturity. These securities are either hedged by interest rate futures to protect them from interest rate exposure in the long term, or supported by long-term financing enabling them to be held until maturity.

Discounts and premiums are amortized on a straight-line basis over the remaining life of the security. Provisions for loss are established when there is a likelihood of the issuer defaulting.

Marketable securities

Marketable securities are valued at the cost of acquisition excluding accessory purchasing costs and, for bonds, interest already earned, or at their market value if this is lower.

M. Treasury stock

Shares in the common stock of the parent company held on a long-term basis by consolidated companies are deducted from consolidated stockholders' equity at their purchase price.

Profit or loss on the sale of these shares are recorded directly in consolidated retained earnings.

N. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost corresponds to acquisition or production cost. Production cost includes direct and indirect production expenses and a share of fixed costs associated with manufacturing, based on a normal level of activity. Cost is generally calculated using the FIFO (first in first out) method.
Income on long-term contracts is recognized on the percentage of completion method. Provisions are established for probable losses in the fiscal year in which they become known.

O. Cash and cash equivalents

This item consists of cash and marketable securities maturing within three months of the acquisition date.

P. Disposals of receivables

Receivables sold to third parties (through securitization or discounting) are removed from the Group's assets when the risks and rewards of ownership are also transferred to these third parties.

Notes to the Consolidated Financial Statements

Q. Borrowings

Loan costs, including issuance costs, and bond redemption premiums are amortized over the corresponding loan period.

R. Financial instruments

To manage its exchange rate risk, the Group uses forward foreign exchange contracts, currency swaps and, to a lesser extent, options. Forward foreign exchange contracts are recognized as hedges insofar as they are designated as such. These hedges may cover the net investment of the Group in certain foreign subsidiaries, receivables or debts denominated in foreign currencies, or firm foreign currency commitments. These instruments generally mature within two years. The contracts are treated as off-balance-sheet financial instruments, with related gains and losses recorded in the settlement of the underlying transactions. In the event of early termination of a hedging contract, the gain or loss continues to be deferred and is included in the settlement of the underlying transaction. Gains and losses on instruments that hedge net investments in foreign subsidiaries are recognized as an adjustment directly in shareholders' equity.

The general policy of the Group with respect to interest rate risk is not to specifically hedge transactions, but to manage interest rate exposure on a comprehensive basis using interest rate swaps, forward interest rate contracts and currency swaps. Interest rate swaps are treated as off-balance-sheet financial instruments and the resulting interest differentials are recorded as an adjustment to interest expense. In the event of early termination of a rate swap, gains and losses are deferred and modify the interest cost over the remaining term of the underlying debt.
The underlying capital gains or losses on forward interest rate contracts that are designated as hedges are used to adjust the interest expense for the duration of the underlying debt. For other contracts, only the underlying losses are recognized in the results.

The Group also uses commodity futures contracts to cover its purchases. Since the Group can at its discretion either settle these transactions in cash or by taking physical delivery of the commodities concerned, these contracts are not considered financial instruments.

2 - Change in the scope of consolidation

The scope of consolidation can be broken down as follows:

	1997	1996	1995
Fully consolidated	**181**	168	144
Proportionately integrated	**12**	9	9
Equity method	**37**	47	42
	230	**224**	**195**

Except as regards sales, changes in the scope of consolidation have no significant effect on the Group's accounts.

The consolidated sales for 1997 take into account:

• FRF 2,626 million corresponding to the effect of the full consolidation of the Renault Argentine Group from June 30, 1997; until then the Group was consolidated using the equity method via the Cofal holding company.

• FRF 802 million corresponding to the effect of the first consolidation of the sales subsidiaries in Central Europe (Renault Polska, Renault Ceska and Renault Hungaria).

The consolidated sales for 1996 take into account:

• for the Automobile Division, the first consolidation of the French sales subsidiaries (FRF 1,073 million) and of Renault Retail Group (FRF 1,019 million), and the entry of Renault Comercial do Brasil (FRF 480 million);
• for the Commercial Vehicles Division, the entry of Karosa (FRF 514 million).

The consolidated sales for 1995 take into account the entry of new subsidiaries for FRF 541 million, including FRF 313 million for the Automobile Division to account for the subsidiaries of CAT.

Notes to the Consolidated Financial Statements

3 - Sales

Sales (in millions of French francs) according to the country in which the companies are located and marketing areas were as follows:

1997	Company location				
	France	European Union	Other Europen countries	Other countries	Total
SALES AND MARKETING AREA					
France	**81,701**	142	24	109	81,976
European Union	**6,437**	78,866	3	7	85,313
Other European countries	**1,476**	240	5,995	4	7,715
Other countries	**10,122**	94	181	22,511	32,908
Total	**99,736**	**79,342**	**6,203**	**22,631**	**207,912**

1996	Company location				
	France	European Union	Other European countries	Other countris	Total
SALES AND MARKETING AREA					
France	**84,608**	116	53	5	84,782
European Union	**5,705**	62,816	2	8	68,531
Other European countries	**2,648**	757	3,495	20	6,920
Other countries	**9,666**	46	175	13,958	23,845
Total	**102,627**	**63,735**	**3,725**	**13,991**	**184,078**

1995	Company location				
	France	European Union	Other European countries	Other countries	Total
SALES AND MARKETING AREA					
France	**88,329**	313	5	23	88,670
European Union	**5,373**	60,269	1	9	65,652
Other European countries	**1,752**	406	3,195	36	5,389
Other countries	**9,662**	92	2	14,598	24,354
Total	**105,116**	**61,080**	**3,203**	**14,666**	**184,065**

Notes to the Consolidated Financial Statements

4 - Sales financing

Revenues (in millions of francs)	1997	1996	1995
Retail and dealer financing	**4,356**	4,326	4,575
Leasing, rentals and similar operations	**3,519**	3,729	3,894
Total	7,875	8,055	8,469

Costs (in millions of francs)	1997	1996	1995
Net credit losses	**(263)**	(327)	(423)
Other sales financing costs	**(4,246)**	(4,389)	(4,577)
Total	(4,509)	(4,716)	(5,000)

5 - Other operating revenues and expenses, net

(In millions of French francs)	1997	1996	1995
Restructuring costs and provisions	**(1,544)**	(3,906)	(253)
Capital gains (losses) on asset disposals	**17**	(156)	63
Foreign exchange gains (losses)	**(75)**	7	(88)
Other operating revenues and expenses	**(70)**	(131)	57
Total	(1,672)	(4,186)	(221)

Restructuring costs and provisions are mainly to allow for measures to reorganize certain operations and to adjust workforce levels.

In 1997, they were accounted for principally by Renault S.A.'s human resources plan (FRF 425 million) and the net effect of the continued implementation of other restructuring measures by the Automobile Division.

In 1996, they primarily entailed the cost of stopping the activity of the Renault Industrie Belgique (R.I.B.) Vilvoorde factory (FRF 2,419 million) and costs involved in Renault S.A.'s human resources plan (FRF 795 million).

6 - Personnel costs

(In millions of French francs)	1997	1996	1995
Automobile Division	**28,459**	27,260	26,728
Commercial Vehicles Division	**6,936**	6,595	6,489
Finance Division	**1,214**	1,167	1,177
Total	36, 609	35, 022	34,394

The total level of remuneration for Renault Group Directors (members of the Group's Executive Committee) was FRF 16.9 million in 1997.

Remuneration of members of the Board of Directors totaled FRF 2 million.

7 - Financial income

Net interest income (expense) can be broken down as follows:

(In millions of French francs)	1997	1996	1995
Interest expense	**(2,656)**	(2,903)	(3,207)
Interest income	**2,887**	2,906	3,728
Gain on sales of marketable securities	**58**	62	5
Total	289	65	526

Other financial income and expense includes:

(In millions of French francs)	1997	1996	1995
Income from participations in non-Group companies	**1,716**	252	120
Other financial income and expenditure	**13**	7	8
Total	1,729	259	128

Notes to the Consolidated Financial Statements

In 1997, income from non-Group investments included FRF 419 million in capital gains from the sale of Elf Aquitaine shares by the Finance Division and FRF 1,230 million in capital gains from the sale of AB Volvo shares by Renault SA head office.

8 - Current and deferred taxes

Renault benefits from the worldwide "consolidated profits" tax regime which was extended on January 1, 1998 for a period of three years. This regime allows it to base its taxes on the taxable earnings of most of its subsidiaries and companies in which it has holdings, French and foreign, and to offset, within certain limits, taxes paid by these companies against its own tax liability.

Moreover, since 1990, Renault has elected to determine French income taxes on a consolidated basis, including French subsidiaries held at 95% or more.

Once the increase in the French corporate tax rate from 33.3% to 36.6% had been made definitive, the deferred taxes of French companies in the Group were reevaluated correspondingly. Taking into account the probability of recovering deferred tax assets, the effect of this re-evaluation came to FRF 310 million.

On account of the deficit tax position of the consolidated French companies, the additional contribution of 15% levied in 1997 did not affect the result for the fiscal year.

It is on this basis that the Group's current and deferred taxes were determined as follows:

(In millions of French francs)	1997	1996	1995
Income taxes currently payable by Group companies	**(1,515)**	(1,381)	(1,566)
Effect of Group tax relief	**551**	308	958
Current tax charges (Note 8-A)	**(964)**	(1,073)	(608)
Deferred tax credits	**2,307**	**1,452**	**913**
Current and deferred taxes	**1,343**	**379**	**305**

A. The current taxes of Group companies are taxes payable to the tax authorities for the fiscal year. This amount is determined according to the fiscal legislation and rate in effect in various countries, and includes tax rebates obtained or to be obtained for the same fiscal year - with the exception of foreign tax credits deducted from the tax payable in France - in accordance with the worldwide "consolidated profits" regime, which are presented in deferred taxes.

B. The valuation allowance for deferred tax assets is determined taking into account the probability of recovery of deferred tax assets over time, and the characteristics of the worldwide "consolidated profits" reporting system.

C. Moreover, at December 31, 1997, the Group had long-term capital losses of a total of FRF 4,550 million (FRF 5,805 million at December 31, 1996 and FRF 6,482 million at December 31, 1995).

The table below shows the reconciliation between the French corporate tax rate on income and the Group's effective tax rate:

	1997	1996	1995
French corporate income tax rate	**36.6%**	36.6%	36.6%
Capital gains on disposals and other taxable items	**(15.2%)**	3.1%	(16.4%)
Appropriation / reversal of valuation allowances for deferred tax assets	**(36.7%)**	(33.0%)	(43.3%)
Other items	**(17.5%)**		7.7%
Effective tax rate	**(32.8%)**	6.7%	(15.4%)

On the balance sheet, deferred taxes can be broken down as follows:

(In millions of French francs)	1997	1996	1995
Fixed assets	**3,237**	3,558	5,281
Other	**1,222**	1,020	1,134
Deferred tax liabilities	**4,459**	4,578	6,415
Provisions and other accrued expenses deductible only on payment	**5,868**	6,074	4,889
Intercompany eliminations	**5,677**	4,681	4,693
Gross deferred tax assets	**11,545**	10,755	9,582
Valuation allowance	**(2,265)**	(3,544)	(1,676)
Net deferred tax assets	**9,280**	7,211	7, 906
Net deferred tax assets (liabilities)	**4.821**	**2.633**	**1.491**

Notes to the Consolidated Financial Statements

9 - Property, Plant and Equipment

(In millions of French francs)	1997	1996	1995
Land	**2,148**	2,015	1,904
Buildings	**25,942**	23,666	22,785
Special tools	**31,143**	27,686	27,686
Machinery and equipment	**61,428**	54,893	49,992
Other tangibles	**11,450**	10,510	10,049
Construction in progress	**5,564**	7,453	5,888
Gross value	**137,675**	**126,223**	**118,304**
Land and buildings	**(12,296)**	(10,970)	(9,973)
Special tools	**(21,167)**	(20,244)	(20,919)
Machinery and equipment	**(37,865)**	(33,301)	(28,476)
Other tangible assets	**(7,567)**	(6,604)	(6,249)
Depreciation and amortization	**(78,895)**	**(71,119)**	**(65,617)**
Net value	**58,780**	**55,104**	**52,687**

Changes in property, plant and equipment for the fiscal year were as follows:

(In millions of French francs)	Gross value	Depreciation	Net value
Value at December 31, 1994	**112,024**	**(61,914)**	**50,110**
Acquisitions / (depreciation)	13,764	(8,768)	4,996
(Disposals) / reversals	(6,644)	4,570	(2,074)
Translation adjustment	(642)	315	(327)
Change in the scope of consolidation	(198)	180	(18)
Value at December 31, 1995	**118,304**	**(65,617)**	**52,687**
Acquisitions / (depreciation)	15,169	(11,286)	3,883
(Disposals) / reversals	(7,959)	6,050	(1,909)
Translation adjustment	242	(39)	203
Change in the scope of consolidation	467	(227)	240
Value at December 31, 1996	**126,223**	**(71,119)**	**55,104**
Acquisitions / (depreciation)	13,552	(10,200)	3,352
(Disposals) / reversals	(7,894)	5,887	(2,007)
Translation adjustment	1,170	(553)	617
Change in the scope of consolidation	4,625	(2,911)	1,714
Value at December 31, 1997	**137,676**	**(78,896)**	**58,780**

Interim interests capitalized during the 1997 fiscal year amount to FRF 304 million (FRF 197 million in 1996 and FRF 391 million in 1995).

In 1997, the "change in the scope of consolidation" entry includes FRF 1,582 million as a result of full consolidation of the Renault Argentina Group on June 30, 1997, representing a gross amount of FRF 4,501 million and FRF 2,919 million in amortization.

The (disposals) / reversals entry for 1995 includes the FRF 959 million impact of the sale of buildings in progress in connection with the Guyancourt Technocentre (Note 28).

10 - Assets under operating lease

Assets under operating lease correspond to vehicles under long-term leases due to be sold at the end of the leasing period. Changes in this item were as follows:

(In millions of French francs)	Gross value	Depreciation	Net value
Value at December 31, 1994	**3,236**	**(1,222)**	**2,014**
Acquisitions / depreciation	1,251	(582)	669
(Disposals) / reversals	(1,476)	682	(794)
Value at December 31, 1995	**3,011**	**(1,122)**	**1,889**
Acquisitions / depreciation	1,157	(569)	588
(Disposals) / reversals	(1,296)	618	(678)
Value at December 31, 1996	**2,872**	**(1,073)**	**1,799**
Acquisitions / depreciation	1,192	(545)	647
(Disposals) / reversals	(1,246)	599	(647)
Value at December 31, 1997	**2,818**	**(1,019)**	**1,799**

Notes to the Consolidated Financial Statements

11 - Investment in companies at equity

(In millions of French francs)	1997	1996	1995
Mais	391	94	127
Sofasa	64	59	50
Cofal Group		400	415
Karosa			90
Other	257	204	208
Total	**712**	**757**	**890**

In the course of the 1997 fiscal year, Renault acquired an additional 29% stake in Maïs, taking its holding from 20% to 49%. Cofal is fully consolidated starting June 30, 1997.

Karosa, which entered the scope of consolidation in 1995, has been fully consolidated since January 1, 1996.

Changes in this item were as follows:

(In millions of French francs)	1997	1996	1995
Balance ar January 1	**757**	**890**	**1,039**
Change in scope of consolidation	**(364)**	(106)	120
Change in translation adjustment and other changes	**247**	13	(67)
Dividend distribution	**(13)**	(93)	(265)
Increase in capital	**15**	13	
Income	**70**	40	63
Balance at December 31	**712**	**757**	**890**

The figures for all companies accounted for under the equity method were as follows:

(In millions of French francs)	Automobile Division			Commercial Vehicles Division		
	1997	1996	1995	1997	1996	1995
Sales	**7,425**	10,780	13,820	**1,452**	1,749	1,824
Net income	**36**	113	293	**(18)**	3	34
Shareholders' equity	**1,320**	2,084	2,250	**130**	139	383
Balance-sheet total	**3,325**	3,559	3,824	**717**	822	1,138

12 - Other securities

(In millions of French francs)	1997	1996	1995
Investments in majority-owned subsidiaries	**989**	992	1,092
Investments held at 20 to 40%	**120**	102	60
Investments held at less than 20%	**646**	2,310	2,295
Other investments, gross	**1,755**	3,404	3,447
Provisions	**(551)**	(507)	(596)
Net value	**1,204**	**2,897**	**2,851**

The net value of investments in majority-owned subsidiaries was FRF 544 million in 1997, FRF 571 million in 1996 and FRF 552 million in 1995.

At December 31, 1997, the main listed investment was the following:

Name of the company	% held	Net value of the securities held	Market value of the listed securities
BNP	1%	427	548

In 1996 and 1995, investments held at less than 20% included the value of the Group's investments in AB Volvo and Elf Aquitaine: FRF 679 million and FRF 1,022 million respectively. These holdings were sold during the 1997 fiscal year (Note 7).

Notes to the Consolidated Financial Statements

13 - Finance receivables

(In millions of French francs)	1997	1996	1995
Dealer financing	**14,779**	13,524	14,587
Retail financing	**33,109**	29,594	27,279
Leasing and similar operations	**19,034**	17,909	17,631
Gross finance receivables	**66,922**	61,027	59,497
Provisions for credit losses	**(2,913)**	(3,219)	(3,445)
Net finance receivables	**64,009**	**57,808**	**56,052**

The breakdown of finance receivables by geographical area is as follows:

(In millions of French francs)	1997	1996	1995
France	**21,798**	23,631	25,568
Other EU countries	**41,520**	33,767	30,078
Other countries	**691**	410	406
Total	**64,009**	**57,808**	**56,052**

Maturities are as follows:

(In millions of French francs)	1997	1996	1995
Less than one year	**35,023**	31,413	32,221
One to five years	**28,858**	26,281	23,723
Greater than five years	**128**	114	108
Total	**64,009**	**57,808**	**56,052**

14 - Inventories

Inventories can be broken down as follows:

(In millions of French francs)	1997	1996	1995
Inventories at cost	**26,329**	23,822	21,875
Provisions	**(1,976)**	(2,159)	(1,744)
Inventories, net	**24,353**	**21,663**	**20,131**

The net value of inventories can be broken down as follows:

(In millions of French francs)	1997	1996	1995
Raw materials and supplies	**4,413**	3,715	3,974
Work-in-progress	**3,103**	2,665	2,882
Finished products and parts for automobiles	**11,342**	10,464	9,203
Finished products and parts for commercial vehicles	**3,545**	3,479	2,976
Other finished products and parts	**1,798**	1,260	1,046
Long-term leases	**152**	80	50
Total	**24,353**	**21,663**	**20,131**

15 - Accounts and notes receivable

Accounts and notes receivable can be broken down as follows:

(In millions of French francs)	1997	1996	1995
Accounts and notes receivable	**18,387**	16,916	16,916
Provisions	**(1,013)**	(1,003)	(1,027)
Accounts and notes receivable, net	**17, 374**	**15,913**	**15,889**

This item does not include dealer receivables, which in France as in several other European countries are sold to the financial subsidiaries of the Group or to other financial institutions, together with the risk of non-collection. In such cases they are recorded under finance receivables. When the risk is not transferred, they are recorded under accounts and notes receivable, even though the receivable itself has been legally transferred.

Notes to the Consolidated Financial Statements

16 - Other receivables and prepaid expenses

(In millions of French francs)	1997	1996	1995
Bond issuance costs and redemption premiums	**204**	197	189
Prepaid expenses	**3,260**	3,005	2,808
Tax receivables	**5,974**	3,971	3,139
Other receivables	**4,682**	3,205	4,402
Total	**14,120**	**10,378**	**10,538**

17 - Investment loans

Investment loans are for the most part made up of interbank loans by finance companies and can be broken down as follows:

(In millions of French francs)	1997	1996	1995
Maturity over one year	**1,410**	1,843	2,355
Maturity of less than one year	**24,959**	34,464	37,283
Total	**26,369**	**36,307**	**39,638**

18 - Marketable securities

(In millions of French francs)	1997	1996	1995
Gross value	**1,890**	1,193	1,535
Less provisions	**(1)**	(2)	(4)
Marketable securities, net	**1,889**	**1,191**	**1,531**

This item does not include marketable securities equivalent to cash, which amounted to FRF 853 million in 1997, FRF 630 million in 1996 and FRF 414 million in 1995.

19 - Shareholders' equity

Changes in shareholders' equity can be broken down as follows:

(In millions of French francs)	1997	1996	1995
Shareholders' equity at January 1	**37,770**	**43,796**	**42,784**
Par value of shares issued		20	23
Share premium account		80	
Capitalized reserves			(9)
Dividend (Note 19 A)		(837)	(827)
Change in translation adjustment and other	**627**	(41)	(159)
Treasury stocks	**93**		(155)
Net income	**5,427**	(5,248)	2,139
Shareholders' equity at December 31 (before allocation)	**43,917**	**37,770**	**43,796**

A. The Annual General Meeting of Shareholders on June 7, 1996 decided on a dividend distribution of FRF 837 million (FRF 3.50 per share). The option to receive the dividend in the form of shares granted by the General Meeting of June 7, 1996 was exercised for a value of FRF 100 million. As a consequence, the share capital of the company was increased by FRF 20 million through the issuance at a price of FRF 127 of 790,154 new shares with a nominal value of FRF 25.

The Annual General Meeting of Shareholders on May 24, 1995 decided on a dividend distribution of FRF 833 million (FRF 3.50 per share), representing a net distribution of FRF 827 million after elimination of dividends on treasury stocks.

Notes to the Consolidated Financial Statements

B. Reserves include a non-distributable statutory reserve. This totaled FRF 460 million at December 31, 1997, FRF 460 million at December 31, 1996 and FRF 413 million at December 31,1995.

C. After these transactions, Renault S.A.'s capital breaks down as follows as at December 31, 1997:

	Number of securities held	% of voting rights	Security type
1997			
French State	106,038,281	44.22	Shares
Protocol shareholders	17,460,320	7.28	Shares
Others (1)	116,299,966	48.50	Shares
Total	**239,798,567**	**100**	
1996			
French State	110,012,583	45.87	Shares
AB Volvo	27,206,795	11.35	Shares
Protocol shareholders	26,345,562	11.00	Shares
Others (1)	76,233,627	31.78	Shares
Total	**239,798,567**	**100**	
1995			
French State	126,603 929	52.97	Shares
AB Volvo	27,206 795	11.38	Shares
Protocol shareholders	11,950 420	5.00	Shares
Others (1)	73,247 269	30.65	Shares
Total	**239,008 413**	**100**	

(1) Renault employees, former employees and interested parties, andprivate and institutional .

20 - Minority interests

(In millions of French francs)	1997	1996	1995
Minority interests as at January 1	**2,026**	**2,154**	**2,192**
Dividends	**(126)**	(83)	(117)
Change in translation adjustment	**144**	55	(59)
Change in the scope of consolidation	**2,401**	(82)	(4)
Minority interest in profits	**11**	(18)	142
Minority interests as at 31 December	**4,456**	**2,026**	**2,154**

The entry "Change in method of consolidation and other changes in company structure" encompasses the full consolidation of Cofal and Renault Argentina as of June 30, 1997 (FRF 1,449 million) and capital increases subscribed to by minority shareholders in Cofal and RDBA (FRF 887 million).

21 - Redeemable shares

(In millions of French francs)	1997	1996	1995
Redeemable shares Renault S.A. 1983	**1,000**	1,000	1,000
Redeemable shares Renault S.A. 1984	**1,085**	1,085	1,085
Redeemable shares Diac 1985	**232**	232	303
Redeemable shares outstanding	**2,317**	**2,317**	**2,388**

Redeemable shares, issued in October 1983 and April 1984 by Renault S.A. are reimbursable with a premium at the sole option of Renault beginning in 1998. These redeemable shares have a minimum annual yield of 9%, made up of fixed portion of 6.75% and a portion that varies in line with consolidated sales, calculated on a consistent basis. Payments in 1997 of FRF 213 million (FRF 212 million) in 1996 and (FRF 211 million) in 1995 are booked under financial charges. These securities are listed on the Paris Bourse. The price of a security with nominal value of FRF 1000 - ex-coupon - varied between FRF 1,596 and FRF 1,890 during the year.

Notes to the Consolidated Financial Statements

Remuneration of redeemable shares issued in 1995 by Diac comprises a fixed portion equal to the TAM (annual money-market rate) and a variable portion obtained by applying the year-on-year consolidated net profit growth rate of the Diac subsidiary to 40% of the TAM rate.

The market value of redeemable shares, based on the prices quoted on the stock market on the last day of the fiscal year, stood at FRF 3,819 million in 1997.

22 - Pension and other post-retirement benefits

A. These provisions break down as follows (in millions of French francs):

1997	French companies	Foreign companies	Total
Provisions for pension commitments	4,024	429	4,453
Provision for medical expenses		2,559	2,559
Total	**4,024**	**2,988**	**7,012**

1996	French companies	Foreign companies	Total
Provisions for pension commitments	3,652	472	4,124
Provision for medical expenses		2,248	2,248
Total	**3,652**	**2,720**	**6,372**

1995	French companies	Foreign companies	Total
Provisions for pension commitments	3,364	568	3,932
Provision for medical expenses		2,099	2,099
Total	**3,364**	**2,667**	**6,031**

B. According to laws and practices prevailing in different countries, Renault usually contributes to its employees' pensions by making payments based on salaries to national bodies responsible for pensions payments. There is no actuarial liability concerning these pension arrangements.

In addition, some of the Group's companies have granted additional benefits to employees. These additional benefits, usually acquired during employees' professional lives consist of a retirement bonus - in France and in most other countries in which the company operates - or pension payments - mainly in the US and Germany.

As regards pensions, contributions are made to external fund managers. The funds are aimed at covering all or part of pension payments made to employees during retirement. These commitments are periodically reviewed by independent actuaries. The value of these funds is deducted from the liability to which they are irrevocably allocated.

Assumptions used by the French companies are as follows:

	1997	1996	1995
Retirement age	**60 years**	60 years	60 years
Salary level	**3.5 to 4%**	3.5 to 4%	3.5 to 4%
Discount rate	**6.5%**	6.5%	8.5%

Assumptions used by the US subsidiary Mack Trucks Inc. - the main overseas entity with considerable pensions commitments - are as follows:

	1997 %	1996 %	1995 %
Discount rate	**8**	8	8
Return on plan assets	**10.5**	10.5	10.5

Notes to the Consolidated Financial Statements

The Group's pension commitments break down as follows:

(In millions of French francs)	1997	1996	1995
Vested benefits of employees of French companies	**5,248**	4,931	3,804
Unrecognized transition obligation	**(1,224)**	(1,279)	(440)
Provisions for pension and other postretirement benefits in French companies	**4,024**	3,652	3,364
Vested benefits of employees of Mack Trucks Inc.	**3,897**	3,408	3,090
Unrecognized transition obligation	**(342)**	(538)	(499)
Fair value of plan assets	**(3,957)**	(3,069)	(2,636)
Other items	**287**	181	157
Pensions provisions at Macks Trucks Inc.	**(115)**	(18)	112
Provisions for pension and other postretirement benefits relating to foreign companies	**544**	490	456
Total	**4,453**	**4,124**	**3,932**

The sharp fall in benchmark interest rates used to discount pensions commitments of the group's French companies led to a revision of provisions at January 1, 1996. In accordance with the group's accounting principles, the effect has been spread over the remaining working life of active employees.

C. In addition to the pensions commitments described above, Mack trucks Inc. is committed to bear employees' medical costs and life insurance. These costs are accounted for in accordance with the method described in Note 1.

The amounts booked for these plans are as follows:

(In millions of French francs)	1997	1996	1995
Accumulated commitments:			
• Retired employees	**1,712**	1,472	1,475
• Active employees	**847**	776	624
Provisions for commitments	**2,559**	**2,248**	**2,099**

Medical and other costs during the year break down as follows:

(In millions of French francs)	1997	1996	1995
Additional benefits acquired	**22**	18	18
Discount effect	**195**	173	173
Net cost during the year	**217**	**191**	**191**

The growth rate of medical and other expenses in these plans is expected to fall to the limit per employee set in the labor agreements in 1992. Cost growth will therefore fall to 7% by 2001 for the largest plan and fell to 9% in 1996 for the other. After these dates, the labor agreements limit the employer's proportion of medical expenses.

For example, if cost growth accelerated by 1% per year, this would increase commitments and the annual cost in 1997 by FRF 25 million, and would increase the annual cost of benefits acquired during the year together with the discount effect by FRF 2 million. The weighted average rate used in discounting commitments has remained unchanged at 8% between 1995 and 1997.

Notes to the Consolidated Financial Statements

23 - Other provisions for risks and charges

Other provisions for risks and charges break down as follows (In millions of French francs):

1997	Over one year	Under one year	Total
Provisions for restructuring costs	533	2,819	3,352
Provisions for product warranty costs		3,737	3,737
Other	2,331	2,974	5,305
Total	**2,864**	**9,530**	**12,394**

1996	Over one year	Under one year	Total
Provisions for restructuring costs	171	3,720	3,891
Provisions for product warranty costs		2,455	2,455
Other	1,722	1,996	3,718
Total	**1,893**	**8,171**	**10,064**

1995	Over one year	Under one year	Total
Provisions for restructuring costs	154	1,839	1,993
Provisions for product warranty costs		2,359	2,359
Other	1,604	1,834	3,438
Total	**1,758**	**6,032**	**7,790**

Over the last few years, Renault has adopted a number of restructuring measures in order to streamline the production structure. These measures have mainly concerned reducing the workforce through early retirement, guaranteed income arrangements, internal and external reassignment and redundancies. In 1997, FRF 1,220 million of new provisions were booked (FRF 2,957 million in 1996 and FRF 462 million in 1995). FRF 1,759 million of restructuring provisions were employed, against FRF 1,061 million in 1996 and FRF 1,147 million in 1995.

The increases in provisions for product warranty costs and other provisions are the result of growth in sales volumes, changes in sales environment and the effect of changes in the scope of consolidation. Changes in the scope of consolidation have mainly affected the other provisions entry.

24 - Bonds and other borrowings

A. Bond debt and other borrowings break down as follows:

(In millions of French francs)	1997	1996	1995
Bonds	**18,730**	14,995	15,221
Other debt securities	**6,039**	5,411	4,153
Bank loans	**3,190**	2,861	3,956
Other financial debt	**484**	326	419
Portion over one year of long-term debt	**28,443**	**23,593**	**23,749**
Current portion of long-term debt	**6,528**	**8,362**	**8,343**
Total long-term debt	**34,971**	**31,955**	**32,092**
Short-term debt	**63,970**	**74,081**	**73,015**
Total	**98,941**	**106,036**	**105,107**

Notes to the Consolidated Financial Statements

Bonds breaks down as follows:

(In millions of French francs)	1997	1996	1995
Renault S.A.:			
1996 issue at 5.80%	**2,000**	2,000	
1994 issue at 6.25%	**2,000**	2,000	2,000
1993 issue at 7.25%	**1,500**	1,500	1,500
1993 issue at 7.5%	**1,500**	1,500	1,500
1992 issue at 9%	**1,976**	1,976	1,976
1986 issue at 10.625%	**99**	99	182
1985 issue at 12.5%		1,922	1,922
Total	**9,075**	**10,997**	**9,080**
Other bonds of industrial and commercial subsidiaries	**16**	**25**	**60**
Compagnie Financière Renault: 1985 issue at 12%		**1,000**	**1,000**
Renault Crédit International:			
1997 issue at 3-month Libor	**1,004**		
1997 issue at 3-month Pibor	**2,000**		
1997 issue at 6.30%	**1,400**		
1996 issue at 6.60%	**2,000**	2,000	
1995 single-coupon issue	**1,180**	1,077	990
1993 issue at 7.5% (April)	**1,000**	1,000	1,000
1993 issue at 7.5% (November)	**1,000**	1,000	1,000
1992 issue at 8.25%		1,011	1,025
Other bonds	**324**	327	333
Total	**9,908**	**6,415**	**4,348**
Diac :			
1989 issue at 8.70%	**500**	500	500
1988 and 1989 floating rate issues			1,019
1988 floating rate issue			250
Total	**500**	**500**	**1,769**
Accrued interest	**700**	845	743
Total	**20,199**	**19,782**	**17,000**

Financial borrowings and liabilities are repaid at rates prevailing in the markets in which Renault issues securities, and include short-term drawings on credit lines with maturities of over one year.

B. Long-term borrowings are as follows:

(In millions of French francs)	1997	1996	1995
Under one year	**6,528**	8,362	8,343
Between 1 and 2 years	**5,142**	5,942	9,584
Between 2 and 3 years	**6,648**	1,200	2,133
Between 3 and 4 years	**4,650**	2,762	579
Between 4 and 5 years	**1,489**	2,802	2,726
Over 5 years	**10,514**	10,887	8,727
Total	**34,971**	**31,955**	**32,092**

C. The breakdown by currency of bonds and other borrowings, before taking into account derivative instruments, is as follows:

(In millions of French francs)	1997	1996	1995
French francs	**52,174**	57,934	63,069
EU currencies	**37,616**	33,085	27,943
Other currencies	**9,151**	15,017	14,095
Total	**98,941**	**106,036**	**105,107**

D. Before taking into account derivative instruments, long-term fixed-rate borrowings stood at FRF 24,783 million at December 31, 1997, FRF 27,485 million at December 31, 1996 and FRF 25,686 million at December 31, 1995. The corresponding figures for floating-rate borrowings (usually based on Libor) were FRF 10,181 million, FRF 4,470 million and FRF 6,406 million.

Notes to the Consolidated Financial Statements

E. Average weighted interest rates on financial debts, before taking into account derivatives, break down as follows:

(In millions of French francs)	1997	1996	1995
Short-term debt	**4.78%**	4.13%	5.73%
Current portion of long-term debt	**4.35%**	8.24%	7.30%
Total financial debt due in less than one year	**4.74%**	**4.55%**	**5.90%**

F. Credit lines

At December 31 1997, Renault had open credit lines with banks worth FRF 66,839 million in various currencies, with maturities ranging from 1996 to 2006. Short term credit lines total FRF 17,957 million. This compares with FRF 62,696 million and FRF 16,285 million at December 31 1996 and FRF 48,530 million and FRF 10,297 million at December 31, 1995.

FRF 16,701 million of these credit lines were in use as at December 31, 1997, compared to FRF 17,217 million at December 31, 1996 and FRF 18,109 million at December 31, 1995. The average commission paid in 1997 was 0.082% of confirmed credit lines, against 0.086% in 1996 and 0.099% in 1995.

25 - Other liabilities

Other liabilities mainly include various taxes and duties, staff remuneration and social security contributions to be paid on wages:

(In millions of French francs)	1997	1996	1995
Tax liabilities	**5, 981**	3,136	3,100
Payroll	**6,269**	5,642	5,742
Other	**8,339**	8,894	8,278
Total	**20,589**	**17,672**	**17,120**

26 - Net financial indebtedness by activity

Net financial indebtedness by activity breaks down as follows:

(In millions of French francs)

December 31, 1997	Industrial and commercial activities	Sales financing activities	Balance-sheet total
Bonds	9,345	10,854	**20,199**
Other borrowings	23,735	55,007	**78,742**
Finance receivables		(64,009)	**(64,009)**
Investment loans	(22,836)	(3,533)	**(26,369)**
Marketable securities	(1,342)	(547)	**(1,889)**
Cash and cash equivalents	(9,364)	(1,028)	**(10,392)**
Interactivity operations	2,559	(2,559)	
Net financial indebtedness	**2,097**	**(5,815)**	

December 31, 1996	Industrial and commercial activities	Sales financing activities	Balance-sheet total
Bonds	12,555	7,227	**19,782**
Other borrowings	36,583	49,671	**86,254**
Finance receivables		(57,808)	**(57,808)**
Investment loans	(33,599)	(2,708)	**(36,307)**
Marketable securities	(1,032)	(159)	**(1,191)**
Cash and cash equivalents	(5,408)	(1,856)	**(7,264)**
Interactivity operations	286	(286)	
Net financial indebtedness	**9,385**	**(5,919)**	

Notes to the Consolidated Financial Statements

December 31, 1995	Industrial and commercial activities	Sales financing activities	Balance-sheet total
Bonds	10,679	6,321	**17,000**
Other borrowings	39,615	48,492	**88,107**
Finance receivables		(56,052)	**(56,052)**
Investment loans	(37,060)	(2,578)	**(39,638)**
Marketable securities	(1,402)	(129)	**(1,531)**
Cash and cash equivalents	(9,521)	(1,069)	**(10,590)**
Intersegment operations	1,057	(1,057)	
Net financial indebtedness	**3,368**	**(6,072)**	

Net financial indebtedness in industrial and commercial activities includes net financial indebtedness of industrial and commercial companies and of financial subsidiaries that manage.the group's cash

27 - Financial instruments

In its ordinary operations, Renault is exposed to various financial risks, such as foreign exchange risk, interest rate risk and credit risk. The company has centrally devised specific policies to manage these risks. As part of the management of these financial risks, Renault uses derivative instruments, but is never a market maker for such instruments. Since most transactions are to cover positions taken in the company's ordinary activities, the market risk of instruments used is mostly offset by equal and opposite movements in the positions covered.

A. Foreign exchange and interest rate risk management

Commitments are as follows, expressed in notional value terms if applicable:

(In millions de francs)	1997	1996	1995
Foreign exchange risk:			
Currency swap			
Purchases	**5,650**	5,505	3,392
Sales	**5,631**	5,542	3,308
Forward exchange contracts and options:			
Purchases	**71,721**	103,083	73,222
Sales	**70,837**	103,657	74,152
Interest rate risk:			
interest rate swap	**182,395**	105,577	83,605
FRAs			
Purchases	**31,663**	21,450	21,933
Sales	**35,640**	34,817	16,114
Other interest rate hedging instruments:			
Purchases	**29,778**	17,565	1,372
Sales	**30,030**	24,015	246

In addition, as part of its ordinary activities, Renault has a number of financial contracts that may represent a potential risk such as guarantees accompanying sales of receivables, financial guarantees and letters of credit. As at December 31, 1997, neither the amounts in question nor the risks inherent in these contracts are considered as posing any significant risk.

B. Counterparty risk

The group controls counterparty risk incurred by using financial instruments by only dealing with top-class financial institutions and by establishing limits for each institution.

Renault has commercial relations with customers, dealers and partners throughout the world. Receivables or guarantees granted to customers are highly diverse, and in many cases are guaranteed by securities or other pledges.

As a result, the company considers that it has no significant exposure to any particular credit risk.

Notes to the Consolidated Financial Statements

C. Fair values of financial instruments

The carrying amounts reflected in the consolidated balance-sheet and the estimated fair values of financial instruments are stated below:

(In millions of French francs)		**1997**		**1996**		**1995**	
		Book value	**Market value**	**Book value**	**Market value**	**Book value**	**Market value**
Assets							
Other listed securities (a)		**452**	**569**	2,160	3,042	2,207	2,632
Other unlisted equity securities (b)		**752**		737		644	
Other equity securities	(I)	**1,204**		2,897		2,851	
Securities included in other financial assets	(II)	**577**	**577**	673	681	844	899
Trading securities		**721**	**721**	96	96	427	427
Other securities		**1,167**	**1,193**	1,095	1,165	1,104	1,163
Marketable securities	(III)	**1,888**	**1,914**	1,191	1,261	1,531	1,590
Total investment portfolio	(I+II+III)	**3,669**		4,761		5,226	
Loans		**26,369**	**26,423**	36,306	36,418	39,638	39,713
Finance receivables		**64,009**	**63,652**	57,808	58,333	56,052	56,099
Cash and cash equivalents		**10,392**		7,264	7,264	10,590	10,590
Liabilities							
Bonds		**(20,199)**	**(21,264)**	(19,782)	(20,922)	(17,000)	(17,753)
Other borrowings		**(78,742)**	**(78,782)**	(86,254)	(86,389)	(88,107)	(88,474)
		5,498		**103**		**6,399**	

(a) The difference between market value and book value for 1997, 1996 and 1995 break down as follows:
- unrealised capital losses of FRF 4 million, FRF 83 million and FRF 196 million respectively
- unrealised capital gains of FRF 121 million, FRF 1,044 million and FRF 736 million respectively.

(b) It was not possible to determine fair value for some equity stakes held in unlisted companies with which the group has a business relationship, and for which comparisons with listed companies are not available.

Notes to the Consolidated Financial Statements

Estimated market value of off-balance sheet financial instruments

(In millions of French francs)	1997		1996		1995	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	**63,742**	**63,264**	90,720	91,352	64,442	65,616
Currency swaps	**5,687**	**5,686**	4,854	5,444	3,451	3,368
Interest rate swaps	**1,573**	**2,986**	1,511	2,066	1,150	901
Interest rate futures	**27**	**20**	21	51	21	25

Assumptions and methods adopted:

Estimated market values were determined by using available information on markets and appropriate valuation methods for the type of instrument used. However, methods and hypotheses used are theoretical by nature, and judgement plays a major role in interpreting market data. The use of different assumptions and/or different valuation methods could have a significant impact on estimated values.

Market values were determined on the basis of available information at the end of each financial year, and therefore do not take into account subsequent movements.

The main valuation assumptions and methods used were as follows:

• Securities (marketable securities, equity securities and other)
Market value of securities is mainly determined by reference to market prices. Equity securities and other securities for which there is no listed price were estimated by reference to the market price of similar securities if such exist.

• Loans
For loans with original maturities of less than three months and floating-rate loans, the value appearing on the balance sheet is considered the market value. Other fixed-rate loans were estimated by discounting future cash flows at interest rates offered to Renault at December 31, 1997, December 31, 1996 and December 31, 1995 respectively for loans with similar maturities and terms.

• Finance receivables
Fixed-rate finance receivables were estimated by discounting future cash flows at rates applicable to similar loans (as regards terms, maturity and issuer quality) at December 31, 1997, December 31 1996 and December 31 1995 respectively.

• Cash and cash equivalents
The value appearing on the balance sheet is considered the market value.

• Borrowings and other financial debt
Market value of listed borrowings (bonds) was estimated at stock market prices at the end of the financial year. As regards the financial division's debts with maturity of less than 90 days at issue, the value appearing on the balance sheet is considered the market value. Market value of other financial debts was determined by discounting future cash flows at interest rates offered to Renault at December 31, 1997, December 31, 1996 and December 31, 1995 respectively for loans with similar maturities and terms.

• Off-balance sheet foreign exchange instruments
Market value of forward contracts is based on prevailing market conditions. Market value of currency swaps is determined by discounting cash flows, using prevailing market exchange and interest rates at December 31, 1997, December 31, 1996 and December 31, 1995 respectively for the remaining life of the contracts.

• Off-balance sheet interest rate instruments
Market value of interest rate swaps represents the amount Renault would receive (or pay) to settle outstanding contracts at the end of the financial year. Unrealized capital gains or losses determined by prevailing interest rates, and the counterparty quality of each contract are taken into account at December 31, 1997, December 31, 1996 and December 31, 1995 respectively.

Notes to the Consolidated Financial Statements

D. Analysis of securities portfolio

(In millions of French francs)	1997		1996		1995	
	Book value	Market value	Book value	Market value	Book value	Market value
Held-to-maturity securities						
Debt securities issued by central or local authorities	**550**	**550**	529	537	500	538
Debt securities issued by Group companies			99	99	100	100
Other held-to-maturity debt securities	**27**	**27**	45	45	244	261
(I)	**577**	**577**	**673**	**681**	**844**	**899**
Trading securities (II)	**721**	**721**	**96**	**96**	**427**	**427**
Other securities						
Debt securities issued by central or local authorities	**37**	**37**	129	129		
Debt securities issued by industrial and commercial companies						
Debt securities issued by Group companies	**380**	**380**	340	340	418	435
Other debt securities	**552**	**578**	625	696	686	728
Equities	**650**	**767**	2,160	3,042	2,207	2,632
(III)	**1,619**	**1,762**	**3,254**	**4,207**	**3,311**	**3,795**
Total for valued securities (I+II+III)	**2,917**	**3,060**	**4,023**	**4,984**	**4,582**	**5,121**
Securities for which the market value cannot be determined (IV)	**752**		**737**		**644**	
Total	**3,669**		**4,760**		**5,226**	

Notes to the Consolidated Financial Statements

Securities other than trading securities break down by maturity as follows:

(In millions of French francs) 1997	Held-to-maturity securities		Other securities	
	Book value	Market value	Book value	Market value
Under one year	574	574	440	458
Between one and five years	1	1	528	536
Between five and ten years			1	1
Over ten years	2	2		
Shares			650	767
Total	**577**	**577**	**1,619**	**1,762**

(In millions of French francs) 1996	Held-to-maturity securities		Other securities	
	Book value	Market value	Book value	Market value
Under one year	22	22	806	864
Between one and five years	649	657	267	279
Between five and ten years			21	22
Over ten years	2	2		
Shares			2,160	3,042
Total	**673**	**681**	**3,254**	**4,207**

(In millions of French francs) 1995	Held-to-maturity securities		Other securities	
	Carrying value	Market value	Carrying value	Market value
Under one year	198	215	426	446
Between one and five years	645	683	570	608
Between five and ten years			108	109
Over ten years	1	1		
Shares			2,207	2,632
Total	**844**	**899**	**3,311**	**3,795**

Notes to the Consolidated Financial Statements

28 - Other commitments and contingencies

A. The Group is committed for the following amounts:

(In millions of French francs)	1997	1996	1995
Customer guarantees and endorsements (sales financing)	**1,432**	415	371
Other guarantees granted	**12,223**	8,790	5,445
Pledged or mortgaged assets in favor of consolidated subsidiaries	**133**	110	144
Opening of confirmed credit lines for customers	**26**	31	53
Securities payable from repurchase or forward transactions	**30**	1,500	

The other guarantees granted heading includes rent from irrevocable leases to which the group is committed. These break down as follows:

(In millions of French francs)	1997	1996	1995
Year following the end of the fiscal year	**350**	378	350
Subsequent years	**1,277**	1,353	1,503

At December 31, 1997, the group was committed to firm investment orders of FRF 4,576 million, against FRF 6,280 million at December 31, 1996 and FRF 6,538 million at December 31, 1995.

B. In 1994, Renault decided to combine its new vehicle research and development units in a new site, currently under construction: the Technocentre at Guyancourt. This is expected to become operational in 1998. In March 1995, the group signed an agreement with a group of investors, stating that the Technocentre will be built by a real estate company 15%-owned by Renault and 85%-owned by investors. This company will lease the center to Renault, with a 12-year lease beginning at 1999 at prevailing market rents. The agreement gives Renault the option, amongst others, to acquire the Technocentre at any time between 2000 and 2010 at market prices. The total cost of the real estate investment is estimated at FRF 5.2 billion. In June 1995, the group sold the land and buildings under construction to the real estate company at cost.

C. The Group is periodically subject to tax audits in France and in the various countries in which it operates. Tax adjustments are booked in accounts. Contested tax adjustments are also taken into account, up to an amount equal to the estimated risk.

D. In general, all litigation in which Renault is involved are examined at the end of the financial year. After legal advice, provisions judged necessary are booked in order to cover the estimated risks.

Notes to the Consolidated Financial Statements

29 - Companies consolidated at December 31, 1997

	Country	Renault Group's interest, %		
		1997	**1996**	**1995**
FULLY-CONSOLIDATED COMPANIES				
Cofiren Renault et Cie	France	**100**	100	100
AUTOMOBILE DIVISION				
Société Immobilière Renault Habitation	France	**100**	100	100
Renault Développement Industriel	France	**100**	100	100
Renault Panama	Panama	**-**	-	100
Société de Développement Immobilier	France	**100**	100	100
Technologie et Exploitation Informatique	France	**100**	100	100
Renault Group BV	Netherlands	**100**	100	100
Renault Belgique International	Belgium	**100**	100	100
GIE Technocentre	France	**100**	100	100
Fabricacion de Automobiles Renault de Espana	Spain	**92**	91	91
Renault Espana	Spain	**100**	100	100
Mecanizacion Contable S.A.	Spain	**92**	91	91
Confranpor	Portugal	**-**	50	50
Vehicle Engineering and Manufacturing				
Société Bretonne de Fonderie et de Mécanique	France	**-**	-	100
Société Mécanique de Villeurbanne	France	**-**	-	100
Renault Industrie Belgique	Belgium	**100**	100	100
Société de Transmissions Automatiques	France	**80**	80	80
Fonderies du Poitou	France	**100**	100	100
Société de Véhicules Automobiles de Batilly	France	**100**	100	100
Maubeuge Construction Automobile	France	**100**	100	100
Société de Magasinage et de Gestion des Stocks	France	**100**	100	100
Renault Industrie Mexique	Mexico	**100**	100	100
Creos	France	**100**	100	100
Métallurgique du Temple	France	**-**	-	100
Société des Automobiles Alpine Renault	France	**100**	100	100
Emboutissage Tôlerie Gennevilliers	France	**100**	100	100

Notes to the Consolidated Financial Statements

	Country	Renault Group's interest, %		
		1997	**1996**	**1995**
Creica	France	**100**	100	100
SNC Renault Douai	France	**100**	100	-
SNC Renault Flins	France	**100**	100	-
SNC Renault Sandouville	France	**100**	100	-
SNC Renault Cléon	France	**100**	100	-
SNC Renault Le Mans	France	**100**	100	-
GIE AT Systèmes	France	**96**	-	-
Industrial Companies				
Société Bretonne de Fonderie et de Mécanique	France	**100**	100	-
Société Mécanique de Villeurbanne	France	**100**	100	-
Métallurgique du Temple	France	**100**	100	-
Fundição Portuguesa	Portugal	**82**	82	-
Systems and Automation				
Renault Automation	France	**100**	100	100
Agricultural Equipment				
Renault Agriculture	France	**100**	100	100
Other Companies				
Société Nouvelle de Roulements	France	**100**	100	100
Société Nouvelle de Roulements Cévennes	France	**100**	100	100
SNR Bearings U.K. Ltd	United Kingdom	**100**	100	100
SNR Wälzlager	Germany	**100**	100	100
SNR Italia	Italy	**100**	100	100
SNR Bearings USA	United States	**100**	100	100
SNR Espagne	Spain	**100**	100	100
SNR Maroc	Morocco	**100**	100	100
Société de Recherches Commerciales et Industrielles	France	**100**	100	100
Compagnie d'Affrètement et de Transport	France	**100**	100	100
SGAN	France	**100**	100	100
Compagnie d'Affrètement et de Transport	Poland	**100**	100	100
Compagnie d'Affrètement et de Transport	Spain	**98**	98	98

Notes to the Consolidated Financial Statements

	Country	Renault Group's interest, % 1997	1996	1995
Compagnie d'Affrètement et de Transport	Italy	**100**	100	100
Compagnie d'Affrètement et de Transport	Germany	**100**	100	100
Compagnie d'Affrètement et de Transport	Austria	**100**	100	100
COMATRAN	France	**100**	100	100
Compagnie d'Affrètement et de Transport	Belgium	**100**	100	100
Compagnie d'Affrètement et de Transport	Portugal	**100**	100	100
CAT Voyages	France	**100**	100	100
Compagnie d'Affrètement et de Transport	United Kingdom	**100**	100	100
Compagnie d'Affrètement et de Transport	Switzerland	**100**	100	-
Compagnie d'Affrètement et de Transport	Mexico	**100**	-	-
Chausson Outillage	France	**-**	100	100
Sales – France				
Renault France Automobile (RFA)	France	**100**	-	-
Pessac	France	**100**	100	-
Renault Paris Clichy	France	**100**	100	-
Grands Garages de Catalogne	France	**100**	100	-
Grands Garages Mulhousiens	France	**100**	100	-
Grands Garages Douaisiens	France	**100**	100	-
Société Nouvelle Garage du Nord	France	**100**	100	-
Renault Limoges	France	**100**	100	-
Société Garage du Nord	France	**100**	100	-
Renault Montbéliard	France	**100**	100	-
Automobiles des Remparts	France	**100**	100	-
Auto Services Brestois	France	**100**	100	-
Nerva	France	**100**	100	-
Avignon Stade Automobile	France	**100**	100	-
Société Nouvelle des Grands Garages de Savoie	France	**100**	100	-
Etablissements Louis Grisoni	France	**100**	100	-
Sales – Europe				
Renault Italia	Italy	**100**	100	100
Deutsche Renault	Germany	**100**	100	100

Notes to the Consolidated Financial Statements

	Country	Renault Group's interest, %		
		1997	1996	1995
Renault Belgique Luxembourg	Belgium	**100**	100	100
Renault Nederland	Netherlands	**100**	100	100
Renault U.K.	United Kingdom	**100**	100	100
Renault Osterreich Automobilvertriebs	Austria	**100**	100	100
Renault Suisse	Switzerland	**100**	100	100
Renault Portuguesa	Portugal	**98**	93	67
Fundição Portuguesa	Portugal	**-**	-	67
Renault Espana Comercial S.A. and its subsidiaries	Spain	**92**	91	91
Renault Retail Group	United Kingdom	**100**	100	-
Renault Hungaria	Hungary	**100**	-	-
Renault Ceska Republika	Czech Republic	**100**	-	-
Renault Polska	Poland	**100**	-	-
International Operations				
Oyak Renault Otomobil Fabrikalari	Turkey	**52**	57	57
REVOZ	Slovenia	**54**	54	54
Renault Comercial do Brasil	Brazil	**-**	48	-
Renault do Brasil Automoveis	Brazil	**-**	60	-
Mercosur				
Renault Comercial do Brasil	Brazil	**31**	-	-
Renault do Brasil Automoveis	Brazil	**38**	-	-
Cofal	Luxembourg	**63**	-	-
Renault Argentina	Argentina	**32**	-	-
Capillitas SA	Argentina	**32**	-	-
Centro Automotores SA	Argentina	**32**	-	-
Cormasa SA.	Argentina	**32**	-	-
Courtage SA	Argentina	**32**	-	-
Cormecanica	Chile	**34**	-	-
Metalurgica Tandil SA	Argentina	**24**	-	-
Plan Rombo	Argentina	**32**	-	-
Rombo Ahorro	Argentina	**21**	-	-
Santander SA	Argentina	**24**	-	-
After-Sales				
Société de Distribution pour la Chimie, l'Automobile et la Mécanique and its subsidiaries	France	**100**	100	100

Notes to the Consolidated Financial Statements

	Country	Renault Group's interest, % 1997	1996	1995
French Investment Financing Companies				
Société Immobilière d'Epone	France	**100**	100	100
Société Immobilière de Construction Française pour l'Automobile et la Mécanique	France	**100**	100	100
COMMERCIAL VEHICLES DIVISION				
Renault Véhicules Industriels	France	**100**	100	100
Holding Companies				
Chardin Val d'or	France	**100**	100	100
Interautomobile	Switzerland	**100**	100	100
Renault Truck Commercials	United Kingdom	**100**	100	100
Société d'Assistance Technique Automobile (SATAU)	France	**100**	-	-
Industrial Research and Development Companies				
Constructeurs Associés de Matériel, Voirie et Aviation	France	**-**	-	100
Société de Construction Mécanique de l'Arbresle	France	**100**	100	100
Other companies				
France Véhicules Industriels	France	**100**	100	100
Renault Vehiculos Industriales	Spain	**100**	100	100
RVI Belgique	Belgium	**100**	100	100
Renault LKW	Germany	**100**	100	100
Renault Veicoli Industriali	Italy	**100**	100	100
Renault Truck Industries	United Kingdom	**100**	100	100
Renault Vehiculos Commerciais	Portugal	**100**	100	100
Société Internationale de Facturation	Cayman Islands	**-**	100	100
Mack Trucks and its industrial, commercial and financial subsidiaries	United States	**100**	100	100
Lofimat	France	**100**	100	100
Karosa	Czech Republic	**51**	51	-
Renault VI Nubag	Switzerland	**100**	100	-
Renault VI Lastbiler	Denmark	**100**	100	-
Renault VI Lastkraftwagen	Austria	**100**	100	-
Société de Transmission Bouthéon	France	**100**	-	-
Laudate	France	**100**	-	-

Notes to the Consolidated Financial Statements

	Country	Renault Group's interest, %		
		1997	1996	1995
FINANCIAL COMPANIES				
Sales Financing – France				
Renault Crédit International S.A.	France	**100**	100	100
DIAC	France	**100**	100	100
Compagnie de Gestion Rationnelle	France	**100**	100	100
Société de Gestion, d'Exploitation de Services en moyens administratifs	France	**100**	100	100
Diac Location (formerly Parc Location)	France	**100**	100	100
Renault VI Finance	France	**100**	100	-
Sales Financing – outside France				
Renault Bank GmbH	Germany	**100**	100	100
Renault Leasing Beteiligungs	Germany	**100**	100	100
RCI GmbH	Austria	**100**	100	100
Renault Bank	Austria	**50**	50	50
Renault Crédit SA	Belgium	**100**	100	100
Overlease	Belgium	**100**	100	100
Finalliance	Belgium	**50**	50	50
Renault Financiaciones	Spain	**96**	96	95
Renault Leasing de Espana	Spain	**96**	96	95
Renault Financial Services Ltd	United Kingdom	**50**	50	50
Overlease	Netherlands	**100**	100	100
Renault Financiering	Netherlands	**-**	100	100
Finrenault	Italy	**100**	100	100
Refactor	Italy	**100**	100	100
Sveviafin	Italy	**50**	50	50
Renault Gest SCO	Portugal	**100**	95	70
Renault Gest SGPS	Portugal	**100**	95	70
Renault Gest SFAC	Portugal	**100**	95	70
Renault Gest Leasing	Portugal	**100**	95	70
Renault Crédit SA	Switzerland	**100**	100	100
Investment Financing				
Société Immobilière pour l'Automobile et la Mécanique	France	**100**	100	100
Société de Financement des Moyens Informatiques	France	**100**	100	100

Notes to the Consolidated Financial Statements

	Country	Renault Group's interest, %		
		1997	1996	1995
Holding Companies and Other Credit Institutions				
Renault Holding	Switzerland	**100**	100	100
Compagnie Financière Renault	France	**100**	100	100
Société Financière et Foncière	France	**100**	100	100
Renault Finance	Switzerland	**100**	100	100
Renault Acceptance BV	Netherlands	**100**	100	100
Renault Acceptance Ltd	United Kingdom	**100**	100	100
Renault Acceptance GmbH	Germany	**100**	100	100
Service Companies				
Société Internationale de Gestion et de Maintenance Automobile	France	**100**	100	100
Réalisation, Etudes, Courtage et Assurances	France	**100**	100	100
Renault Services Espagne	Spain	**96**	96	95
Difusora de Seguros S.A.	Spain	**96**	96	95
Gest Seguros	Portugal	**100**	96	79
Renault Conseil Assistance	France	**-**	100	100
Renault Versicherungs Dienst	Germany	**100**	100	100
Renault Services SA	Belgium	**100**	100	100
PROPORTIONATELY-CONSOLIDATED COMPANIES				
AUTOMOBILE DIVISION				
Vehicle Engineering and Manufacturing				
Française de Mécanique	France	**50**	50	50
Société Franco-Suédoise de Moteurs P.R.V.	France	**50**	50	50
Société Anonyme des Usines Chausson	France	**-**	-	49
GIE TA 96	France	**50**	50	50
Industrial Companies				
Roulements Nadella	France	**50**	50	50
Nadella Cuscinetti	Italy	**50**	50	50
Nadella U.K.	United Kingdom	**50**	50	50
Nadella Wälzlager	Germany	**50**	50	50
Nadella Belgique	Belgium	**50**	50	50
Nadella Inde (NRB)	India	**13**	13	-
Nadella Industrie	France	**50**	50	-
Nadella Suisse	Switzerland	**50**	-	-

Notes to the Consolidated Financial Statements

	Country	Renault Group's interest, %		
		1997	1996	1995
COMMERCIAL VEHICLES DIVISION				
Société Charolaise de Participations	France	**50**	50	50
Hansa Auto Oy	Finland	**50**	-	-
COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD				
AUTOMOBILE DIVISION				
International operations				
Renault Maroc	Morocco	**50**	50	50
Cofal	Luxembourg	**-**	33	33
Sociedad de Fabricacion de Automotores	Colombia	**24**	24	24
Maïs	Turkey	**49**	20	20
Industrial Companies				
Société Mécanique d'Irigny (SMI)	France	**-**	-	21
Industria Cuscinetti (ICSA)	Italy	**33**	33	33
COMMERCIAL VEHICLES DIVISION				
Heuliez Bus	France	**37**	37	37
Subsidiaries of France Véhicules Industriels	France	**100**	100	100
Solocvi	France	**-**	-	40
Sofrafi	France	**-**	-	40
Karosa	Czech Republic	**-**	-	34
Renault VI Liège	Belgium	**100**	100	-
Renault Truck Ireland	Ireland	**100**	100	-
Macasa	Spain	**100**	100	-
Iruvisa	Spain	**100**	100	-
Barnavisa	Spain	**100**	100	-
Sevisa	Spain	**100**	100	-
Muvisa	Spain	**100**	-	-
Laudate	France	**-**	100	100
FINANCE DIVISION				
Société de Développement des Echanges	Switzerland	**33**	33	33
Sodéchanges France	France	**33**	33	33
Sodéchanges Techno Hungary	Hungary	**-**	-	28
Sofrafi	France	**40**	40	-
Solocvi	France	**40**	40	-
Diamond Lease	Belgium	**45**	45	-
Diamond Finance UK	United Kingdom	**40**	40	-
Fineritalia	Italy	**40**	40	-

V

Information on the Principal Subsidiaries

Automobile Division

F.A.S.A. Renault
Carretera de Madrid, km 185
47 008 VALLADOLID
Spain

91.7% owned by Renault. The F.A.S.A. Renault share is listed on the Madrid stock exchange.

Activity: manufacturing and marketing, through its marketing subsidiary Recsa, of Renault passenger cars and light commercial vehicles in Spain.

Plants in Valladolid, Palencia and Seville.

1997 sales: ESP 779 billion (local accounts)
Workforce: 14,161 people (local accounts)

Renault Agriculture
7, rue Dewoitine
78 140 Vélizy-Villacoublay
France

Wholly owned by Renault.

Activity: design, manufacturing and marketing of agricultural vehicles.

Plant in Le Mans.

1997 sales: FRF 3.2 billion (in accordance with Renault consolidation standards)
Workforce: 1,654 people

S.N.R. Roulements
1, rue des Usines
74 000 Annecy
France

Wholly owned by Renault

Activity: design and manufacturing of bearings.

4 plants in Annecy and surrounding area, 1 plant in Alès.

1997 sales: FRF 2.7 billion (in accordance with Renault consolidation standards).
Workforce: 3,562 people

Renault Automation
34, Quai du Point du Jour
92100 Boulogne-Billancourt
France

Wholly owned by Renault.

Activity: manufacturing of automated manufacturing and assembly systems.

Plants in Castres and Evry.

1997 sales: FRF 737 million (in accordance with Renault consolidation standards)
Workforce: 843 people

Compagnie d'Affrètement et de Transport (C.A.T.)
82, rue du Point du Jour
92100 Boulogne-Billancourt
France

70% owned by Renault and 30% by Renault V.I.

Activity: transport of vehicles and parts from Renault production plants. C.A.T. also offers services to companies outside the Group for approximately 20% of its sales.

1997 sales: FRF 5.7 billion
Workforce: 1,730 people

Commercial Vehicles Division

Renault V.I.S.A.
129, rue Servient
"La Part-Dieu"
69003 Lyon
France

Wholly owned by Renault.

Activity: design, manufacturing and marketing of a complete range of trucks from 3.5 to 44 tonnes, as well as coaches and buses.

Plants in Annonay, Blainville, Bourg-en-Bresse, Bouthéon, Limoges, Valbonne, Vénissieux-Saint-Priest.

1997 sales: FRF 18,868 million (company accounts).
Workforce: 14,360 people (company accounts)

Mack Trucks Inc.
World Headquarters
2800 Mack Boulevard
Allentown, Pennsylvania 18105
USA

Wholly owned by Renault V.I.

Activity: design, manufacturing and marketing of top-range trucks (U.S. Class 8)

Plants in Winnsboro, Macungie, Hagerstown (U.S.A.)

1997 sales: USD 2,4476 million (Renault V.I. consolidation)
Workforce: 5,514 people (Renault V.I. consolidation)

Finance Division

Compagnie Financière Renault
34, quai du Point du Jour
92109 Boulogne-Billancourt cedex
France

Wholly owned by Renault.

Activity: holding company for the financial companies of the Renault Group: sales financing for Renault vehicles and customer assistance services, Renault Group treasury management.

Total assets at 31/12/1997: FRF 111 billion (CFR consolidation)
Workforce at 31/12/1997: 10 people

Renault Crédit International
14, avenue du Pavé Neuf
93168 Noisy-le-Grand cedex
France

Wholly owned by Compagnie Financière Renault.

Activity: holding company for sales financing companies and companies offering assistance, and services to Renault Group customers

Net amount financed in 1997: FRF 37.3 billion (RCI consolidation)

Total assets at 31/12/1997: FRF 79.9 billion (RCI consolidation)
Workforce: 3,202 people (consolidated figure)

Société Financière et Foncière
27-33, quai Le Gallo
92 109 Boulogne-Billancourt cedex
France

Wholly owned by Compagnie Financière Renault.

Activity: centralized cash management for the Renault Group

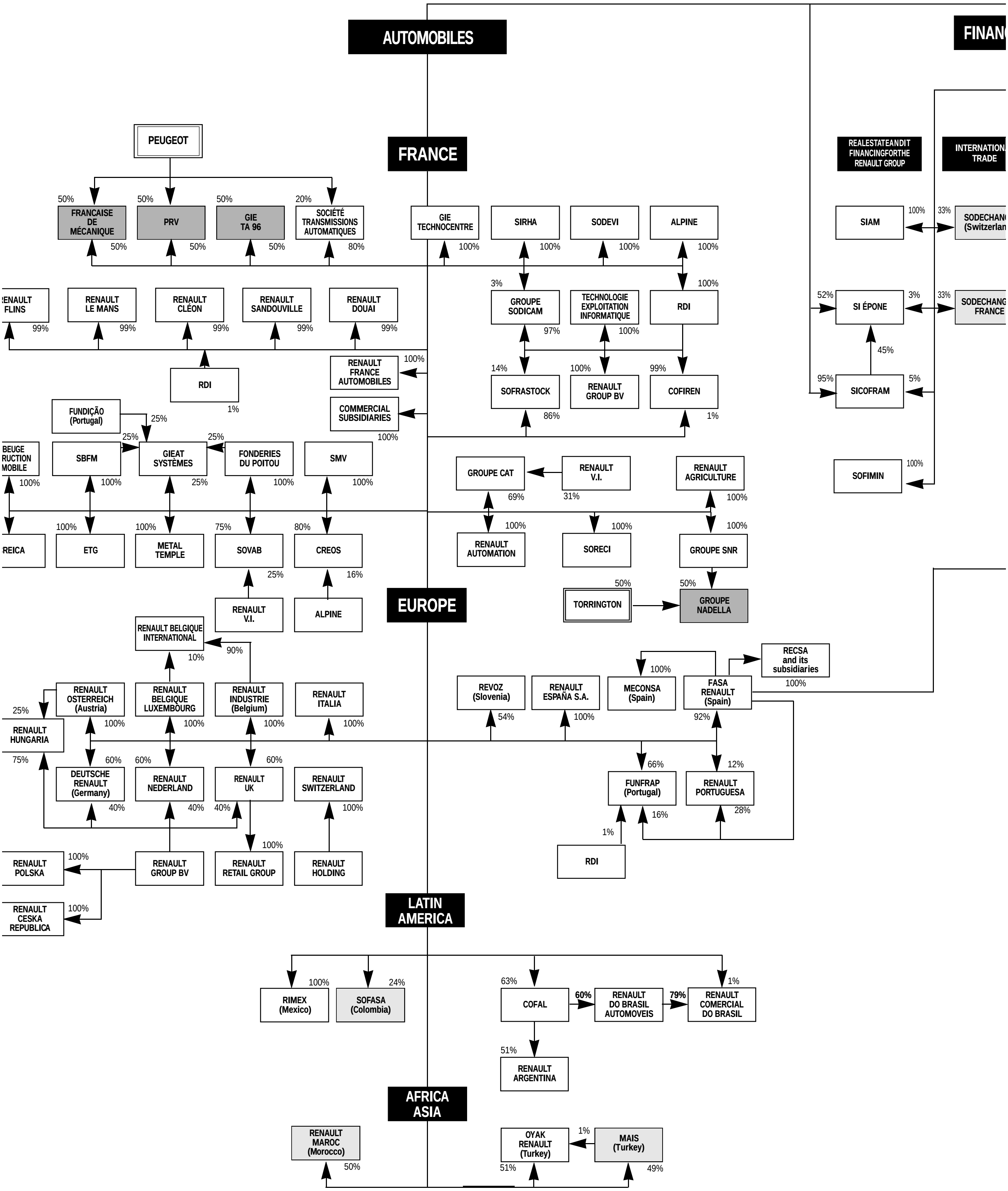
Total assets at 31/12/1997: FRF 2.168 billion
Workforce: 38 people

Renault Finance
Avenue de Rhodanie 48
Case postale 1 002 Lausanne
Switzerland

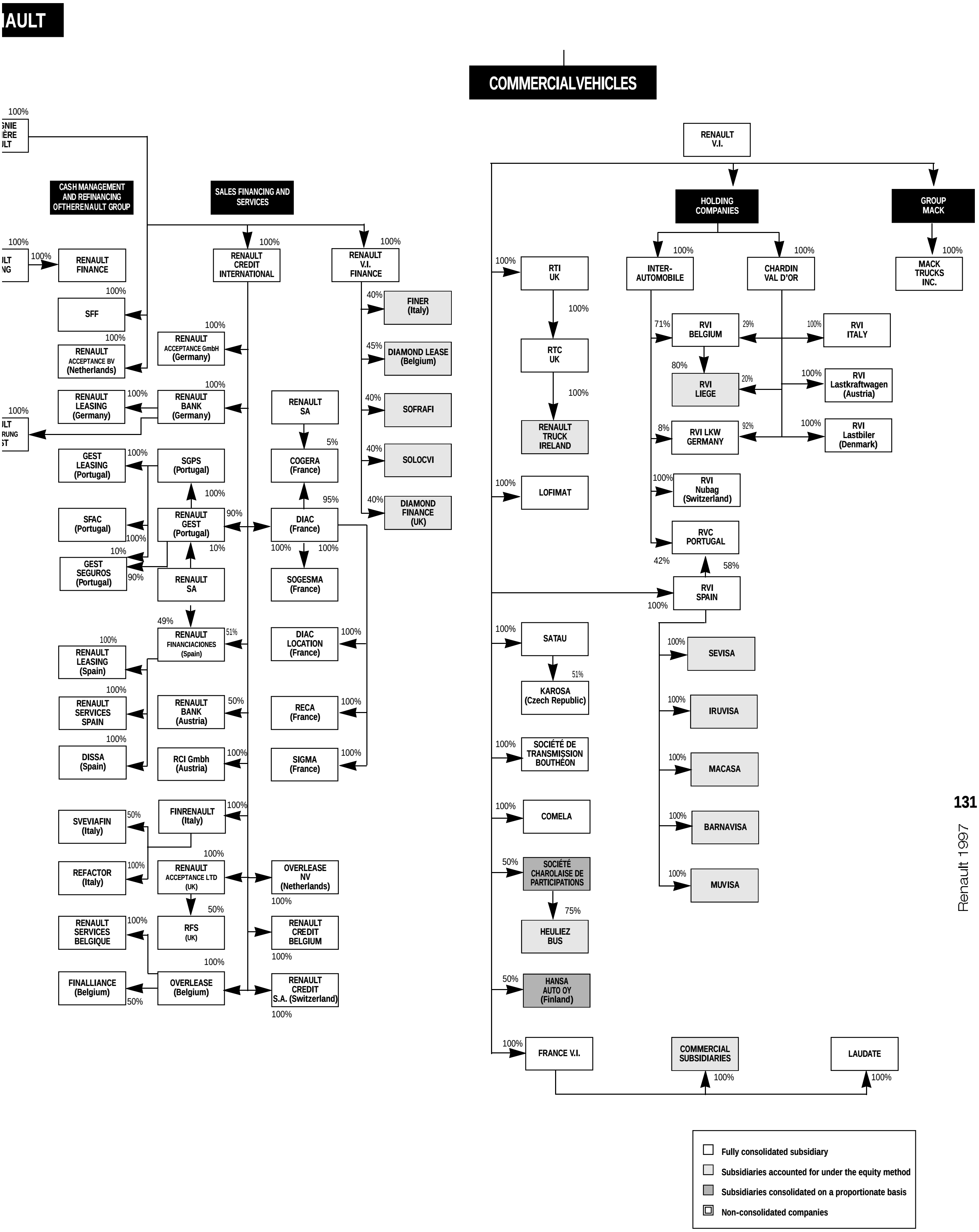
100% owned by Renault Holding (a wholly owned subsidiary of Compagnie Financière Renault).

Activity: For the account of the Renault Group, it is responsible for the deposits of Group companies and constitutes a central clearing house for convertible currencies, thus helping to optimize the Group's worldwide cash management. It carries out market operations for its own account.

Total assets at 31/12/1997: CHF 6.6 billion
Workforce: 27 people



RENAULT GROUPS CONS
at Decen


AULT
COMMERCIAL VEHICLES
100%
CASH MANAGEMENT AND REFINANCING OF THE RENAULT GROUP
SALES FINANCING AND SERVICES
RENAULT FINANCE
SFF
RENAULT ACCEPTANCE BV (Netherlands)
RENAULT LEASING (Germany)
GEST LEASING (Portugal)
SFAC (Portugal)
GEST SEGUROS (Portugal)
RENAULT LEASING (Spain)
RENAULT SERVICES SPAIN
DISSA (Spain)
SVEVIAFIN (Italy)
REFACTOR (Italy)
RENAULT SERVICES BELGIQUE
FINALLIANCE (Belgium)
RENAULT CREDIT INTERNATIONAL
RENAULT ACCEPTANCE GmbH (Germany)
RENAULT BANK (Germany)
SGPS (Portugal)
RENAULT GEST (Portugal)
RENAULT SA
RENAULT FINANCIACIONES (Spain)
RENAULT BANK (Austria)
RCI Gmbh (Austria)
FINRENAULT (Italy)
RENAULT ACCEPTANCE LTD (UK)
RFS (UK)
OVERLEASE (Belgium)
RENAULT SA
COGERA (France)
DIAC (France)
SOGESMA (France)
DIAC LOCATION (France)
RECA (France)
SIGMA (France)
OVERLEASE NV (Netherlands)
RENAULT CREDIT BELGIUM
RENAULT CREDIT S.A. (Switzerland)
RENAULT V.I. FINANCE
FINER (Italy)
DIAMOND LEASE (Belgium)
SOFRAFI
SOLOCVI
DIAMOND FINANCE (UK)
RENAULT V.I.
HOLDING COMPANIES
GROUP MACK
RTI UK
RTC UK
RENAULT TRUCK IRELAND
LOFIMAT
SATAU
KAROSA (Czech Republic)
SOCIÉTÉ DE TRANSMISSION BOUTHÉON
COMELA
SOCIÉTÉ CHAROLAISE DE PARTICIPATIONS
HEULIEZ BUS
HANSA AUTO OY (Finland)
FRANCE V.I.
COMMERCIAL SUBSIDIARIES
LAUDATE
INTER-AUTOMOBILE
CHARDIN VAL D'OR
MACK TRUCKS INC.
RVI BELGIUM
RVI LIEGE
RVI LKW GERMANY
RVI Nubag (Switzerland)
RVC PORTUGAL
RVI SPAIN
RVI ITALY
RVI Lastkraftwagen (Austria)
RVI Lastbiler (Denmark)
SEVISA
IRUVISA
MACASA
BARNAVISA
MUVISA
Fully consolidated subsidiary
Subsidiaries accounted for under the equity method
Subsidiaries consolidated on a proportionate basis
Non-consolidated companies

VI

Certification

Certification by the person reponsible for the accuracy of this document

Excluding the annual statements of Renault S.A., this document is a translation of the annual Report of the Renault Group for 1997 registered as a reference document by the “Commission des Opérations en Bourse” on April 8, 1998, under the number R 98-108.

A full English translation of the statements of Renault S.A. is available from Renault, 34, quai du Point du Jour, 92109 BOULOGNE-BILLANCOURT.

VII

Annual Shareholders' Meeting, June 11, 1998

Draft Resolutions

Ordinary Resolutions

First resolution *(Approval of income statement)*

The Shareholders' Meeting, having reviewed the Report of the Board of Directors and the Statutory Auditors' Report for the fiscal year ended December 31, 1997, approves the 1997 financial statements showing net income of 4,134,713,436.35 French francs. It also approves the transactions reflected in said accounts or summarized in said reports.

As a consequence, the Shareholders' Meeting grants release to the Directors in respect of the performance of their duties in the course of the elapsed fiscal year.

Second resolution *(Appropriation of income)*

The Shareholders' Meeting resolves to appropriate the income of the fiscal year as follows (in French francs):

Net income	4,134,713,436.35
Allocation to the statutory reserve	139,075,167.50
Balance	3,995,638,268.85
Retained earnings brought forward	427,437,928.66
Distributable income of the period	4,423,076,197.51
Dividends	839,294,984.50
Retained earnings	3,583,781,213.01

A dividend will be paid to each of the 239,798,567 shares with a nominal value of 25 French francs, amounting to 3.50 French francs net including an associated tax credit of 1.75 French francs.

The dividend will be paid on July 3, 1998.

The Shareholders' Meeting notes that the dividends distributed for the last four fiscal years were as follows:

Fiscal year	Dividend per share	Dividend per investment certificate (IC)	Tax credit		Total earnings	
			share	IC	share	IC
1993	2.00	2.00	1.00	1.00	3.00	3.00
1994	3.50		1.75		5.25	
1995	3.50		1.75		5.25	
1996	0		0		0	

Third resolution *(Conventions relative to Article 101 of the Law of July 24, 1966)*

The Shareholders' Meeting notes that, according to the Special Report of the Statutory Auditors, the latter were not informed of any new convention authorized by the Board during the fiscal year ended December 31, 1997 and falling under the scope of the provisions of Article 101 of the Law of July 24, 1966 on commercial companies.

Fourth resolution *(Reelection of a Director)*

The Shareholders' Meeting reelects Mr François de Combret as a Director for a term of six years, i.e. until the Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2003.

Fifth resolution *(Reelection of a Director)*

The Shareholders' Meeting reelects Mr Jean Peyrelevade (the representative of the French State as decreed on July 23, 1996) as a Director for a term of six years, i.e. until the Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2003.

Sixth resolution *(Ratification of the appointment of a Director)*

The Shareholders' Meeting ratifies the appointment of Mr Nicolas Jachiet to the Board of Directors (the representative of the French State as decreed on February 25, 1998) as decided by the Board of Directors at its meeting of March 12, 1998. Mr Jachiet replaces Ms Anne Le Lorier for the remaining term of her mandate, i.e. until the Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2002.

Seventh resolution *(Report of the Statutory Auditors on redeemable shares)*

The Shareholders' Meeting notes the Statutory Auditors' Report concerning the information used to determine the remuneration of redeemable shares.

Eighth resolution *(Authorization to trade in the Company's own shares to stabilize the market price)*

The Shareholders' Meeting, in accordance with the provisions of Articles 217-2 to 217-7 of the Law of July 24, 1966, authorizes the Company to trade in its own shares on the stock exchange in order to stabilize the market price.

The shares may not be purchased at a price above FRF 300 or the equivalent in the single European currency known as "the euro" (hereafter the euro) when this is legal tender in France, nor sold at a price less than FRF 100 or the equivalent in euros. The shareholders decide that the number of shares held by the Company shall not exceed ten per cent of the share capital of the Company.

This authorization shall be valid until the date of the next Shareholders' Meeting convened to approve the financial statements of the 1998 fiscal year.

The Shareholders' Meeting grants full powers to the Board of Directors, with the possibility of delegation and subdelegation, to trade in the Company's shares on the stock exchange to stabilize the market price.

Ninth resolution *(Authorization to issue debt securities)*

The Shareholders' Meeting, having reviewed the Report of the Board of Directors, resolves:

- that this authorization cancels and replaces the authorization granted to the Board of Directors by the Joint Shareholders' Meeting of May 31, 1994, as part of the ninth resolution to issue debt securities;

- to authorize the Board of Directors to issue, on its sole decisions, on one or several occasions, in France or outside France, in French francs, foreign currencies, euros when the euro is legal tender in France, or in any other monetary units determined by reference to a basket of currencies, to issue debt securities up to a maximum nominal amount of ten billion French francs or the equivalent in foreign currency or in euros, with the maturities, interest payments, terms and conditions that it judges to be advisable.

  To that effect, the Shareholders' Meeting grants full powers to the Board of Directors to determine the characteristics of the debt securities to be issued, subject to compliance with the applicable laws and regulations, and to take any other action that is necessary.

  The Board of Directors shall have full powers to decide whether to attach a guarantee to the securities issued, and if so to define and grant this guarantee, and full powers to determine the issuance procedure and to take any other action that is necessary.

  This authorization conferred on the Board of Directors shall be valid from date of the present Shareholders' Meeting and until the Shareholders' Meeting convened to approve the 1999 financial statements.

Special Resolutions

Tenth resolution *(Conversion of the share capital into euros)*

The Shareholders' Meeting, having reviewed the Report of the Board of Directors, resolves:

- to delegate to the Board of Directors, within the scope of the authorization to increase the Company's share capital as granted to the Board of Directors by the fourteenth resolution of the Joint Shareholders' Meeting of June 10, 1997, full powers to convert the Company's share capital into euros, when the euro is legal tender in France, pursuant to the applicable laws and regulations and the present resolution;

- that the Board of Directors shall have full powers to determine the date of the conversion of the share capital into euros, when the euro is legal tender in France, in accordance with the applicable laws and regulations, and to use the aforementioned authorization to increase the share capital by raising the nominal value of shares, so that the nominal value obtained by applying the conversion rate be rounded to the nearest hundredth of a euro or, at most, the lowest whole number of euros exceeding the value obtained by applying the conversion rate, and to use the aforementioned authorization to amend the bylaws as required, to take any other action and carry out any other fomalities that are necessary.

Eleventh resolution *(Renewal of the financial authorizations to issue securities conferring the right to acquire equity after conversion of the share capital into euros).*

The Shareholders' Meeting, having reviewed the Report of the Board of Directors resolves, in accordance with the provisions of Paragraph 3 of Article 180-III of the Law of July 24, 1966, that the granting to the Board of Directors of powers to proceed with the issuance of securities conferring the right to acquire equity, with or without waiving of preemptive subscription rights and by incorporation of earnings, reserves or additional paid-in capital as set forth in the twelfth, thirteenth and fourteenth resolutions of the Joint Shareholders' Meeting of June 10, 1997, can be used by the Board of Directors after the conversion, if carried out, of the Company's share capital into euros, when the euro is legal tender in France. Capital increases carried out under the conditions set out by these resolutions can be carried out in euros, when the euro is legal tender in France, subject to compliance with the applicable laws and regulations.

Twelfth resolution *(Renault stock options granted to the management and key employees)*

The Shareholders' Meeting, having reviewed the Report of the Board of Directors and the Special Report of the Statutory Auditors, authorizes the Board of Directors to grant stock options, on one or more occasions, to the managment and key employees of the Company and associated companies, as defined by Article 208-4 of the Law of July 24, 1966, in accordance with Article 208-I of the Law of July 24, 1966. These stock options may give rights to subscribe to new Company shares, issued as part of a capital increase, or to purchase Company shares arising from acquisitions carried out by the Company pursuant to the applicable laws and regulations.

The Board of Directors may use the aforementioned authorization on one or more occasions during a period of five years starting at the date of the present Meeting.

The total amount of options granted may not give the right to buy or subscribe to shares exceeding 4% of total share capital.

In addition, the Shareholders' Meeting notes that in accordance with Article 208-2 of the Law of July 24, 1966, this authorization entails for the grantee of the stock option, the explicit waiving by the shareholders of their preemptive rights to subscribe to the shares to be issued on the exercise of the options.

From the date of attribution of the option by the Board of Directors, the grantee of these options will have of a minimum delay of five years and a maximum delay of ten years in which to exercise the option. Once this delay has been exceeded, the option becomes null and void.

Managers and key employees of the Company and affiliated companies as defined by Article 208-4 of the Law of July 24, 1966, who hold over 10% of the Company's share capital, shall not receive these stock options.

The exercise price of the options shall be determined on the day when the options are granted by the Board of Directors. The share subscription price cannot be less than 95% of the average of the opening prices of the twenty trading sessions on the Paris Bourse preceding the day when the option is granted.

No option can be granted less than twenty Paris Bourse trading sessions after the stripping of a coupon giving right to a dividend. The Board of Directors will be able to use this authorization after the conversion, if need be, of the Company share capital into euros. The shares to be issued can be denominated in euros, when this is legal tender in France.

The exercise price of an option to be paid by the grantee of an option will be determined on the day when the options are granted by the Board of Directors. The share purchase price cannot be less than 95% of the average of the opening prices of the twenty trading sessions on the Paris Bourse preceding the day when the option is granted, nor less than 80% of the average purchase price of shares previously purchased by the Company in accordance with Articles 217-1 and 217-2 of the Law of July 24, 1966. No option can be granted less than twenty Bourse trading sessions after the stripping of a coupon giving right to a dividend.
In the event of departure from the Company, unless otherwise specified, the employee loses his right to exercise any stock options, previously granted and not exercised.

The Shareholders’ Meeting grants the Board of Directors full powers to determine all the terms and conditions of the transaction, within the aforementioned limits to:

- fix the time of the opening and exercising of options;

- decide on the list of grantees;

- determine the conditions under which the options will be granted and the number of shares to be alloted on exercise of the option;

- determine the conditions under which the price or the number of shares can be adjusted, to take into account any capital transactions carried out by the Company and, if need be, the conditions under which the options may be suspended;

- draw up the prospectus which sets the purchase price and the conditions under which the grantees of options may exercise their rights;

- carry out any and all publication and other formalities in order to bring into effect the capital increase which may be carried out pursuant to the authorization which is the object of the present resolution and amend the bylaws as required;

- on its sole prorogative and if it judges necessary, to transfer the costs of increasing the share capital onto the amount of additional paid-in capital and deduct from this amount the sums necessary to bring the statutory reserve to one tenth of the new capital after each increase;

- and generally take any other action that is necessary.

The Board of Directors will inform the Shareholders’ meeting each year of the transactions carried out in relation to the present resolution.

Thirteenth resolution *(Conversion into euros of authorizations granted in French francs)*

The Shareholders' Meeting, having reviewed the Report of the Board of Directors, resolves that the amounts expressed in French francs in the twelfth, thirteenth, fourteenth, fifteenth and sixteenth resolutions adopted by the Joint Shareholders' Meeting of June 10, 1997, as well as in the twelfth resolution of the present Shareholders’ Meeting, subject to its adoption, can be expressed in euros, when the euro is legal tender in France.

Fourteenth resolution *(Powers)*

The Shareholders' Meeting grants full power to a bearer of a copy or excerpt of the minutes of the present Shareholders’ Meeting to perform all legal and other formalities and to comply with all publication requirements.