I. Group profile

RENAULT PAST AND PRESENT

In 1998, Renault recorded worldwide sales in excess of 2.2 million vehicles and generated revenues of FRF 244 billion, of which 61.4% outside France and 16% outside Europe. On December 31, 1998 the Renault Group had a combined workforce of 138,321.

BACKGROUND

Over one hundred years ago – in 1898 – Louis Renault produced the first "Type A". The same year, he formed "Société Renault Frères" to manufacture motor vehicles, taking advantage of patents such as the first direct-drive transmission. Based in the Paris suburb of Billancourt, the company 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, it produced substantial volumes of trucks, light tanks and aircraft engines.

In 1922, having expanded strongly in the passenger car and commercial vehicle markets, Renault became a limited company. Establishing production centers in France and abroad, Renault gradually emerged as the French market leader.

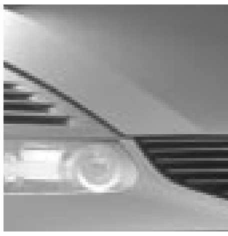
In January 1945 the company was nationalized as "Régie Nationale des Usines Renault" and concentrated on producing the 4 CV

Through to the mid 1980s, Renault followed a strategy of diversification in the industrial, financial and service sectors, while at the same time growing its industrial and commercial activities internationally. The Renault 5, which remains one of the Group's greatest commercial successes, was launched in 1972. But in 1984, the company ran into financial difficulties. As a result, it concentrated on restructuring and refocusing on core activities, and returned to profit in 1987.

In 1990, Renault became a limited company once again. In the same year, it signed an agreement for close cooperation with the Volvo group. And in 1991 the two groups linked their automobile and commercial vehicle businesses via cross-shareholdings. This arrangement was unwound in 1994 after plans to merge the two groups were shelved in late 1993.

One year later, the French government opened Renault to outside capital, a first step towards 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 automotive history: the 4 CV in 1946; the Renault 4 – the first small front-wheel drive car – in 1961; the Renault 16, with its hatch back and modular interior, in 1965; the Renault 5 with its polyester bumpers in 1972; turbo-powered vehicles starting in 1980; the Espace in 1984; the Twingo in 1993; and the Mégane Scenic in 1996 are just some of the models that have contributed to the company's tradition of innovation. In 1998 Renault exhibited Vel Satis, a concept car that reveals the spirit of the brand's forthcoming top-of-the-range models.



STRUCTURE OF THE RENAULT GROUP

Renault is the parent company of the Renault Group and the principal operating entity for passenger car and light commercial vehicle businesses in France. The Group's activities are organized into three divisions:

– The Automobile Division (80% of revenues, i.e. FRF 195 billion in 1998) is responsible for designing, manufacturing and marketing passenger cars and light commercial vehicles; it also handles related activities such as agricultural machinery

– The Commercial Vehicles Division (17% of revenues, i.e. FRF 41 billion in 1998) pursues the same activities in the field of commercial vehicles (trucks, coaches, buses, military and special-purpose vehicles).

– The Finance Division (3% of revenues, i.e. FRF 8 billion in 1998) is a complementary division with financial and commercial businesses, bringing together the subsidiaries responsible for sales financing and services; it is also responsible for managing the Group's cash funds.

RENAULT'S STRATEGY

Renault pursues a Group-wide strategy based on seven strategic goals:

- Achieve complete customer satisfaction through the quality and reliability of our products and services.
- Become the most competitive manufacturer in Europe.
- Offer a young, strong and innovative product range.
- Accelerate Renault's international development.
- Develop a coherent and open Group.
- Work more effectively together.

– Generate profits to meet shareholders' expectations and finance our growth.

These goals, which were reviewed in December 1998, are the foundations that underpin Renault's strategy of profitable growth. This strategy is based on three priorities:
– developing a brand identity focusing on innovation in products and services for complete customer satisfaction;
– becoming the most competitive manufacturer on our markets in terms of quality, costs and delivery times;
– expanding our international scope to play a central role in automotive development throughout the world.

Principal consolidated data, 1989-1998

Financial data in FRF million	Notes	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Revenues	(1)	174,477	163,620	165,974	179,449						
	(2)										
	(7)			171,502	184,252	169,789	178,537	184,065	184,078	207,912	243,934
Operating margin	(8)								(1,572)	3,694	12,595
Operating income (loss)	(1)	12,944	6,299	4,663	7,920						
	(3)			4,813	7,734	609	2,317	1,259	(5,987)	2,030	10,839
Pre-tax income (loss)	(4)	9,725	1,380	4,109	6,313						
	(5)			3,969	6,481	1,094	3,485	1,976	(5,645)	4,095	11,145
Renault net income (loss)		9,289	1,210	3,078	5,680	1,071	3,636	2,139	(5,248)	5,427	8,847
Cash flow	(1)	15,050	7,919	10,113	13,149						
	(2)			12,305	16,117	11,017	12,145	11,669	6,918	13,804	20,321
Investment	(1)	10,361	13,213	21,554	11,685						
	(2)			20,637	13,565	12,043	16,050	15,499	17,046	16,289	14,902
Net indebtedness of industrial and commercial activities		17,593	27,110	15,528	12,549						
	(6)				8,727	7,851	(1,458)	3,368	9,385	2,097	(12,650)
Shareholders' equity		22,466	17,014	31,331	33,965	33,877	42,784	43,796	37,770	43,917	51,562
Total workforce (no. of persons)	(2)	174,573	157,378	147,185	146,604	139,733	138,279	139,950	140,905	141,315	138,321

Note: For the sake of consistency, commencing from the presentation of the 1993 accounts, Renault has adopted revised standards published by the International Accounting Standards Committee (IASC) and has modified the principles used to record deferred taxation. In particular, since 1993 Renault has fully consolidated its financial subsidiaries. To allow different years to be compared effectively, Renault has prepared pro-forma financial statements for 1991 and 1992.

(1) excl. financial subsidiaries

(2) incl. financial subsidiaries

(3) incl. financial subsidiaries - new definition encompassing income and expenses previously recorded as exceptional items

(4) financial companies accounted for by the equity method - share in income in companies accounted for by the equity method is recorded after taxes

(5) fully consolidated financial subsidiaries - share in income in companies accounted for by the equity method is recorded after taxes

(6) new definition

(7) for comparison with 1997 and 1998 figures, see page 14

(8) operating margin: the notion of "operating margin" is introduced into the financial statements as of January 1, 1998. Operating margin corresponds to operating income before "other operating income and expenses"

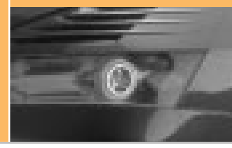
Principal data in millions of French francs and euros

Financial data	1996		1997		1998	
	FRF	**EUR**	FRF	**EUR**	FRF	**EUR**
Revenues	184,078	**28,063**	207,912	**31,696**	243,934	**37,187**
Operating margin	(1,572)	**(240)**	3,694	**563**	12,595	**1,920**
Operating income (loss)	(5,987)	**(913)**	2,030	**309**	10,839	**1,652**
Pre-tax income (loss)	(5,645)	**(861)**	4,095	**624**	11,145	**1,699**
Group net income (loss)	(5,266)	**(803)**	5,438	**829**	8,770	**1,337**
Renault net income (loss)	(5,248)	**(800)**	5,427	**827**	8,847	**1,349**
Earnings per share(1)	(22.07)	**(3.36)**	22.79	**3.47**	36.98	**5.64**
Share capital	5,995	**914**	5,995	**914**	5,995	**914**
Shareholders' equity	37,770	**5,758**	43,917	**6,695**	51,562	**7,861**
Total assets	217,640	**33,179**	230,121	**35,082**	250,086	**38,125**
Dividends(1)	0	**0**	3.5	**0.53**	**5.00**	**0.76225**
Cash flow	6,918	**1,055**	13,804	**2,104**	20,321	**3,098**
Investment	17,046	**2,599**	16,289	**2,483**	14,902	**2,272**
Net indebtedness of industrial and commercial activities	9,385	**1,431**	2,097	**319**	(12,650)	**(1,929)**

(1) in FRF and EUR.

Exposure to Currency Risk

In 1998, Renault made 70% of revenues in euro-zone countries, of which 31% outside France. For this reason, the impact of currency fluctuations on revenues and earnings was limited chiefly to movements of the pound sterling and the US dollar. The currencies of the countries participating in Economic and Monetary Union converged during the course of 1998 ahead of the advent of the euro in January 1999.



PRINCIPAL SHAREHOLDERS

On December 31, 1998 the French state held 44.22% of Renault's share capital. Renault employees, past and present, held 3.24% of the shares; these holdings are either managed through a collective investment fund or recorded in pure registered form.

During the course of 1998 Rhône-Poulenc Finance sold its entire holding of Renault shares, as provided for in a shareholder protocol. Concomitantly, some of the parties to the protocol exercised their preemptive right to a portion of that stake. At end-December, the Protocol Shareholders' Group owned 7.19% of Renault's capital.

Ownership of Share Capital and Voting Rights

	31/12/98	31/12/97	31/12/96
French state	44.22	44.22	45.87
AB Volvo	-	-	11.35
Protocol and Associated Shareholders			
Lagardère Groupe	1.50	1.55	1.50
Banque Nationale de Paris	1.31	1.41	1.50
Sogepaf (Elf-Aquitaine group)	-	-	1.50
Caisse des Dépôts et Consignations	1.04	1.04	1.00
Banque Cantonale Vaudoise	0.60	0.50	0.50
UBS	0.60	0.60	0.75
Bayerische Landesbank	0.40	0.40	0.50
Lazard Frères et Compagnie	0.40	0.40	0.50
Crédit Commercial de France	-	-	0.50
Crédit National	-	-	0.50
AGF IART	0.32	0.26	0.25
AGF Vie	0.32	0.26	0.25
ING Group	0.25	0.25	0.25
Commerzbank	0.25	0.25	0.25
Caisse Centrale des Banques Populaires	0.20	0.20	0.25
Rhône-Poulenc Finance	-	0.15	1.00
Public (incl. Group employees)	48.59	48.50	31.78
	100.00	100.00	100.00

On November 21, 1994 the protocol shareholders signed an agreement whereby they retained their entire stake for three months and 80% of the stake for the subsequent 21 months. During the three years following this initial 24-month period, any sale involving all or part of that 80%, either to a third party or to another protocol shareholder, would be subject to the preemptive rights of the other protocol shareholders.

The terms stipulated for the Associated Shareholders Group, which took an ownership interest in Renault in July 1996, contain non-transferability clauses that expire on the same dates as those accepted by the Protocol Shareholders Group formed at the time of the initial public offering (IPO) in November 1994.

A survey conducted in February 1998 identified approximately 280,000 individual shareholders. This does not include Renault employees who subscribed to the employee ownership plan at the time of the IPO.

Pursuant to articles 217-2 to 217-7 of the Companies Act of July 24, 1966, the Joint Annual Shareholders Meeting of June 11, 1998, authorized the company to trade in its own shares in order to stabilize the market. Transactions made under the terms of this authorization must be executed within a maximum purchase price of FRF 300 or the equivalent in euros, and a minimum sale price of FRF 100, or the equivalent in euros, and the number of shares that can be acquired cannot exceed 10% of the total number of Renault shares. The authorization expires at the Annual General Meeting on June 10, 1999.

The company has not traded in its own shares for price stabilization purposes.

SHARE PRICE

Renault shares have been listed on the monthly settlement section of the Premier Marché of the Paris Bourse since November 17, 1994 following the IPO. The initial offering price was FRF 165 (EUR 25.15). Renault was added to the CAC 40 index on February 9, 1995. The shares are also traded on SEAQ International in London.

Prices and Trading Volumes

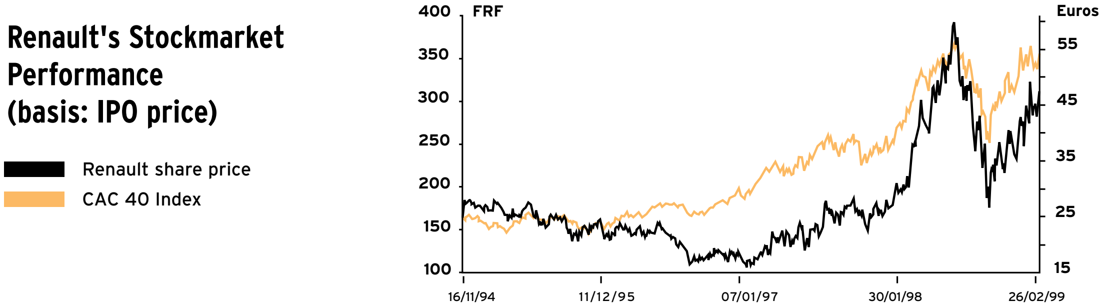
	Number of shares traded	Price in FRF (EUR from January 1999) Close	High	Low
July 1997	16,489,389	172.4	187.8	137.6
August 1997	11,371,983	154.0	175.0	150.5
September 1997	11,691,983	175.9	180.0	152.0
October 1997	10,864,250	160.5	186.9	148.7
November 1997	10,069,600	165.3	170.0	145.0
December 1997	9,812,083	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
March 1998	14,832,763	276.0	279.9	195.5
April 1998	10,594,593,	279.0	303.9	256.0
May 1998	9,183,202,	313.0	325.0	284.0
June 1998	9,462,865	343.9	358.0	312.0
July 1998	10,741,276	316.9	399.9	309.0
August 1998	13,706,916	263.8	326.9	252.1
September 1998	19,439,257	224.0	298.6	212.1
October 1998	16,264,551	237.5	237.5	174.0
November 1998	12,837,204,	264.0	277.0	211.6
December 1998	11,283,496	251.0	271.8	226.5
December 1998 (EUR)	**11,283,496**	**38.26**	**41.44**	**34.53**
January 1999 (EUR)	17,238,765	49.00	49.13	37.05
February 1999 (EUR)	12,638,265	42.50	49.30	41.91

The stockmarket crisis in Asia in the fall of 1997 created turmoil in all international financial centers. Renault, like most cyclical stocks, experienced a sharp price correction, but rallied along with the rest of the market at year's end. On December 31, 1997 the shares were trading at FRF 169.30, giving the Group a market capitalization of FRF 40.6 billion (EUR 6,19 billion). For 1997 as a whole, Renault's stock rose 51.80%, compared with 29.50% for the CAC 40 index.

In 1998, stockmarkets were driven until July by robust expectations of growth in Europe and then, from late summer and through to the fall, by fears of an economic slowdown for the remainder of 1999. Those concerns were prompted by the disconcerting situation in Russia and the knock-on effects of a fresh financial crisis in Asia. Against this backdrop, Renault's share price moved in line with market expectations, both bullish and bearish. Having advanced at the beginning of the year on news of market share gains in Western Europe and the success of the Renault range, the shares then followed the market downwards. Over the course of the year, they fluctuated between a low of FRF 168.00 in January and a high of FRF 399.90 inJuly.

On December 30, the last day of franc-denominated trading, the shares closed at FRF 251 (EUR 38.26), giving Renault a market capitalization of FRF 60.2 billion (EUR 9.17 billion). The shares rose 48.26% from December 31, 1997, while the CAC 40 index gained 31.47% over the same period. Since the beginning of the year, the share has been on an uptrend relative to the close of 1998, moving between EUR 37.05 and EUR 49.3.

Renault's Stockmarket Performance (basis: IPO price)



Of the subsidiaries and sub-subsidiaries of the Renault Group, the Spanish company FASA, which is 92.2% owned by the Renault Group, is listed on the Madrid stock exchange; and Renault Argentina, 58.5% owned by Cofal (itself 79.57% owned by Renault, in view of the warrants to be exercised in 1999), is listed in Buenos Aires.

CHANGES IN CAPITAL OWNERSHIP

On December 31, 1998, Renault's share capital amounted to FRF 5,994,964,175 consisting of 239,798,567 shares each with a par value of FRF 25. The number of voting rights was 238,145,021. The shares are fully subscribed and paid-up.

Changes in capital ownership over 5 years

	Transaction	FRF	Resulting capital in number of shares	Shares and securities
5/1994	Issue of 1 B share, FRF 15 (at FRF 1,000,000,000)	**3,400,628,655**	179,153,807 45,343,485 2,211,285 **226,708,577**	A shares, FRF 15 B shares, FRF 15 ICs, FRF 15 **total shares, FRF 15**
11/1994	Increase in par value of shares from FRF 15 to FRF 25 and elimination of some share categories	5,667,714,425	224,497,292 2,211,285 **226,708,577**	shares, FRF 25 ICs, FRF 25 **total shares, FRF 25**
11/1994	Conversion of investment certificates (ICs) to shares Capital increase in cash Issue of 11,363,636 shares, par value FRF 25 (at FRF 176)	**5,951,805,325**	**238,072,213**	**shares, FRF 25**
1/1995	Subscription of 936,200 shares, par value FRF 25 Via exercise of warrants (at FRF 25 o/w FRF 15 in cash)	**5,975,210,325**	**239,008,413**	**shares, FRF 25**
8/1996	Capital increase resulting from payment of scrip dividends: issue of 790,154 shares, par value FRF 25 (at FRF 127)	**5,994,964,175**	**239,798,567**	**shares, FRF 25**

Note: A shares held by the French state and B shares by AB Volvo.

The Joint General Meeting of Shareholders of June 11, 1998 authorized the Board of Directors to make one or more issues of bonds, denominated in French francs, foreign currencies or euros, in an amount not exceeding FRF 10 billion or the equivalent in foreign currencies or euros(1).

Furthermore, in connection with the capital increase and the issuance of securities granting access to the company's share capital, as authorized by the Joint General Meeting of June 10, 1997, the Joint General Meeting of June 11, 1998 authorized the Board of Directors to:

• convert the company's share capital to euros

• increase the share capital by raising the par value of the shares such that the value obtained by applying the conversion rate is rounded up to the next cent (hundredth of one euro) or, at most, the next euro

• make the corresponding changes in the articles of incorporation.

(1) Authorization valid up to the Annual General Meeting convened to approve the accounts for 1999.

STOCK OPTIONS

In its twelfth resolution, the Joint General Meeting of June 11, 1998 authorized the Board of Directors to make one or more grants of stock options to managers of the company and its related companies, in conformity with Article 208-4 of the Companies Act of July 24, 1966.

If these options are exercised, the number of shares thus purchased or subscribed shall not exceed 4% of the share capital at this time (see chapter II, page 23).

DIVIDENDS

Dividends are paid out at the times and places specified either by the Annual General Meeting or, failing this, by the Board of Directors. Dividends remaining unclaimed after the five-year validity period shall lapse, as specified by law.

	No. of dividend paying shares	Dividend	EPS (FRF) Tax credit	Total
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
1998(*)	**239,798,567**	**5.00**	**2.50(**)**	**7.50**

(*) in accordance with the proposal of the Board of Directors and the decision of the Annual General Meeting of June 10, 1999.

(**) tax credit for natural persons, the Finance Act for 1999 modified this regime for legal entities liable for corporate income tax.

REDEEMABLE SHARES

Renault and **Diac**, the credit subsidiary of Renault Crédit International, have issued redeemable shares (tires participatifs), as follows:

- 1983 - Renault: 1,000,000 shares with a par value of FRF 1,000
- 1984 - Renault: 1,000,000 shares with a par value of FRF 1,000
- 1985 - Diac: 500,000 shares with a par value of FRF 1,000.

Renault and Diac redeemable shares are listed on the Paris Bourse.

Trading volume and prices of Renault redeemable shares

	Volume	Price in FRF; EUR from Jan. 1999 Close	High	Low
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
March 1998	98,524	2,350	2,350	1,970
April 1998	105,508	2,450	2,498	2,280
May 1998	259,336	2,830	3,050	2,440
June 1998	149,070	2,875	3,197	2,756
July 1998	100,886	3,075	3,115	2,835
August 1998	87,018	2,815	3,110	2,800
September 1998	113,432	2,840	2,965	2,720
October 1998	48,221	2,600	2,835	2,600
November 1998	124,622	2,610	2,650	2,501
December 1998	37,556	2,736	2,745	2,592
December 1998 (euros)	**37,556**	**417.10**	**418.47**	**395.15**
January 1999 (euros)	22,508	434.80	440	403.5
February 1999 (euros)	46,746	426.50	442	425.50

On December 31, 1998 the total value of the redeemable shares issued by **Diac** in 1985 and still outstanding was FRF 231,805,000 (EUR 35,338,444). In the course of 1998, the price fluctuated between FRF 975 and FRF 1,175 (EUR 148,64 and EUR 179,13). The shares closed at FRF 1,110 (EUR 169.22) on December 31, 1998.

SHAREHOLDER INFORMATION

Vice President, Investor Relations

Frédéric Perier
tel: (+33 1) 4104-5309
fax: (+33 1) 4104-5149

In 1995, Renault formed a shareholders' club called Actionnaires en Direct. The club's members, who now number around 34,000, receive a quarterly newsletter and a summary of the annual report; they also have access to a reduced rate telephone information line. Financial information is also available on Renault's Website.

A consultative committee comprising 12 Actionnaires en Direct members, including two employee shareholders, was set up in 1996 to advise the company on financial public relations and shareholder relations. In 1998, the committee met twice, once in a plenary session in the presence of the Chairman, and once for a working session. In July, 1998, in compliance with the committee's charter, applications were invited to fill seven of the seats, vacated because of the expiry of 6 terms of office and one resignation. The committee met for the first time in its new form during the first quarter of 1999.

Shareholder Information Line: (+33 1) 4104-5999
Reduced rate line: 0801-071-997 (inside France only)
Telephone information for employee shareholders: (+33 1) 4103-1314
Internet: www.renault.com

Shareholders' Club
RENAULT
Actionnaires en Direct
Investor Relations Department - 0760
34, Quai du Point du Jour
B.P. 100 - 92109 Boulogne Billancourt-France

The company is managed by a Board of Directors with fifteen members. Eleven are chosen by the Annual General Meeting of Shareholders, three represent the company's employees and one represents employee shareholders. Directors are appointed for a term of 6 years, subject to the provisions of Article 10 of the articles of incorporation concerning the renewal of the Board of Directors by rotation.

Board of Directors on December 31, 1998

	First appointed
Chairman Louis Schweitzer(1) Chairman and CEO	May 1992
Directors Pierre Alanche(6)	June 1997
Banque Nationale de Paris(2) represented by Michel Pébereau, Chairman and CEO	May 1995
Jean-Pierre Camescasse(3)	April 1989
François de Combret(7) Associate Director, Lazard Frères et Compagnie	July 1996
Jean-Luc Lagardère(4) Administrator, Lagardère S.C.A.	May 1989
Nicolas Jachiet(7) Head of Financing and Shareholding Department Treasury Division Ministry of the Economy, Finance and Industry	March 1998
Jeanne Seyvet(8) Director-General, Industry, Information Technologies and Posts Ministry of the Economy, Finance and Industry	December 1998
Henri Martre(6) Honorary President, Aerospatiale	July 1996
Gérard Muteau(3)	April 1989
Jean-Claude Paye(5) State Councilor	July 1996
Jean Peyrelevade(7) Chairman and CEO, Crédit Lyonnais	May 1994
Danièle Potvin(3)(9)	November 1996
Antoine Riboud(2) Honorary Chairman, Danone	May 1995
Robert Studer(5) Former Chairman, UBS	July 1996

(1) confirmed as Chairman by the Board of Directors meeting of July 26, 1996
(2) appointed by the Annual General Meeting of May 24, 1995
(3) elected/reelected by employees on November 5, 1996
(4) appointed by the Joint General Meeting of July 11, 1994
(5) appointed/reappointed by the Joint General Meeting of July 26, 1996
(6) appointed/reappointed by the Joint General Meeting of June 10, 1997
(7) appointed/reappointed by the Joint General Meeting of June 11, 1998
(8) appointed by ministerial order of December 11, 1998, ratified by the Board of Directors meeting of December 15, 1998
(9) maiden name, prior to her marriage in 1997, was Ms Terreau

Order of rotation of the Board of Directors

(at time of Annual General Meeting)

1998	Mr. LAGARDÈRE Mr. SCHWEITZER
1999	BNP (represented by Mr. PEBEREAU) Mr. RIBOUD
2000	Ms. SEYVET Mr. STUDER
2001	Ms. POTVIN(1) Mr. CAMESCASSE(1) Mr. BOUSSET(1) (2) Mr. PAYE
2002	Mr. ALANCHE(1) Mr. JACHIET Mr. MARTRE
2003	Mr. de COMBRET Mr. PEYRELEVADE

(1) The appointment of directors representing employees and employee shareholders is not subject to renewal by rotation
(2) Replaced Gérard Muteau, who resigned, on January 19, 1999

The Board of Directors appoints one of its members as Chairman. The Chairman, who must be a natural person, may stand for reelection when his term of office expires. The Annual General Meeting can decide to allocate directors' fees for Board members, in which case the amount of such emoluments remains in force until such time as a new decision is made. Every Board member must hold at least one registered share. In 1998, the Board of Directors met seven times.

In accordance with the recommendations of the 1995 Viénot Report on corporate governance in France, Renault's Board of Directors has adopted a system of bylaws and specialized committees.

The bylaws define the role of the Board of Directors, who collectively represent the company's shareholders, and have led to the drafting of a charter that establishes the rights and duties of Board members. The Board of Directors has also adopted procedures for the use and/or disclosure of privileged information.

To permit in-depth examination of specific topics relating to the Board of Directors' role, three specialized committees were created in 1996:

– an accounts and audit committee, chaired by Robert Studer and composed of Jean-Pierre Camescasse, Pierre Alanche, Nicolas Jachiet and Jean Peyrelevade. The committee's mission is to analyze the financial statements of the parent company and the consolidated reporting entity, and to ensure that appropriate methods have been used to prepare them
– an appointments and remuneration committee, chaired by Antoine Riboud and composed of François de Combret, Michel Pébereau and Louis Schweitzer. The committee's mission is to submit proposals to the Board for the appointment of new directors and to advise on the renewal of directorships that have expired
– an international strategy committee, chaired by Jean-Luc Lagardère and composed of Jeanne Seyvet, Henri Martre, Gérard Muteau, Jean-Claude Paye and Danièle Potvin. The committee's mission is to analyze the company's international plans and present them to the Board.

Management Committee and Group Executive Committee on December 31, 1998

*Louis SCHWEITZER	Chairman and Chief Executive Officer
Patrick BLAIN	Senior Vice President, Market Area France
Gérard DETOURBET	Senior Vice President, Powertrain
Christian DOR	Senior Vice President, Chief Financial Officer
*Georges DOUIN	Executive Vice President, Product & Strategic Planning and International Operations
Alain DUBOIS-DUMÉE	Senior Vice President, Corporate Communications
Jean-Baptiste DUZAN	Senior Vice President, Purchasing
*Patrick FAURE	Chairman and Chief Executive Officer, Renault V.I.
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
*François HINFRAY	Executive Vice President, Sales and Marketing
Jacques LACAMBRE	Senior Vice President, Advanced projects, Research and Customer-Oriented Specifications
Patrick LE QUEMENT	Senior Vice President, Quality and Corporate Design
*Shemaya LEVY	Executive Vice President
Luc-Alexandre MENARD	Senior Vice President, Mercosur
Patrick PÉLATA	Senior Vice President, Vehicle Development
Francis STAHL	Senior Vice President, Light Commercial Vehicles
* Michel de VIRVILLE	Corporate Secretary General, Group Human Resources

* Senior Executives of the Renault Group who are members of the Group Executive Committee chaired by Louis Schweitzer

In 1998, the total remuneration of Renault Group officers amounted to FRF 20,541,816. The percentage of the capital and voting rights held by members of management and administrative bodies is not significant.

AUDITORS

Statutory Auditors

Deloitte Touche Tohmatsu- represented by Mr. Olivier Azieres
185, Avenue Charles de Gaulle
92200 Neuilly Sur Seine, France

Ernst & Young, Audit
represented by Mr. Dominique Thouvenin
34, Boulevard Haussmann
75009 Paris, France

Deloitte Touche Tohmatsu was appointed by the ordinary session of the Joint General Meeting of June 7, 1996 for a six-year term. Ernst & Young Audit was appointed by the French Finance Ministry on March 27, 1979 and was reappointed by the ordinary session of the Joint General Meeting of June 7, 1996 for a six-year term. The appointments of both auditors will expire at the close of the Annual General Meeting convened to approve the accounts for 2001.

Alternate Auditors

Deloitte Touche Tohmatsu, Audit
alternate for Deloitte Touche Tohmatsu

Antoine Bracchi
alternate for Ernst & Young Audit

The alternate auditors were appointed or re-appointed by the ordinary session of the Joint General Meeting of June 7, 1996 for a six-year term. Their terms of office will expire at the close of the Annual General Meeting convened to approve the accounts for 2001.

LEGAL INFORMATION

Organized as a société anonyme (public limited company) under French law, Renault is governed by the provisions of the Companies Act of July 24, 1966 and the provisions of the Employee Profit Sharing Act No. 94-640 of July 25, 1994. The company was formed on January 10, 1945 and will cease to exist on December 31, 2088 except in the case of early termination or renewal. The head office is located at 34, Quai du Point du Jour, 92100 Boulogne-Billancourt, France. Renault is registered with the Registrar of Companies in Nanterre under the number B 780 129 987 (APE code 341 Z; Siret code: 780.129.987.01918.)

Legal documents such as the articles of incorporation, minutes of Annual General Meetings, auditors' reports and all other documents made available to shareholders in accordance with law may be consulted at the company's head office.

The company's corporate purpose is the design, manufacture, trade, repair, maintenance and leasing of motor vehicles (commercial, light commercial and passenger vehicles, tractors, farm machinery and construction equipment) as well as the design and manufacture of spare parts and accessories used in connection with the manufacture and operation of vehicles. It also encompasses all types of services relative to such operations and, more generally, all industrial, commercial, financial, investment and real estate transactions relating directly or indirectly, in whole or in part, to any of the above purposes (cf. Article 3 of the articles of incorporation). The company's fiscal year runs for 12 months between January 1 to December 31.

SPECIAL PROVISIONS OF THE ARTICLES OF INCORPORATION

Modification of Share Capital and Voting Rights

The Special General Meeting may, under the conditions specified by law, increase or reduce the share capital and authorize the Board of Directors to carry out such transactions, with the possibility of delegating them to the Chairman of the Board.

Shares are freely transferable in accordance with legislative and regulatory provisions. Such transfers are made in book entry form.

Statutory Appropriation of Net Income

Net income is appropriated in compliance with existing legislation. 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 be allocated to optional ordinary and special reserves or to be carried over. The balance, if any, is divided among the shares in proportion to their paid-up and unamortized value.

In accordance with legal provisions, the Annual General Meeting has the authority to offer shareholders the option of receiving all or part of the dividend payout in cash or in shares. Requests for the payment of scrip dividends must be submitted within the time period established by the Annual 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 if the share capital is increased.

General Meetings of Shareholders

General Meetings are convened in accordance with legal and regulatory provisions. All shareholders whose shares have been registered at least five clear days before the meeting date are entitled to attend. Owners of bearer shares or shares registered in an account not held by the company who wish to attend or be represented at General Meetings must submit a certificate drawn up by the intermediary who holds their account, attesting that their shares are not available in the period up to the date of the meeting. Such certificate shall be submitted 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 who wish 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 time period specified above.

Statutory Thresholds

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

The company is authorized to make use of the appropriate legal provisions for identifying shareholders having immediate or future voting rights in its own shareholders' meetings.

In addition to the legal requirement that shareholders inform the company if they hold certain percentages of its share capital, every shareholder or fund management company holding a number of shares equal to or greater than 0.5% of the share capital, or a multiple of this percentage less than or equal to 5% of the share capital, is required to inform the company of the number of shares held. Such information shall be notified by registered letter with return-receipt within five trading days of the registration of the shares that caused this threshold to be breached.

For holdings of more than 5%, the requirement indicated in the previous paragraph applies to increments of 1% of the share capital. For the purposes of determining the thresholds described above, indirectly held shares or shares assimilated to equity held as defined by the provisions of Articles 356-1 et seq. of Act No. 66-537 will also be taken into account. The declarer must certify that the said declaration includes all shares held or owned within the meaning of the preceding paragraph, and must indicate the acquisition date(s). 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 stripped of voting rights for all shareholders' meetings 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 1998

REVENUES

In 1998 almost all European car markets – France's in particular – experienced significant growth. Renault was the principal beneficiary of this recovery, with automobile sales growing twice as fast as the European market. It was a year of success for all Renault car models, especially for the Mégane, which became the second best-selling car in Europe, and also for the Espace and Kangoo, each of which took the sales lead in its category(1). Combined with the Group's ongoing cost-cutting program, these successes reinforced the profitability of the Automobile Division. In the Commercial Vehicles Division, sales increased at both Mack and the European branch in a context of expanding markets. Renault V.I., also involved in a program to reduce costs, continued to improve its operating margin. The contribution to operating margin from the Finance Division was virtually unchanged from 1997. Overall, the Group's profits increased significantly.

Renault's main strategies for improving competitiveness and profitability even further are the ongoing renewal of its product range with innovative new models, reorganization of manufacturing facilities, constant efforts to cut costs, more effective organizational structures and strengthened international presence.

Against a backdrop of renewed economic growth, the trend in all Western European markets was highly positive. The European market as a whole recorded rises of 7.1% for passenger cars and 11% for light commercial vehicles. The market for heavy-duty trucks in Europe increased by 19.9% for vehicles over five tons and by 22% for vehicles over 16 tons. The North American Class 8 market was also up, with a gain of 20.4%. During 1998, Renault's unit sales increased in every geographical market. In all, worldwide sales of Renault automobiles were up 15.8% over 1997, to 1,864,333 passenger cars (+14.5%) and 264,306 light commercial vehicles (+26%). Truck sales at Renault V.I. followed the same trend, with the European branch selling 46,017 vehicles over five tons (+23.3%) and Mack 34,671 heavy trucks (+15.5%).

Adjusted for changes in the scope of consolidation and accounting methods, these increases in unit sales resulted in revenue rises of 16.5% for the Automobile Division and 17.7% for the Commercial Vehicles Division. Group sales amounted to FRF 243,934 million, compared with FRF 207,912 million in 1997. On a comparable structure basis, consolidated revenues were up 16.2%.

(1) All ranking and market data cited in this document are taken from statistics of the Comité des Constructeurs Français d'Automobile (CCFA), supplemented by internal Renault statistics.

Revenues by Division

	1996		1997(1)		1997(2)	1998		1998/1997(2)
	FRF million	%	FRF million	%	FRF million	FRF million	%	%
Automobile	145,962	79.3	165,788	79.8	167,484	195,077	80.0	+16.5
Commercial Vehicles	30,007	16.3	34,180	16.4	34,520	40,619	16.6	+17.7
Finance	8,109	4.4	7,944	3.8	7,944	8,238	3.4	+3.7
Total	**184,078**	**100.0**	**207,912**	**100.0**	**209,948**	**243,934**	**100.0**	**+16.2**

(1) Reported.
(2) For purpose of comparison, the 1997 figures have been restated to reflect the same scope of consolidation and accounting methods as in 1998. The main adjustments involve changes in the method of consolidation for Renault Argentina (FRF 1,807 million) in the Automobile Division and Heuliez Bus (FRF 348 million) in the Commercial Vehicles Division.

The contribution of each division is calculated after eliminating intercompany transactions within the Group. The two manufacturing and sales divisions accounted for 96.6% of total revenues in 1998 (80% for the Automobile Division and 16.6% for the Commercial Vehicles Division, compared with 79.8% and 16.4% respectively in 1997).

The Finance Division, which is fully consolidated, contributed FRF 8,238 million to revenues, up 3.7% from 1997. This amount corresponds almost entirely to sales financing revenues. Finance receivables increased by 11.7% to FRF 71.5 billion.

Breakdown of Revenues: France/Foreign

As a %	1996		1997		1998	
	France	Foreign	France	Foreign	France	Foreign
Automobile	47.2	52.8	40.5	59.5	39.4	60.6
Commercial Vehicles	38.3	61.7	32.3	67.7	33.3	66.7
Finance	53.8	46.2	48.5	51.5	45.7	54.3
Total	**46.1**	**53.9**	**39.4**	**60.6**	**38.6**	**61.4**

Revenues in France made up 38.6% of the total. Revenues outside France increased by 18.9% to FRF 149,780 million (61.4% of the total), showing the progress of the group's international development.

Geographical Breakdown of Revenues

	1996		1997		1998	
	FRF million	%	FRF million	%	FRF million	%
France	84,782	46.1	81,976	39.4	94,154	38.6
Other EU countries	68,531	37.2	85,313	41.1	101,644	41.7
Total EU	**153,313**	**83.3**	**167,289**	**80.5**	**195,798**	**80.3**
Rest of Europe	6,920	3.7	7,715	3.7	9,138	3.7
Total EUROPE	**160,233**	**87.0**	**175,004**	**84.2**	**204,936**	**84.0**
Africa	2,834	1.5	2,971	1.4	3,290	1.3
North/South America	14,828	8.1	21,914	10.5	27,213	11.2
Asia/Pacific	6,183	3.4	8,023	3.9	8,495	3.5
Total	**184,078**	**100.0**	**207,912**	**100.0**	**243,934**	**100.0**

Europe, Renault's main market, accounted for 84% of revenues. The proportion of revenues outside Europe rose from 15.8% in 1997 to 16% in 1998 owing to growth in sales of Renault vehicles, notably in the Mercosur, and Mack trucks in the United States.

OPERATING MARGIN

This year's presentation of the Group's financial results introduces the notion of "operating margin" to give a more detailed picture of Renault's level of performance. Operating margin corresponds to operating income before "other operating income and expenses" as detailed below.

Contribution to Operating Margin by Division

(FRF million)	1996	1997			1998		
		1st half	2nd half	Year	1st half	2nd half	Year
Automobile	(2,240)	39	2,351	2,390	4,854	5,280	10,134
Commercial Vehicles	(612)	(230)	179	(51)	535	585	1,120
Finance	1,280	774	581	1,355	776	565	1,341
Total	**(1,572)**	**583**	**3,111**	**3,694**	**6,165**	**6,430**	**12,595**

The Group's operating margin was FRF 12,595 million in 1998 (compared with FRF 3,694 million in 1997 and a negative FRF 1,572 million in 1996), or 5.2% of revenues. The very sharp increase from 1997 is attributable in particular to the Automobile Division, whose contribution rose from FRF 2,390 million in 1997 to FRF 10,134 million in 1998. This FRF 7,744 million increase is explained by growth in unit sales in all final markets as well as the effects of the manufacturing reorganization and the cost reduction program. The Commercial Vehicles Division also kept its contribution rising on the strength of increased unit sales in all markets, higher selling prices in the United States and positive effects from cost-cutting programs in Europe and the United States. Its contribution to the operating margin was FRF 1,120 million, up from a negative FRF 51 million in 1997. The Finance Division provided a contribution of FRF 1,341 million, compared with FRF 1,355 million in 1997.

Research and development expenses increased by 12.7% between 1997 and 1998, reaching FRF 10,189 million and 4.2% of revenues. For comparison, R&D expenses were FRF 9,038 million in 1997 and FRF 9,125 million in 1996. Sales, general and administrative expenses amounted to FRF 29,091 million, compared with FRF 27,420 million in 1997.

Operating income is derived from operating margin by taking into account **other operating income and expenses**, which consist of:
• restructuring costs and provisions,
• gains and losses on disposals of tangible and intangible long-term assets (excepting sales of vehicles),
• gains and losses on transactions in securities representing investments in operating activities (notably, disposals and amortization of goodwill),
• items of an unusual nature or of an abnormally high amount.

Under this definition, "other operating income and expenses" in 1998 constituted a net expense of FRF 1,756 million, an increase of 5.5% from 1997. For comparison, this item amounted to FRF 1,664 million in 1997 and FRF 4,415 million in 1996. The largest component was restructuring costs and provisions, at FRF 1,600 million in 1998 (versus FRF 1,544 million in 1997 and FRF 3,906 million in 1996). These charges concerned mainly the manpower plan in Argentina, the shutdown of a French subsidiary, Emboutissage Tôlerie Gennevilliers, and the restructuring of the sales network in France.

OPERATING INCOME

The definition of operating income is unchanged.

After recognition of other operating income and expenses, Group operating income was FRF 10,839 million in 1998, compared with FRF 2,030 million in 1997 and an operating loss of FRF 5,987 million in 1996. The Automobile Division increased its contribution from FRF 901 million in 1997 to FRF 8,407 million in 1998, while the Commercial Vehicles Division swung from an operating loss of FRF 191 million in 1997 to an operating profit of FRF 891 million. The Finance Division's contribution to operating income increased by 16.7% to FRF 1,541 million. The decline from the first half of 1998 to the second is explained by a FRF 311 million profit corresponding to a tax refund in the UK in the first half and by the impact of the manpower plan at DIAC in the second half.

Contribution to Operating Income (Loss) by Division

(FRF million)	1996 1st half	1996 2nd half	1996 Year	1997 1st half	1997 2nd half	1997 Year	1998 1st half	1998 2nd half	1998 Year
Automobile	(911)	(5,634)	(6,545)	(162)	1,063	901	4,249	4,158	8,407
Commercial Vehicles	26	(731)	(705)	(216)	25	(191)	513	378	891
Finance	660	603	1 263	742	578	1,320	1,087	454	1,541
Total	**(225)**	**(5,762)**	**(5,987)**	**364**	**1,666**	**2,030**	**5,849**	**4,990**	**10,839**

Decisions to set aside provisions for restructuring are usually recorded in the second half. This explains the decrease in operating income in the Automobile and Commercial Vehicles Divisions in the latter part of the year.

FINANCIAL INCOME

Net financial items were positive at FRF 394 million in 1998, compared with FRF 2,018 million in 1997 and FRF 324 million in 1996. Financial income in 1997 included FRF 1,649 million of gains on the disposal of Elf Aquitaine and AB Volvo securities.

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 loss of FRF 88 million, attributable mainly to the Turkish marketing subsidiary. For comparison, this item represented income of FRF 47 million in 1997 and FRF 18 million in 1996.

GROUP PRE-TAX INCOME

Group pre-tax income amounted to FRF 11,145 million, compared with FRF 4,095 million in 1997 and a loss of FRF 5,645 million in 1996. The contributions of the various Group divisions are given in the following table.

Contribution to Pre-Tax Income (Loss) by Division

(FRF million)	1996	1997	1998	Change 1998/1997
Automobile	(6,447)	1,971	8,573	+ 6,602
Commercial Vehicles	(922)	(159)	588	+ 747
Finance	1,724	2,283	1,984	- 299
Total	**(5,645)**	**4,095**	**11,145**	**+ 7,050**

The internal Group agreement on assignment of head office expenses was revised in 1998. Figures for the two prior years, 1997 and 1996, have been modified accordingly.

RENAULT NET INCOME

As provided for under the Group's tax consolidation regime, which was renewed on January 1, 1998 for a period of three years, Renault determines its tax liability by including the taxable income of most of its subsidiaries and affiliates and offsetting against this amount certain taxes paid by the same subsidiaries and affiliates.

In 1998, with Renault no longer benefiting from tax loss carry-forwards, current taxes represented an expense of FRF 4,444 million, compared with FRF 964 million in 1997. After a final FRF 1,935 million reversal of the provision for deferred tax assets (compared with FRF 1,503 million in 1997), net tax expense for the year came to FRF 2,375 million (compared with net tax income of FRF 1,343 million in 1997).

After deduction of this tax expense and negative minority interests of FRF 77 million, Renault's net income amounted to FRF 8,847 million in 1998, an increase of FRF 3,420 million from 1997 (FRF 5,427 million).

CASH FLOW

Cash Flow Statement

(FRF million)	1996	1997	1998
Cash flow	6,918	13,804	20,321
Decrease in working capital requirement	2,819	3,940	9,503
Increase in finance receivables	(1,312)	(6,103)	(8,524)
Cash flows from operations	**8,425**	**11,641**	**21,300**
Property, plant and equipment and intangibles	(16,393)	(15,475)	(14,466)
Asset disposals and other	3,072	6,183	2,889
Cash flows from investments	**(13,321)**	**(9,292)**	**(11,577)**
Proceeds from shareholders	168	483	182
Dividends paid	(814)	(121)	(1,044)
Net change in debt	2,696	243	(11,759)
Cash flows from financing activities	**2,050**	**605**	**(12,621)**
Change in cash and cash equivalents	**(2,846)**	**2,954**	**(2,898)**

CASH FLOWS FROM OPERATIONS

Operations generated FRF 21,300 million in cash in 1998, compared with FRF 11,641 million in 1997.

Cash flow (net income plus depreciation and provisions) increased by FRF 6,517 million, rising from FRF 13,804 million in 1997 to FRF 20,321 million in 1998, owing mainly to improved operating conditions in the two manufacturing and sales divisions. The working capital requirement decreased by FRF 9,503 million in 1998 (compared with a decrease of FRF 3,940 million in 1997), owing notably to an increase in trade notes and accounts receivable related to the higher level of activity. In addition, sales-financing receivables increased by FRF 8,524 million in 1998.

CASH FLOWS FROM INVESTMENTS

Investments consumed FRF 11,577 million in cash in 1998, compared with FRF 9,292 million in 1997.

Capital expenditure (property, plant and equipment and intangibles) decreased by 6.5% to FRF 14,466 million. This amount breaks down as FRF 12,365 million for the Automobile Division (85.5%), FRF 990 million for the Commercial Vehicles Division (6.8%) and FRF 1,111 million for the Finance Division (7.7%). The investments of the manufacturing and sales companies are devoted primarily to renewing product and component lines and modernizing production facilities. The investments of the finance arm consist essentially of vehicles on lease. In all, tangible and intangible investments net of disposals amounted to FRF 11,863 million, compared with FRF 12,889 million in 1997 and FRF 14,092 million in 1996.

Investments in securities net of cash acquired thereby amounted to FRF 436 million in 1998, compared with FRF 814 million in 1997. Disposals of investments in affiliates amounted to FRF 413 million, compared with FRF 4,505 million in 1997, and served to decrease outflows of cash associated with investments.

Investment (tangible and intangible assets and securities)

	1996		1997		1998		1998/1997
	FRF million	%	FRF million	%	FRF million	%	%
By division							
Automobile	14,016	82.2	13,642	83.7	12,635	84.8	-7.4
Commercial Vehicles	1,518	8.9	1,105	6.8	1,080	7.2	-2.3
Finance	1,512	8.9	1,542	9.5	1,187	8.0	-23.0
Total	**17,046**	**100.0**	**16,289**	**100.0**	**14,902**	**100.0**	**-8.5**
By geographic market (1)							
France	14,277	83.8	12,297	75.5	9,867	66.2	-19.8
Outside France	2,769	16.2	3,992	24.5	5,035	33.8	+26.1
Total	**17,046**	**100.0**	**16,289**	**100.0**	**14,902**	**100.0**	**-8.5**
By type							
Property, plant and equipment and intangibles	16,393	96.2	15,475	95.0	14,466	97.1	-6.5
Securities	653	3.8	814	5.0	436	2.9	-46.4
Total	**17,046**	**100.0**	**16,289**	**100.0**	**14,902**	**100.0**	**-8.5**

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

CASH FLOWS FROM FINANCING ACTIVITIES

Financing activities generated a cash requirement of FRF 12,621 million in 1998, compared with a cash inflow of FRF 605 million in 1997. These cash flows consisted of bond issues and redemptions; the net change in other borrowings, marketable securities and investment loans; capital contributions from minority interests and payments of dividends. Repayments of bonds and other borrowings, net of new issues, generated a requirement of FRF 3,450 million. In April 1998, Renault issued FRF 500 million in bonds indexed to the price of Renault shares, and Renault Crédit International (RCI) issued bonds in the amount of DEM 300 million, or slightly more than FRF 1 billion.

Investment loans and marketable securities increased by FRF 15,209 million in 1998. For comparison, this item decreased by FRF 11,147 million in 1997.

In 1998 Renault distributed a dividend of FRF 3.50 per share for the year ended December 31, 1997. The total amount paid out to shareholders (before elimination of treasury shares) was FRF 840 million. In 1997 no dividend was distributed relative to 1996.

FINANCIAL POSITION

Shareholders' equity increased from FRF 43,917 million on December 31, 1997 to FRF 51,562 million on December 31, 1998 as a consequence of the 1998 financial results.

Operations generated cash flow of FRF 20,321 million in 1998, and the Group lowered its level of investment slightly to 6.1% of revenues. The net indebtedness of the industrial and commercial activities, which had amounted to FRF 2,097 million, was entirely eliminated as a result, shifting to a net creditor position of FRF 12,650 million on December 31, 1998.

Research and Development Expenses by Division

(FRF million)	1996	1997	1998	1998/1997 %
Automobile	7,938	8,112	9,239	+ 13.9
Commercial Vehicles	1,187	926	950	+ 2.6
Total	**9,125**	**9,038**	**10,189**	**+ 12.7**

In 1998 the Group spent FRF 10,189 million on research and development, compared with FRF 9,038 million in 1997 and FRF 9,125 million in 1996. These expenses relate to research, studies and development of vehicles, components and production technologies. This activity gave rise to the filing of 267 patents in 1998, compared with 230 in 1997.

Research and development focused on five major areas in 1998:

1/ Extension of the Product Range

At the Paris Motor Show, Renault unveiled "Vel Satis", a luxury four-seater coupe of avant-garde concept and design that features sophisticated but unobtrusive technology (on-board telematics) to enhance driving enjoyment. A car that meets traditional top-of-the-range standards while reflecting creative, forward-looking design and uniquely French refinement, Vel Satis reveals the spirit of Renault's future top-of-the-range models.

2/ Environmental Protection

As a defender of the values of personal mobility within a comprehensive vision of the transport system, Renault is taking multiple initiatives to assure an integral place for the automobile while protecting the environment. The multi-energy Scenic family, whether equipped with traditional power plants (gasoline/diesel/LPG) or clean-break technology (NGV, electric, hybrid), illustrates this determination to reduce fuel consumption, and thereby carbon dioxide emissions, as well as emissions of pollutants such as nitrogen oxides, hydrocarbons and carbon monoxide.

The Fever project, which Renault is conducting in cooperation with five European partners (Air Liquide, Ansaldo, De Nora, Paris's Ecole des Mines and Volvo TD), is aimed at acquiring knowledge in the engineering and use of fuel cells as an automotive power source. This objective has been achieved, since the prototype Fever has a range of 400 km and a top speed of 120 kph. The project has enabled Renault to acquire invaluable know-how for developing future production vehicles powered by fuel cells.

3/ Fuel Economy

In the area of engines, the new Renault 16-valve and dTi units introduced in 1998 reduced fuel consumption by 15%. Work along this line is now focusing on direct-injection gasoline engines, the new Turbeco turbocharger, common rail high-pressure injection systems for diesel engines and the new systems of treating exhaust gases that will appear on production vehicles in 1999 and 2000. Another system under development is the robotized gearbox (made from a manual gearbox actuated by an automated electrohydraulic system), which will help to improve a vehicle's overall fuel economy.

In parallel with these efforts, the multi-disciplinary "Frelon" project seeks to reduce excess fuel consumption due to friction. By working on tires and rolling resistance (in cooperation with tire makers and SNR) and on brakes, Frelon achieves a gain in fuel economy and a simultaneous improvement in braking efficiency. An initial application of the system will appear on the Scenic in 1999.

4/ Safety

In 1998 Renault applied the results of its latest research on structural compatibility in collisions between large and small vehicles to the Clio II and Twingo 2. These two new models now offer a high level of safety even in collisions involving a much heavier vehicle.

Several major innovations in passive safety were also introduced gradually throughout the product range. The first is the Renault System for Restraint and Protection for front-end collisions. In addition to seat belt pretensioners, the system includes load limiters and the new programmed restraint airbags. Working together for greatest effectiveness, these two systems developed by Renault can halve the forces exerted by the seat belt during a crash. Complementing these safety features is the new close-contact head restraint, which can reduce the number of minor injuries from rear-end collisions by 35%. In the event of side impact, Renault has introduced a combined head/chest lateral airbag.

Applying its expertise in passenger safety, Renault has developed the new Isofix child restraint system, engineered to adapt to the morphology of children's bodies. It can be posi-

tioned either rear-facing (for infants less than two years old) or forward-facing (for children from two to four). Safety is enhanced by the use of a standardized Isofix attachment system to secure the child seat to the vehicle's rear bench seat.

All this work on passive safety has earned the Mégane a rating as the safest car in its segment by Euro NCAP, an independent testing organization, following a series of high-impact crash tests performed on most of the cars in Europe's M1 segment.

5/ Organization of Transport Systems

The Praxitèle experiment with a self-service electric vehicle system continues in Saint Quentin en Yvelines, a new town in the Greater Paris region. Praxitèle is now operating in fully automated mode, twenty-four hours a day and seven days a week, and the number of stations has increased. At the end of 1998 Praxitèle has some 700 subscribers making nearly 450 short trips each week.

Every year, Renault staff and products bearing the marque's badge win prizes for inventiveness and creativity. Two examples of awards in 1998: Renault's programmed restraint system was honoured at the International Body Engineering Conference, and the gas-powered Agora transit bus received the Golden Decibel trophy awarded by France's National Noise Abatement Council.

WORKFORCE AND HUMAN RESOURCES

Number of Employees by Division on December 31

	1996	1997	1998 (1)	1998/1997 (%)
Automobile	111,523	112,178	109,409	- 2.5
Commercial Vehicles	26,049	25,860	25,635	- 0.9
Finance	3,333	3,277	3,277	- 0.0
Total	**140,905**	**141,315**	**138,321**	**- 2.1**

(1) Changes in scope of consolidation had little impact on the workforce, which decreased by 2,994 employees in 1998. The net impact of such changes was a decrease of 236:
- a decrease of 664 people in the Automobile Division (–513 at Rimex; –228 at Sodicam; +206 at CAT; –129 at Renault Limoges),
- an increase of 428 people in the Commercial Vehicles Division (+397 at Heuliez Bus; +31 at Renault Trucks Polska).

Human resources have been a key factor in the profitable growth of the business. Less rigid working time arrangements have increased flexibility at all sites and subsidiaries, both in France (Choisy le Roi, Cléon, Douai, Flins, Sandouville, MCA, SOVAB) and abroad (Novo mesto and Palencia). Work-schedule adjustments have also made it possible to improve responsiveness to changes in market demand, increase uptime at production facilities, shorten development lead times and reduce costs.

The use of innovative forms of work organization — rotating timetables, staggered hours, part-time options, "time credits" and others — is another step in the same direction.

Renault's manpower plan called for 1,158 internal reassignments and 1,533 job cuts. Layoffs have been mitigated by age-related measures (government-backed early retirement agreements) and aid for those moving to part-time positions.

As part of the Group's employment plan, measures were taken to promote youth employment. In the area of employing young people without job skills, Renault and the Ministry of Employment and Solidarity renewed through December 31, 2000 the 1992 framework agreement on bringing unskilled young people between the ages of 18 and 25 into the workplace. An amendment signed in February 1998 extends the scope of this framework agreement to Renault Group subsidiaries and new businesses in the job markets covered by the agreement. The amendment calls for 800 youth jobs to be provided in the next three years. Since 1992 this placement scheme has found jobs for 1,106 young people.

In 1998 the training plan focused on improving the fit between human resources and the needs of the business, notably in terms of the cost reduction and growth objectives, and satisfying the aspirations of the personnel. Particular emphasis was put on preparing for retraining and mobility assignments as well as on implementing the "time credit" concept for training. This approach is a way of reconciling career training for employees and the development of skills needed by the employer.

With an objective of 2 million hours devoted to training, or an average of 43 hours per person, the training plan represents an investment of nearly FRF 500 million, or 5% of the payroll.

The 1998 plan called primarily for:
• enhancing job skills (36% of training hours),
• anticipating changes by preparing employees for retraining and mobility assignments (30% of hours),
• increasing management skills (13% of hours).

In addition, training in new technologies (7% of total contact hours) was provided to support start-ups of new industrial processes and new model launches. As part of Renault's international development, 6% of hours were devoted to language training.

A new agreement on employing differently-abled persons was signed in 1998 by management and all the unions. The main provisions concern employment, hiring and training, and accommodation during employment. Renault maintains its objective of having the differently-abled make up at least 2% of annual new hires in engineering, commercial and administrative positions. As regards procurement from the sheltered sector, Renault commits to maintaining the flow of business at the level of recent years (which is equivalent to direct employment of 120 differently-abled persons). Other provisions cover hiring and training, both internally and in support organizations for the differently abled, and assuring suitable positions and work schedules for these persons.

WAGES AND PROFIT-SHARING

The average wage increase for production workers and non-managerial staff was 2.8% in 1998, while inflation remained at a subdued annual pace of about 0.3%.

Renault management has entered into an agreement with five labour unions (CFDT, CFTC, FO, CFE-CGC, CSL-SIR) on profit-related bonus schemes. As with previous such agreements, the new one is a framework agreement. It will give rise in coming months to negotiations at two levels.
– at company level, an amendment to the framework agreement will be negotiated with the aim of giving all employees a stake in Renault's financial results.
– at the establishment (job site) level, local agreements will be negotiated to recognize performance at each site and take account of its specific characteristics.

The profit-related bonus paid on April 10, 1998 to employees of the Renault parent company in respect of 1997 financial results was FRF 310 for each FRF 1,000 of base monthly salary, with a minimum payment of FRF 2,504.

In accordance with legal requirements or special dispensations, profit-sharing agreements were signed in all the principal companies of the Group.

Profit-related bonus schemes were also implemented in the principal companies to give employees a stake in the company's profits, progress and achieved performance, in particular in the area of quality.

For the Renault parent company, the amounts involved, equal to 5% of consolidated income before tax (and before profit-related bonuses) plus site performance bonuses, were as follows over the past five years:

	(FRF million)
1994	372
1995	290
1996	219
1997	422
1998	788

STOCK OPTIONS

The Board of Directors has granted stock options as follows:

- On October 22, 1996, 446,250 stock options, including 64,000 reserved for senior managers of the Renault Group. These options may be exercised from October 22, 1999 until October 22, 2006.
- On October 28, 1997, 553,750 stock options, including 94,000 reserved for senior managers of the Renault Group. These options may be exercised from October 29, 2002 until October 27, 2007.
- On October 27, 1998, 1,912,500 stock options, including 670,000 reserved for senior managers of the Renault Group. These options may be exercised from October 28, 2003 until October 26, 2008.

These grants are summarized in the table below.

	Options Granted		Options Remaining
Date Awarded	**Price**	**Number of Beneficiaries**	**on 31/12/1998**
October 22, 1996	FRF 115.23[1]	273	446,250
October 28, 1997	FRF 163.30[1]	310	553,750
October 27, 1998	FRF 210.74[2]	410	1,912,500

(1) Price is equal to 95% of the average opening price of Renault shares over the twenty trading sessions preceding the board meeting at which the decision to grant the options was taken.
(2) Price is equal to the average opening price of Renault shares over the twenty trading sessions preceding the board meeting at which the decision to grant the options was taken.

To our knowledge, the Group's production does not depend on patents or licences belonging to third parties.

REGULATORY FRAMEWORK FOR ISSUES OF SAFETY, EMISSIONS AND INDUSTRIAL ENVIRONMENT

The development of automotive electronics opens new prospects in the area of accident avoidance, and applications with this aim were introduced in 1998. Regulatory oversight of this technological evolution has taken the form of gradual definition of new safety requirements for electronic systems, particularly concerning braking and vehicle handling.

As regards environmental issues, the emissions reduction requirements for light and heavy vehicles in the years 2000 and 2005 have now been set. In addition to significant cuts in allowed levels of emissions, the requirements call for a system of continuous monitoring of the vehicle's emission control system (On-Board Diagnostic or OBD system) as well as increased durability and verification of compliance by vehicles in service (COPIS). For the first time, these stages in automotive emissions reduction establish a clear link between vehicles and fuels.

Fuel Consumption and CO2 Emissions

An agreement on the automobile industry's contribution to reducing emissions of greenhouse gases was concluded in 1998 between European car makers and EU authorities in Brussels. This agreement sets an overall target for carbon dioxide emissions of new cars sold in Europe in 2008 at 140 g/km, which corresponds to fuel consumption of 5.9 l/100 (litres per 100 kilometers) for gasoline and 5.3 l/100 for diesel. The Buenos Aires conference on global warming in November 1998 highlighted the commitment of Europe and its industry to reduce emissions of greenhouse gases. This conference also confirmed quantified targets for greenhouse gas reduction by the principal countries and identified the main policy instruments for achieving them.

Fuel and Vehicle Taxes

France has affirmed its desire for gradual harmonization of taxes on gasoline and diesel fuel. The French authorities are committed to a gradual realignment of the tax difference in France, currently FRF 1.43 per liter in favour of diesel, with the EU average, currently FRF 0.97. The rebalancing will begin in 1999 with an adjustment of 7 centimes. For the first time in several years, France's tax on premium unleaded gasoline was unchanged.

A provision of France's Finance Act for 1999 allows reimbursement of part of the domestic tax on petroleum products for commercial vehicles over twelve tons.

At the same time, the legislature has consolidated the various tax incentives for clean vehicles, notably LPG vehicles, and extended them to include dual-fuel vehicles.

Taxation in Europe

The European Union continues to be notable for wide disparities in taxes applicable to motor vehicles. These disparities are attributable to the lack of convergence in VAT rates and the maintenance of specific taxes on vehicle purchases in many European countries. With the introduction of the euro, the persistence of these disparities continues to raise problems.

Designs and Models

In 1998 European Union institutions ended their examination of the designs and models directive that had been under review since 1991. For the automotive industry, the directive governed the legal protection applicable to visible parts of the bodywork. Each member state is free to maintain the same protection for a further period, which will range in practice from five to seven years.

Recycling of End-of-Life (EOL) Vehicles

Renault continues to implement the framework agreement on EOL recycling that was worked out with the French government and the operators of the subsidiaries. In 1997 approximately 110,000 Renault EOLs were processed and 83.7% of vehicle weight was recycled.

Renault, already partnered 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 recycling vehicles at the end of their life.

In July 1997 the European Commission adopted a draft directive on EOL recycling. The requirements and objectives of the draft directive are more demanding for automobile manufacturers than the voluntary agreements that had already been finalized in several European countries, notably Spain, Germany, the UK, Sweden, Austria, Italy, Belgium and the Netherlands. In particular, the recyclability objective for new vehicles is raised from 90% in 2002 in the framework agreements to 95% in 2005 in the directive, and reclamation of energy content alone is limited to 10%. The draft also calls for manufacturers to take vehicles back at the end of their life at no charge. It will now be discussed at the European Council and in Parliament.

Renault has set up a subsidiary to market refurbished OEM parts through its dealer network.

Litigation

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

MAIN LINES OF DEVELOPMENT IN 1998

In 1998 Renault pursued its three-pronged strategy of profitable growth based on innovation, competitiveness and international development. This strategy is aimed at making Renault a top player in the world automobile industry, producing four million vehicles a year by 2010 with half of that output outside Western Europe.

Innovative Product Range

Renault's commercial success rests on its range of products and its ability to anticipate trends in lifestyles. The Group must keep designing ever more innovative vehicles that are not only attractive to customers but also safer, cleaner and more keenly priced.

In **automobiles**, after successfully launching the Kangoo in October 1997 and the Clio II in April 1998, Renault completed the overhaul of its offering in the small-car segment by unveiling the Twingo 2 at the Paris Motor Show in October 1998. Like the Clio II, the Twingo 2 offers a superior specification and a higher level of safety at a lower selling price than its predecessor.

The Mégane family was enlarged in September 1998 with an estate version, launched in Turkey and then marketed in Europe starting in March 1999. Besides a new design, greater value for money in terms of equipment and even more effective safety features—which earned it the top ranking in its segment during crash tests performed in 1998 by Euro NCAP, an independent European testing organization—the new Mégane innovates by offering Europe's first direct-injection gasoline engine.

With its new range of 16-valve gasoline and direct-injection diesel engines, Renault has stepped up the pace in renewing its powertrain components (engines and transmissions), in line with its objective of being among the world's best in this domain by the year 2000.

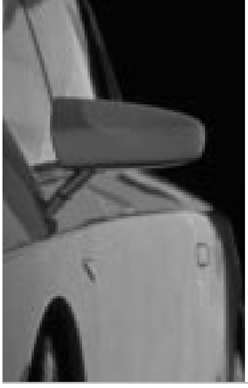
Renault has also affirmed its determination to remain in the upper segments of the market by offering original concepts and taking advantage of lower development costs. The March 1999 debut of the Avantime concept car at the Geneva auto show paves the way for the "Coupéspace". Avantime foreshadows the innovative architecture of the vehicle being developed under a partnership agreement with Matra Automobile, a coupé that will be launched in 2000.

In commercial vehicles, Renault V.I. made two important product launches in its coach and bus range in late 1998: Ares, a coach suited for both scheduled transport service and tourist excursions, and Agora Line, a bus designed for suburban transit routes. In heavy-duty trucks, noteworthy new products included the 400-horsepower version of the Premium Long Distance, a new version of the Kerax, the innovative Single concept for the outfitting of the cab on the Premium Long Distance Privilège, and the Kerax Route, specially adapted for the international market. In the United States, Mack prepared for the February 1999 launch of the Vision, designed for long-distance hauling.

Enhanced Competitiveness

In the Automobile Division, the 1997 plan to cut costs by FRF 20 billion (relative to the 1997 budget) by the year 2000 has the following main elements:
• reduce purchasing costs by roughly FRF 10 billion;
• reduce the manufacturing cost at powertrain and assembly plants by raising capacity utilization rates and improving productivity;
• cut the cost of designing and developing new vehicles;
• reduce distribution costs;
• achieve cost savings in other areas such as administrative overheads, purchasing logistics for spare parts, fixed costs in marketing, etc.
The plan is on schedule. In 1998, FRF 9 billion in cost savings were achieved based on a constant level of activity (using a measuring technique for isolating the impact on performance when output levels change). The reduction in purchasing costs was 8%, in line with targets set for full-year 1998 despite a tight supply situation that did not favour the division in negotiations with suppliers. Furthermore, the reduction in internal costs, achieved through both productivity gains on site and overall rationalization of production facilities, exceeded plan targets, supplementing the favorable effects of greater volume in 1998.

To accelerate cost reductions in areas with high potential but requiring new approaches, eight cross-company teams were set up in May 1997. Made up of operating personnel from the various units and disciplines involved, each team seeks out and implements breakthrough solutions with expected gains of 30% on average within 12 to 18 months. By the end of 1998 the teams had achieved significant results, and the objectives have been or will be attained in the different domains that have been explored. Among these teams, the "Standardization" team, whose task was to reduce the diversity of outsourced components on the Mégane by 30%, has



already met its objective. The "Manufacturing Logistics Costs" team, charged with trimming those costs by 25% by 2000, has identified a high potential for expense reduction. In this area, having parts suppliers at the manufacturing sites, as close as possible to the assembly lines, is a key progress factor. Having done this to good effect in Flins and Curitiba, Renault will open an industrial park in Sandouville for five of its biggest component suppliers in 1999.

The Finance Division is also participating in the cost optimization effort, and a cross-departmental team was set up within Renault Crédit International in January 1999.

The effort to take out costs will continue after the year 2000, and Renault is already drawing up the objectives that will be set for that period.

In commercial vehicles, Renault V.I. is still pursuing its objective of moving from a recovery phase to a phase of profitable growth. This transition cannot be achieved without an improvement in competitiveness. The Group has therefore undertaken a series of actions in this regard, with a major drive to lower costs both internally and externally. In the area of purchasing, this is a question of finding suppliers with worldwide scale, chosen for their technical expertise and financial soundness, to become true partners of the division.

Renault V.I. is also stepping up the implementation of synergies between its two operating units in the area of heavy-duty trucks. The objective of the Convergence program is to achieve maximum sharing of components on vehicles sold in Europe and the United States within three years.

Manufacturing Efficiency and Responsiveness

Renault has been engaged for several years in a process of rationalizing and streamlining its manufacturing facilities. The general principle is to assign a single vehicle segment to each plant. With the Sandouville plant set to be producing a single, top-of-the-range platform in 2000, only the Flins plant will still be operating on a dual-flow basis, simultaneously producing the Twingo and the Clio II on two different assembly lines. This manufacturing system is consistent with Renault's product range plan and platform architecture. The three French assembly plants for passenger cars will produce the range's three platforms: top-range, midrange and entry-level. The two Spanish plants will produce vehicles in the high-volume segments, i.e. Clio II and Mégane.

With this streamlined manufacturing process, Renault was able to react swiftly to changing patterns of demand in Europe in 1998. The agreements for flexible hours and working arrangements at the plants proved just how important they were when the bodywork and assembly sites moved to three shifts and the powertrain sites added weekend shifts.

Better organization of production also resulted in a very significant reduction in the time needed to ramp up to full output. The Flins plant was up to full speed on the Clio II in just three months, compared with seven and a half months for the Mégane.

The Curitiba plant, designed to assemble vehicles under conditions of maximum flexibility and competitiveness and surrounded by its major suppliers, was inaugurated on December 4, 1998.

Industrial Alliances and Cooperation Agreements

Renaults seeks maximum efficiency and worldwide scale for each of its businesses.

In automobiles, Renault is cooperating with NTN, a Japanese components supplier, to assure a long-term future for its universal joints business at the plant in Le Mans. Fiat and Renault have pooled most of their foundry activities, which are operated via Teksid S.p.A. (wholly owned by Fiat) and AT Systèmes (an EIG belonging to Renault). The new group has the capability to position itself as a world standard in casting for the automotive industry.

Renault V.I. and Iveco have merged their coach and bus activities in a jointly owned company. This 50/50 joint venture, named Iris.Bus, began operations on January 1, 1999 as number two in its sector in the European market and one of the world's larger producers of passenger transport vehicles.

The Finance Division, via its Renault Crédit International subsidiary, is also pursuing an active partnership policy that enables it to offer an ever-broader range of sales aid products and establish a presence in international markets. 1998 saw the birth of Renault Credit Polska, in partnership with Poland's Bank Slaski, and Renault Leasing Cz., offspring of a joint-venture contract with CAC Leasing in Prague.

Effective Organizational Structures

Renault's competitiveness strategy, based on lowering costs, shortening lead times and improving product and service quality, must be backed up by effective organizational structures and management tools.

In research and development, the new Technocentre, inaugurated in May 1998, has two concrete objectives. One is to shorten the development time for new vehicles to 36 months, or 24 months for derivative models built on existing platforms, by the year 2000. This reduction is to be achieved with continued improvement in quality and in spite of the growing complexity of the vehicles and the increasingly strict standards they must meet. The other objective is to achieve economies of at least one billion francs on the development costs of each new vehicle.

The Technocentre has adopted an innovative architectural concept and a new form of organization in order to complete projects faster and more effectively. The new organization straddles traditional boundaries in two ways:
– across disciplines: Renault's design and development engineers, previously at several different sites, are now clustered together to work on a given platform.
– across time: the three stages in the design of a vehicle — advanced projects, projects, prototypes — are reproduced in space in the three sections of the centre, known familiarly as the Advance Precinct, the Hive and the Proto.
With this new way of working, the 7,500 people grouped together at this site in late 1998 are able to carry on four or five projects simultaneously. Some 1,000 of these people are from outside the Renault Group, from component makers and suppliers, which are purposely brought in very early and associated very closely with the development of new products.

In parallel with the establishment of the Technocentre, several program management teams were set up in 1998. A process re-engineering program was begun in both the Purchasing and Vehicle Engineering departments. With the reorganization of the Powertrain Department, which will take effect during 1999, all the upstream departments of the business have now been reconfigured according to the same principles. Those principles are:

- systematize the way projects and functions are carried out (program directors are given worldwide responsibility, suppliers are chosen on a worldwide basis, etc.);
- strengthen upstream resources and promote innovation (by involving suppliers more closely);
- optimize organizational structures by project;
- arrange for customer input to guide engineering efforts;
- develop a manufacturing system equal in performance to the best in the world.

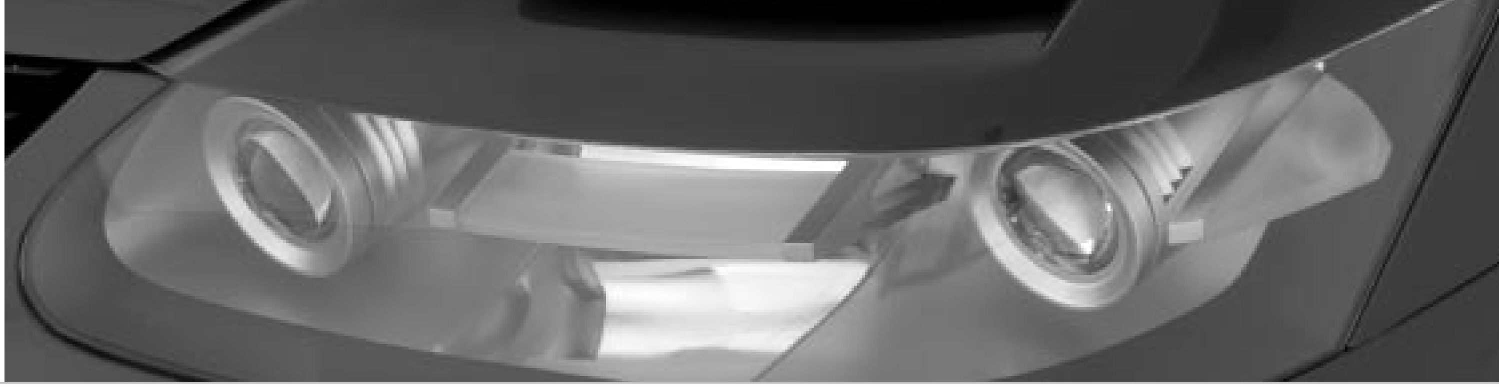
To meet customers' ever more demanding requirements, Renault has given the go-ahead to the New Distribution Project, which aims to ensure delivery of a vehicle within two weeks from the customer's order by 2001. This strategic project, which brings the end customer into the heart of the business, implies significant changes in Renault's manufacturing system, both in terms of processes, which must be made more flexible and responsive, and in terms of the organization of dealer, supplier and transport networks.

Effective January 1, 1999, Renault modified the organization of its regional sales departments in France to give them greater focus on the field and customer service. In a move consistent with this decision, DIAC also chose to reorganize along the same lines as the Renault network. Lastly, the sales and marketing department of Renault V.I. decided to adopt a less top-heavy organizational structure in order to be closer to the customer and resolutely international.

International Development

Internationally, Renault continued to put resources in place to increase its presence outside Western Europe.

The Bursa plant in Turkey, which already makes Mégane sedans, began production of the station wagon version. Marketed in Turkey since September 1998, this model has strengthened Renault's position as national leader in this segment. From March 1999, Turkey will serve as the exclusive export base for the Mégane station wagon.



In Brazil, the first Scenics were marketed in March 1999. Renault announced that it would build an engine plant at the Curitiba site with the aim of meeting 80% of the engine requirements of the Mercosur plants starting the year 2000. Renault also made further progress in extending its local sales network.

In Argentina, the Córdoba plant underwent a significant equipment upgrade, and a program to reduce costs by 30% in three years is under way.

On January 13, 1999 Brazil's central bank abandoned its floating exchange-rate regime, with the result that the Brazilian currency declined by about 40% in the space of a few days. This decline will be reflected in Renault's shareholders' equity by a correction to the currency translation adjustment.

In view of the crisis in Russia, Renault made no significant financial commitment in that country and is again reviewing the timetable for the Mégane assembly project with Moscow City officials, so that the timetable takes better account of the country's true situation.

In December 1998, Renault signed a memorandum with Romanian authorities and the state ownership fund, establishing the framework for negotiations that may lead to Renault acquiring a 51% stake in Dacia, a Romanian automobile manufacturer. This acquisition would provide the Group with another brand name, since Renault would ultimately have Dacia produce a vehicle designed to sell for less than USD 6,000 in local and emerging markets.

The Finance Division is also participating in Renault's international development by establishing partnerships in Eastern Europe and Mercosur.

Renault currently has little presence in Asia, but the Group is watching this part of the world attentively and will explore any opportunities that might arise.

RENAULT AND THE EURO

To be ready for the euro, Renault began extensive preparations as early as 1996. Virtually every area of the business – sales, marketing, advertising, purchasing, accounting, administration, finance, information systems – is affected by the switchover to the European single currency.

A project structure was established at the corporate level. Each department and subsidiary has appointed a coordinator responsible for organizing the necessary planning, coordinating the work to be done and monitoring the implementation plans to adapt that sector's operations to the euro.

Upstream, a lean project management team orchestrates the collective effort by tracking the projects, coordinating between the departments and subsidiaries, and communicating internally and with the outside world. This mode of organization has the advantage of cutting across all sectors of the Group, making it possible to identify and implement common solutions, harmonize timetables and minimize adaptation costs.

The project team leads a steering committee composed of all the coordinators from the departments and subsidiaries. The committee meets every two weeks to define strategies and coordinate planning and implementation work.

In addition, a plenary committee, composed of senior managers from the major functional units of the different divisions and chaired by Mr Shemaya Lévy, Executive Vice President of the Renault Group, meets at the request of the project management team to approve all important decisions.

Effective in January 1999, the Group is able to express all communications with the outside world in euros.
- Customers: prices are displayed in both the domestic currency and euros, and sales of good and services (including financial services) are invoiced in the currency of the customer's choice.
- Suppliers: the Group is able to issue orders to, receive invoices from, and pay its foreign suppliers in euros. In June 1999 this option will be extended to all suppliers.
- Financial community and shareholders: financial reporting is in euros and French francs.

Renault employees in the euro zone have been familiarized with the new currency since 1998 via in-house communication and training. For information purposes, pay slips have shown the euro value of net wages since January 1999.

By the end of the transitional period (year-end 2001), all information systems – accounting, administration, planning, budgeting, costing, payroll, etc. – will have been switched over to the euro. From January 1, 2002, Renault will use the euro exclusively.

To minimize adaptation costs, the switchover to the single currency has been incorporated into the systems renovation projects already planned by Renault for the 1999,-2002 period.

RENAULT AND THE MILLENIUM BUG

Owing to the broad scope and diverse nature of its implications, Year 2000 (Y2K) compliance constitutes a project of the highest importance throughout the Group. Renault has therefore implemented a structured approach to detecting and systematically dealing with Y2K risks in all areas of its business.

Starting in early 1995, measures were taken to ensure that new information systems would be capable of handling post-31/12/99 dates without a problem. To deal with existing systems, multidisciplinary working groups were established in 1996 to work out and document a practical methodology based on prevention. This effort led to the formation of a Groupwide network, with a "Year 2000" manager at each site and a correspondent in each function. This mode of organization makes it possible to check compliance by all the automated equipment and software programs in daily use at Renault's manufacturing facilities, marketing locations and technical centres.

It is also essential for Renault to ensure continuity of supply by averting possible failures at its suppliers. Supplier Y2K

issues are being handled mainly in cooperation with PSA Peugeot-Citroën using the services of GALIA, the logistical data interchange association for the automobile industry. Surveys have been sent out with questionnaires on methodology, and the response rate has been high. Lastly, Renault is conducting audits of some twenty suppliers identified as being "at risk" to determine how they are handling the Year 2000 rollover.

As for the vehicles themselves, recent models have on-board electronic calculators that reckon in terms of elapsed time rather than absolute date. They therefore pose no risk of malfunction. The few equipment items that do keep track of an absolute date have been designed to take the Year 2000 rollover into account.

Renault's Y2K project is following the established timetable. System cutovers will take place through August 1999. The 1999 holiday period will be devoted in particular to validating system integrity and implementing special procedures to make final checks at all sites just before and just after the rollover, as well as to take care of any remaining problems.

The costs of work related to the Year 2000 rollover amount to FRF 490 million and affect expenses reported in 1998 and 1999.

In 1999, the Automobile Division should continue to improve its sales performance in a total European market of close to 13.8 million units. The trend in the French market should be positive with total sales of two million vehicles. But declines are likely in the United Kingdom and Italy, where downturns are already in evidence.

Outside Europe, present forecasts for passenger car markets indicate that total sales will decline significantly in Turkey and even more so in the Mercosur, where Renault is nevertheless expecting to improve its market share.

The capacity of Renault to make progress commercially can be attributed to a line of innovative products which have become the benchmark in numerous segments. In addition, Renault's products are increasingly competitive, due to the continuous improvements being made in industrial operations, under the stimulus of the goals set for the cost-reduction program.

The markets for commercial vehicles will probably show cross-currents in 1999: growth in France and Spain, but more or less significant declines in most of the other European countries, as well as in the United States. This situation will lead the Commercial Vehicles Division to place even more emphasis on its campaign to lower costs.

The Finance Division should show activity comparable to that of last year.

In this environment, which will be marked by increasingly intense competitive pressures as well as the additional costs of the Group's international expansion, Renault will maintain its policies calling for discipline and a continuing stress on growth, with the objective of strengthening financial results in all of its Divisions.

In 1999, in a less buoyant climate than that prevailing in 1998, Renault expects to show an operating margin in line with its objective of achieving 4% of revenues on average over a business cycle.

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Renault is now convinced of the merits of a strategic alliance with Nissan. Consequently, Renault offered to start exclusive negotiations with Nissan on March 16, 1999, with a view to establishing a strategic alliance between the two groups, which would in particular involve Renault acquiring an equity stake of approximately 35% in the capital of Nissan, in the form of a reserved increase in capital.
Nissan has informed Renault that its offer would be examined at a Board of Directors' meeting on March 27, 1999.

(Statement issued on March 19, 1999)

II. Renault in 1998

2 REVENUES

In 1998 almost all European car markets – France's in particular – experienced significant growth. Renault was the principal beneficiary of this recovery, with automobile sales growing twice as fast as the European market. It was a year of success for all Renault car models, especially for the Mégane, which became the second best-selling car in Europe, and also for the Espace and Kangoo, each of which took the sales lead in its category[1]. Combined with the Group's ongoing cost-cutting program, these successes reinforced the profitability of the Automobile Division. In the Commercial Vehicles Division, sales increased at both Mack and the European branch in a context of expanding markets. Renault V.I., also involved in a program to reduce costs, continued to improve its operating margin. The contribution to operating margin from the Finance Division was virtually unchanged from 1997. Overall, the Group's profits increased significantly.

Renault's main strategies for improving competitiveness and profitability even further are the ongoing renewal of its product range with innovative new models, reorganization of manufacturing facilities, constant efforts to cut costs, more effective organizational structures and strengthened international presence.

Against a backdrop of renewed economic growth, the trend in all Western European markets was highly positive. The European market as a whole recorded rises of 7.1% for passenger cars and 11% for light commercial vehicles. The market for heavy-duty trucks in Europe increased by 19.9% for vehicles over five tons and by 22% for vehicles over 16 tons. The North American Class 8 market was also up, with a gain of 20.4%. During 1998, Renault's unit sales increased in every geographical market. In all, worldwide sales of Renault automobiles were up 15.8% over 1997, to 1,864,333 passenger cars (+14.5%) and 264,306 light commercial vehicles (+26%). Truck sales at Renault V.I. followed the same trend, with the European branch selling 46,017 vehicles over five tons (+23.3%) and Mack 34,671 heavy trucks (+15.5%).

Adjusted for changes in the scope of consolidation and accounting methods, these increases in unit sales resulted in revenue rises of 16.5% for the Automobile Division and 17.7% for the Commercial Vehicles Division. Group sales amounted to 37,187 million euros, compared with 31,696 million euros in 1997. On a comparable structure basis, consolidated revenues were up 16.2%.

All rankings and market data cited in this document are taken from statistics of the Comité des Constructeurs Français d'Automobile (CCFA), supplemented by internal Renault statistics.

Revenues by Division

	1996		1997[1]		1997[2]	1998		1998/1997[2]
	millions of euros	%	millions of euros	%	millions of euros	millions of euros	%	%
Automobile	22,252	79.3	25,274	79.8	25,533	29,739	80.0	+16.5
Commercial Vehicles	4,575	16.3	5,211	16.4	5,262	6,192	16.6	+17.7
Finance	1,236	4.4	1,211	3.8	1,211	1,256	3.4	+3.7
Total	**28,063**	**100.0**	**31,696**	**100.0**	**32,006**	**37,187**	**100.0**	**+16.2**

(1) Reported.
(2) For purpose of comparison, the 1997 figures have been restated to reflect the same scope of consolidation and accounting methods as in 1998. The main adjustments involve changes in the method of consolidation for Renault Argentina (275 million euros) in the Automobile Division and Heuliez Bus (53 million euros) in the Commercial Vehicles Division.

The contribution of each division is calculated after eliminating intercompany transactions within the Group. The two manufacturing and sales divisions accounted for 96.6% of total revenues in 1998 (80% for the Automobile Division and 16.6% for the Commercial Vehicles Division, compared with 79.8% and 16.4% respectively in 1997).

The Finance Division, which is fully consolidated, contributed 1,256 million euros to revenues, up 3.7% from 1997. This amount corresponds almost entirely to sales financing revenues. Finance receivables increased by 11.7% to 10.9 billion euros.

Breakdown of Revenues: France/Foreign

As a %	1996		1997		1998	
	France	Foreign	France	Foreign	France	Foreign
Automobile	47.2	52.8	40.5	59.5	39.4	60.6
Commercial Vehicles	38.3	61.7	32.3	67.7	33.3	66.7
Finance	53.8	46.2	48.5	51.5	45.7	54.3
Total	**46.1**	**53.9**	**39.4**	**60.6**	**38.6**	**61.4**

Revenues in France made up 38.6% of the total. Revenues outside France increased by 18.9% to 22,833 million euros (61.4% of the total), showing the progress of the group's international development.

Geographical Breakdown of Revenues

	1996		1997		1998	
	millions of euros	%	millions of euros	%	millions of euros	%
France	12,925	46.1	12,497	39.4	14,354	38.6
Other EU countries	10,447	37.2	13,006	41.1	15,496	41.7
Total EU	**23,372**	**83.3**	**25,503**	**80.5**	**29,850**	**80.3**
Rest of Europe	1,055	3.7	1,176	3.7	1,393	3.7
Total EUROPE	**24,427**	**87.0**	**26,679**	**84.2**	**31,243**	**84.0**
Africa	432	1.5	453	1.4	501	1.3
North/South America	2,261	8.1	3,341	10.5	4,149	11.2
Asia/Pacific	943	3.4	1,223	3.9	1,294	3.5
Total	**28,063**	**100.0**	**31,696**	**100.0**	**37,187**	**100.0**

Europe, Renault's main market, accounted for 84% of revenues. The proportion of revenues outside Europe rose from 15.8% in 1997 to 16% in 1998 owing to growth in sales of Renault vehicles, notably in the Mercosur, and Mack trucks in the United States.

OPERATING MARGIN

This year's presentation of the Group's financial results introduces the notion of "operating margin" to give a more detailed picture of Renault's level of performance. Operating margin corresponds to operating income before "other operating income and expenses" as detailed below.

Contribution to Operating Margin by Division

In millions of euros	1996	1997			1998		
		1st half	2nd half	Year	1st half	2nd half	Year
Automobile	(342)	6	358	364	740	805	1,545
Commercial Vehicles	(93)	(35)	27	(8)	82	89	171
Finance	195	118	89	207	118	86	204
Total	**(240)**	**89**	**474**	**563**	**940**	**980**	**1,920**

The Group's operating margin was 1,920 million euros in 1998 (compared with 563 million euros in 1997 and a negative 240 million euros in 1996), or 5.2% of revenues. The very sharp increase from 1997 is attributable in particular to the Automobile Division, whose contribution rose from 364 million euros in 1997 to 1,545 million euros in 1998. This 1,181 million euro increase is explained by growth in unit sales in all final markets as well as the effects of the manufacturing reorganization and the cost reduction program. The Commercial Vehicles Division also kept its contribution rising on the strength of increased unit sales in all markets, higher selling prices in the United States and positive effects from cost-cutting programs in Europe and the United States. Its contribution to the operating margin was 171 million euros, up from a negative 8 million euros in 1997. The Finance Division provided a contribution of 204 million euros, compared with 207 million euros in 1997.

Research and development expenses increased by 12.7% between 1997 and 1998, reaching 1,553 million euros and 4.2% of revenues. For comparison, R&D expenses were 1,378 million euros in 1997 and 1,391 million euros in 1996. Sales, general and administrative expenses amounted to 4,435 million euros, compared with 4,181 million euros in 1997.

Operating income is derived from operating margin by taking into account **other operating income and expenses**, which consist of:
- restructuring costs and provisions,
- gains and losses on disposals of tangible and intangible long-term assets (excepting sales of vehicles),
- gains and losses on transactions in securities representing investments in operating activities (notably, disposals and amortization of goodwill),
- items of an unusual nature or of an abnormally high amount.

Under this definition, "other operating income and expenses" in 1998 constituted a net expense of 268 million euros, an increase of 5.5% from 1997. For comparison, this item amounted to 254 million euros in 1997 and 673 million euros in 1996. The largest component was restructuring costs and provisions, at 244 million euros in 1998 (versus 235 million euros in 1997 and 595 million euros in 1996). These charges concerned mainly the manpower plan in Argentina, the shutdown of a French subsidiary, Emboutissage Tôlerie Gennevilliers, and the restructuring of the sales network in France.

OPERATING INCOME

The definition of operating income is unchanged.
After recognition of other operating income and expenses, Group operating income was 1,652 million euros in 1998, compared with 309 million euros in 1997 and an operating loss of 913 million euros in 1996. The Automobile Division increased its contribution from 137 million euros in 1997 to 1,282 million euros in 1998, while the Commercial Vehicles Division swung from an operating loss of 29 million euros in 1997 to an operating profit of 136 million euros. The Finance Division's contribution to operating income increased by 16.7% to 234 million euros. The decline from the first half of 1998 to the second is explained by a 47 million euro profit corresponding to a tax refund in the UK in the first half and by the impact of the manpower plan at DIAC in the second half.

Contribution to Operating Income (Loss) by Division

(In millions of euros)	1996 1st half	1996 2nd half	1996 Year	1997 1st half	1997 2nd half	1997 Year	1998 1st half	1998 2nd half	1998 Year
Automobile	(139)	(859)	(998)	(25)	162	137	648	634	1,282
Commercial Vehicles	4	(111)	(107)	(33)	4	(29)	78	58	136
Finance	100	92	192	113	88	201	165	69	234
Total	**(35)**	**(878)**	**(913)**	**55**	**254**	**309**	**891**	**761**	**1,652**

Decisions to set aside provisions for restructuring are usually recorded in the second half. This explains the decrease in operating income in the Automobile and Commercial Vehicles Divisions in the latter part of the year.

FINANCIAL INCOME

Net financial items were positive at 60 million euros in 1998, compared with 308 million euros in 1997 and 49 million euros in 1996. Financial income in 1997 included 252 million euros of gains on the disposal of Elf Aquitaine and AB Volvo securities.

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 loss of 13 million euros, attributable mainly to the Turkish marketing subsidiary. For comparison, this item represented income of 7 million euros in 1997 and 3 million euros in 1996.

GROUP PRE-TAX INCOME

Group pre-tax income amounted to 1,699 million euros, compared with 624 million euros in 1997 and a loss of 861 million euros in 1996. The contributions of the various Group divisions are given in the following table.

Contribution to Pre-Tax Income (Loss) by Division

In millions of euros	1996	1997	1998	Change 1998/1997
Automobile	(983)	300	1,307	+1,007
Commercial Vehicles	(141)	(24)	90	+114
Finance	263	348	302	-46
Total	**(861)**	**624**	**1,699**	**+1,075**

The internal Group agreement on assignment of head office expenses was revised in 1998. Figures for the two prior years, 1997 and 1996, have been modified accordingly.

RENAULT NET INCOME

As provided for under the Group's tax consolidation regime, which was renewed on January 1, 1998 for a period of three years, Renault determines its tax liability by including the taxable income of most of its subsidiaries and affiliates and offsetting against this amount certain taxes paid by the same subsidiaries and affiliates.

In 1998, with Renault no longer benefiting from tax loss carry-forwards, current taxes represented an expense of 677 million euros, compared with 147 million euros in 1997. After a final 295 million euro reversal of the provision for deferred tax assets (compared with 229 million euros in 1997), net tax expense for the year came to 362 million euros (compared with net tax income of 205 million euros in 1997).

After deduction of this tax expense and negative minority interests of 12 million euros, Renault's net income amounted to 1,349 million euros in 1998, an increase of 522 million euros from 1997 (827 million euros).

CASH FLOW

Cash Flow Statement

(In millions of euros)	1996	1997	1998
Cash flow	1,055	2,104	3,098
Decrease in working capital requirement	430	601	1,449
Increase in finance receivables	(201)	(930)	(1,300)
Cash flows from operations	**1,284**	**1,775**	**3,247**
Property, plant and equipment and intangibles	(2,499)	(2,359)	(2,205)
Asset disposals and other	468	942	440
Cash flows from investments	**(2,031)**	**(1,417)**	**(1,765)**
Proceeds from shareholders	26	74	28
Dividends paid	(123)	(19)	(159)
Net change in debt	410	37	(1,793)
Cash flows from financing activities	**313**	**92**	**(1,924)**
Change in cash and cash equivalents	**(434)**	**450**	**(442)**

CASH FLOWS FROM OPERATIONS

Operations generated 3,247 million euros in cash in 1998, compared with 1,775 million euros in 1997.

Cash flow (net income plus depreciation and provisions) increased by 994 million euros, rising from 2,104 million euros in 1997 to 3,098 million euros in 1998, owing mainly to improved operating conditions in the two manufacturing and sales divisions. The working capital requirement decreased by 1,449 million euros in 1998 (compared with a decrease of 601 million euros in 1997), owing notably to an increase in trade notes and accounts receivable related to the higher level of activity. In addition, sales-financing receivables increased by 1,300 million euros in 1998.

CASH FLOWS FROM INVESTMENTS

Investments consumed 1,765 million euros in cash in 1998, compared with 1,417 million euros in 1997.

Capital expenditure (property, plant and equipment and intangibles) decreased by 6.5% to 2,205 million euros. This amount breaks down as 1,885 million euros for the Automobile Division (85.5%), 151 million euros for the Commercial Vehicles Division (6.8%) and 169 million euros for the Finance Division (7.7%). The investments of the manufacturing and sales companies are devoted primarily to renewing product and component lines and modernizing production facilities. The investments of the finance arm consist essentially of vehicles on lease. In all, tangible and intangible investments net of disposals amounted to 1,808 million euros, compared with 1,965 million euros in 1997 and 2,148 million euros in 1996.

Investments in securities net of cash acquired thereby amounted to 67 million euros in 1998, compared with 124 million euros in 1997. Disposals of investments in affiliates amounted to 63 million euros, compared with 687 million euros in 1997, and served to decrease outflows of cash associated with investments.

Investment (tangible and intangible assets and securities)

	1996		1997		1998		1998/1997
	millions of euros	%	millions of euros	%	millions of euros	%	%
By division							
Automobile	2,138	82.2	2,080	83.7	1,926	84.8	-7.4
Commercial Vehicles	231	8.9	169	6.8	165	7.2	-2.3
Finance	230	8.9	234	9.5	181	8.0	-23.0
Total	**2,599**	**100.0**	**2,483**	**100.0**	**2,272**	**100.0**	**-8.5**
By geographic market (1)							
France	2,176	83.8	1,874	75.5	1,505	66.2	-19.8
Outside France	423	16.2	609	24.5	767	33.8	+26.1
Total	**2,599**	**100.0**	**2,483**	**100.0**	**2,272**	**100.0**	**-8.5**
By type							
Property, plant and equipment and intangibles	2,499	96.2	2,359	95.0	2,205	97.1	-6.5
Securities	100	3.8	124	5.0	67	2.9	-46.4
Total	**2,599**	**100.0**	**2,483**	**100.0**	**2,272**	**100.0**	**-8.5**

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

CASH FLOWS FROM FINANCING ACTIVITIES

Financing activities generated a cash requirement of 1,924 million euros in 1998, compared with a cash inflow of 92 million euros in 1997. These cash flows consisted of bond issues and redemptions; the net change in other borrowings, marketable securities and investment loans; capital contributions from minority interests and payments of dividends. Repayments of bonds and other borrowings, net of new issues, generated a requirement of 526 million euros. In April 1998, Renault issued 76 million euros in bonds indexed to the price of Renault shares, and Renault Crédit International (R.C.I.) issued bonds in the amount of 153 million euros (in Deutschmarks), or slightly more than FRF 1 billion.

Investment loans and marketable securities increased by 2,319 million euros in 1998. For comparison, this item decreased by 1,699 million euros in 1997.

In 1998 Renault distributed a dividend of 0.53 euro per share for the year ended December 31, 1997. The total amount paid out to shareholders (before elimination of treasury shares) was 127 million euros. In 1997 no dividend was distributed relative to 1996.

FINANCIAL POSITION

Shareholders' equity increased from 6,695 million euros on December 31, 1997 to 7,861 million euros on December 31, 1998 as a consequence of the 1998 financial results.

Operations generated cash flow of 3,098 million euros in 1998, and the Group lowered its level of investment slightly to 6.1% of revenues. The net indebtedness of the industrial and commercial activities, which had amounted to 319 million euros, was entirely eliminated as a result, shifting to a net creditor position of 1,929 million euros on December 31, 1998.

RESEARCH AND DEVELOPMENT

Research and Development Expenses by Division

(In millions of euros)	1996	1997	1998	1998/1997 %
Automobile	1,210	1,237	1,408	+13.9
Commercial Vehicles	181	141	145	+2.6
Total	**1,391**	**1,378**	**1,553**	**+12.7**

In 1998 the Group spent 1,553 million euros on research and development, compared with 1,378 million euros in 1997 and 1,391 million euros in 1996. These expenses relate to research, studies and development of vehicles, components and production technologies. This activity gave rise to the filing of 267 patents in 1998, compared with 230 in 1997.

Research and development focused on five major areas in 1998:

1/ Extension of the Product Range

At the Paris Motor Show, Renault unveiled "Vel Satis", a luxury four-seater coupe of avant-garde concept and design that features sophisticated but unobtrusive technology (on-board telematics) to enhance driving enjoyment. A car that meets traditional top-of-the-range standards while reflecting creative, forward-looking design and uniquely French refinement, "Vel Satis" reveals the spirit of Renault's future top-of-the-range models.

2/ Environmental Protection

As a defender of the values of personal mobility within a comprehensive vision of the transport system, Renault is taking multiple initiatives to assure an integral place for the automobile while protecting the environment. The multi-energy Scenic family, whether equipped with traditional power plants (gasoline/diesel/LPG) or clean-break technology (NGV, electric, hybrid), illustrates this determination to reduce fuel consumption, and thereby carbon dioxide emissions, as well as emissions of pollutants such as nitrogen oxides, hydrocarbons and carbon monoxide.

The Fever project, which Renault is conducting in cooperation with five European partners (Air Liquide, Ansaldo, De Nora, Paris's Ecole des Mines and Volvo TD), is aimed at acquiring knowledge in the engineering and use of fuel cells as an automotive power source. This objective has been achieved, since the prototype Fever has a range of 400 km and a top speed of 120 kph. The project has enabled Renault to acquire invaluable know-how for developing future production vehicles powered by fuel cells.

3/ Fuel Economy

In the area of engines, the new Renault 16-valve and dTi units introduced in 1998 reduced fuel consumption by 15%. Work along this line is now focusing on direct-injection gasoline engines, the new Turbeco turbocharger, common rail high-pressure injection systems for diesel engines and the new systems of treating exhaust gases that will appear on production vehicles in 1999 and 2000. Another system under development is the robotized gearbox (made from a manual gearbox actuated by an automated electrohydraulic system), which will help to improve a vehicle's overall fuel economy.

In parallel with these efforts, the multi-disciplinary "Frelon" project seeks to reduce excess fuel consumption due to friction. By working on tires and rolling resistance (in cooperation with tire makers and SNR) and on brakes, "Frelon" achieves a gain in fuel economy and a simultaneous improvement in braking efficiency. An initial application of the system will appear on the Scenic in 1999.

4/ Safety

In 1998 Renault applied the results of its latest research on structural compatibility in collisions between large and small vehicles to the Clio II and Twingo 2. These two new models now offer a high level of safety even in collisions involving a much heavier vehicle.

Several major innovations in passive safety were also introduced gradually throughout the product range. The first is the Renault System for Restraint and Protection for front-end collisions. In addition to seat belt pretensioners, the system includes load limiters and the new programmed restraint airbags. Working together for greatest effectiveness, these two systems developed by Renault can halve the forces exerted by the seat belt during a crash. Complementing these safety features is the new close-contact head restraint, which can reduce the number of minor injuries from rear-end collisions by 35%. In the event of side impact, Renault has introduced a combined head/chest lateral airbag.

Applying its expertise in passenger safety, Renault has developed the new Isofix child restraint system, engineered to adapt to the morphology of children's bodies. It can be posi-

tioned either rear-facing (for infants less than two years old) or forward-facing (for children from two to four). Safety is enhanced by the use of a standardized Isofix attachment system to secure the child seat to the vehicle's rear bench seat.

All this work on passive safety has earned the Mégane a rating as the safest car in its segment by Euro NCAP, an independent testing organization, following a series of high-impact crash tests performed on most of the cars in Europe's M1 segment.

5/ Organization of Transport Systems

The Praxitèle experiment with a self-service electric vehicle system continues in Saint Quentin en Yvelines, a new town in the Greater Paris region. Praxitèle is now operating in fully automated mode, twenty-four hours a day and seven days a week, and the number of stations has increased. At the end of 1998 Praxitèle has some 700 subscribers making nearly 450 short trips each week.

Every year, Renault staff and products bearing the marque's badge win prizes for inventiveness and creativity. Two examples of awards in 1998: Renault's programmed restraint system was honoured at the International Body Engineering Conference, and the gas-powered Agora transit bus received the Golden Decibel trophy awarded by France's National Noise Abatement Council.

WORKFORCE AND HUMAN RESOURCES

Number of Employees by Division on December 31

	1996	1997	1998 (1)	1998/1997 (%)
Automobile	111,523	112,178	109,409	- 2.5
Commercial Vehicles	26,049	25,860	25,635	- 0.9
Finance	3,333	3,277	3,277	- 0.0
Total	**140,905**	**141,315**	**138,321**	**- 2.1**

(1) Changes in scope of consolidation had little impact on the workforce, which decreased by 2,994 employees in 1998. The net impact of such changes was a decrease of 236:
- a decrease of 664 people in the Automobile Division (–513 at Rimex; –228 at Sodicam; +206 at CAT; –129 at Renault Limoges),
- an increase of 428 people in the Commercial Vehicles Division (+397 at Heuliez Bus; +31 at Renault Trucks Polska).

Human resources have been a key factor in the profitable growth of the business. Less rigid working time arrangements have increased flexibility at all sites and subsidiaries, both in France (Choisy le Roi, Cléon, Douai, Flins, Sandouville, MCA, SOVAB) and abroad (Novo mesto and Palencia). Work-schedule adjustments have also made it possible to improve responsiveness to changes in market demand, increase uptime at production facilities, shorten development lead times and reduce costs.

The use of innovative forms of work organization — rotating timetables, staggered hours, part-time options, "time credits" and others — is another step in the same direction.

Renault's manpower plan called for 1,158 internal reassignments and 1,533 job cuts. Layoffs have been mitigated by age-related measures (government-backed early retirement agreements) and aid for those moving to part-time positions.

As part of the Group's employment plan, measures were taken to promote youth employment. In the area of employing young people without job skills, Renault and the Ministry of Employment and Solidarity renewed through December 31, 2000 the 1992 framework agreement on bringing unskilled young people between the ages of 18 and 25 into the workplace. An amendment signed in February 1998 extends the scope of this framework agreement to Renault Group subsidiaries and new businesses in the job markets covered by the agreement. The amendment calls for 800 youth jobs to be provided in the next three years. Since 1992 this placement scheme has found jobs for 1,106 young people.

In 1998 the training plan focused on improving the fit between human resources and the needs of the business, notably in terms of the cost reduction and growth objectives, and satisfying the aspirations of the personnel. Particular emphasis was put on preparing for retraining and mobility assignments as well as on implementing the "time credit" concept for training. This approach is a way of reconciling career training for employees and the development of skills needed by the employer.

With an objective of 2 million hours devoted to training, or an average of 43 hours per person, the training plan represents an investment of nearly 76 million euros, or 5% of the payroll.

The 1998 plan called primarily for:
• enhancing job skills (36% of training hours),
• anticipating changes by preparing employees for retraining and mobility assignments (30% of hours),
• increasing management skills (13% of hours).

In addition, training in new technologies (7% of total contact hours) was provided to support start-ups of new industrial processes and new model launches. As part of Renault's international development, 6% of hours were devoted to language training.

A new agreement on employing differently-abled persons was signed in 1998 by management and all the unions. The main provisions concern employment, hiring and training, and accommodation during employment. Renault maintains its objective of having the differently-abled make up at least 2% of annual new hires in engineering, commercial and administrative positions. As regards procurement from the sheltered sector, Renault commits to maintaining the flow of business at the level of recent years (which is equivalent to direct employment of 120 differently-abled persons). Other provisions cover hiring and training, both internally and in support organizations for the differently abled, and assuring suitable positions and work schedules for these persons.

WAGES AND PROFIT-SHARING

The average wage increase for production workers and non-managerial staff was 2.8% in 1998, while inflation remained at a subdued annual pace of about 0.3%.

Renault management has entered into an agreement with five labour unions (CFDT, CFTC, FO, CFE-CGC, CSL-SIR) on profit-related bonus schemes. As with previous such agreements, the new one is a framework agreement. It will give rise in coming months to negotiations at two levels.
– at company level, an amendment to the framework agreement will be negotiated with the aim of giving all employees a stake in Renault's financial results.
– at the establishment (job site) level, local agreements will be negotiated to recognize performance at each site and take account of its specific characteristics.

The profit-related bonus paid on April 10, 1998 to employees of the Renault parent company in respect of 1997 financial results was 47 euros for each 152 euros of base monthly salary, with a minimum payment of 382 euros.

In accordance with legal requirements or special dispensations, profit-sharing agreements were signed in all the principal companies of the Group.

Profit-related bonus schemes were also implemented in the principal companies to give employees a stake in the company's profits, progress and achieved performance, in particular in the area of quality.

For the Renault parent company, the amounts involved, equal to 5% of consolidated income before tax (and before profit-related bonuses) plus site performance bonuses, were as follows over the past five years:

	(In millions of euros)
1994	57
1995	44
1996	33
1997	64
1998	120

STOCK OPTIONS

The Board of Directors has granted stock options as follows:

• On October 22, 1996, 446,250 stock options, including 64,000 reserved for senior managers of the Renault Group. These options may be exercised from October 22, 1999 until October 22,2006.

• On October 28, 1997, 553,750 stock options, including 94,000 reserved for senior managers of the Renault Group. These options may be exercised from October 29, 2002 until October 27, 2007.

• On October 27, 1998, 1,912,500 stock options, including 670,000 reserved for senior managers of the Renault Group. These options may be exercised from October 28, 2003 until October 26, 2008.

These grants are summarized in the table below.

Options Granted			Options Remaining
Date Awarded	**Price**	**Number of Beneficiaries**	**on 31/12/1998**
October 22, 1996	17.57 euros(1)	273	446,250
October 28, 1997	24.89 euros(1)	310	553,750
October 27, 1998	32.13 euros(2)	410	1,912,500

(1) Price is equal to 95% of the average opening price of Renault shares over the twenty trading sessions preceding the board meeting at which the decision to grant the options was taken.
(2) Price is equal to the average opening price of Renault shares over the twenty trading sessions preceding the board meeting at which the decision to grant the options was taken.

ECONOMIC ENVIRONMENT

To our knowledge, the Group's production does not depend on patents or licences belonging to third parties.

REGULATORY FRAMEWORK FOR ISSUES OF SAFETY, EMISSIONS AND INDUSTRIAL ENVIRONMENT

The development of automotive electronics opens new prospects in the area of accident avoidance, and applications with this aim were introduced in 1998. Regulatory oversight of this technological evolution has taken the form of gradual definition of new safety requirements for electronic systems, particularly concerning braking and vehicle handling.

As regards environmental issues, the emissions reduction requirements for light and heavy vehicles in the years 2000 and 2005 have now been set. In addition to significant cuts in allowed levels of emissions, the requirements call for a system of continuous monitoring of the vehicle's emission control system (On-Board Diagnostic or OBD system) as well as increased durability and verification of compliance by vehicles in service (COPIS). For the first time, these stages in automotive emissions reduction establish a clear link between vehicles and fuels.

Fuel Consumption and CO2 Emissions

An agreement on the automobile industry's contribution to reducing emissions of greenhouse gases was concluded in 1998 between European car makers and EU authorities in Brussels. This agreement sets an overall target for carbon dioxide emissions of new cars sold in Europe in 2008 at 140 g/km, which corresponds to fuel consumption of 5.9 l/100 (liters per 100 kilometers) for gasoline and 5.3 l/100 for diesel. The Buenos Aires conference on global warming in November 1998 highlighted the commitment of Europe and its industry to reduce emissions of greenhouse gases. This conference also confirmed quantified targets for greenhouse gas reduction by the principal countries and identified the main policy instruments for achieving them.

Fuel and Vehicle Taxes

France has affirmed its desire for gradual harmonization of taxes on gasoline and diesel fuel. The French authorities are committed to a gradual realignment of the tax difference in France, currently 0.22 euro per liter in favour of diesel, with the EU average, currently 0.15 euro. The rebalancing will begin in 1999 with an adjustment of 0.01 euro. For the first time in several years, France's tax on premium unleaded gasoline was unchanged.

A provision of France's Finance Act for 1999 allows reimbursement of part of the domestic tax on petroleum products for commercial vehicles over twelve tons.

At the same time, the legislature has consolidated the various tax incentives for clean vehicles, notably LPG vehicles, and extended them to include dual-fuel vehicles.

Taxation in Europe

The European Union continues to be notable for wide disparities in taxes applicable to motor vehicles. These disparities are attributable to the lack of convergence in VAT rates and the maintenance of specific taxes on vehicle purchases in many European countries. With the introduction of the euro, the persistence of these disparities continues to raise problems.

Designs and Models

In 1998 European Union institutions ended their examination of the designs and models directive that had been under review since 1991. For the automotive industry, the directive governed the legal protection applicable to visible parts of the bodywork. Each member state is free to maintain the same protection for a further period, which will range in practice from five to seven years.

Recycling of End-of-Life (EOL) Vehicles

Renault continues to implement the framework agreement on EOL recycling that was worked out with the French government and the operators of the subsidiaries. In 1997 approximately 110,000 Renault EOLs were processed and 83.7% of vehicle weight was recycled.

Renault, already partnered 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 recycling vehicles at the end of their life.

In July 1997 the European Commission adopted a draft directive on EOL recycling. The requirements and objectives of the draft directive are more demanding for automobile manufacturers than the voluntary agreements that had already been finalized in several European countries, notably Spain, Germany, the UK, Sweden, Austria, Italy, Belgium and the Netherlands. In particular, the recyclability objective for new vehicles is raised from 90% in 2002 in the framework agreements to 95% in 2005 in the directive, and reclamation of energy content alone is limited to 10%. The draft also calls for manufacturers to take vehicles back at the end of their life at no charge. It will now be discussed at the European Council and in Parliament.

Renault has set up a subsidiary to market refurbished OEM parts through its dealer network.

Litigation

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

MAIN LINES OF DEVELOPMENT IN 1998

In 1998 Renault pursued its three-pronged strategy of profitable growth based on innovation, competitiveness and international development. This strategy is aimed at making Renault a top player in the world automobile industry, producing four million vehicles a year by 2010 with half of that output outside Western Europe.

Innovative Product Range

Renault's commercial success rests on its range of products and its ability to anticipate trends in lifestyles. The Group must keep designing ever more innovative vehicles that are not only attractive to customers but also safer, cleaner and more keenly priced.

In **automobiles**, after successfully launching the Kangoo in October 1997 and the Clio II in April 1998, Renault completed the overhaul of its offering in the small-car segment by unveiling the Twingo 2 at the Paris Motor Show in October 1998. Like the Clio II, the Twingo 2 offers a superior specification and a higher level of safety at a lower selling price than its predecessor.

The Mégane family was enlarged in September 1998 with an estate version, launched in Turkey and then marketed in Europe starting in March 1999. Besides a new design, greater value for money in terms of equipment and even more effective safety features—which earned it the top ranking in its segment during crash tests performed in 1998 by Euro NCAP, an independent European testing organization—the new Mégane innovates by offering Europe's first direct-injection gasoline engine.

With its new range of 16-valve gasoline and direct-injection diesel engines, Renault has stepped up the pace in renewing its powertrain components (engines and transmissions), in line with its objective of being among the world's best in this domain by the year 2000.

Renault has also affirmed its determination to remain in the upper segments of the market by offering original concepts and taking advantage of lower development costs. The March 1999 debut of the Avantime concept car at the Geneva Motor Show paves the way for the "Coupéspace". Avantime foreshadows the innovative architecture of the vehicle being developed under a partnership agreement with Matra Automobile, a coupé that will be launched in 2000.

In **commercial vehicles**, Renault V.I. made two important product launches in its coach and bus range in late 1998: Ares, a coach suited for both scheduled transport service and tourist excursions, and Agora Line, a bus designed for suburban transit routes. In heavy-duty trucks, noteworthy new products included the 400-horsepower version of the Premium Long Distance, a new version of the Kerax, the innovative Single concept for the outfitting of the cab on the Premium Long Distance Privilège, and the Kerax Route, specially adapted for the international market. In the United States, Mack prepared for the February 1999 launch of the Vision, designed for long-distance hauling.

Enhanced Competitiveness

In the Automobile Division, the 1997 plan to cut costs by 3 billion euros (relative to the 1997 budget) by the year 2000 has the following main elements:
• reduce purchasing costs by roughly 1.5 billion euros;
• reduce the manufacturing cost at powertrain and assembly plants by raising capacity utilization rates and improving productivity;
• cut the cost of designing and developing new vehicles;
• reduce distribution costs;
• achieve cost savings in other areas such as administrative overheads, purchasing logistics for spare parts, fixed costs in marketing, etc.

The plan is on schedule. In 1998, 1.4 billion euros in cost savings were achieved based on a constant level of activity (using a measuring technique for isolating the impact on performance when output levels change). The reduction in purchasing costs was 8%, in line with targets set for full-year 1998 despite a tight supply situation that did not favor the division in negotiations with suppliers. Furthermore, the reduction in internal costs, achieved through both productivity gains on site and overall rationalization of production facilities, exceeded plan targets, supplementing the favorable effects of greater volume in 1998.

To accelerate cost reductions in areas with high potential but requiring new approaches, eight cross-company teams were set up in May 1997. Made up of operating personnel from the various units and disciplines involved, each team seeks out and implements breakthrough solutions with expected gains of 30% on average within 12 to 18 months. By the end of 1998 the teams had achieved significant results, and the objectives have been or will be attained in the different domains that have been explored. Among these teams, the "Standardization" team, whose task was to reduce the diversity of outsourced components on the Mégane by 30%, has

already met its objective. The "Manufacturing Logistics Costs" team, charged with trimming those costs by 25% by 2000, has identified a high potential for expense reduction. In this area, having parts suppliers at the manufacturing sites, as close as possible to the assembly lines, is a key progress factor. Having done this to good effect in Flins and Curitiba, Renault will open an industrial park in Sandouville for five of its biggest component suppliers in 1999.

The Finance Division is also participating in the cost optimization effort, and a cross-departmental team was set up within Renault Crédit International in January 1999.

The effort to take out costs will continue after the year 2000, and Renault is already drawing up the objectives that will be set for that period.

In commercial vehicles, Renault V.I. is still pursuing its objective of moving from a recovery phase to a phase of profitable growth. This transition cannot be achieved without an improvement in competitiveness. The Group has therefore undertaken a series of actions in this regard, with a major drive to lower costs both internally and externally. In the area of purchasing, this is a question of finding suppliers with worldwide scale, chosen for their technical expertise and financial soundness, to become true partners of the division.

Renault V.I. is also stepping up the implementation of synergies between its two operating units in the area of heavy-duty trucks. The objective of the Convergence program is to achieve maximum sharing of components on vehicles sold in Europe and the United States within three years.

Manufacturing Efficiency and Responsiveness

Renault has been engaged for several years in a process of rationalizing and streamlining its manufacturing facilities. The general principle is to assign a single vehicle segment to each plant. With the Sandouville plant set to be producing a single, top-of-the-range platform in 2000, only the Flins plant will still be operating on a dual-flow basis, simultaneously producing the Twingo and the Clio II on two different assembly lines. This manufacturing system is consistent with Renault's product range plan and platform architecture. The three French assembly plants for passenger cars will produce the range's three platforms: top-range, midrange and entry-level. The two Spanish plants will produce vehicles in the high-volume segments, i.e. Clio II and Mégane.

With this streamlined manufacturing process, Renault was able to react swiftly to changing patterns of demand in Europe in 1998. The agreements for flexible hours and working arrangements at the plants proved just how important they were when the bodywork and assembly sites moved to three shifts and the powertrain sites added weekend shifts.

Better organization of production also resulted in a very significant reduction in the time needed to ramp up to full output. The Flins plant was up to full speed on the Clio II in just three months, compared with seven and a half months for the Mégane.

The Curitiba plant, designed to assemble vehicles under conditions of maximum flexibility and competitiveness and surrounded by its major suppliers, was inaugurated on December 4, 1998.

Industrial Alliances and Cooperation Agreements

Renaults seeks maximum efficiency and worldwide scale for each of its businesses.

In **automobiles**, Renault is cooperating with NTN, a Japanese components supplier, to assure a long-term future for its universal joints business at the plant in Le Mans. Fiat and Renault have pooled most of their foundry activities, which are operated via Teksid S.p.A. (wholly owned by Fiat) and AT Systèmes (an EIG belonging to Renault). The new group has the capability to position itself as a world standard in casting for the automotive industry.

Renault V.I. and Iveco have merged their coach and bus activities in a jointly owned company. This 50/50 joint venture, named Iris.Bus, began operations on January 1, 1999 as number two in its sector in the European market and one of the world's larger producers of passenger transport vehicles.

The **Finance** Division, via its Renault Crédit International subsidiary, is also pursuing an active partnership policy that enables it to offer an ever-broader range of sales aid products and establish a presence in international markets. 1998 saw the birth of Renault Credit Polska, in partnership with Poland's Bank Slaski, and Renault Leasing Cz., offspring of a joint-venture contract with CAC Leasing in Prague.

Effective Organizational Structures

Renault's competitiveness strategy, based on lowering costs, shortening lead times and improving product and service quality, must be backed up by effective organizational structures and management tools.

In research and development, the new **Technocentre**, inaugurated in May 1998, has two concrete objectives. One is to shorten the development time for new vehicles to 36 months, or 24 months for derivative models built on existing platforms, by the year 2000. This reduction is to be achieved with continued improvement in quality and in spite of the growing complexity of the vehicles and the increasingly strict standards they must meet. The other objective is to achieve economies of at least one billion francs on the development costs of each new vehicle.

The Technocentre has adopted an innovative architectural concept and a new form of organization in order to complete projects faster and more effectively. The new organization straddles traditional boundaries in two ways:
– across disciplines: Renault's design and development engineers, previously at several different sites, are now clustered together to work on a given platform.
– across time: the three stages in the design of a vehicle — advanced projects, projects, prototypes — are reproduced in space in the three sections of the centre, known familiarly as the Advance Precinct, the Hive and the Proto.
With this new way of working, the 7,500 people grouped together at this site in late 1998 are able to carry on four or five projects simultaneously. Some 1,000 of these people are from outside the Renault Group, from component makers and suppliers, which are purposely brought in very early and associated very closely with the development of new products.

In parallel with the establishment of the Technocentre, several program management teams were set up in 1998. A process re-engineering program was begun in both the Purchasing and Vehicle Engineering departments. With the reorganization of the Powertrain Department, which will take effect during 1999, all the upstream departments of the business have now been reconfigured according to the same principles. Those principles are:

- systematize the way projects and functions are carried out (program directors are given worldwide responsibility, suppliers are chosen on a worldwide basis, etc.);
- strengthen upstream resources and promote innovation (by involving suppliers more closely);
- optimize organizational structures by project;
- arrange for customer input to guide engineering efforts;
- develop a manufacturing system equal in performance to the best in the world.

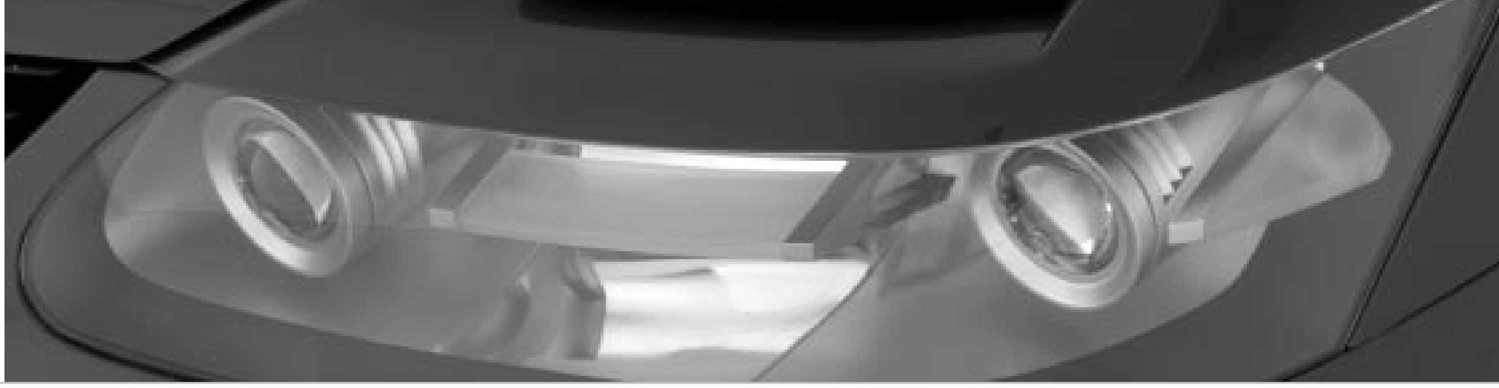
To meet customers' ever more demanding requirements, Renault has given the go-ahead to the **New Distribution Project**, which aims to ensure delivery of a vehicle within two weeks from the customer's order by 2001. This strategic project, which brings the end customer into the heart of the business, implies significant changes in Renault's manufacturing system, both in terms of processes, which must be made more flexible and responsive, and in terms of the organization of dealer, supplier and transport networks.

Effective January 1, 1999, Renault modified the organization of its regional sales departments in France to give them greater focus on the field and customer service. In a move consistent with this decision, DIAC also chose to reorganize along the same lines as the Renault network. Lastly, the sales and marketing department of Renault V.I. decided to adopt a less top-heavy organizational structure in order to be closer to the customer and resolutely international.

International Development

Internationally, Renault continued to put resources in place to increase its presence outside Western Europe.

The Bursa plant in Turkey, which already makes Mégane sedans, began production of the station wagon version. Marketed in Turkey since September 1998, this model has strengthened Renault's position as national leader in this segment. From March 1999, Turkey will serve as the exclusive export base for the Mégane station wagon.



In Brazil, the first Scenics were marketed in March 1999. Renault announced that it would build an engine plant at the Curitiba site with the aim of meeting 80% of the engine requirements of the Mercosur plants starting the year 2000. Renault also made further progress in extending its local sales network.

In Argentina, the Córdoba plant underwent a significant equipment upgrade, and a program to reduce costs by 30% in three years is under way.

On January 13, 1999, Brazil's central bank abandoned its floating exchange-rate regime, with the result that the Brazilian currency declined by about 40% in the space of a few days. This decline will be reflected in Renault's shareholders' equity by a correction to the currency translation adjustment.

In view of the crisis in Russia, Renault made no significant financial commitment in that country and is again reviewing the timetable for the Mégane assembly project with Moscow City officials, so that the timetable takes better account of the country's true situation.

In December 1998, Renault signed a memorandum with Romanian authorities and the state ownership fund, establishing the framework for negotiations that may lead to Renault acquiring a 51% stake in Dacia, a Romanian automobile manufacturer. This acquisition would provide the Group with another brand name, since Renault would ultimately have Dacia produce a vehicle designed to sell for less than USD 6,000 in local and emerging markets.

The Finance Division is also participating in Renault's international development by establishing partnerships in Eastern Europe and Mercosur.

Renault currently has little presence in Asia, but the Group is watching this part of the world attentively and will explore any opportunities that might arise.

RENAULT AND THE EURO

To be ready for the euro, Renault began extensive preparations as early as 1996. Virtually every area of the business – sales, marketing, advertising, purchasing, accounting, administration, finance, information systems – is affected by the switchover to the European single currency.

A project structure was established at the corporate level. Each department and subsidiary has appointed a coordinator responsible for organizing the necessary planning, coordinating the work to be done and monitoring the implementation plans to adapt that sector's operations to the euro.

Upstream, a lean project management team orchestrates the collective effort by tracking the projects, coordinating between the departments and subsidiaries, and communicating internally and with the outside world. This mode of organization has the advantage of cutting across all sectors of the Group, making it possible to identify and implement common solutions, harmonize timetables and minimize adaptation costs.

The project team leads a steering committee composed of all the coordinators from the departments and subsidiaries. The committee meets every two weeks to define strategies and coordinate planning and implementation work.

In addition, a plenary committee, composed of senior managers from the major functional units of the different divisions and chaired by Mr Shemaya Lévy, Executive Vice President of the Renault Group, meets at the request of the project management team to approve all important decisions.

Effective in January 1999, the Group is able to express all communications with the outside world in euros.
- Customers: prices are displayed in both the domestic currency and euros, and sales of good and services (including financial services) are invoiced in the currency of the customer's choice.
- Suppliers: the Group is able to issue orders to, receive invoices from, and pay its foreign suppliers in euros. In June 1999 this option will be extended to all suppliers.
- Financial community and shareholders: financial reporting is in euros and French francs.

Renault employees in the euro zone have been familiarized with the new currency since 1998 via in-house communication and training. For information purposes, pay slips have shown the euro value of net wages since January 1999.

By the end of the transitional period (year-end 2001), all information systems – accounting, administration, planning, budgeting, costing, payroll, etc. – will have been switched over to the euro. From January 1, 2002, Renault will use the euro exclusively.

To minimize adaptation costs, the switchover to the single currency has been incorporated into the systems renovation projects already planned by Renault for the 1999-2002 period.

RENAULT AND THE MILLENIUM BUG

Owing to the broad scope and diverse nature of its implications, Year 2000 (Y2K) compliance constitutes a project of the highest importance throughout the Group. Renault has therefore implemented a structured approach to detecting and systematically dealing with Y2K risks in all areas of its business.

Starting in early 1995, measures were taken to ensure that new information systems would be capable of handling post-31/12/99 dates without a problem. To deal with existing systems, multidisciplinary working groups were established in 1996 to work out and document a practical methodology based on prevention. This effort led to the formation of a Groupwide network, with a "Year 2000" manager at each site and a correspondent in each function. This mode of organization makes it possible to check compliance by all the automated equipment and software programs in daily use at Renault's manufacturing facilities, marketing locations and technical centers.

It is also essential for Renault to ensure continuity of supply by averting possible failures at its suppliers. Supplier Y2K

issues are being handled mainly in cooperation with PSA Peugeot-Citroën using the services of GALIA, the logistical data interchange association for the automobile industry. Surveys have been sent out with questionnaires on methodology, and the response rate has been high. Lastly, Renault is conducting audits of some twenty suppliers identified as being "at risk" to determine how they are handling the Year 2000 rollover.

As for the vehicles themselves, recent models have on-board electronic calculators that reckon in terms of elapsed time rather than absolute date. They therefore pose no risk of malfunction. The few equipment items that do keep track of an absolute date have been designed to take the Year 2000 rollover into account.

Renault's Y2K project is following the established timetable. System cutovers will take place through August 1999. The 1999 closure period will be devoted in particular to validating system integrity and implementing special procedures to make final checks at all sites just before and just after the rollover, as well as to take care of any remaining problems.

The costs of work related to the Year 2000 rollover amount to 75 million euros and affect expenses reported in 1998 and 1999.

OUTLOOK FOR 1999

In 1999, the Automobile Division should continue to improve its sales performance in a total European market of close to 13.8 million units. The trend in the French market should be positive with total sales of two million vehicles. But declines are likely in the United Kingdom and Italy, where downturns are already in evidence.

Outside Europe, present forecasts for passenger car markets indicate that total sales will decline significantly in Turkey and even more so in the Mercosur, where Renault is nevertheless expecting to improve its market share.

The capacity of Renault to make progress commercially can be attributed to a line of innovative products which have become the benchmark in numerous segments. In addition, Renault's products are increasingly competitive, due to the continuous improvements being made in industrial operations, under the stimulus of the goals set for the cost-reduction program.

The markets for commercial vehicles will probably show crosscurrents in 1999: growth in France and Spain, but more or less significant declines in most of the other European countries, as well as in the United States. This situation will lead the Commercial Vehicles Division to place even more emphasis on its campaign to lower costs.

The Finance Division should show activity comparable to that of last year.

In this environment, which will be marked by increasingly intense competitive pressures as well as the additional costs of the Group's international expansion, Renault will maintain its policies calling for discipline and a continuing stress on growth, with the objective of strengthening financial results in all of its Divisions.

In 1999, in a less buoyant climate than that prevailing in 1998, Renault expects to show an operating margin in line with its objective of achieving 4% of revenues on average over a business cycle.

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Renault is now convinced of the merits of a strategic alliance with Nissan. Consequently, Renault offered to start exclusive negotiations with Nissan on March 16, 1999, with a view to establishing a strategic alliance between the two groups, which would in particular involve Renault acquiring an equity stake of approximately 35% in the capital of Nissan, in the form of a reserved increase in capital.
Nissan has informed Renault that its offer would be examined at a Board of Directors' meeting on March 27, 1999.

(Statement issued on March 19, 1999)

III. Review of operations

AUTOMOBILE DIVISION

The Automobile Division makes passenger cars and light commercial vehicles. It also includes a number of industrial and service companies, most of which operate in areas related to the automobile business. In 1998, the division's contribution to consolidated Group revenues amounted to FRF 195,077 million, or 80% of the total.

Western Europe, Renault's largest market, accounted for 84.5% of total automobile sales (passenger cars and light commercial vehicles) by volume: 34% in France and 50.5% in other European countries. Sales in the rest of the world, which accounted for 15.5% of the total, were concentrated primarily in Argentina, Turkey and Central Europe.

In Western Europe, seven large manufacturers control roughly two-thirds of the **passenger car** market. Renault currently occupies the third position behind Volkswagen and Opel, a gain of one place from the previous year.

Market Share in Western Europe - Passenger Cars

	1996	1997	1998
Volkswagen	11.1%	10.3%	11.0%
Opel	12.0%	11.6%	10.9%
Renault	10.1%	9.9%	10.7%
Ford	11.5%	11.1%	10.0%
Fiat	8.9%	9.5%	8.4%
Peugeot	7.1%	6.6%	6.7%
Citroën	4.9%	4.7%	4.7%

All rankings and market data in this report are derived from statistics compiled by the Comité des Constructeurs Français d'Automobile (CCFA), supplemented by internal Renault statistics.

The same manufacturers are also present in **light commercial vehicles**. With 13% of this market in Europe, Renault is the leading marque, ahead of Ford (12.7%). In the automobile market as a whole, combining passenger cars and light commercial vehicles, Renault ranks first with 11% of new-vehicle registrations, ahead of Volkswagen (10.8%), Ford (10.3%) and Opel (10.1%).

Renault offers a full range of models and is present in all segments of the passenger car and light commercial vehicle market. Most models are available in a number of versions with different body styles, engines and equipment.

In the **small-car segment**, Renault has three models, the Twingo, Clio and Kangoo. The Clio, at the upper end of the segment, was replaced this year by the Clio II, the best-selling car in France since its debut in March 1998. The Clio/Clio II together ended the year with 8.6% of the French market and 2.8% of the European market. The Twingo, restyled in September 1998, achieved a 1.4% market share. The Kangoo, a practical, non-conformist and economical car, replaces no other vehicle in the range but rather complements this innovative generation of "voitures à vivre" alongside the traditional sedans. At year-end 1998, Kangoo had achieved unit sales of just over 66,000, or 0.5% of the Western European market. With its complementary threefold offering of the Clio, Twingo and Kangoo, Renault is the market leader in the small-car segment in Europe.

In the **lower mid-range segment**, Renault launched the Mégane in November 1995 in two versions, a five-door hatchback and a coupé. In October 1996 the Mégane family was rounded out with a four-door sedan (Classic) and a monospace (Scenic) version. Once again living up to its reputation for innovation, Renault thus broadened its monospace range, already represented by the Espace and the Twingo, by transposing the concept to the lower mid-range segment. The Scenic, voted "Car of the Year 1997" and "Import Car of the Year 1997" in Japan, instantly proved a resounding commercial success. Production of the Mégane station wagon version began in Turkey in September 1998. The Mégane is the second most widely sold car in France, with an 8.3% market share, and the top-selling French car in Western Europe, with a 4.0% market share in 1998. It finished the year ranked second in sales in the lower mid-range segment in Western Europe.

In the **upper mid-range segment**, the Laguna was restyled in 1998. It achieved a 1.3% market share in Europe and remains the best-selling car in its segment in France, with a 3.8% market share.

In the **top-range segment**, Renault offers two models, the Safrane and the Espace. The Safrane, launched in 1992, is Renault's top-of-the-range sedan and proof of the Group's determination to be present in every segment. The Espace is the result of a collaborative project between Renault and Matra. Introduced in 1984, it pioneered the monospace concept. Renault freshened its range in this segment with new versions of the Safrane and Espace in the fall of 1996 and the Grand Espace in January 1998. Both of these models maintained their market shares in Europe, respectively 0.2% and 0.4% in 1998.

In the **light commercial vehicle segment**, Renault has been very active, offering utility versions of its passenger cars as well as the Express van and pickup and the Trafic and Master lines. The latter include a wide selection of panel and flatbed trucks with load capacities from 900 kg to 1,800 kg as well as a minibus with from nine to 17 seats. A major rejuvenation of the range in the fall of 1997 introduced the Kangoo Express, replacing the Express, as well as the new Master, voted "Van of the Year 1998". At year-end 1998, the Kangoo Express, the utility version of the Clio, and the Master occupied the top three spots in their category, with market shares of 10.2%, 9.7% and 5.3%.

For markets outside Europe, Renault continues to produce some older models that have been modified for specific local requirements, such as the Renault 9/12 and 19. These vehicles are no longer sold in Europe.

The Automobile Division's pursuit of quality and cost reduction goals is leading to significant changes in relations with suppliers, with partnership and cooperation arrangements being developed well in advance of the launch of a new model. Principal suppliers are thus involved from the design stage onwards, and some are involved in the design of an entire vehicle sub-system, not just a specific part. This approach helps to reduce costs, shorten lead times and improve quality. Working with its suppliers, Renault has also introduced just-in-time delivery procedures to reduce stock levels and optimize flows. Depending on the model and the version, purchased components represent between 60% and 70% of the production cost of a vehicle.

In 1998 the Automobile Division operated more than thirty manufacturing sites in France and abroad. The principal sites are listed below.

Flins	Clio II, Twingo
Douai	Mégane, Scenic
Sandouville	Safrane, Laguna, Laguna Nevada
Maubeuge	Express, Kangoo
Batilly	Trafic, Master, B80/110
Palencia (Spain)	Mégane
Valladolid (Spain)	Clio II, engines
Novo Mesto (Slovenia)	Clio II
Bursa (Turkey)	Renault 9/12/19, Mégane
Córdoba (Argentina)	Renault 19, Clio , Mégane, Trafic
Curitiba (Brazil)	Scenic
Cléon	Engines, transmissions, aluminum castings
Le Mans	Front/rear drive trains, mechanical components, iron castings
Lorient (SBFM)	Iron castings

The Renault Group distributes its vehicles in Europe through a primary and a secondary distribution network. The primary network consists of Renault France Automobiles (in France only), Renault subsidiaries, and exclusive dealers that sell and service Renault vehicles in their assigned geographic territory. Renault France Automobiles, incorporated in 1997 to bring together the branches and subsidiaries of the French sales network, achieved a remarkable first step in 1998 towards improved profitability. The transformation of the entire primary distribution network, aimed at securing its long-term future and ensuring optimal levels of service quality and customer satisfaction, continued. The secondary distribution is made up of Renault sales representatives and franchised retailers, also exclusive, that are generally small businesses with commercial ties to a dealer.

The Renault dealer network in France

	1996		1997		1998	
	Europe	o/w France	Europe	o/w France	Europe	o/w France
Branches and subsidiaries	122	73	123	71	127	68
Dealers	2,342	401	2,340	385	2,329	376
Other sales outlets	10,016	6,390	10,770	6,326	10,787	6,171
Total	**12,480**	**6,864**	**13,233**	**6,782**	**13,243**	**6,615**

European Union regulations on automobile distribution allow manufacturers, under certain conditions, to grant exclusive territorial and brand rights and prohibit the resale of their products by their own distribution network to intermediaries outside that network.

As part of the Renault Group's strategy of developing an open Group, the Automobile Division has established collaborative projects and partnerships to share development costs. Renault has entered into a number of cooperation agreements with PSA Peugeot Citroën. The two groups have worked together since 1966 on developing mechanical components and engines at their jointly owned affiliate, Française de Mécanique, and automatic transmissions at Société de Transmissions Automatiques. Matra and Renault have collaborated since the early 1980s on the design and manufacture of the Espace. In 1998, the two companies signed a partnership agreement to develop and market a new top-range vehicle in 2000. Renault has also signed a number of commercial or industrial agreements to buy and sell components, such as with Volvo (transmissions and engines) and Daewoo (engines), or to pool certain activities, such as with Fiat (Teksid foundries, starting in the first half of 1999). In 1996, Renault and General Motors signed a framework agreement for cooperation on light commercial vehicles. Renault and GM Europe are jointly developing a new 2.5-2.8 ton panel van that each manufacturer will sell under a different name starting in 2000. Renault has been supplying GM Europe with Master 2 vehicles since 1998. Built in Batilly in France, this vehicle is sold by Renault, Opel and Vauxhall under their respective nameplates.

SALES

Renault Worldwide Sales of Passenger Cars and Light Commercial Vehicles(1)

	1996	1997	1998	1998/1997 as a %
Passenger cars	1,571,868	1,628,236	1,864,333	+14.50%
Light commercial vehicles	216,150	209,846	264,306	+25.95%
Total	**1,788,018**	**1,838,082**	**2,128,639**	**+15.81%**

(1) Including Messengers under 5 tons and sales of unregistered vehicles (TT sales and sales to government departments).

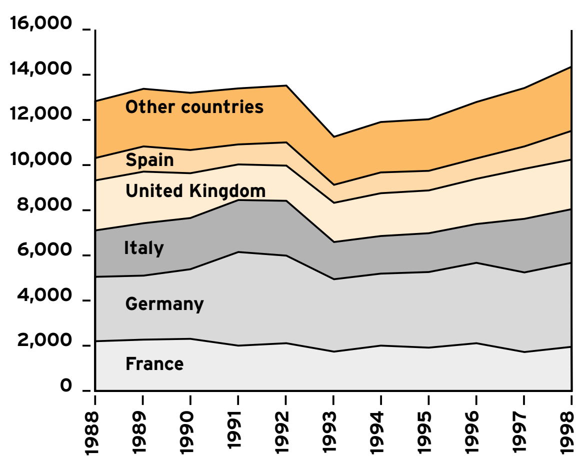
Renault's worldwide sales of passenger cars and light commercial vehicles in 1998 exceeded two million vehicles, at 2,128,639 units, an increase of 290,557 from 1997.

Western Europe

Following 1997's rise, the European passenger car market experienced sustained growth in 1998. The year ended with a total of 14.4 million new vehicles registered, an increase of 7.1%, and virtually all European markets were up. Spain's car market continued its expansion (17.4%), as did Germany's (6%) and the United Kingdom's (3.5%). The French market enjoyed a substantial recovery (up 13.5% after a 19.7% decline in 1997). Only two markets were in retreat: Italy, down 1.6% following the cessation of government incentives to buy new vehicles, and Norway, down 7.6%. Renault did better than merely benefit from this favorable trend, since its market share in Western Europe rose from 9.9% in 1997 to 10.7% in 1998. This rise is due to Renault's increased penetration in all the main European markets: France, 29% in 1998 versus 27.3% in 1997; Spain, 13.7% versus 12.9%; Portugal, 12.6% versus 11.8%; United Kingdom, 8% versus 7.3%; Italy, 7.5% versus 7%; and Germany, 6.3% versus 6.1%.

In 1998, 1,540,565 new Renault passenger cars were registered in Western Europe, compared with 1,326,389 in 1997, an increase of 16.1%. Renault's unit sales rose sharply across all Western European countries. In France, sales volume increased by 20.6%, while in Europe, outside Renault's domestic market, volume increased by 13.7%.

Western Europe - Total Market Passenger Cars
(thousands)



Renault in Western Europe – Passenger Cars

	% change in new car registrations		Renault market share %		Renault new car registrations	
	Total Market(1)	Renault	1996	1997	1998	1998
Total Western Europe(2)	7.1	16.1	10.1	9.9	10.7	1,540,565
of which:						
France	13.5	20.6	26.6	27.3	29.0	564,473
Germany	6.0	8.6	5.3	6.1	6.3	234,097
Italy	-1.6	6.4	6.0	7.0	7.5	177,697
United Kingdom	3.5	13.2	6.5	7.3	8.0	180,319
Spain	17.4	25.1	13.3	12.9	13.7	163,062
Belgium-Luxembourg	14.0	25.9	11.1	9.7	10.8	52,481
Netherlands	13.6	19.3	7.2	8.2	8.6	46,924
Portugal	16.3	24.1	12.6	11.8	12.6	31,385
Switzerland	10.1	6.2	6.4	6.8	6.6	19,835
Austria	8.2	23.9	6.1	6.5	7.4	22,145

(1) Total market
(2) EU, Iceland, Norway and Switzerland

The **French market** recovered strongly in 1998 after suffering in 1997 from the withdrawal of government new-car purchase incentives. Car sales were up 13.5% after falling 19.7% the previous year. Continuing the comeback that began in the fourth quarter of 1996, Renault was the best-selling brand and the best-selling manufacturer in its domestic market. Its market share rose from 26.6% in 1996 and 27.3% in 1997 to 29.0% in 1998, with 564,473 new passenger car registrations in France. The Clio, with a market share of 8.6%, moved ahead of the Mégane, whose share held steady at 8.3%. The Twingo accounted for 4.4% of new-car registrations. The Laguna confirmed its hold on the top spot in the upper mid-range segment with a 3.8% market share. The Safrane and Espace remained on top in the top-range category with respectively 0.9% and 1.4% of the French market.

Renault stepped up the pace of its advance in **Northern Europe** by capturing 7.1% of the market, compared with 6.7% in 1997. Renault consolidated its position as the leading imported make in Germany with 6.3% of the market in 1998, up from 6.1% in 1997, and further strengthened its position in the United Kingdom, where its penetration advanced from 7.3% in 1997 to 8% in 1998. Renault's market share increased in Belgium from 9.7% in 1997 to 10.8% in 1998 and in Austria from 6.5% in 1997 to 7.4% in 1998. The Group also gained ground in the Nordic countries, notably Denmark, where Renault's share increased from 3% in 1997 to 3.7% in 1998.

In **Southern Europe** Renault continued to bolster its positions. Renault strengthened its market-leading position in Spain, increasing its market share from 12.9% in 1997 to 13.7% in 1998, and the Mégane became that country's best-selling car. In Italy, Renault advanced to 7.5% of the market. In Portugal, the Renault brand reclaimed the top spot with a 12.6% market share.

The **European market for light commercial vehicles** also posted strong growth, expanding by 11% to 1,663,000 units in 1998. With 217,000 new vehicle registrations, Renault increased its market share from 11.5% in 1997 to 13% in 1998, thereby becoming the leading make. In France, the market was up 11% in 1998 and Renault sales were up 15.7%. With 120,020 new vehicle registrations, Renault held 34.6% of the market. These gains are attributable mainly to the renewal of the range a year ago with the Kangoo Express and Master.

Renault's total new automobile registrations in Western Europe (passenger cars and light commercial vehicles) amounted to 1,757,565 units, an increase of 17.3% from 1997 (compared with 1.5% from 1996 to 1997). Renault was the leading make in this market with an 11.0% share, compared with 10.1% in 1997.

Central Europe

In Central Europe (Poland, Hungary, Slovakia, Czech Republic and Slovenia), Renault achieved renewed growth despite stiff competition from local manufacturers. The brand's market share increased from 5.5% in 1997 to 6.1% in 1998 in passenger cars and from 2.9% to 4.4% in light commercial vehicles. This increase was due primarily to strong performance in the Group's two main markets in the region, Slovenia and Poland. In Slovenia, with 21.8% of the overall automobile market, Renault retained its market-leading position in passenger cars and claimed the top spot in light commercial vehicles as well.

Rest of the World

Renault's sales in the rest of the world were also up sharply to 262,386 passenger cars and light commercial vehicles in 1998, compared with 247,335 in 1997.

In the Mercosur, in market conditions that became more difficult as the year went on, Renault's sales increased by 19.6% between 1997 and 1998 and its combined market share (passenger cars and light commercial vehicles) grew from 3.7% in 1997 to 5.2% in 1998. Renault remains the leading make in Argentina, with 18.2% of the market and unit sales of 82,160 vehicles. In Brazil, where the market contracted by more than 21%, Renault doubled its sales from 10,694 vehicles in 1997 to 21,720 in 1998 and became the leading import brand, even before marketing any vehicles made at the new plant.

In Turkey, Renault's largest market outside Western Europe, Renault increased its overall market share from 21.7% in 1997 to 22.2% in 1998.

PRODUCTION

Again in 1998, Renault was able to call upon the flexibility of its production system to meet demand. In 1997, the Group set about rationalizing its manufacturing facilities to achieve optimal use of production capacity. Bodywork and assembly operations at the Vilvoorde plant were shut down so that assembly could be concentrated at Sandouville for the Laguna, Flins for the Twingo, Douai and Palencia for the Mégane, and Flins, Valladolid and Novo mesto for the Clio. Beginning in 1997 and continuing throughout 1998, Renault has operated a third shift at its body assembly plants and implemented other appropriate solutions, such as weekend shifts and four- or five-day workweeks, at its powertrain sites.

Renault Worldwide Production – Passenger Cars and Light Commercial Vehicles – By Origin

	1996	1997	1998
manufactured in France	976,369	1,121,970	1,373,936
manufactured outside France	764,521	745,649	823,459
Total	**1,740,890**	**1,867,619**	**2,197,395**

Passenger Cars	1996	1997	1998
Superfive	16,409	-	-
Twingo	223,740	223,795	222,033
Clio	409,354	412,383	507,485
Kangoo	-	20,775	109,266
Renault 9	54,327	44,333	30,271
Renault 12	19,881	22,159	20,024
Renault 19	60,780	69,137	51,300
Mégane	448,539	555,707	691,384
Renault 21	1,153	-	-
Laguna	225,025	205,536	220,676
Spider	524	675	380
Safrane	29,543	30,954	22,853
Espace	34,109	61,065	67,061
Total cars	**1,523,384**	**1,646,519**	**1,942,733**

Light Commercial Vehicles	1996	1997	1998
Express	105,895	87,251	39,151
Kangoo Express	2	16,833	85,995
Twingo Utility	3,287	2,664	2,701
Superfive Utility	296	-	-
Clio Utility	42,416	45,457	37,533
Mégane Utility	11,022	12,229	12,119
Laguna Nevada Utility	185	468	75
Espace Utility	94	-	-
Trafic	43,998	39,333	30,421
Master	10,311	7,717	-
Master 2	-	9,148	46,667
Total LCV	**217,506**	**221,100**	**254,662**
Total cars + LCV	**1,740,890**	**1,867,619**	**2,197,395**

Renault worldwide production in 1998 amounted to 2,197,395 units, an increase of 17.7% from 1997.

FINANCIAL RESULTS

(FRF million)	1996	1997	1998
Automobile Division revenues	149,004	169,062	198,583
Division contribution to Group			
• revenues[1][2]	145,962	165,788	195,077
• operating margin[3]	(2,240)	2,390	10,134
• operating income (loss)	(6,545)	901	8,407
• pre-tax income (loss)[4]	(6,447)	1,971	8,573
Research and development expenses	7,938	8,112	9,239
Investment in tangible and intangible assets	13,550	12,875	12,365
Investments in securities	466	767	270
Workforce on December 31[5]	111,523	112,178	109,409

(1) The contribution to 1997 revenues, adjusted for 1998 changes in consolidation scope and accounting methods, is FRF 167,484 million.
(2) The main adjustments involve the change in method of consolidation for Renault Argentina and the inclusion within the scope of consolidation of Renault Polska and Renault Ceska Républika.
(3) Operating margin, a measure introduced in 1998, corresponds to operating income before other operating income and expenses.
(4) Annual data for 1996 and 1997 have been restated to reflect the new method of apportioning head office expenses, implemented in the second half of 1998 with effect from January 1, 1998. The division's contributions to pre-tax income as reported in 1996 and 1997 were respectively a negative FRF 6,166 million and a positive FRF 2,370 million.
(5) The impact of changes in scope of consolidation between 1997 and 1998 is a decrease of 664 employees, of which RIMEX (-513), SODICAM (-228), Renault Limoges (-129), CAT Brazil (+113).

Revenues

The Automobile Division's contribution to Group revenues amounted to FRF 195,077 million in 1998. Calculated on a consistent basis, this represents an increase of 16.5% from 1997. The rise is attributable to the across-the-board increase in Renault's sales, the full-year effect of the renewal of the light commercial vehicle range, and the successful launch of the new Clio.

This figure also includes the contribution to revenues from industrial and service companies in related automotive businesses, notably SNR (FRF 1,927 million) and CAT (FRF 1,464 million). In addition, Renault Agriculture contributed FRF 3,453 million to Group revenues.

Operating Results

The Automobile Division's contribution to operating margin amounted to FRF 10,134 million, compared with FRF 2,390 million in 1997 and a negative FRF 2,240 million in 1996. The notion of operating margin, which corresponds to operating income before "Other Operating Income and Expenses", is introduced here to give a truer picture of Renault's operating performance. The division's contribution to Group operating income was FRF 8,407 million, compared with FRF 901 million in 1997 and a negative FRF 6,545 million in 1996. The positive trend is attributable to revenue growth combined with ongoing efforts to cut costs. The division earmarked FRF 9,239 million to its research and development program, compared with FRF 8,112 million in 1997 and FRF 7,938 million in 1996.

Investment

Capital expenditure (property, plant, equipment and intangibles) decreased slightly relative to 1997. In 1998, it amounted to FRF 12,365 million, or 6.3% of the Automobile Division's contribution to Group revenues. The division follows a strict policy of carefully planned investment timed to generate the highest possible return on each franc invested. The objective set by the Group Executive Committee is to hold capital spending between 6% and 7% of revenues. This target was met in 1998 even as the division pursued an ambitious program of renewing its vehicle range and mechanical components and expanding internationally. Investments in the product range accounted for 54% of total capital spending in 1998. These investments were devoted mainly to Renault's future upper mid-range vehicle; setting up commercial production of the Clio in Turkey, the Mégane Scenic and Clio in Brazil, and the Mégane and Kangoo in Argentina; installing flexible production lines (cylinder heads, camshafts, assembly) as part of the capacity upgrade for multi-valve petrol K-series engines and direct-injection diesel F-series engines; renewing the G/D engine series; and producing a diesel version of the K-series engine. Plant and equipment investments not directly related to the product range included the completion of the Ayrton Senna plant in Brazil; the thermal cogeneration (steam/electric) facility at the Flins plant; the anti-corrosion treatment and finishing installations at Sandouville and Douai; and the modernization of the stamping lines at Sandouville, installation of new stamping lines at Douai and Valladolid, and modernization of the assembly facility at Sandouville. 16% of 1998 capital spending was devoted to facilities outside Western Europe.

Adjusted for changes in scope of consolidation, the workforce of the Automobile Division decreased by 1.9%.

Renault's Commercial Vehicles Division is the Group's second-largest in terms of revenues, contributing FRF 40,619 million or 16.7% of total revenues in 1998. Its business is operated in Europe by Renault V.I. S.A., a wholly owned subsidiary of Renault, and in North America by Mack Trucks, Inc., a wholly owned subsidiary of Renault V.I. S.A. In 1998 the European branch accounted for 60.6% of divisional revenues and the American branch 39.4%. The Renault V.I. group is one of only four manufacturers in the world that make and sell commercial vehicles in both Europe and North America.

In 1998, Renault V.I.'s sales amounted to 90,751 vehicles (including 5,659 Masters, light commercial vehicles sold under a co-marketing agreement with the Automobile Division), a 25.6% increase from 1997. France accounted for 30.7% of divisional sales by volume, North America 34.5%, Spain 6.6%, the rest of Western Europe 14% and the rest of the world 14.2%.

The Renault V.I. group designs, manufactures and distributes a full range of trucks, coaches and buses covering all needs for transport of merchandise and people, as well as logistical, tactical and other self-propelled vehicles for military use. Renault V.I. also makes a range of service vehicles for municipal requirements, such as fire engines, refuse collection trucks and road maintenance vehicles. Renault V.I. and Mack develop and manufacture their own engines as well as the drive trains and axles used in their vehicles.

In Europe, the principal truck models are the Messenger at the small end and the Midliner in the mid-range segment. The latter is manufactured in France and sold in Europe under the Renault name and in the United States under the Mack name. Since 1996, Renault V.I. has upgraded almost all its vehicles over 16 tons with the introduction of the Premium family, including the Premium Long Distance (for medium- and long-haul merchandise transport), which received a new 400 bhp power plant in 1998, and the Premium Distribution (for short-haul distribution of heavy cargo). Renault V.I. also sells the Magnum for long-distance transport. Launched in 1990, the Magnum received an engine upgrade in 1996 and a major restyling of the cab interior in 1997 and 1998, as well as a new drive axle and numerous new features, many of them electronic. The range of vehicles designed for use at construction sites and in extreme conditions was updated in 1997 with the Kerax, replacing the Maxter. The Kerax received a new 400 bhp power plant in 1998 and was made available in several new versions. A road transport vehicle for distant export markets, Kerax Route, was introduced in 1998. Based on the standard Kerax, it combines the durability and reliability required in international markets with the comfort of a long-haul cab. The Renault V.I. range of motorcoaches and buses includes the Iliade, launched in 1996 for the tourism trade, and was extended in 1998 with the introduction of the Ares, a multi-purpose vehicle suitable for both scheduled service and excursions, to round out the Tracer line. Récréo, a school transport vehicle made by Karosa, is now marketed in France. The Agora range of low-floor buses, launched in 1995, is available in articulated and natural-gas-powered versions. A new model introduced in 1998, the Agora Line, is designed for suburban routes and provides a maximum number of seats, high transit speeds and lower operating costs. In the Czech Republic, Karosa designs, manufactures and markets a full range of coaches and buses. In France, Heuliez Bus designs, manufactures and markets a full range of coaches, buses and minibuses.

In North America, Mack manufactures short- and long-haul road vehicles and is the market leader in construction site and municipal vehicles. Since 1995 Mack has extended its range with the CH600 "Millennium", which has a particularly luxurious cab designed for long-distance drivers. As with Renault V.I. in Europe, almost all trucks manufactured by Mack are equipped with Mack components (transmissions, drive trains, axles) and especially Mack engines. This sets Mack apart from other truck makers in the North American market who equip their vehicles with third-party engines and components.

The Commercial Vehicles Division has twelve main manufacturing sites in eight countries, as listed below.

France:	Annonay	Buses, coaches (Iliade, Arès, Agora, Tracer)
	Blainville	Midliner, Premium, military vehicles
	Bourg-en-Bresse	Magnum, Premium
	Limoges	Components, reconditioning of military vehicles
	Vénissieux	Engines, stamping, forging, casting, mechanicals
	Saint-Priest	Drive trains, axles
Spain:	Villaverde	Premium, Kerax, mechanicals
United States:	Winnsboro	CH, CL
	Macungie	MR advanced cab range, LE and DM heavy-duty, DMM, RB, RD
	Hagerstown	Engines, transmissions
Australia:	Brisbane	Assembly of Mack and Renault V.I. trucks
Czech Republic:	Vysoké Myto	Assembly of Karosa coaches and buses.

Renault V.I.'s efforts in quality assurance led in 1994 to ISO 9002 certification for all of its production sites and in 1996 to ISO 9001 certification for the European branch. In 1997, the division's continued efforts on the quality front resulted in a successful follow-up audit, AQAP110 military certification, and ISO 9002 or ISO 9001 certification for all the European subsidiaries. In 1998, the quality program focused on reducing response times to downtime and mobilizing suppliers, customers and dealers in the quality effort.

Renault V.I. has continued its policy of industrial cooperation with a view to sharing development costs and lowering production costs. On December 31, 1997, Renault V.I. formed a joint venture with ZF to which the Bouthéon transmission business and supporting services were subsequently transferred. The cooperation agreement with Finnish manufacturer SISU, announced in late 1996, was in full operation in 1998. It involves acquisition and operation of the SISU Trucks sales network in Finland by a joint venture, marketing and distribution of SISU and Renault vehicles via this network, and commercial synergies in neighboring countries and export markets. Renault V.I. also supplies SISU with mechanical components (engines, cabs, transmissions, and others). 1996 saw Renault V.I. and Iveco combined their fire-fighting vehicle businesses in Eurofire, in which Renault V.I. holds a 15% stake. Renault V.I. and Matra Transport International have been working together since 1996 to develop new reserved-lane light urban transport systems. This effort led in late 1997 to the presentation of a full-scale model of Civis, an intermediate transport vehicle. Renault V.I. signed an agreement with the Paccar/DAF group in 1997 for joint development of components, in particular a cab, for mid-range (6- to 19-ton) trucks.

At the end of June 1998, Renault V.I. and Iveco signed an agreement to form a jointly owned business to combine the two groups' activities in the design, production and marketing of coaches and buses. This agreement gives concrete form to Renault V.I. 's desire to pursue a strategy of sector-based alliances, and it also gives rise to a world-scale European producer. The Iris.Bus company, to be based in Barcelona, officially came into being on January 1, 1999. It will represent an annual output of 2,300 coaches, 2,800 buses, 1,800 minibuses and 1,400 bare chassis, spread across five manufacturing plants in Europe (Italy, France, Spain and the Czech Republic).

To provide Renault V.I. with the resources to pursue its development policy, Renault decided in early 1999 to increase the equity capital of its subsidiary by FRF 3 billion.

The Renault V.I. distribution network comprises over 2,200 sales outlets, of which 1,350 are in Europe, 660 in North America and nearly 200 in the rest of the world.

In 1998, the Renault V.I. group ranked fifth in Europe in commercial vehicles over 16 tons with 12.1% of the market, behind Mercedes, Volvo, Scania and Man. In the United States, Mack had 12.8% of the Class 8 (over 16 tons) market in 1998, putting it in third place behind Freightliner and Navistar.

Renault V.I.'s worldwide sales of vehicles over 5 tons, trucks, coaches and buses amounted to 80,688 units in 1998, an increase of 19.8% from 1997. Renault V.I. also sold 4,404 Messengers of 3.5-5 tons (down 2.0% from 1997) and 5,659 Masters. (These figures are based on invoicing of vehicles which are typically registered three to four months later.)

TRUCK SALES

Consolidated sales
Trucks over 5 Tons

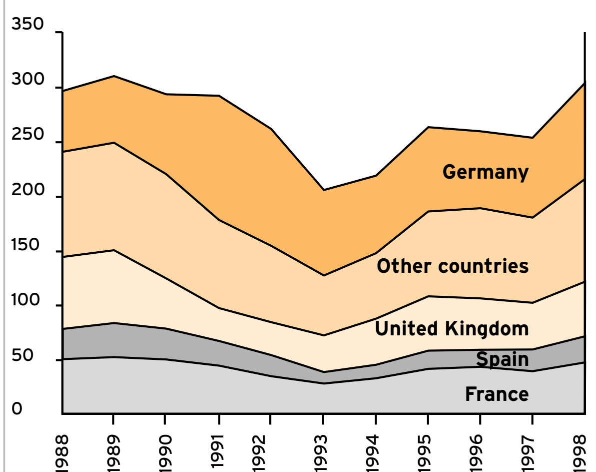
	1996	1997	1998	1998/1997 %
Europe	**26,788**	**28,056**	**34,006**	**+ 21.2**
• France	16,683	16,127	19,268	+ 19.5
• Spain	2,908	4,081	4,952	+ 21.3
• Rest of Europe	7,197	7,848	9,786	+ 24.7
North America	**23,010**	**27,115**	**31,296**	**+ 15.4**
Rest of the World	**7,113**	**8,988**	**11,488**	**+ 27.8**
Total	**56,911**	**64,159**	**76,790**	**+ 19.7**
of which over 16 tons:				
Europe	**18,971**	**19,998**	**25,987**	**+ 29.9**
• France	12,495	11,903	15,119	+ 27.0
North America	**21,666**	**25,518**	**29,617**	**+ 16.1**
Rest of the World	**4,980**	**6,205**	**7,657**	**+ 23.4**
Total	**45,617**	**51,721**	**63,261**	**+ 22.3**

Western Europe

In 1998, Renault V.I. sold 34,006 trucks over five tons in Western Europe, an increase of 21.2% from 1997. The high-end segment over 16 tons accounted for 25,987 vehicles sold, an increase of 29.9%.

In European markets, 1998 was a year of very strong rises. The total market for vehicles over five tons reached 303,750 units, up almost 20% from 1997, while the market for trucks over 16 tons was up more than 22% with 208,900 new-vehicle registrations. Growth in the over-five-ton market was observed in every country: Italy 31.2%, France 20.7%, Spain 21.8%, Germany 20.2%, United Kingdom 17.1%, Portugal 11.7%, Belgium 7.7%.

Western Europe – Total Market
Trucks over 5 Tons (thousands)



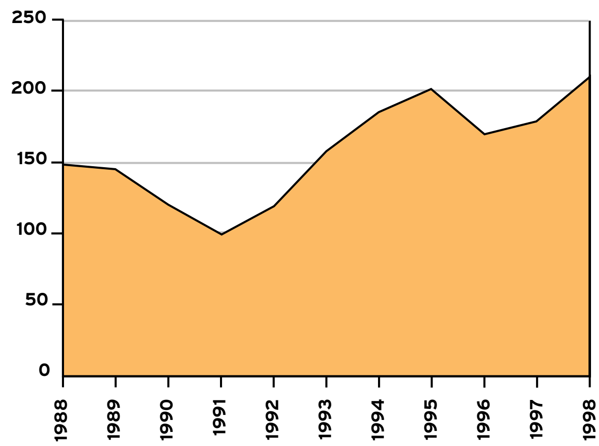
In the European market for trucks over five tons, Renault V.I. achieved a slight increase in market share, from 10.7% to 10.8%, thanks to a strong performance in Southern Europe. Its market share reached 10.3% in Italy and increased from 12.4% to 15% in Portugal, but declined slightly from 20.1% to 19.4% in Spain. In Northern Europe, Renault V.I.'s share slipped from 1.5% to 1.4% in Germany, but rose from 4.1% to 4.3% in the UK. In France the division's market share was stable at 39.1%, with a sizeable 21% increase in volume from 15,280 vehicles in 1997 to 18,490 in 1998.

In the market for trucks over 16 tons, the division's overall market share increased from 11.7% to 12.1%. Penetration increased by 2.9 percentage points in Portugal, 0.9 point in the UK and 0.5 point in Italy. It was stable in Spain and Germany, and in France it fell by 0.4 point from 38.3% to 37.9%.

North America

The class 8 truck market in North America continued its expansion in 1998, reaching 252,187 units, an increase of 20.4% from 1997. The US market represented 209,483 units, an increase of 17.3%.

United States – Total Market
Class 8 Trucks (thousands)



In the United States, Mack increased its market share from 12.5% to 12.8%, confirming its hold on third place in the ranking of truck sales by make. Retail sales totaled 26,801 vehicles, an increase of 19.8% from 1997. Mack retained its market-leading position in vehicles for construction sites and municipal services. In the class 6 and 7 markets, Mack also sold 1,742 Midliner trucks made in France, an increase of 5.5% over 1997.

Rest of the World

Continuing the trend of past years and in line with its strategy, Renault V.I. stepped up its sales in export markets outside

Western Europe with a total of 11,728 vehicles sold, an increase of 27.8%. International truck sales by the European arm were up 33.1%. Africa and the Maghreb accounted for 37% of sales by volume, Eastern Europe 30% and the Middle East 14%. Mack's class 8 exports were up 16.3% and were concentrated primarily in Latin America, with Venezuela the leading destination (1,600 vehicles), and Australia, where Mack Australia has 14.1% of the class 8 market (over 300 horsepower).

COACH AND BUS SALES

Late 1998 brought the launch of a new coach, the Arès, as well as the Agora Line, which rounds out the Agora range of transit buses. Renault V.I.'s sales of coaches and buses totaled 3,900 vehicles in 1998, a rise of 21.8% from 1997, attributable to increases of 28.2% for the Renault and Heuliez brands and 7.7% for Karosa.

The French coach market increased by 25.9% in 1998, and Renault V.I.'s share of it was 48.4% (49.1% in 1997). The Récréo school coach, built by Karosa for the French market, scored a success with sales of 300 vehicles in 1998, compared with 200 in 1997. The Iliade range, launched in late 1997, confirmed its success in France, Germany and export markets (Arab countries). The Ares model completes the range with a multi-purpose coach designed for both scheduled service and tourism. The French bus market increased 39.6% on the strength of large replacement orders from the RATP, Paris's transit authority. Renault V.I.'s share of this market came to 59.6% in 1998 (60.4% in 1997).

PRODUCTION

The pace of activity at Renault V.I.'s European production sites accelerated throughout the year. Output of the European arm increased by 21.5% in 1998. Activity in North America was also quite strong (up 16.4%). In total, Renault V.I. produced 85,870 units, an increase of 19.5% from 1997.

Development of synergies between Europe and the United States continues. Since 1996 the Group has had a single shared range of 10-16 liter engines. In addition to the US-made E9, used in the Magnum since 1990, Mack's E7, which powers most of the US-made vehicles, is now the Group's standard 12-liter engine. The strengthening of ties between the two branches has been given concrete form by the formation of two Group joint project departments responsible for developing engines and motorized chassis for road and construction site use. In addition to these new organizational structures, the Group's technical skills centers are now managed as shared resources. At the same time, technology sharing has increased in areas such as suspension, braking and electronic systems. Since 1996, Renault V.I. and Mack have also shared a common purchasing organization that takes an active part in efforts to reduce costs. In early 1999, these moves were accelerated by the implementation of a new functional organization, in the form of a central corporate staff for functions of a strategic nature and two operating branches, Europe and US, each with operating and profit responsibility.

Consolidated Production

	1996	1997	1998	1998/1997 % change
Trucks under 5 tons	3,941	4,600	4,215	-8.4
Trucks over 5 tons	56,566	63,913	77,791	+ 21.7
• Europe	32,952	35,671	44,914	+ 25.9
• Mack Trucks	23,614	28,242	32,877	+ 16.4
Coaches and buses(1)	3,265	3,346	3,864	+ 15.5
Total over 5 tons	59,831	67,259	81,655	+ 21.4
Grand total	**63,772**	**71,859**	**85,870**	**+ 19.5**

(1) Including Karosa.

FINANCIAL RESULTS

(FRF million)	1996	1997	1998
Renault V.I. consolidated revenues	30,500	34,301	40,496
Division contribution to Group:			
• revenues(1)	30,007	34,180	40,619
• operating margin(2)	(612)	(51)	1,120
• operating income (loss)	(705)	(191)	891
• pre-tax income (loss)(3)	(922)	(159)	588
Research and development expenses	1,187	926	950
Investment in tangible and intangible assets	1,412	1,066	990
Investments in securities	106	39	90
Workforce on December 31(4)	26,049	25,860	25,635

(1) The contribution to 1997 revenues, adjusted for 1998 changes in consolidation scope and accounting methods, is FRF 34,520 million.

(2) Operating margin, a measure introduced in 1998, corresponds to operating income before other operating income and expenses.

(3) Annual data for 1996 and 1997 have been restated to reflect the new method of apportioning head office expenses. The division's reported pre-tax income in 1996 and 1997 was respectively a negative FRF 1,133 million and a negative FRF 458 million.

(4) The impact of changes in scope of consolidation between 1997 and 1998 is an increase of 428 employees, of which 397 at Heuliez Bus.

The Commercial Vehicles Division achieved revenues of FRF 40,496 million in 1998, an increase of 18.1% from 1997 (FRF 34,301 million). For Renault V.I.'s European branch, the 20.7% increase in revenues is explained by the rise in unit sales both in France and abroad, offset by pressures on prices. For Mack, the 14.1% increase in revenues expressed in French francs is attributable to the increase in sales invoiced.
The division's contribution to Group operating margin was FRF 1,120 million, compared with a negative FRF 51 million in 1997 and a negative FRF 612 million in 1996. The contribution to Group operating income became positive at FRF 891 million; it was a negative FRF 191 million in 1997 and a negative FRF 705 million in 1996. The swing is explained by the pick-up in revenues and Renault V.I.'s cost reduction efforts since 1996. The division's contribution to Group pre-tax income was also positive at FRF 588 million, compared with a negative FRF 159 million in 1997.
Renault V.I.'s pre-tax income in 1998, as it appears in its own consolidated financial statements, was FRF 853 million, compared with a pre-tax loss of FRF 313 million in 1997. Net income after tax was FRF 859 million, compared with a net loss of FRF 321 million in 1997. The amount of the Commercial Vehicles Division's contribution to Group pre-tax income from the pre-tax income of Renault V.I. is derived as follows:

Pre-tax income of Renault V.I. group	853
Consolidation adjustments and eliminations	(48)
Share of head office costs	(217)
Division contribution to pre-tax income	588

The division's capital expenditure amounted to FRF 990 million, research and development expenses of FRF 950 million. In all, these costs of preparing for the future amounted to 4.7% of revenues. More than a third of the investment spending was product-related and devoted in particular to future product ranges, especially at Mack. Other significant items included commercial development, upgrading of production facilities and capacity increases. The priority areas for research and development are environmental protection (preparing engines to meet the Euro 3 and Euro 4 standards and developing alternative energy sources, in particular natural gas), improved active and passive safety, as well as technologies and innovations essential for enhancing vehicle performance in terms of productivity, quality and reliability.

Renault V.I.'s workforce totaled 25,635 employees, a very slight decrease from 1997. In Europe, the number of employees dropped from 20,346 to 19,915; at Mack, owing to very strong business, it increased from 5,514 to 5,720.

FINANCE DIVISION

The principal missions of the Finance Division are to:
• offer attractive financing packages backed up by services that make it easier to buy and use passenger cars and commercial vehicles and enhance customer loyalty (Renault Crédit International and Renault V.I. Finance);
• finance inventories of vehicles and spare parts held by dealers and Renault France Automobile, the wholly owned Renault subsidiary comprising all the subsidiaries and branch offices in France;
• take part in managing cash and financial risks for the Renault Group (Société Financière et Foncière and Renault Finance).
The Finance Division also takes part in financing some of the Group's corporate, real estate and information technology investments.

As financial platforms at the service of the Renault Group, its distribution 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 Europe's largest car loan groups and two banks, are involved in supporting the industrial and commercial development of the Group. In 1998, Compagnie Financière Renault had consolidated pre-tax income, including the proportionate share of earnings of equity-accounted companies, of FRF 2,263 million. Its net income amounted to FRF 1,514 million. Compagnie Financière Renault thus confirmed its position as a dependable profit center for the Group.

SALES FINANCING FOR RENAULT VEHICLES

In Europe, Renault Crédit International (R.C.I.) provides financing for sales of Renault vehicles to customers as well as the dealer network. With its comprehensive and diverse array of financial services, R.C.I. is an essential link in the Renault Group's marketing strategy.

With total assets of nearly FRF 86.5 billion at year-end 1998, R.C.I. is one of Europe's largest providers of automobile loans. Headed by a bank holding company, Renault Crédit International S.A. Banque, the group has consolidated net capital of FRF 7.8 billion, more than 95% of which is Tier One equity capital.

Consolidated net income before non-recurring items amounted to FRF 894 million in 1998, compared with FRF 943 million in 1997. Including non-recurring items, consolidated net income was FRF 1,058 million.

In an increasingly competitive financing market, R.C.I. in 1998 booked 727,594 new contracts for a total of FRF 40.7 billion, an increase of 6% by volume and 9% by value relative to 1997. In Europe, the outstandings of the credit companies increased by 12.1%, from FRF 70,328 million in 1997 to FRF 78,853 million in 1998. This performance attests to the quality of the financing products and the effectiveness of the marketing by the Group's finance affiliates, as well as the quality of relations with the sales subsidiaries in each country. At year-end 1998 R.C.I. had 3,203 employees, of which 1,992 in France and 1,211 elsewhere in Europe.

R.C.I. finances 31.8% of all new Renault vehicles sold in Europe.

In **France**, three companies provide sales financing for Renault vehicles.
– Diac S.A. finances sales to customers through Renault's automobile distribution network;
– Diac Location, the French market leader in long-term leasing of automobile fleets, offers a full range of lease packages including services;
– Cogéra finances stocks of vehicles and spare parts at Renault dealers and Renault France Automobiles. It is also responsible for monitoring and controlling the Renault Group's risk on the distribution network.

In 1998 the Diac group financed 244,825 customer contracts, up 4% from 1997. Consolidated pre-tax income for the year was FRF 574 million.

Outside France, the R.C.I. group operates in Germany, the UK, Spain, Italy, Portugal, Austria, Belgium, the Netherlands and Switzerland through some thirty subsidiaries or branch offices. These subsidiaries and branch offices offer products and services similar to those available in France but adapted to local needs and requirements. In 1998 they financed 482,769 customer contracts, an increase of 7% from 1997.

Furthering Renault's international development strategy, R.C.I. has incorporated its representative office in Poland as a wholly owned subsidiary and transformed its representative office in the Czech Republic into a joint venture with CAC Leasing. In Brazil R.C.I. has set up a subsidiary, Consórcio do Brasil.

The expansion of the business into other geographic markets has prompted R.C.I. to develop new distribution channels and set up new companies, such as Accordia in Italy and Sygma Finance, a joint venture with Sygma Banque (Cofinoga Group) in France.

Sales Financing in Europe

Country	Year	Renault share of total market (1) (%)	R.C.I. penetration rate (%)	Number of new contracts	Amounts financed	Net outstanding at year-end FRF million	of which Renault network
France	1998	29.9	27.9	244,825	15,226	27,638	7,040
	1997	28.2	31.8	235,659	14,385	26,661	6,481
Germany	1998	6.2	47.9	182,236	8,800	19,398	4,713
	1997	6.0	53.2	173,383	8,022	16,681	3,346
United Kingdom	1998	7.7	30.0	83,739	5,778	11,061	3,029
	1997	6.9	34.4	88,177	5,851	10,805	3,145
Spain	1998	13.5	31.0	75,551	3,946	7,071	1,852
	1997	12.6	27.7	51,993	2,572	5,146	1,385
Italy	1998	7.4	40.2	90,137	4,433	6,922	1,525
	1997	6.9	44.3	91,355	4,205	5,705	1,085
Netherlands	1998	8.2	7.7	6,302	495	1,835	1,037
	1997	7.4	8.5	5,885	482	1,506	757
Portugal	1998	12.6	37.4	21,068	936	2,037	635
	1997	11.5	42.8	20,656	855	1,773	566
Austria	1998	7.3	16.9	5,804	313	902	375
	1997	6.3	19.7	5,258	276	849	307
Switzerland	1998	6.5	26.8	6,916	549	832	165
	1997	6.6	19.6	5,578	413	695	172
Belgium	1998	10.7	17.8	11,016	268	1,158	769
	1997	9.6	23.1	10,743	194	506	187
Europe	**1998**	**11.5**	**31.8**	**727,594**	**40,744**	**78,853**	**21,142**
(10 countries)	**1997**	**10.5**	**35.5**	**688,687**	**37,254**	**70,328**	**17,4311**

(1) Total market for passenger cars and light commercial vehicles.

The R.C.I. group complements its financing products with a range of services relating to automobile acquisition and use in Europe. These services help to differentiate Renault from the competition, enhance customer satisfaction and build customer loyalty. They take the following forms:
– maintenance contracts (extended warranties and maintenance) managed for Renault by Sigma and local platforms in Europe;
– automotive technical assistance provided in France and abroad by Delta Assistance. The assistance unit 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;
– the Réserve de Poche credit card (Diac), extended to Portugal in 1998;
– insurance, mainly against risks associated with automobile use and finance contracts, provided via various insurance brokers in France (Reca) and other European countries (Dissa in Spain, RVD in Germany, Gest Seguros in Portugal). In 1998 R.C.I. formed RGS, a 50/50 joint venture with Gras Savoye, to offer business customers a full range of insurance services, from risk prevention and cover to claims management.

In addition to enhancing its range of services, R.C.I. has been expanding its presence in long-term leasing. Already active in eight European countries — soon ten — under the Overlease name, R.C.I. in 1998 signed a Europe-wide Overlease agreement with Renault and GCRE, the European association of Renault dealers.

Alongside these actions aimed at ensuring continued expansion of R.C.I.'s business and loan book, the Group has taken measures to optimize its organization in Europe by setting up a new refinancing branch in Italy.

The goal of R.C.I.'s financial policy is to provide secure refinancing of the Group's activity, optimize the cost of funds, rigorously manage all financial risks and maintain a solid, well-structured balance sheet. These objectives, which are set out and implemented by R.C.I. S.A. Banque, are based on globalization of the refinancing market and diversification of sources of funds. In 1998, Renault Crédit International's short-term obligations were rated P2 by Moody's, A2 by Standard & Poor's and F1 by Fitch-IBCA, while its long-term debt was rated Baa1 by Moody's.

SALES FINANCING FOR RENAULT COMMERCIAL VEHICLES

The Renault V.I. Finance holding company holds the Renault Group's equity interests in Europe in companies that provide financing and services to Renault V.I. customers and distributors. This business has been developed in partnership with specialized financial institutions including Franfinance S.A. (Société Générale Group) in France, UFB Locabail (Paribas Group) in the UK and Italy, Runoto Leasing B.V. (ING Group) in Belgium and Finanzia (Banco Bilbao Viscaya Group) in Spain and Portugal.

The consolidated net income of Renault V.I. Finance amounted to FRF 9.3 million in 1998, compared with FRF 0.7 million in 1997. The increase was to due to growth in outstandings, control of the cost of risk and continued efforts to reduce management expenses.

CASH MANAGEMENT AND RISK MANAGEMENT FOR THE RENAULT GROUP

For its industrial and commercial activities, the Renault Group has established a financial organization for the purposes of:
• automating the processing of routine cash inflows and outflows, with improved security and reliability;
• pooling the surplus cash of Group subsidiaries and meeting their refinancing requirements;
• centralizing the handling of foreign exchange transactions for better management of currency, interest-rate and credit risks while reducing administrative costs;
• centralizing all required financing, including security deposits, at the parent company level.

Within this framework, Compagnie Financière Renault provides Renault's Treasury and Finance Department, in charge of cash management and financing for the Group's industrial and commercial activities in Europe, with tools enabling it to:
• centralize cash flows with the Group (Société Financière et Foncière);
• carry out transactions in financial markets, after netting, to manage the Group's currency, interest-rate and deposit risks and maximize returns (Renault Finance);

• carry out hedging transactions on metals trades by the purchasing department (Renault Acceptance B.V.).

Société Financière et Foncière (S.F.F.)

Société Financière et Foncière is a full-fledged bank within the Renault Group. Its mission, within the Group's centralized cash management and financing structure, is to provide Renault and its industrial and commercial subsidiaries with a range of services tailored to their needs and allowing integrated management of the Group's cash flows. S.F.F. is in charge of all cash flows of Renault S.A. as well as the first- and second-tier subsidiaries of the Automobile Division in Europe. It handles substantial volumes while limiting its charges, maintaining a high standard of quality and strengthening its security systems.

S.F.F.'s net income declined to FRF 29.9 million in 1998, from FRF 33 million in 1997, mainly because lower medium-term interest rates made it impossible to replace maturing loans on terms as favorable as in the past. S.F.F.'s total assets were stable at FRF 2,169 million (FRF 2,166 million in 1997).

Renault Finance

Renault Finance, a Swiss corporation domiciled in Lausanne, handles the majority of foreign exchange positions for Renault and its industrial and commercial subsidiaries. It also trades for its own account in order to be able to offer the Group a competitive level of service on all financial products.

From July 1, 1998, Renault Finance is consolidated by Compagnie Financière Renault and is thus subject to the prudential rules and reporting requirements of the French banking commission. Renault Finance has since obtained authorization from the Swiss authorities to keep its accounts in French francs and consequently, from January 1, 1999, in euros.

Renault Finance's operating income in 1998 was approximately equal to the previous year's at FRF 160 million before tax. Total assets at year-end 1998 amounted to FRF 40,047 million.

Renault Acceptance B.V.

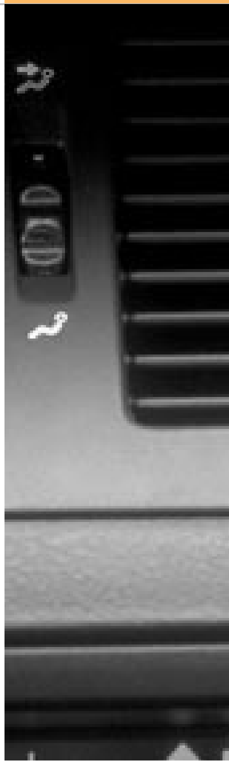
Renault Acceptance B.V., a Dutch corporation, is part of the organization for managing the Group's financial operations. It operates through its branch office in Lausanne and has been in operation since mid-1997. It carries out hedging transactions on trades in metals executed by Renault's purchasing department. On December 31, 1998, its total assets stood at NLG 62 million.

OTHER RESPONSIBILITIES

In its role as a financial holding company, Compagnie Financière Renault participates in business development for the Renault Group and makes certain financial investments for this purpose.

The Finance Division also participates in the financing of the Group's real estate and IT investments via specialized subsidiaries of Compagnie Financière Renault, namely SIAM for certain real estate investments and SOFIMIN for IT investments.

In 1998, SIAM continued to be active in the expansion or disposal of certain Renault branch offices. At year-end 1998 its net long-term assets amounted to FRF 1,009 million (including FRF 436 million of equity securities) on shareholders' equity of FRF 1,160 million. On the occasion of the grouping of all the French subsidiaries and branch offices within a new company, Renault France Automobiles, SIAM transferred to that company all the real property associated with Renault's sales and marketing activities.



FINANCIAL RESULTS

(FRF million)	1996	1997	1998
Divisional revenues	8,686	8,771	9,473
Division contribution to Group:			
• revenues	8,109	7,944	8,238
• operating margin(1)	1,280	1,355	1,341
• operating income	1,263	1,320	1,541
• net financial income(2)	467	958	435
• pre-tax income(2)	1,724	2,283	1,984
Investments in tangible and intangible assets	1,431	1,534	1,111
Investments in securities	81	8	76
Workforce at December 31	3,333	3,277	3,277

(1) Operating margin, a measure introduced in 1998, corresponds to operating income before other operating income and expenses.

(2) Change in allocation of head office expenses, restatement of 1996 and 1997 data.

The Finance Division's contribution to consolidated Group revenues was FRF 8,238 million in 1998, compared with FRF 7,944 million in 1997. The change was due mainly to an increase in interest income resulting from the rise in average interest-bearing assets, despite lower interest rates.

The division's contribution to operating margin was FRF 1,341 million in 1998.

The division's contribution to operating income was FRF 1,541 million, an increase of 16.7% from 1997. The drop from the first half to the second half of 1998 is attributable to a profit of FRF 311 million relating to a tax refund in the UK, booked in the first half, and to the impact of Diac's manpower plan booked in the second half.

The division's contribution to net financial income was FRF 435 million in 1998, compared with FRF 958 million in 1997. This amount includes earnings on activities of Société Financière et Foncière and Renault Finance. The comparable figure for 1997 included a capital gain of FRF 419 million realized by Compagnie Financière Renault on the sale of Elf Aquitaine shares.

The amount of the Finance Division's contribution to Group pre-tax income from the pre-tax income of Compagnie Financière is derived as follows:

Pre-tax income of C.F.R.*	2,263
Consolidation adjustments and eliminations	(207)
Share of head office expenses and interest expenses	(72)
Division contribution to pre-tax income	1,984

* before share of earnings of equity-accounted affiliates.

2

REVENUES

In 1998 almost all European car markets – France's in particular – experienced significant growth. Renault was the principal beneficiary of this recovery, with automobile sales growing twice as fast as the European market. It was a year of success for all Renault car models, especially for the Mégane, which became the second best-selling car in Europe, and also for the Espace and Kangoo, each of which took the sales lead in its category(1). Combined with the Group's ongoing cost-cutting program, these successes reinforced the profitability of the Automobile Division. In the Commercial Vehicles Division, sales increased at both Mack and the European branch in a context of expanding markets. Renault V.I., also involved in a program to reduce costs, continued to improve its operating margin. The contribution to operating margin from the Finance Division was virtually unchanged from 1997. Overall, the Group's profits increased significantly.

Renault's main strategies for improving competitiveness and profitability even further are the ongoing renewal of its product range with innovative new models, reorganization of manufacturing facilities, constant efforts to cut costs, more effective organizational structures and strengthened international presence.

Against a backdrop of renewed economic growth, the trend in all Western European markets was highly positive. The European market as a whole recorded rises of 7.1% for passenger cars and 11% for light commercial vehicles. The market for heavy-duty trucks in Europe increased by 19.9% for vehicles over five tons and by 22% for vehicles over 16 tons. The North American Class 8 market was also up, with a gain of 20.4%. During 1998, Renault's unit sales increased in every geographical market. In all, worldwide sales of Renault automobiles were up 15.8% over 1997, to 1,864,333 passenger cars (+14.5%) and 264,306 light commercial vehicles (+26%). Truck sales at Renault V.I. followed the same trend, with the European branch selling 46,017 vehicles over five tons (+23.3%) and Mack 34,671 heavy trucks (+15.5%).

Adjusted for changes in the scope of consolidation and accounting methods, these increases in unit sales resulted in revenue rises of 16.5% for the Automobile Division and 17.7% for the Commercial Vehicles Division. Group sales amounted to 37,187 million euros, compared with 31,696 million euros in 1997. On a comparable structure basis, consolidated revenues were up 16.2%.

All rankings and market data cited in this document are taken from statistics of the Comité des Constructeurs Français d'Automobile (CCFA), supplemented by internal Renault statistics.

Revenues by Division

	1996		1997(1)		1997(2)	1998		1998/1997(2)
	millions of euros	%	millions of euros	%	millions of euros	millions of euros	%	%
Automobile	22,252	79.3	25,274	79.8	25,533	29,739	80.0	+16.5
Commercial Vehicles	4,575	16.3	5,211	16.4	5,262	6,192	16.6	+17.7
Finance	1,236	4.4	1,211	3.8	1,211	1,256	3.4	+3.7
Total	**28,063**	**100.0**	**31,696**	**100.0**	**32,006**	**37,187**	**100.0**	**+16.2**

(1) Reported.
(2) For purpose of comparison, the 1997 figures have been restated to reflect the same scope of consolidation and accounting methods as in 1998. The main adjustments involve changes in the method of consolidation for Renault Argentina (275 million euros) in the Automobile Division and Heuliez Bus (53 million euros) in the Commercial Vehicles Division.

The contribution of each division is calculated after eliminating intercompany transactions within the Group. The two manufacturing and sales divisions accounted for 96.6% of total revenues in 1998 (80% for the Automobile Division and 16.6% for the Commercial Vehicles Division, compared with 79.8% and 16.4% respectively in 1997).

The Finance Division, which is fully consolidated, contributed 1,256 million euros to revenues, up 3.7% from 1997. This amount corresponds almost entirely to sales financing revenues. Finance receivables increased by 11.7% to 10.9 billion euros.

Breakdown of Revenues: France/Foreign

As a %	1996		1997		1998	
	France	Foreign	France	Foreign	France	Foreign
Automobile	47.2	52.8	40.5	59.5	39.4	60.6
Commercial Vehicles	38.3	61.7	32.3	67.7	33.3	66.7
Finance	53.8	46.2	48.5	51.5	45.7	54.3
Total	**46.1**	**53.9**	**39.4**	**60.6**	**38.6**	**61.4**

Revenues in France made up 38.6% of the total. Revenues outside France increased by 18.9% to 22,833 million euros (61.4% of the total), showing the progress of the group's international development.

Geographical Breakdown of Revenues

	1996		1997		1998	
	millions of euros	%	millions of euros	%	millions of euros	%
France	12,925	46.1	12,497	39.4	14,354	38.6
Other EU countries	10,447	37.2	13,006	41.1	15,496	41.7
Total EU	**23,372**	**83.3**	**25,503**	**80.5**	**29,850**	**80.3**
Rest of Europe	1,055	3.7	1,176	3.7	1,393	3.7
Total EUROPE	**24,427**	**87.0**	**26,679**	**84.2**	**31,243**	**84.0**
Africa	432	1.5	453	1.4	501	1.3
North/South America	2,261	8.1	3,341	10.5	4,149	11.2
Asia/Pacific	943	3.4	1,223	3.9	1,294	3.5
Total	**28,063**	**100.0**	**31,696**	**100.0**	**37,187**	**100.0**

Europe, Renault's main market, accounted for 84% of revenues. The proportion of revenues outside Europe rose from 15.8% in 1997 to 16% in 1998 owing to growth in sales of Renault vehicles, notably in the Mercosur, and Mack trucks in the United States.

OPERATING MARGIN

This year's presentation of the Group's financial results introduces the notion of "operating margin" to give a more detailed picture of Renault's level of performance. Operating margin corresponds to operating income before "other operating income and expenses" as detailed below.

Contribution to Operating Margin by Division

In millions of euros	1996	1997			1998		
		1st half	2nd half	Year	1st half	2nd half	Year
Automobile	(342)	6	358	364	740	805	1,545
Commercial Vehicles	(93)	(35)	27	(8)	82	89	171
Finance	195	118	89	207	118	86	204
Total	**(240)**	**89**	**474**	**563**	**940**	**980**	**1,920**

The Group's operating margin was 1,920 million euros in 1998 (compared with 563 million euros in 1997 and a negative 240 million euros in 1996), or 5.2% of revenues. The very sharp increase from 1997 is attributable in particular to the Automobile Division, whose contribution rose from 364 million euros in 1997 to 1,545 million euros in 1998. This 1,181 million euro increase is explained by growth in unit sales in all final markets as well as the effects of the manufacturing reorganization and the cost reduction program. The Commercial Vehicles Division also kept its contribution rising on the strength of increased unit sales in all markets, higher selling prices in the United States and positive effects from cost-cutting programs in Europe and the United States. Its contribution to the operating margin was 171 million euros, up from a negative 8 million euros in 1997. The Finance Division provided a contribution of 204 million euros, compared with 207 million euros in 1997.

Research and development expenses increased by 12.7% between 1997 and 1998, reaching 1,553 million euros and 4.2% of revenues. For comparison, R&D expenses were 1,378 million euros in 1997 and 1,391 million euros in 1996. Sales, general and administrative expenses amounted to 4,435 million euros, compared with 4,181 million euros in 1997.

Operating income is derived from operating margin by taking into account **other operating income and expenses**, which consist of:

- restructuring costs and provisions,
- gains and losses on disposals of tangible and intangible long-term assets (excepting sales of vehicles),
- gains and losses on transactions in securities representing investments in operating activities (notably, disposals and amortization of goodwill),
- items of an unusual nature or of an abnormally high amount.

Under this definition, "other operating income and expenses" in 1998 constituted a net expense of 268 million euros, an increase of 5.5% from 1997. For comparison, this item amounted to 254 million euros in 1997 and 673 million euros in 1996. The largest component was restructuring costs and provisions, at 244 million euros in 1998 (versus 235 million euros in 1997 and 595 million euros in 1996). These charges concerned mainly the manpower plan in Argentina, the shutdown of a French subsidiary, Emboutissage Tôlerie Gennevilliers, and the restructuring of the sales network in France.

OPERATING INCOME

The definition of operating income is unchanged.

After recognition of other operating income and expenses, Group operating income was 1,652 million euros in 1998, compared with 309 million euros in 1997 and an operating loss of 913 million euros in 1996. The Automobile Division increased its contribution from 137 million euros in 1997 to 1,282 million euros in 1998, while the Commercial Vehicles Division swung from an operating loss of 29 million euros in 1997 to an operating profit of 136 million euros. The Finance Division's contribution to operating income increased by 16.7% to 234 million euros. The decline from the first half of 1998 to the second is explained by a 47 million euro profit corresponding to a tax refund in the UK in the first half and by the impact of the manpower plan at DIAC in the second half.

Contribution to Operating Income (Loss) by Division

(In millions of euros)	1996 1st half	1996 2nd half	1996 Year	1997 1st half	1997 2nd half	1997 Year	1998 1st half	1998 2nd half	1998 Year
Automobile	(139)	(859)	(998)	(25)	162	137	648	634	1,282
Commercial Vehicles	4	(111)	(107)	(33)	4	(29)	78	58	136
Finance	100	92	192	113	88	201	165	69	234
Total	**(35)**	**(878)**	**(913)**	**55**	**254**	**309**	**891**	**761**	**1,652**

Decisions to set aside provisions for restructuring are usually recorded in the second half. This explains the decrease in operating income in the Automobile and Commercial Vehicles Divisions in the latter part of the year.

FINANCIAL INCOME

Net financial items were positive at 60 million euros in 1998, compared with 308 million euros in 1997 and 49 million euros in 1996. Financial income in 1997 included 252 million euros of gains on the disposal of Elf Aquitaine and AB Volvo securities.

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 loss of 13 million euros, attributable mainly to the Turkish marketing subsidiary. For comparison, this item represented income of 7 million euros in 1997 and 3 million euros in 1996.

GROUP PRE-TAX INCOME

Group pre-tax income amounted to 1,699 million euros, compared with 624 million euros in 1997 and a loss of 861 million euros in 1996. The contributions of the various Group divisions are given in the following table.

Contribution to Pre-Tax Income (Loss) by Division

In millions of euros	1996	1997	1998	Change 1998/1997
Automobile	(983)	300	1,307	+1,007
Commercial Vehicles	(141)	(24)	90	+114
Finance	263	348	302	-46
Total	**(861)**	**624**	**1,699**	**+1,075**

The internal Group agreement on assignment of head office expenses was revised in 1998. Figures for the two prior years, 1997 and 1996, have been modified accordingly.

RENAULT NET INCOME

As provided for under the Group's tax consolidation regime, which was renewed on January 1, 1998 for a period of three years, Renault determines its tax liability by including the taxable income of most of its subsidiaries and affiliates and offsetting against this amount certain taxes paid by the same subsidiaries and affiliates.

In 1998, with Renault no longer benefiting from tax loss carry-forwards, current taxes represented an expense of 677 million euros, compared with 147 million euros in 1997. After a final 295 million euro reversal of the provision for deferred tax assets (compared with 229 million euros in 1997), net tax expense for the year came to 362 million euros (compared with net tax income of 205 million euros in 1997).

After deduction of this tax expense and negative minority interests of 12 million euros, Renault's net income amounted to 1,349 million euros in 1998, an increase of 522 million euros from 1997 (827 million euros).

CASH FLOW

Cash Flow Statement

(In millions of euros)	1996	1997	1998
Cash flow	1,055	2,104	3,098
Decrease in working capital requirement	430	601	1,449
Increase in finance receivables	(201)	(930)	(1,300)
Cash flows from operations	**1,284**	**1,775**	**3,247**
Property, plant and equipment and intangibles	(2,499)	(2,359)	(2,205)
Asset disposals and other	468	942	440
Cash flows from investments	**(2,031)**	**(1,417)**	**(1,765)**
Proceeds from shareholders	26	74	28
Dividends paid	(123)	(19)	(159)
Net change in debt	410	37	(1,793)
Cash flows from financing activities	**313**	**92**	**(1,924)**
Change in cash and cash equivalents	**(434)**	**450**	**(442)**

CASH FLOWS FROM OPERATIONS

Operations generated 3,247 million euros in cash in 1998, compared with 1,775 million euros in 1997.

Cash flow (net income plus depreciation and provisions) increased by 994 million euros, rising from 2,104 million euros in 1997 to 3,098 million euros in 1998, owing mainly to improved operating conditions in the two manufacturing and sales divisions. The working capital requirement decreased by 1,449 million euros in 1998 (compared with a decrease of 601 million euros in 1997), owing notably to an increase in trade notes and accounts receivable related to the higher level of activity. In addition, sales-financing receivables increased by 1,300 million euros in 1998.

CASH FLOWS FROM INVESTMENTS

Investments consumed 1,765 million euros in cash in 1998, compared with 1,417 million euros in 1997.

Capital expenditure (property, plant and equipment and intangibles) decreased by 6.5% to 2,205 million euros. This amount breaks down as 1,885 million euros for the Automobile Division (85.5%), 151 million euros for the Commercial Vehicles Division (6.8%) and 169 million euros for the Finance Division (7.7%). The investments of the manufacturing and sales companies are devoted primarily to renewing product and component lines and modernizing production facilities. The investments of the finance arm consist essentially of vehicles on lease. In all, tangible and intangible investments net of disposals amounted to 1,808 million euros, compared with 1,965 million euros in 1997 and 2,148 million euros in 1996.

Investments in securities net of cash acquired thereby amounted to 67 million euros in 1998, compared with 124 million euros in 1997. Disposals of investments in affiliates amounted to 63 million euros, compared with 687 million euros in 1997, and served to decrease outflows of cash associated with investments.

Investment (tangible and intangible assets and securities)

	1996		1997		1998		1998/1997
	millions of euros	%	millions of euros	%	millions of euros	%	%
By division							
Automobile	2,138	82.2	2,080	83.7	1,926	84.8	-7.4
Commercial Vehicles	231	8.9	169	6.8	165	7.2	-2.3
Finance	230	8.9	234	9.5	181	8.0	-23.0
Total	**2,599**	**100.0**	**2,483**	**100.0**	**2,272**	**100.0**	**-8.5**
By geographic market (1)							
France	2,176	83.8	1,874	75.5	1,505	66.2	-19.8
Outside France	423	16.2	609	24.5	767	33.8	+26.1
Total	**2,599**	**100.0**	**2,483**	**100.0**	**2,272**	**100.0**	**-8.5**
By type							
Property, plant and equipment and intangibles	2,499	96.2	2,359	95.0	2,205	97.1	-6.5
Securities	100	3.8	124	5.0	67	2.9	-46.4
Total	**2,599**	**100.0**	**2,483**	**100.0**	**2,272**	**100.0**	**-8.5**

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

CASH FLOWS FROM FINANCING ACTIVITIES

Financing activities generated a cash requirement of 1,924 million euros in 1998, compared with a cash inflow of 92 million euros in 1997. These cash flows consisted of bond issues and redemptions; the net change in other borrowings, marketable securities and investment loans; capital contributions from minority interests and payments of dividends. Repayments of bonds and other borrowings, net of new issues, generated a requirement of 526 million euros. In April 1998, Renault issued 76 million euros in bonds indexed to the price of Renault shares, and Renault Crédit International (R.C.I.) issued bonds in the amount of 153 million euros (in Deutschmarks), or slightly more than FRF 1 billion.

Investment loans and marketable securities increased by 2,319 million euros in 1998. For comparison, this item decreased by 1,699 million euros in 1997.

In 1998 Renault distributed a dividend of 0.53 euro per share for the year ended December 31, 1997. The total amount paid out to shareholders (before elimination of treasury shares) was 127 million euros. In 1997 no dividend was distributed relative to 1996.

FINANCIAL POSITION

Shareholders' equity increased from 6,695 million euros on December 31, 1997 to 7,861 million euros on December 31, 1998 as a consequence of the 1998 financial results.

Operations generated cash flow of 3,098 million euros in 1998, and the Group lowered its level of investment slightly to 6.1% of revenues. The net indebtedness of the industrial and commercial activities, which had amounted to 319 million euros, was entirely eliminated as a result, shifting to a net creditor position of 1,929 million euros on December 31, 1998.

8 RESEARCH AND DEVELOPMENT

Research and Development Expenses by Division

(In millions of euros)	1996	1997	1998	1998/1997 %
Automobile	1,210	1,237	1,408	+13.9
Commercial Vehicles	181	141	145	+2.6
Total	**1,391**	**1,378**	**1,553**	**+12.7**

In 1998 the Group spent 1,553 million euros on research and development, compared with 1,378 million euros in 1997 and 1,391 million euros in 1996. These expenses relate to research, studies and development of vehicles, components and production technologies. This activity gave rise to the filing of 267 patents in 1998, compared with 230 in 1997.

Research and development focused on five major areas in 1998:

1/ Extension of the Product Range

At the Paris Motor Show, Renault unveiled "Vel Satis", a luxury four-seater coupe of avant-garde concept and design that features sophisticated but unobtrusive technology (on-board telematics) to enhance driving enjoyment. A car that meets traditional top-of-the-range standards while reflecting creative, forward-looking design and uniquely French refinement, "Vel Satis" reveals the spirit of Renault's future top-of-the-range models.

2/ Environmental Protection

As a defender of the values of personal mobility within a comprehensive vision of the transport system, Renault is taking multiple initiatives to assure an integral place for the automobile while protecting the environment. The multi-energy Scenic family, whether equipped with traditional power plants (gasoline/diesel/LPG) or clean-break technology (NGV, electric, hybrid), illustrates this determination to reduce fuel consumption, and thereby carbon dioxide emissions, as well as emissions of pollutants such as nitrogen oxides, hydrocarbons and carbon monoxide.

The Fever project, which Renault is conducting in cooperation with five European partners (Air Liquide, Ansaldo, De Nora, Paris's Ecole des Mines and Volvo TD), is aimed at acquiring knowledge in the engineering and use of fuel cells as an automotive power source. This objective has been achieved, since the prototype Fever has a range of 400 km and a top speed of 120 kph. The project has enabled Renault to acquire invaluable know-how for developing future production vehicles powered by fuel cells.

3/ Fuel Economy

In the area of engines, the new Renault 16-valve and dTi units introduced in 1998 reduced fuel consumption by 15%. Work along this line is now focusing on direct-injection gasoline engines, the new Turbeco turbocharger, common rail high-pressure injection systems for diesel engines and the new systems of treating exhaust gases that will appear on production vehicles in 1999 and 2000. Another system under development is the robotized gearbox (made from a manual gearbox actuated by an automated electrohydraulic system), which will help to improve a vehicle's overall fuel economy.

In parallel with these efforts, the multi-disciplinary "Frelon" project seeks to reduce excess fuel consumption due to friction. By working on tires and rolling resistance (in cooperation with tire makers and SNR) and on brakes, "Frelon" achieves a gain in fuel economy and a simultaneous improvement in braking efficiency. An initial application of the system will appear on the Scenic in 1999.

4/ Safety

In 1998 Renault applied the results of its latest research on structural compatibility in collisions between large and small vehicles to the Clio II and Twingo 2. These two new models now offer a high level of safety even in collisions involving a much heavier vehicle.

Several major innovations in passive safety were also introduced gradually throughout the product range. The first is the Renault System for Restraint and Protection for front-end collisions. In addition to seat belt pretensioners, the system includes load limiters and the new programmed restraint airbags. Working together for greatest effectiveness, these two systems developed by Renault can halve the forces exerted by the seat belt during a crash. Complementing these safety features is the new close-contact head restraint, which can reduce the number of minor injuries from rear-end collisions by 35%. In the event of side impact, Renault has introduced a combined head/chest lateral airbag.

Applying its expertise in passenger safety, Renault has developed the new Isofix child restraint system, engineered to adapt to the morphology of children's bodies. It can be posi-

tioned either rear-facing (for infants less than two years old) or forward-facing (for children from two to four). Safety is enhanced by the use of a standardized Isofix attachment system to secure the child seat to the vehicle's rear bench seat.

All this work on passive safety has earned the Mégane a rating as the safest car in its segment by Euro NCAP, an independent testing organization, following a series of high-impact crash tests performed on most of the cars in Europe's M1 segment.

5/ Organization of Transport Systems

The Praxitèle experiment with a self-service electric vehicle system continues in Saint Quentin en Yvelines, a new town in the Greater Paris region. Praxitèle is now operating in fully automated mode, twenty-four hours a day and seven days a week, and the number of stations has increased. At the end of 1998 Praxitèle has some 700 subscribers making nearly 450 short trips each week.

Every year, Renault staff and products bearing the marque's badge win prizes for inventiveness and creativity. Two examples of awards in 1998: Renault's programmed restraint system was honoured at the International Body Engineering Conference, and the gas-powered Agora transit bus received the Golden Decibel trophy awarded by France's National Noise Abatement Council.

WORKFORCE AND HUMAN RESOURCES

Number of Employees by Division on December 31

	1996	1997	1998 (1)	1998/1997 (%)
Automobile	111,523	112,178	109,409	- 2.5
Commercial Vehicles	26,049	25,860	25,635	- 0.9
Finance	3,333	3,277	3,277	- 0.0
Total	**140,905**	**141,315**	**138,321**	**- 2.1**

(1) Changes in scope of consolidation had little impact on the workforce, which decreased by 2,994 employees in 1998. The net impact of such changes was a decrease of 236:
- a decrease of 664 people in the Automobile Division (–513 at Rimex; –228 at Sodicam; +206 at CAT; –129 at Renault Limoges),
- an increase of 428 people in the Commercial Vehicles Division (+397 at Heuliez Bus; +31 at Renault Trucks Polska).

Human resources have been a key factor in the profitable growth of the business. Less rigid working time arrangements have increased flexibility at all sites and subsidiaries, both in France (Choisy le Roi, Cléon, Douai, Flins, Sandouville, MCA, SOVAB) and abroad (Novo mesto and Palencia). Work-schedule adjustments have also made it possible to improve responsiveness to changes in market demand, increase uptime at production facilities, shorten development lead times and reduce costs.

The use of innovative forms of work organization — rotating timetables, staggered hours, part-time options, "time credits" and others — is another step in the same direction.

Renault's manpower plan called for 1,158 internal reassignments and 1,533 job cuts. Layoffs have been mitigated by age-related measures (government-backed early retirement agreements) and aid for those moving to part-time positions.

As part of the Group's employment plan, measures were taken to promote youth employment. In the area of employing young people without job skills, Renault and the Ministry of Employment and Solidarity renewed through December 31, 2000 the 1992 framework agreement on bringing unskilled young people between the ages of 18 and 25 into the workplace. An amendment signed in February 1998 extends the scope of this framework agreement to Renault Group subsidiaries and new businesses in the job markets covered by the agreement. The amendment calls for 800 youth jobs to be provided in the next three years. Since 1992 this placement scheme has found jobs for 1,106 young people.

In 1998 the training plan focused on improving the fit between human resources and the needs of the business, notably in terms of the cost reduction and growth objectives, and satisfying the aspirations of the personnel. Particular emphasis was put on preparing for retraining and mobility assignments as well as on implementing the "time credit" concept for training. This approach is a way of reconciling career training for employees and the development of skills needed by the employer.

With an objective of 2 million hours devoted to training, or an average of 43 hours per person, the training plan represents an investment of nearly 76 million euros, or 5% of the payroll.

The 1998 plan called primarily for:
• enhancing job skills (36% of training hours),
• anticipating changes by preparing employees for retraining and mobility assignments (30% of hours),
• increasing management skills (13% of hours).

In addition, training in new technologies (7% of total contact hours) was provided to support start-ups of new industrial processes and new model launches. As part of Renault's international development, 6% of hours were devoted to language training.

A new agreement on employing differently-abled persons was signed in 1998 by management and all the unions. The main provisions concern employment, hiring and training, and accommodation during employment. Renault maintains its objective of having the differently-abled make up at least 2% of annual new hires in engineering, commercial and administrative positions. As regards procurement from the sheltered sector, Renault commits to maintaining the flow of business at the level of recent years (which is equivalent to direct employment of 120 differently-abled persons). Other provisions cover hiring and training, both internally and in support organizations for the differently abled, and assuring suitable positions and work schedules for these persons.

WAGES AND PROFIT-SHARING

The average wage increase for production workers and non-managerial staff was 2.8% in 1998, while inflation remained at a subdued annual pace of about 0.3%.

Renault management has entered into an agreement with five labour unions (CFDT, CFTC, FO, CFE-CGC, CSL-SIR) on profit-related bonus schemes. As with previous such agreements, the new one is a framework agreement. It will give rise in coming months to negotiations at two levels.
– at company level, an amendment to the framework agreement will be negotiated with the aim of giving all employees a stake in Renault's financial results.
– at the establishment (job site) level, local agreements will be negotiated to recognize performance at each site and take account of its specific characteristics.

The profit-related bonus paid on April 10, 1998 to employees of the Renault parent company in respect of 1997 financial results was 47 euros for each 152 euros of base monthly salary, with a minimum payment of 382 euros.

In accordance with legal requirements or special dispensations, profit-sharing agreements were signed in all the principal companies of the Group.

Profit-related bonus schemes were also implemented in the principal companies to give employees a stake in the company's profits, progress and achieved performance, in particular in the area of quality.

For the Renault parent company, the amounts involved, equal to 5% of consolidated income before tax (and before profit-related bonuses) plus site performance bonuses, were as follows over the past five years:

	(In millions of euros)
1994	57
1995	44
1996	33
1997	64
1998	120

STOCK OPTIONS

The Board of Directors has granted stock options as follows:

• On October 22, 1996, 446,250 stock options, including 64,000 reserved for senior managers of the Renault Group. These options may be exercised from October 22, 1999 until October 22,2006.

• On October 28, 1997, 553,750 stock options, including 94,000 reserved for senior managers of the Renault Group. These options may be exercised from October 29, 2002 until October 27, 2007.

• On October 27, 1998, 1,912,500 stock options, including 670,000 reserved for senior managers of the Renault Group. These options may be exercised from October 28, 2003 until October 26, 2008.

These grants are summarized in the table below.

	Options Granted		Options Remaining
Date Awarded	**Price**	**Number of Beneficiaries**	**on 31/12/1998**
October 22, 1996	17.57 euros(1)	273	446,250
October 28, 1997	24.89 euros(1)	310	553,750
October 27, 1998	32.13 euros(2)	410	1,912,500

(1) Price is equal to 95% of the average opening price of Renault shares over the twenty trading sessions preceding the board meeting at which the decision to grant the options was taken.
(2) Price is equal to the average opening price of Renault shares over the twenty trading sessions preceding the board meeting at which the decision to grant the options was taken.

To our knowledge, the Group's production does not depend on patents or licences belonging to third parties.

REGULATORY FRAMEWORK FOR ISSUES OF SAFETY, EMISSIONS AND INDUSTRIAL ENVIRONMENT

The development of automotive electronics opens new prospects in the area of accident avoidance, and applications with this aim were introduced in 1998. Regulatory oversight of this technological evolution has taken the form of gradual definition of new safety requirements for electronic systems, particularly concerning braking and vehicle handling.

As regards environmental issues, the emissions reduction requirements for light and heavy vehicles in the years 2000 and 2005 have now been set. In addition to significant cuts in allowed levels of emissions, the requirements call for a system of continuous monitoring of the vehicle's emission control system (On-Board Diagnostic or OBD system) as well as increased durability and verification of compliance by vehicles in service (COPIS). For the first time, these stages in automotive emissions reduction establish a clear link between vehicles and fuels.

Fuel Consumption and CO2 Emissions

An agreement on the automobile industry's contribution to reducing emissions of greenhouse gases was concluded in 1998 between European car makers and EU authorities in Brussels. This agreement sets an overall target for carbon dioxide emissions of new cars sold in Europe in 2008 at 140 g/km, which corresponds to fuel consumption of 5.9 l/100 (liters per 100 kilometers) for gasoline and 5.3 l/100 for diesel. The Buenos Aires conference on global warming in November 1998 highlighted the commitment of Europe and its industry to reduce emissions of greenhouse gases. This conference also confirmed quantified targets for greenhouse gas reduction by the principal countries and identified the main policy instruments for achieving them.

Fuel and Vehicle Taxes

France has affirmed its desire for gradual harmonization of taxes on gasoline and diesel fuel. The French authorities are committed to a gradual realignment of the tax difference in France, currently 0.22 euro per liter in favour of diesel, with the EU average, currently 0.15 euro. The rebalancing will begin in 1999 with an adjustment of 0.01 euro. For the first time in several years, France's tax on premium unleaded gasoline was unchanged.

A provision of France's Finance Act for 1999 allows reimbursement of part of the domestic tax on petroleum products for commercial vehicles over twelve tons.

At the same time, the legislature has consolidated the various tax incentives for clean vehicles, notably LPG vehicles, and extended them to include dual-fuel vehicles.

Taxation in Europe

The European Union continues to be notable for wide disparities in taxes applicable to motor vehicles. These disparities are attributable to the lack of convergence in VAT rates and the maintenance of specific taxes on vehicle purchases in many European countries. With the introduction of the euro, the persistence of these disparities continues to raise problems.

Designs and Models

In 1998 European Union institutions ended their examination of the designs and models directive that had been under review since 1991. For the automotive industry, the directive governed the legal protection applicable to visible parts of the bodywork. Each member state is free to maintain the same protection for a further period, which will range in practice from five to seven years.

Recycling of End-of-Life (EOL) Vehicles

Renault continues to implement the framework agreement on EOL recycling that was worked out with the French government and the operators of the subsidiaries. In 1997 approximately 110,000 Renault EOLs were processed and 83.7% of vehicle weight was recycled.

Renault, already partnered 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 recycling vehicles at the end of their life.

In July 1997 the European Commission adopted a draft directive on EOL recycling. The requirements and objectives of the draft directive are more demanding for automobile manufacturers than the voluntary agreements that had already been finalized in several European countries, notably Spain, Germany, the UK, Sweden, Austria, Italy, Belgium and the Netherlands. In particular, the recyclability objective for new vehicles is raised from 90% in 2002 in the framework agreements to 95% in 2005 in the directive, and reclamation of energy content alone is limited to 10%. The draft also calls for manufacturers to take vehicles back at the end of their life at no charge. It will now be discussed at the European Council and in Parliament.

Renault has set up a subsidiary to market refurbished OEM parts through its dealer network.

Litigation

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

MAIN LINES OF DEVELOPMENT IN 1998

In 1998 Renault pursued its three-pronged strategy of profitable growth based on innovation, competitiveness and international development. This strategy is aimed at making Renault a top player in the world automobile industry, producing four million vehicles a year by 2010 with half of that output outside Western Europe.

Innovative Product Range

Renault's commercial success rests on its range of products and its ability to anticipate trends in lifestyles. The Group must keep designing ever more innovative vehicles that are not only attractive to customers but also safer, cleaner and more keenly priced.

In **automobiles**, after successfully launching the Kangoo in October 1997 and the Clio II in April 1998, Renault completed the overhaul of its offering in the small-car segment by unveiling the Twingo 2 at the Paris Motor Show in October 1998. Like the Clio II, the Twingo 2 offers a superior specification and a higher level of safety at a lower selling price than its predecessor.

The Mégane family was enlarged in September 1998 with an estate version, launched in Turkey and then marketed in Europe starting in March 1999. Besides a new design, greater value for money in terms of equipment and even more effective safety features—which earned it the top ranking in its segment during crash tests performed in 1998 by Euro NCAP, an independent European testing organization—the new Mégane innovates by offering Europe's first direct-injection gasoline engine.

With its new range of 16-valve gasoline and direct-injection diesel engines, Renault has stepped up the pace in renewing its powertrain components (engines and transmissions), in line with its objective of being among the world's best in this domain by the year 2000.

Renault has also affirmed its determination to remain in the upper segments of the market by offering original concepts and taking advantage of lower development costs. The March 1999 debut of the Avantime concept car at the Geneva Motor Show paves the way for the "Coupéspace". Avantime foreshadows the innovative architecture of the vehicle being developed under a partnership agreement with Matra Automobile, a coupé that will be launched in 2000.

In **commercial vehicles**, Renault V.I. made two important product launches in its coach and bus range in late 1998: Ares, a coach suited for both scheduled transport service and tourist excursions, and Agora Line, a bus designed for suburban transit routes. In heavy-duty trucks, noteworthy new products included the 400-horsepower version of the Premium Long Distance, a new version of the Kerax, the innovative Single concept for the outfitting of the cab on the Premium Long Distance Privilège, and the Kerax Route, specially adapted for the international market. In the United States, Mack prepared for the February 1999 launch of the Vision, designed for long-distance hauling.

Enhanced Competitiveness

In the Automobile Division, the 1997 plan to cut costs by 3 billion euros (relative to the 1997 budget) by the year 2000 has the following main elements:

- reduce purchasing costs by roughly 1.5 billion euros;
- reduce the manufacturing cost at powertrain and assembly plants by raising capacity utilization rates and improving productivity;
- cut the cost of designing and developing new vehicles;
- reduce distribution costs;
- achieve cost savings in other areas such as administrative overheads, purchasing logistics for spare parts, fixed costs in marketing, etc.

The plan is on schedule. In 1998, 1.4 billion euros in cost savings were achieved based on a constant level of activity (using a measuring technique for isolating the impact on performance when output levels change). The reduction in purchasing costs was 8%, in line with targets set for full-year 1998 despite a tight supply situation that did not favor the division in negotiations with suppliers. Furthermore, the reduction in internal costs, achieved through both productivity gains on site and overall rationalization of production facilities, exceeded plan targets, supplementing the favorable effects of greater volume in 1998.

To accelerate cost reductions in areas with high potential but requiring new approaches, eight cross-company teams were set up in May 1997. Made up of operating personnel from the various units and disciplines involved, each team seeks out and implements breakthrough solutions with expected gains of 30% on average within 12 to 18 months. By the end of 1998 the teams had achieved significant results, and the objectives have been or will be attained in the different domains that have been explored. Among these teams, the "Standardization" team, whose task was to reduce the diversity of outsourced components on the Mégane by 30%, has

already met its objective. The "Manufacturing Logistics Costs" team, charged with trimming those costs by 25% by 2000, has identified a high potential for expense reduction. In this area, having parts suppliers at the manufacturing sites, as close as possible to the assembly lines, is a key progress factor. Having done this to good effect in Flins and Curitiba, Renault will open an industrial park in Sandouville for five of its biggest component suppliers in 1999.

The Finance Division is also participating in the cost optimization effort, and a cross-departmental team was set up within Renault Crédit International in January 1999.

The effort to take out costs will continue after the year 2000, and Renault is already drawing up the objectives that will be set for that period.

In commercial vehicles, Renault V.I. is still pursuing its objective of moving from a recovery phase to a phase of profitable growth. This transition cannot be achieved without an improvement in competitiveness. The Group has therefore undertaken a series of actions in this regard, with a major drive to lower costs both internally and externally. In the area of purchasing, this is a question of finding suppliers with worldwide scale, chosen for their technical expertise and financial soundness, to become true partners of the division.

Renault V.I. is also stepping up the implementation of synergies between its two operating units in the area of heavy-duty trucks. The objective of the Convergence program is to achieve maximum sharing of components on vehicles sold in Europe and the United States within three years.

Manufacturing Efficiency and Responsiveness

Renault has been engaged for several years in a process of rationalizing and streamlining its manufacturing facilities. The general principle is to assign a single vehicle segment to each plant. With the Sandouville plant set to be producing a single, top-of-the-range platform in 2000, only the Flins plant will still be operating on a dual-flow basis, simultaneously producing the Twingo and the Clio II on two different assembly lines. This manufacturing system is consistent with Renault's product range plan and platform architecture. The three French assembly plants for passenger cars will produce the range's three platforms: top-range, midrange and entry-level. The two Spanish plants will produce vehicles in the high-volume segments, i.e. Clio II and Mégane.

With this streamlined manufacturing process, Renault was able to react swiftly to changing patterns of demand in Europe in 1998. The agreements for flexible hours and working arrangements at the plants proved just how important they were when the bodywork and assembly sites moved to three shifts and the powertrain sites added weekend shifts.

Better organization of production also resulted in a very significant reduction in the time needed to ramp up to full output. The Flins plant was up to full speed on the Clio II in just three months, compared with seven and a half months for the Mégane.

The Curitiba plant, designed to assemble vehicles under conditions of maximum flexibility and competitiveness and surrounded by its major suppliers, was inaugurated on December 4, 1998.

Industrial Alliances and Cooperation Agreements

Renaults seeks maximum efficiency and worldwide scale for each of its businesses.

In **automobiles**, Renault is cooperating with NTN, a Japanese components supplier, to assure a long-term future for its universal joints business at the plant in Le Mans. Fiat and Renault have pooled most of their foundry activities, which are operated via Teksid S.p.A. (wholly owned by Fiat) and AT Systèmes (an EIG belonging to Renault). The new group has the capability to position itself as a world standard in casting for the automotive industry.

Renault V.I. and Iveco have merged their coach and bus activities in a jointly owned company. This 50/50 joint venture, named Iris.Bus, began operations on January 1, 1999 as number two in its sector in the European market and one of the world's larger producers of passenger transport vehicles.

The **Finance** Division, via its Renault Crédit International subsidiary, is also pursuing an active partnership policy that enables it to offer an ever-broader range of sales aid products and establish a presence in international markets. 1998 saw the birth of Renault Credit Polska, in partnership with Poland's Bank Slaski, and Renault Leasing Cz., offspring of a joint-venture contract with CAC Leasing in Prague.

Effective Organizational Structures

Renault's competitiveness strategy, based on lowering costs, shortening lead times and improving product and service quality, must be backed up by effective organizational structures and management tools.

In research and development, the new **Technocentre**, inaugurated in May 1998, has two concrete objectives. One is to shorten the development time for new vehicles to 36 months, or 24 months for derivative models built on existing platforms, by the year 2000. This reduction is to be achieved with continued improvement in quality and in spite of the growing complexity of the vehicles and the increasingly strict standards they must meet. The other objective is to achieve economies of at least one billion francs on the development costs of each new vehicle.

The Technocentre has adopted an innovative architectural concept and a new form of organization in order to complete projects faster and more effectively. The new organization straddles traditional boundaries in two ways:
– across disciplines: Renault's design and development engineers, previously at several different sites, are now clustered together to work on a given platform.
– across time: the three stages in the design of a vehicle — advanced projects, projects, prototypes — are reproduced in space in the three sections of the centre, known familiarly as the Advance Precinct, the Hive and the Proto.
With this new way of working, the 7,500 people grouped together at this site in late 1998 are able to carry on four or five projects simultaneously. Some 1,000 of these people are from outside the Renault Group, from component makers and suppliers, which are purposely brought in very early and associated very closely with the development of new products.

In parallel with the establishment of the Technocentre, several program management teams were set up in 1998. A process re-engineering program was begun in both the Purchasing and Vehicle Engineering departments. With the reorganization of the Powertrain Department, which will take effect during 1999, all the upstream departments of the business have now been reconfigured according to the same principles. Those principles are:

- systematize the way projects and functions are carried out (program directors are given worldwide responsibility, suppliers are chosen on a worldwide basis, etc.);
- strengthen upstream resources and promote innovation (by involving suppliers more closely);
- optimize organizational structures by project;
- arrange for customer input to guide engineering efforts;
- develop a manufacturing system equal in performance to the best in the world.

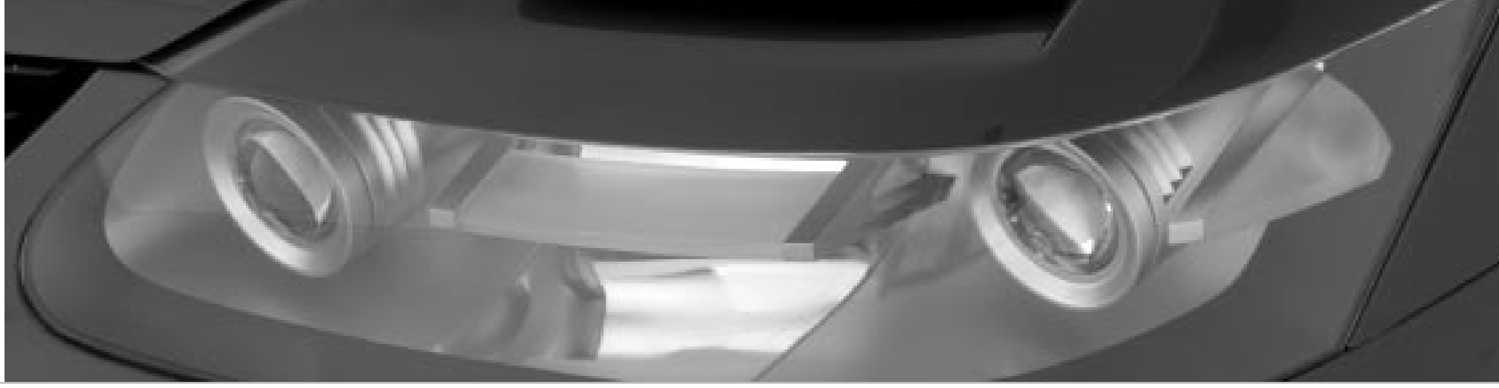
To meet customers' ever more demanding requirements, Renault has given the go-ahead to the **New Distribution Project**, which aims to ensure delivery of a vehicle within two weeks from the customer's order by 2001. This strategic project, which brings the end customer into the heart of the business, implies significant changes in Renault's manufacturing system, both in terms of processes, which must be made more flexible and responsive, and in terms of the organization of dealer, supplier and transport networks.

Effective January 1, 1999, Renault modified the organization of its regional sales departments in France to give them greater focus on the field and customer service. In a move consistent with this decision, DIAC also chose to reorganize along the same lines as the Renault network. Lastly, the sales and marketing department of Renault V.I. decided to adopt a less top-heavy organizational structure in order to be closer to the customer and resolutely international.

International Development

Internationally, Renault continued to put resources in place to increase its presence outside Western Europe.

The Bursa plant in Turkey, which already makes Mégane sedans, began production of the station wagon version. Marketed in Turkey since September 1998, this model has strengthened Renault's position as national leader in this segment. From March 1999, Turkey will serve as the exclusive export base for the Mégane station wagon.



In Brazil, the first Scenics were marketed in March 1999. Renault announced that it would build an engine plant at the Curitiba site with the aim of meeting 80% of the engine requirements of the Mercosur plants starting the year 2000. Renault also made further progress in extending its local sales network.

In Argentina, the Córdoba plant underwent a significant equipment upgrade, and a program to reduce costs by 30% in three years is under way.

On January 13, 1999, Brazil's central bank abandoned its floating exchange-rate regime, with the result that the Brazilian currency declined by about 40% in the space of a few days. This decline will be reflected in Renault's shareholders' equity by a correction to the currency translation adjustment.

In view of the crisis in Russia, Renault made no significant financial commitment in that country and is again reviewing the timetable for the Mégane assembly project with Moscow City officials, so that the timetable takes better account of the country's true situation.

In December 1998, Renault signed a memorandum with Romanian authorities and the state ownership fund, establishing the framework for negotiations that may lead to Renault acquiring a 51% stake in Dacia, a Romanian automobile manufacturer. This acquisition would provide the Group with another brand name, since Renault would ultimately have Dacia produce a vehicle designed to sell for less than USD 6,000 in local and emerging markets.

The Finance Division is also participating in Renault's international development by establishing partnerships in Eastern Europe and Mercosur.

Renault currently has little presence in Asia, but the Group is watching this part of the world attentively and will explore any opportunities that might arise.

RENAULT AND THE EURO

To be ready for the euro, Renault began extensive preparations as early as 1996. Virtually every area of the business – sales, marketing, advertising, purchasing, accounting, administration, finance, information systems – is affected by the switchover to the European single currency.

A project structure was established at the corporate level. Each department and subsidiary has appointed a coordinator responsible for organizing the necessary planning, coordinating the work to be done and monitoring the implementation plans to adapt that sector's operations to the euro.

Upstream, a lean project management team orchestrates the collective effort by tracking the projects, coordinating between the departments and subsidiaries, and communicating internally and with the outside world. This mode of organization has the advantage of cutting across all sectors of the Group, making it possible to identify and implement common solutions, harmonize timetables and minimize adaptation costs.

The project team leads a steering committee composed of all the coordinators from the departments and subsidiaries. The committee meets every two weeks to define strategies and coordinate planning and implementation work.

In addition, a plenary committee, composed of senior managers from the major functional units of the different divisions and chaired by Mr Shemaya Lévy, Executive Vice President of the Renault Group, meets at the request of the project management team to approve all important decisions.

Effective in January 1999, the Group is able to express all communications with the outside world in euros.
- Customers: prices are displayed in both the domestic currency and euros, and sales of good and services (including financial services) are invoiced in the currency of the customer's choice.
- Suppliers: the Group is able to issue orders to, receive invoices from, and pay its foreign suppliers in euros. In June 1999 this option will be extended to all suppliers.
- Financial community and shareholders: financial reporting is in euros and French francs.

Renault employees in the euro zone have been familiarized with the new currency since 1998 via in-house communication and training. For information purposes, pay slips have shown the euro value of net wages since January 1999.

By the end of the transitional period (year-end 2001), all information systems – accounting, administration, planning, budgeting, costing, payroll, etc. – will have been switched over to the euro. From January 1, 2002, Renault will use the euro exclusively.

To minimize adaptation costs, the switchover to the single currency has been incorporated into the systems renovation projects already planned by Renault for the 1999-2002 period.

RENAULT AND THE MILLENIUM BUG

Owing to the broad scope and diverse nature of its implications, Year 2000 (Y2K) compliance constitutes a project of the highest importance throughout the Group. Renault has therefore implemented a structured approach to detecting and systematically dealing with Y2K risks in all areas of its business.

Starting in early 1995, measures were taken to ensure that new information systems would be capable of handling post-31/12/99 dates without a problem. To deal with existing systems, multidisciplinary working groups were established in 1996 to work out and document a practical methodology based on prevention. This effort led to the formation of a Groupwide network, with a "Year 2000" manager at each site and a correspondent in each function. This mode of organization makes it possible to check compliance by all the automated equipment and software programs in daily use at Renault's manufacturing facilities, marketing locations and technical centers.

It is also essential for Renault to ensure continuity of supply by averting possible failures at its suppliers. Supplier Y2K

issues are being handled mainly in cooperation with PSA Peugeot-Citroën using the services of GALIA, the logistical data interchange association for the automobile industry. Surveys have been sent out with questionnaires on methodology, and the response rate has been high. Lastly, Renault is conducting audits of some twenty suppliers identified as being "at risk" to determine how they are handling the Year 2000 rollover.

As for the vehicles themselves, recent models have on-board electronic calculators that reckon in terms of elapsed time rather than absolute date. They therefore pose no risk of malfunction. The few equipment items that do keep track of an absolute date have been designed to take the Year 2000 rollover into account.

Renault's Y2K project is following the established timetable. System cutovers will take place through August 1999. The 1999 closure period will be devoted in particular to validating system integrity and implementing special procedures to make final checks at all sites just before and just after the rollover, as well as to take care of any remaining problems.

The costs of work related to the Year 2000 rollover amount to 75 million euros and affect expenses reported in 1998 and 1999.

OUTLOOK FOR 1999

In 1999, the Automobile Division should continue to improve its sales performance in a total European market of close to 13.8 million units. The trend in the French market should be positive with total sales of two million vehicles. But declines are likely in the United Kingdom and Italy, where downturns are already in evidence.

Outside Europe, present forecasts for passenger car markets indicate that total sales will decline significantly in Turkey and even more so in the Mercosur, where Renault is nevertheless expecting to improve its market share.

The capacity of Renault to make progress commercially can be attributed to a line of innovative products which have become the benchmark in numerous segments. In addition, Renault's products are increasingly competitive, due to the continuous improvements being made in industrial operations, under the stimulus of the goals set for the cost-reduction program.

The markets for commercial vehicles will probably show cross-currents in 1999: growth in France and Spain, but more or less significant declines in most of the other European countries, as well as in the United States. This situation will lead the Commercial Vehicles Division to place even more emphasis on its campaign to lower costs.

The Finance Division should show activity comparable to that of last year.

In this environment, which will be marked by increasingly intense competitive pressures as well as the additional costs of the Group's international expansion, Renault will maintain its policies calling for discipline and a continuing stress on growth, with the objective of strengthening financial results in all of its Divisions.

In 1999, in a less buoyant climate than that prevailing in 1998, Renault expects to show an operating margin in line with its objective of achieving 4% of revenues on average over a business cycle.

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Renault is now convinced of the merits of a strategic alliance with Nissan. Consequently, Renault offered to start exclusive negotiations with Nissan on March 16, 1999, with a view to establishing a strategic alliance between the two groups, which would in particular involve Renault acquiring an equity stake of approximately 35% in the capital of Nissan, in the form of a reserved increase in capital.
Nissan has informed Renault that its offer would be examined at a Board of Directors' meeting on March 27, 1999.

(Statement issued on March 19, 1999)

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 1998

Pursuant to the mandate entrusted to us by your Annual Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Renault for the fiscal year ended on December 31, 1998.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with professional standards. Those standards require that we plan and perform the audit so as to obtain a reasonable assurance that the annual accounts are free of material misstatement. An audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also involves assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion expressed below.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and the assets and liabilities of the Group as at December 31, 1998, and results of its financial operations for the fiscal year then ended.

We have also verified the Group financial information provided in the Group management report.

We have no comments to make as to the fair presentation of this information nor its consistency with the consolidated financial statements.

Paris, March 16, 1999

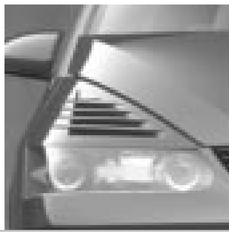
The Auditors

DELOITTE TOUCHE TOHMATSU

Olivier AZIERES

ERNST & YOUNG, Audit

Dominique THOUVENIN



CONSOLIDATED INCOME STATEMENTS

(FRF million)	1998	1997	1996
Sales of goods and services	236,096	200,037	176,023
Sales financing revenues (note 4)	7,838	7,875	8,055
Revenues (note 3)	**243,934**	**207,912**	**184,078**
Cost of goods and services sold	(187,069)	(163,251)	(146,807)
Cost of sales financing (note 4)	(4,990)	(4,509)	(4,716)
Research and development expenses	(10,189)	(9,038)	(9,125)
Selling, general and administrative expenses	(29,091)	(27,420)	(25,002)
Operating margin (note 1-H)	**12,595**	**3,694**	**(1,572)**
Other operating income and expenses (note 5)	(1,756)	(1,664)	(4,415)
Operating income (loss)	**10,839**	**2,030**	**(5,987)**
Net interest income	342	289	65
Other income and expenses, net	52	1,729	259
Financial income (note 7)	**394**	**2,018**	**324**
Share in net income of companies accounted for under the equity method (note 11)	**(88)**	**47**	**18**
Group pre-tax income (loss)	**11,145**	**4,095**	**(5,645)**
Current and deferred tax (note 8)	(2,375)	1,343	379
Group net income (loss)	**8,770**	**5,438**	**(5,266)**
Minority interests	77	(11)	18
Renault net income (loss)	**8,847**	**5,427**	**(5,248)**
Earnings per share in French francs (note 1-K)	36.98	22.79	(22.07)
Number of shares outstanding (in thousands)	239,261	238,151	237,750

The Group introduced the notion of operating margin in 1998. Data for 1996 and 1997 have been restated on a proforma basis.

CONSOLIDATED BALANCE SHEETS ON DECEMBER 31

(FRF million)	1998	1997	1996
ASSETS			
Intangible assets	559	595	357
Property, plant and equipment (note 9)	57,722	58,780	55,104
Assets under operating lease (note 10)	1,639	1,799	1,799
Investments in companies accounted for under the equity method (note 11)	769	712	757
Other investments (note 12)	1,095	1,204	2,897
Other financial assets	2,035	2,279	2,152
Finance receivables (note 13)	71,483	64,009	57,808
Deferred tax assets (note 8)[a]	8,233	6,246	4,050
Inventories (note 14)	26,385	24,353	21,663
Accounts and notes receivable (note 15)	19,032	17,374	15,913
Other receivables and pre-paid expenses (note 16)	11,611	14,120	10,378
Loans (note 17)	40,406	26,369	36,307
Marketable securities (note 18)	1,989	1,889	1,191
Cash and cash equivalents (note 1-P)	7,128	10,392	7,264
Total assets	**250,086**	**230,121**	**217,640**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	5,995	5,995	5,995
Share premium account	15,524	15,524	15,524
Retained earnings	23,290	18,632	23,677
Translation adjustments	(2,094)	(1,661)	(2,178)
Net income	8,847	5,427	(5,248)
Shareholders' equity (note 19)	51,562	43,917	37,770
Minority interests (note 20)	4,340	4,456	2,026
Redeemable shares (note 21)	2,320	2,317	2,317
Deferred tax liabilities (note 8) (a)	1,284	1,425	1,417
Provisions for pensions and other post-retirement benefits (note 22)	7,098	7,012	6,372
Other provisions for risks and liabilities (note 23)	13,626	12,394	10,064
Bonds (note 24)	21,225	20,199	19,782
Other borrowings (note 24)	78,984	78,742	86,254
Accounts and notes payable	41,371	35,900	29,882
Other liabilities (note 25)	24,531	20,589	17,672
Deferred income	3,748	3,170	4,084
Total shareholders' equity and liabilities	**250,086**	**230,121**	**217,640**

(a) From 1998, deferred tax assets and liabilities are offset by tax grouping in balance sheet presentation. Data for 1996 and 1997 have been restated accordingly (note 8).

CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

(FRF million)	Number of shares (in thousands)	Share capital	Share premium account	Foreign currency translation adjustment	Retained earnings	Total
Balance on December 31, 1995, before allocation	**237,355**	**5,975**	**15,444**	**(2,137)**	**24,514**	**43,796**
Capital increase (note 19-A)	790	20	80			100
Dividend					(837)	(837)
Change in translation adjustment and other				(41)		(41)
Income for the 1996 fiscal year					(5,248)	(5,248)
Balance on December 31, 1996, before allocation	**238,145**	**5,995**	**15,524**	**(2,178)**	**18,429**	**37,770**
Treasury stocks	1,000				93	93
Dividend						
Change in translation adjustment and other				517	110	627
Income for the 1997 fiscal year					5,427	5,427
Balance on December 31, 1997, before allocation	**239,145**	**5,995**	**15,524**	**(1,661)**	**24,059**	**43,917**
Treasury stocks	653				61	61
Dividend					(836)	(836)
Change in translation adjustment and other				(433)	6	(427)
Income for the 1998 fiscal year					8,847	8,847
Balance on December 31, 1998, before allocation	**239,798**	**5,995**	**15,524**	**(2,094)**	**32,137**	**51,562**

On December 31, 1998, unrealized foreign exchange gains and losses relating to euro zone currencies included in consolidated shareholders' equity amounted to FRF (2,287) million francs.

STATEMENTS OF CASH FLOWS

(FRF million)	1998	1997	1996
OPERATING ACTIVITIES			
Net income	8,847	5,427	(5,248)
Depreciation and amortization	11,827	11,002	10,629
Net effects of sales financing credit losses	681	577	571
(Profits) losses on asset disposal	(72)	(2,017)	330
Appropriation of long-term net valuation provisions	1,075	876	1,694
Share in net income of companies accounted for under the equity method (net of dividends received)	109	(34)	74
Deferred taxes	(2,069)	(2,038)	(1,114)
Minority interests	(77)	11	(18)
Cash flow	**20,321**	**13,804**	**6,918**
Increase in inventories	(2,475)	(418)	(88)
Decrease (increase) in accounts and notes receivable	(2,003)	(338)	327
Decrease (increase) in other receivables and accrued expenses	2,400	(2,529)	(1,158)
Increase (decrease) in trade accounts and notes payable	5,642	3,885	(42)
Increase in other payables and deferred income	5,942	3,340	3,780
Decrease in working capital requirement	**9,506**	**3,940**	**2,819**
Retail financing	(40,945)	(37,684)	(31,567)
Customer repayment	35,003	32,668	28,852
Change in renewable net dealer financing	(2,582)	(1,087)	1,403
Increase in receivables from sales financing	**(8,524)**	**(6,103)**	**(1,312)**
Cash flows from operating activities	**21,303**	**11,641**	**8,425**

(FRF million)	1998	1997	1996
INVESTING ACTIVITIES			
Acquisitions of investments, net of cash acquired	**(436)**	**(814)**	**(653)**
Capital expenditure for property, plant equipment and intangibles	(14,466)	(15,475)	(16,393)
Disposal of investments, net of cash disbursed	413	4,505	144
Proceeds from sales of property, plant and equipment and intangible assets	2,603	2,586	2,301
Net investment	**(11,886)**	**(9,198)**	**(14,601)**
Net (increase) decrease in other financial assets[(a)]	309	(94)	151
Receivables on AB Volvo relative to the disposal of VTC			1,129
CASH FLOWS FROM INVESTING ACTIVITIES[(a)]	**(11,577)**	**(9,292)**	**(13,321)**
FINANCING ACTIVITIES			
Bond issuance	1,613	4,497	4,080
Bond redemption	(516)	(3,934)	(1,401)
Net increase (decrease) in other borrowings	2,353	(11,467)	(806)
Net (increase) decrease in marketable securities (a)	(45)	(611)	334
Net (increase) decrease in loans (a)	(15,164)	11,758	560
Proceeds from minority interests	182	483	168
Dividends paid to parent company shareholders	(836)		(737)
Dividends paid to minority interests	(208)	(121)	(77)
Other	(3)		(71)
CASH FLOW FROM FINANCING ACTIVITIES[(a)]	**(12,624)**	**605**	**2,050**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (note 1-O)	**(2,898)**	**2,954**	**(2,846)**
Balance at the beginning of the year	**10,392**	**7,264**	**10,590**
Increase (decrease)	(2,898)	2,954	(2,846)
Effects of exchange rates on cash and cash equivalents	(366)	174	(480)
Balance at the end of the year	**7,128**	**10,392**	**7,264**

(a) 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 1996 have been adjusted accordingly.

INFORMATION BY DIVISION

(FRF million)	Renault S.A. Head Office	Automobile Division	Commercial Vehicles Division	Finance Division	Consolidated
1998 fiscal year					
Revenues		198,583	40,911	9,473	
Inter-division eliminations[b]		(3,506)	(292)	(1,235)	
Contribution to consolidated revenues		195,077	40,619	8,238	**243,934**
Contribution to consolidated operating margin		10,134	1,120	1,341	**12,595**
Contribution to consolidated operating income		8,407	891	1,541	**10,839**
Contribution to consolidated pre-tax income[a]		8,573	588	1,984	**11,145**
Total assets	5,032	103,976	19,916	121,162	**250,086**
Investments in securities		270	90	76	**436**
Investments in property, plant, equipment and intangibles		12,365	990	1,111	**14,466**
Depreciation and amortization		10,252	972	603	**11,827**
Research and development expenses		9,239	950		**10,189**
Workforce		109,409	25,635	3,277	**138,321**
1997 fiscal year					
Revenues		169,062	34,626	8,613	
Inter-division eliminations (b)		(3,274)	(446)	(669)	
Contribution to consolidated revenues		165,788	34,180	7,944	**207,912**
Contribution to consolidated operating margin		2,390	(51)	1,355	**3,694**
Contribution to consolidated operating income		901	(191)	1,320	**2,030**
Contribution to adjusted consolidated pre-tax income[a]		1,971	(159)	2,283	**4,095**
Contribution to published consolidated pre-tax income		2,370	(458)	2,183	**4,095**
Total assets	4,445	101,940	19,340	104,396	**230,121**
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					
Revenues		149,004	30,501	8,682	
Inter-division eliminations (b)		(3,042)	(494)	(573)	
Contribution to consolidated revenues		145,962	30,007	8,109	**184,078**
Contribution to consolidated operating margin		(2,240)	(612)	1,280	**(1,572)**
Contribution to consolidated operating income		(6,545)	(705)	1,263	**(5,987)**
Contribution to adjusted consolidated pre-tax income[a]		(6,447)	(922)	1,724	**(5,645)**
Contribution to published consolidated pre-tax income		(6,166)	(1,133)	1,654	**(5,645)**
Total assets	4,565	88,906	18,220	105,949	**217,640**
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**

(a) The activity of the Renault and Cofiren Head Offices is allocated to other divisions according to convention. Data for 1996 and 1997 have been restated to take account of the new allocation agreement implemented during 2nd-half 1998, backdated to January 1, 1998.
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.

INFORMATION BY GEOGRAPHIC AREA[a]

(FRF million)	France	Other EU countries	Other European countries	Other countries	Consolidated
1998 fiscal year					
Revenues	216,191	122,865	13,270	30,121	
Inter-area eliminations	(102,662)	(28,774)	(5,850)	(1,227)	
Contribution to consolidated revenues	113,529	94,091	7,420	28,894	**243,934**
Contribution to consolidated operating margin (b)	8,950	2,696	347	602	**12,595**
Contribution to consolidated operating income	7,553	2,658	267	361	**10,839**
Contribution to consolidated pre-tax income	8,480	2,609	348	(292)	**11,145**
Total assets	117,650	73,153	42,673	16,610	**250,086**
Investments in securities	351	5	12	68	**436**
Investments in property, plant, equipment and intangibles	9,516	1,714	258	2,978	**14,466**
Depreciation and amortization	9,251	1,457	205	914	**11,827**
Workforce	92,854	24,087	5,378	16,002	**138,321**
1997 fiscal year					
Revenues	181,822	102,888	10,544	23,297	
Inter-area eliminations	(82,086)	(23,546)	(4,341)	(666)	
Contribution to consolidated revenues	99,736	79,342	6,203	22,631	**207,912**
Contribution to consolidated operating margin (b)	1,206	1,791	144	553	**3,694**
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	121,372	63,986	30,391	14,372	**230,121**
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					
Revenues	165,892	89,733	7,638	14,599	
Inter-area eliminations	(63,265)	(25,998)	(3,913)	(608)	
Contribution to consolidated revenues	102,627	63,735	3,725	13,991	**184,078**
Contribution to consolidated operating margin (b)	(5,233)	3,315	100	246	**(1,572)**
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	119,403	55,619	36,893	5,725	**217,640**
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**

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

(b) The Group introduced the notion of operating margin in 1998. Data for 1996 and 1997 have been restated on a proforma basis

1. ACCOUNTING POLICIES

The Group financial statements are prepared in accordance with French law and the International Accounting Standards published by IASC, with the exception of Standard 9 which requires development costs to be capitalized. 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 rate 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 high-inflation economies (i.e. with an inflation rate over three years 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 consolidated 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 using the hedged rate.

D. REVENUES

Revenues include all income from the ordinary activities of consolidated companies. It includes proceeds from the 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) are considered as loans. However, the sale is not recognized if the vehicle is covered by a leasing contract issued by a Group-owned finance company, 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 revenues 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 leases 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 uncollectable. 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 fiscal 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 case 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 recognized only when they lead to a revaluation of the provision for these liabilities of more than 10%; they are then recognized over the remaining years of service of employees who are still with the company.

When the terms of pension and post-retirement benefits change, the effects 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 MARGIN

The concept of "operating margin" was introduced into the Group accounts in 1998. Operating margin corresponds to operating income before the following:
– costs and provisions for restructuring,
– gains and losses on the disposal of property, plant and equipment and intangible assets (excluding sales of vehicles),
– income and expenses arising from transactions on investment (disposals, amortization of goodwills in particular),
– unusual items corresponding to income and expenses that are unusual in their frequency, nature or amount.

I. OPERATING INCOME

The definition of operating income is unchanged from previous years. It 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 by the equity method, or any extraordinary income is not included. Extraordinary items are 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):
– income from sales financing is included in revenues,
– the net financing costs of sales is considered to be an operating expense and included in operating margin. 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), cost of risk associated with financing of receivables, depreciation of assets on operating leases as well as the gains and assets on disposals of leased assets.

J. 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.

Applying the IAS 12 standard, as amended with effect from January 1, 1998, the Group now offsets deferred tax assets and liabilities by tax grouping in its presentation of the consolidated balance sheet. This measure has been retroactively applied to the 1996 and 1997 financial statements.

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

K. 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.

L. 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.

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

M. 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 include only 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 carried, or at their market value if this is lower.

N. TREASURY STOCK

Shares in the common stock of the parent company held on a long-term basis by consolidated companies are taken to reduce consolidated shareholders' equity at their purchase price.

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

O. 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.

P. CASH AND CASH EQUIVALENTS

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

Q. 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.

R. BORROWING

Loan costs including issuance costs

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

Renegotiations of loans

Expenses arising from the renegotiations of loans or similar operations intended to bring interest payments to a level close to market rates are recorded as financial expenses in the accounts for the year the negotiation was conducted.

S. FINANCIAL INSTRUMENTS

To manage its exchange rate risk, the Group uses forward foreign exchange contracts, currency swaps and, to a lesser extent, options. Forward 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 Group's general policy 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 to hedge its purchases. Insofar as the Group is able either to settle certain transactions by a payment, or to take physical delivery of the underlying commodities, these contracts are not treated as financial instruments.

2. CHANGE IN THE SCOPE OF CONSOLIDATION

The scope of consolidation can be broken down as follows:

Number of subsidiaries	1998	1997	1996
Fully consolidated	184	181	168
Proportionately integrated	11	12	9
Equity method	36	37	47
	231	230	224

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

Consolidated revenues for 1998 take into account:

– FRF432 million corresponding to the effects of full consolidation of Heuliez Bus from January 1, 1998 (the company was previously accounted for by the equity method).

– FRF302 million corresponding to the effects of first-time consolidation of Renault Trucks Polska.

Consolidated revenues for 1997 take into account:

– FRF2,626 million corresponding to the effect of full consolidation of the Renault Argentina group from June 30, 1997; until then the group was accounted for by the equity method via the Cofal holding company.

– FRF802 million corresponding to the effect of first-time consolidation of the sales subsidiaries in Central Europe (Renault Polska, Renault Ceska and Renault Hongaria).

Consolidated revenues for 1996 take into account:

– for the Automobile Division, the first-time consolidation of the French sales subsidiaries (FRF1,073 million) and of Renault Retail Group (FRF1,019 million), and the entry of Renault Comercial do Brasil (FRF480 million);

– for the Commercial Vehicles Division, the entry of Karosa (FRF514 million).

Change in the scope of consolidation after the year-end

Renault V.I. signed an agreement with Iveco regarding a joint venture to handle the coach and bus activities (i.e. design, production and marketing) of both groups. This agreement resulted in the formation of IRIS.BUS on January 1, 1999. Renault V.I. owns 50 % of the joint venture.

Renault has signed an agreement with Fiat to merge all the foundry operations of the two groups. When this operation is complete, Renault will hold 33.5 % of the new entity.

3. REVENUES

In terms of revenues, the relationship between the country in which companies are located and their marketing areas breaks down as follows (figures in FRF million):

1998	France	European Union	Company location Other European countries	Other countries	Total
Sales and marketing area					
France	93,866	270	1	17	94,154
European Union	7,926	93,709	5	4	101,644
Other European countries	1,611	108	7,414	5	9,138
Other countries	10,126	4		28,868	38,998
Total	**113,529**	**94,091**	**7,420**	**28,894**	**243,934**

1997	France	European Union	Company location Other European 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	France	European Union	Company location Other European countries	Other countries	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**

4. SALES FINANCING

Revenues (in millions of French francs)	1998	1997	1996
Retail and dealer financing	4,336	4,356	4,326
Leasing, rentals and similar operations	3,502	3,519	3,729
Total	**7,838**	**7,875**	**8,055**

Costs (in millions of French francs)	1998	1997	1996
Net credit losses	(402)	(263)	(317)
Other sales financing costs	(4,588)	(4,246)	(4,389)
Total	**(4,990)**	**(4,509)**	**(4,716)**

5. OTHER OPERATING INCOME AND EXPENSES, NET

(In millions of French francs)	1998	1997	1996
Restructuring costs and provisions	(1,600)	(1,544)	(3,906)
Gains and losses on disposals of tangible and intangible long-term assets (excepting sales of vehicles)	(406)	(319)	(505)
Gains and losses on transactions in investments in operating activities	145	336	20
Items of an unusual nature or abnormally high amount	70	(37)	(24)
Total	**(1,756)**	**(1,664)**	**(4,415)**

Following the introduction of the "operating margin" concept, foreign exchange differences on trading operations as well as proceeds from sales of vehicles, which were previously carried as "Other operating income and expenses", are now recorded as "Costs of goods and services sold". The figures for 1996 and 1997 have been adjusted accordingly.

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

In 1998 this item was chiefly composed of manpower plans for foreign companies (FRF588 million) and French companies (FRF394 million) as well as the net effect of the continued implementation of other restructuring measures by the Automobile Division.

In 1998 Renault S.A. made no new provisions for manpower plans.

In 1997 this item was mainly composed of Renault S.A.'s manpower plan (FRF425 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 (RIB) Vilvoorde factory (FRF2,419 million) and costs involved in Renault S.A.'s manpower plan (FRF795 million).

6. PERSONNEL COSTS

(In millions of French francs)	1998	1997	1996
Automobile Division	28,879	28,459	27,243
Commercial Vehicles Division	7,342	6,936	6,595
Finance Division	1,203	1,214	1,167
Total	**37,424**	**36,609**	**35,005**

The total level of remuneration for Renault Group Executives (members of the Group's Executive Committee) was FRF20.5 million in 1998.

Remuneration of members of the Board of Directors totaled FRF2 million in 1998 and FRF2 million in 1997.

7. FINANCIAL INCOME

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

(In millions of French francs)	1998	1997	1996
Interest expense	(2,068)	(2,656)	(2,903)
Interest income	2,390	2,887	2,906
Gain on marketable securities	20	58	62
Total	**342**	**289**	**65**

In 1998 financial costs amounted to FRF248 million,, the cost of the interest rate swap intended to bring the rate of interest on the 1992 bond issue into line with market rates.

Other financial income and expense includes:

(In millions of French francs)	1998	1997	1996
Income from participations in non-Group companies	47	1,716	252
Other financial income and expenditure	5	13	7
Total	**52**	**1 729**	**259**

In 1997, income from non-Group investments included FRF419 million in capital gains from the sale of Elf Aquitaine shares by the Finance Division and FRF1,230 million in capital gains from the sale of AB Volvo shares by Renault S.A. head office.

8. CURRENT AND DEFERRED TAXES

By applying the worldwide "consolidated profits" tax regime, which was extended on January 1, 1998 for a period of three years, Renault bases its taxes on the taxable earnings of most of its subsidiaries and companies in which it has holdings, French and foreign, calculated under this regime. Against the tax liability corresponding to this taxable earnings figure, the tax paid by these companies can, within certain limits, be offset.

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

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

(In millions of French francs)	1998	1997	1996
Income taxes currently payable	(4,444)	(964)	(1,073)
Deferred tax credits	134	804	3,315
Change in provisions for loss of value on deferred taxes and assets	1,935	1,503	(1,863)
Net deferred tax credits	2,069	2,307	1,452
Current and deferred taxes	**(2,375)**	**1,343**	**379**

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 tax legislation and rate in effect in the various countries.

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. In view of the Group's earnings prospects, the valuation made in previous years has been revised. Only the proportion of these allowances relating to minority interests in subsidiaries not taken into account in the worldwide "consolidated profits" regime has been left unchanged.

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

	1998	1997	1996
French corporate income tax rate	**36.6%**	**36.6%**	**36.6%**
Items eligible for reduced rate of taxation	**(2.1%)**	**(15.2%)**	**3.1%**
Appropriation/reversal of valuation allowances for deferred tax assets	**(17.4%)**	**(36.7%)**	**(33.0%)**
Other items	**4.2%**	**(17.5%)**	
EFFECTIVE TAX RATE	**21.3%**	**(32.8%)**	**6.7%**

The breakdown of the effective tax rate is made by reference to the French corporate tax rate, currently 36.6%, although the rate under the worldwide "consolidated profits" regime is 33.3%. The French corporate tax rate is subject to temporary surcharges, bringing it to 41.6% for 1998 and 40% for 1999. Such surcharges apply only to the Group entities liable for tax in France. The resulting revisions to deferred taxes are not significant. This temporary surcharge has increased the income tax currently payable by FRF214 million in 1998.

The capital gains on disposals in 1997 resulted from one-off disposals of investments.

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

(In millions of French francs)	1998	1997	1996
Fixed assets	(3,315)	(3,237)	(3,558)
Provisions and other accrued expenses deductible only on payment	6,192	5,868	6,074
Inter-company eliminations	4,234	4,455	3,661
Valuation allowance	(162)	(2,265)	(3,544)
Net deferred tax assets (liabilities)	**6,949**	**4,821**	**2,633**

The revised IAS 12 standard relating to corporate income tax has been applied for the first time in 1998. This standard states that deferred tax assets and liabilities must be offset in the presentation of the balance sheet by tax grouping. This standard has been applied retroactively to the financial statements for 1996 and 1997 in the amount of FRF3,161 million and FRF3,034 million respectively.

Moreover, on December 31, 1998 the Group has a capital loss carryover of FRF3,973 million on capital gains taxable at the reduced rate. These capital losses may be set against lower-rate taxable earnings up to and including 2002.

The total difference between the share of shareholders' equity in Group companies and the tax value of investments on December 31, 1998 is FRF11,383 million.

9. PROPERTY, PLANT AND EQUIPMENT

(In millions of French francs)	1998	1997	1996
Land	2,173	2,148	2,015
Buildings	26,131	25,942	23,666
Special tools	30,577	31,143	27,686
Machinery and equipment	61,130	61,428	54,893
Other tangibles	11,327	11,450	10,510
Construction in progress	5,984	5,564	7,453
Gross value	**137,322**	**137,675**	**126,223**
Land and buildings	(12,963)	(12,296)	(10,970)
Special tools	(21,216)	(21,167)	(20,244)
Machinery and equipment	(37,979)	(37,865)	(33,301)
Other tangible assets	(7,442)	(7,567)	(6,604)
Depreciation and amortization	(79,600)	(78,895)	(71,119)
Net value	**57,722**	**58,780**	**55,104**

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

(In millions of French francs)	Gross value	Depreciation	Net value
Value on 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 scope of consolidation	467	(227)	240
Value on 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	1,169	(552)	617
Change in scope of consolidation	4,625	(2,911)	1,714
Value on December 31, 1997	**137,675**	**(78,895)**	**58,780**
Acquisitions/(depreciation)	12,952	(11,221)	1,731
(Disposals)/reversals	(11,228)	9,170	(2,058)
Translation adjustment	(844)	380	(464)
Change in scope of consolidation	(1,233)	966	(267)
Value on December 31, 1998	**137,322**	**(79,600)**	**57,722**

Owing to the reduced levels of debt in industrial and commercial activities (note 26), the Group has not capitalized interim interest during the 1998 fiscal year.

Interim interest capitalized during the 1997 fiscal year amounted to FRF304 million FRF197 million in 1996.

The "change in scope of consolidation" entry includes:

– in 1998, (FRF245 million) as a result of the change from full consolidation to equity-method accounting following the partial disposal of Société de Transmissions de Bouthéon, representing a gross amount of (FRF618 million) and FRF373 million in amortization,

– in 1997, FRF1,582 million as a result of the full consolidation of the Renault Argentina Group on June 30, 1997, representing a gross amount of FRF4,501 million and FRF2,919 million in amortization.

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 on December 31, 1995	**3 011**	**(1 122)**	**1 889**
Acquisitions/(depreciation)	1 157	(569)	588
(Disposals)/reversals	(1 296)	618	(678)
Value on December 31, 1996	**2 872**	**(1 073)**	**1 799**
Acquisitions/(depreciation)	1 192	(545)	647
(Disposals)/reversals	(1 246)	599	(647)
Value on December 31, 1997	**2 818**	**(1 019)**	**1 799**
Acquisitions/(depreciation)	1 007	(508)	499
(Disposals)/reversals	(1 244)	585	(659)
Value on December 31, 1998	**2 581**	**(942)**	**1 639**

11. INVESTMENT IN COMPANIES AT EQUITY

(In millions of French francs)	1998	1997	1996
Maïs	374	391	94
Sofasa	17	64	59
Cofal Group			400
Société de Transmissions de Bouthéon	91		
Other	287	257	204
Total	**769**	**712**	**757**

In the course of 1998 Renault Véhicules Industriels sold 60% of Société de Transmissions de Bouthéon. This company, formerly fully consolidated, is now accounted for by the equity method.

In the course of 1997, Renault acquired an additional 29% stake in Maïs, taking its holding from 20% to 49%.

Cofal has been fully consolidated since June 30, 1997.

Changes in this item were as follows:

(In millions of French francs)	1998	1997	1996
Balance on January 1	**712**	**757**	**890**
Change in scope of consolidation	95	(364)	(106)
Change in translation adjustment and other changes	(11)	247	13
Dividend distribution	(22)	(13)	(93)
Increase in capital	83	15	13
Income	(88)	70	40
Balance on December 31	**769**	**712**	**757**

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

	Automobile Division			Commercial Vehicles Division		
(In millions of French francs)	1998	1997	1996	1998	1997	1996
Sales	7,033	7,425	10,780	1,662	1,452	1,749
Net income	(267)	36	113	14	(18)	3
Shareholders' equity	1,044	1,320	2,084	404	130	139
Balance sheet total	**3,762**	**3,325**	**3,559**	**443**	**717**	**822**

12. OTHER SECURITIES

(In millions of French francs)	1998	1997	1996
Investments in majority-owned subsidiaries	892	989	992
Investments held at 20 to 40%	155	120	102
Investments held at less than 20%	633	646	2,311
Other investments, gross	1,680	1,755	3,405
Provisions	(585)	(551)	(508)
Net value	**1,095**	**1,204**	**2,897**

The net value of investments in majority-owned subsidiaries was FRF476 million in 1998, FRF544 million in 1997 and FRF571 million in 1996.

On December 31, 1998, 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**	**789**

On December 31, 1996, investments held at less than 20% included the value of the Group's investments in AB Volvo and Elf Aquitaine: FRF679 million and FRF1,022 million respectively. These holdings were sold during the 1997 fiscal year (note 7).

13. FINANCE RECEIVABLES

(In millions of French francs)	1998	1997	1996
Dealer financing	17,181	14,779	13,524
Retail financing	36,060	33,109	29,594
Leasing and similar operations	20,992	19,034	17,909
Gross finance receivables	74,233	66,922	61,027
Provisions for credit losses	(2,750)	(2,913)	(3,219)
Net finance receivables	**71,483**	**64,009**	**57,808**

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

(In millions of French francs)	1998	1997	1996
France	22,603	21,798	23,631
Other EU countries	48,048	41,520	33,767
Other countries	832	691	410
Total	**71,483**	**64,009**	**57,808**

Maturities are as follows:

(In millions of French francs)	1998	1997	1996
Less than one year	38,194	35,023	31,413
One to five years	33,165	28,858	26,281
Greater than five years	124	128	114
Total	**71,483**	**64,009**	**57,808**

14. INVENTORIES

(In millions of French francs)	1998	1997	1996
Inventories at cost	28,195	26,329	23,822
Provisions	(1,810)	(1,976)	(2,159)
Inventories, net	**26,385**	**24,353**	**21,663**

The net value of inventories is stated below:

(In millions of French francs)	1998	1997	1996
Raw materials and supplies	4,839	4,413	3,715
Work-in-progress	3,308	3,103	2,665
Finished products and parts for automobiles	13,042	11,342	10,464
Finished products and parts for commercial vehicles	3,850	3,545	3,479
Other finished products and parts	1,293	1,798	1,260
Long-term leases	53	152	80
Total	**26,385**	**24,353**	**21,663**

15. ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable can be broken down as follows :

(In millions of French francs)	1998	1997	1996
Accounts and notes receivable	20,071	18,387	16,916
Provisions	(1,039)	(1,013)	(1,003)
Accounts and notes receivable, net	**19,032**	**17,374**	**15,913**

This item does not include accounts receivable from dealers, which in France and several other European countries, are sold to the Group's financial subsidiaries or other financial institutions whenever the risk of noncollection is transferred to those subsidiaries and institutions. In such cases, they are recorded under accounts and notes receivable. If risk is not transferred, they are recorded in accounts receivable even though, for legal purposes, the receivable itself has been sold.

16. OTHER RECEIVABLES AND PREPAID EXPENSES

(In millions of French francs)	1998	1997	1996
Bond issuance costs and redemption premiums	158	204	197
Pre-paid expenses	2,818	3,260	3,005
Tax receivables	4,669	5,974	3,971
Other receivables	3,966	4,682	3,205
Total	**11,611**	**14,120**	**10,378**

17. INVESTMENT LOANS

Investment loans primarily consist of interbank loans by financial companies and correspond principally to the investment of cash surpluses from industrial and commercial activities:

(In millions of French francs)	1998	1997	1996
Maturity over one year	1,487	1,410	1,843
Maturity of less than one year	38,919	24,959	34,464
Total	**40,406**	**26,369**	**36,307**

18. MARKETABLE SECURITIES

(In millions of French francs)	1998	1997	1996
Gross value	1,990	1,890	1,193
Less provisions	(1)	(1)	(2)
Marketable securities, net	**1,989**	**1,889**	**1,191**

This item does not include marketable securities considered as cash equivalents, which amounted to FRF437 million in 1998, FRF853 million in 1997, and FRF630 million in 1996.

19. SHAREHOLDERS' EQUITY

Movements in shareholders' equity:

(In millions of French francs)	1998	1997	1996
Shareholders' equity on January 1	**43,917**	**37,770**	**43,796**
Par value of shares issued			20
Share premium account			80
Dividend (note 19-A)	(836)		(837)
Change in translation adjustment and other	(427)	627	(41)
Treasury stocks	61	93	
Net income	8,847	5,427	(5,248)
Shareholders' equity on December 31 (before allocation)	**51,562**	**43,917**	**37,770**

A. The Annual General Meeting of Shareholders of June 11, 1998 decided to distribute FRF836 million in dividends (FRF3.50 per share).

The Annual General Meeting of Shareholders of June 7, 1996 voted to distribute a dividend of FRF837 million (FRF3.50 per share). Of this, FRF100 million was paid in shares, pursuant to the option offered by the Annual General Meeting of June 7, 1996. Accordingly, the company's share capital increased by FRF20 million through the issue of 790,154 new shares (par value FRF25) at FRF127.

B. The Joint General Meeting of June 11, 1998 authorized the Board of Directors to convert stock options, on one or more occasions, held by senior managers of the company and its associated companies. Such options give the right to subscribe for new shares issued by the company in connection with a capital increase, or to purchase shares acquired by the company though buybacks, pursuant to applicable laws and regulations. Shares held as treasury stock by Renault S.A., previously taken to reduce shareholders' equity, have been earmarked for this resolution and recorded as marketable securities.

On December 31, 1998 the Group no longer held treasury stock on a durable basis.

C. Reserves include a nondistributable statutory reserve of FRF599 million on December 31, 1998, FRF460 million on December 31, 1997 and FRF460 million at December 31, 1996.

D. As a result of these transactions, Renault S.A.'s share capital breaks down as follows:

	Number of securities held	% of voting rights	Security type
French state	106,037,141	44.22	Shares
Protocol and associated shareholders(a)	17,247,320	7.19	Shares
Others(b)	116,514,106	48.59	Shares
Total	239,798,567	100.00	

(a) On November 21, 1994 the protocol shareholders signed an agreement whereby they retained their entire stake for three months and 80% of the stake for the subsequent 21 months. During the three years following this initial 24-month period (i.e. until November 20, 1999), any sale involving all or part of that 80%, either to a third party or to another protocol shareholder, would be subject to the preemptive rights of the other partner shareholders.

(b) Renault employees, former employees, legal beneficiaries and general public.

20. MINORITY INTERESTS

(In millions of French francs)	1998	1997	1996
Minority interests as at January 1	4,456	2,026	2,154
Dividends	(208)	(126)	(83)
Change in translation adjustment	(231)	144	55
Change in scope of consolidation	400	2,401	(82)
Minority interest in profits	(77)	11	(18)
Minority interests as at December 31	4,340	4,456	2,026

The following items have been recorded under "Change in method of consolidation and other changes in company structure":

– in 1998, the capital increases subscribed by the minority shareholders of Renault do Brasil Automóveis (FRF279 million)

– in 1997, the full consolidation of Cofal and Renault Argentina on June 30, 1997 (FRF1,935 million), the dilution of minority interests following the capital increases of Cofal, subscribed solely by Renault (FRF1,772 million), and the capital increases subscribed by the minority shareholders of Renault do Brasil Automóveis (FRF478 million)

21. REDEEMABLE SHARES

(In millions of French francs)	1998	1997	1996
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	232
Redeemable shares outstanding	2,317	2,317	2,317

The redeemable shares issued in October 1983 and April 1984 by Renault S.A. can be redeemed with a premium on the sole initiative of Renault from 1998. The shares earn a minimum annual return of 9% composed of a fixed portion (6.75%) and a variable portion that depends on consolidated revenues and that is calculated at comparable structure and methods. Returns to the shares in 1998 amount to FRF223 million (FRF213 millions in 1997 and FRF212 million in 1996) and are carried under financial charges. The redeemable shares are listed on the Paris Bourse. In the course of 1998, the shares, which have a par value of FRF1,000, traded at between FRF3,197 and FRF1,780, ex-coupon.

The return on the redeemable shares issued by Diac in 1985 comprises a fixed portion equal to the annual money-market rate (TAM) and a variable portion obtained by applying the year-on-year increase in Diac's consolidated net income to 40% of the TAM.

The total market value of the redeemable shares, based on the year-end closing price, was FRF5,730 million in 1998.

22. PROVISIONS FOR PENSIONS AND OTHER POST-RETIREMENT BENEFITS

A. These provisions are broken down as follows (FRF million):

1998	French companies	Foreign companies	Total
Provision for pension commitments	4,207	499	4,706
Provision for medical expenses		2,392	2,392
Total	**4,207**	**2,891**	**7,098**

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**

B. Depending on the laws and practices prevailing in different countries, the Renault Group usually contributes to its employees' retirement income by making earnings-related payments to the national organizations responsible for paying old-age financial benefits. At present, there is no actuarial liability concerning these pension arrangements.

In addition, some of the Group's companies have granted additional benefits to their employees. These supplementary benefits, which usually accrue to employees in the course of their service with the company, consist either of a retirement bonus (in France and most other countries in which the Renault Group operates) or pension payments (chiefly in the USA and Germany).

As regards pensions, contributions are made to external fund managers. The aim of such funds is to cover 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.

The assumptions used by French companies are as follows:

	1998	1997	1996
Retirement age	60 yrs	60 yrs	60 yrs
Salary level	3.5% to 4%	3.5% to 4%	3.5% to 4%
Discount rate	6.5%	6.5%	6.5%

The assumptions used by the US subsidiary Mack Trucks, Inc., the main foreign entity having significant pension commitments, are as follows:

	1998	1997	1996
Discount rate	8%	8%	8%
Return on plan assets	9.5%	10.5%	10.5%

The Group's pension commitments are broken down as follows:

(In millions of French francs)	1998	1997	1996
Vested benefits of employees of French companies	5,277	5,248	4,931
Unrecognized transition obligations	(1,070)	(1,224)	(1,279)
Provisions for pension and other post-retirement benefits in French companies	**4,207**	**4,024**	**3,652**
Vested benefits of employees of Mack Trucks, Inc.	4,035	3,897	3,408
Unrecognized transition obligation	(278)	(342)	(538)
Fair value of plan assets	(4,075)	(3,957)	(3,069)
Other items	178	287	181
Pension provisions at Mack Trucks, Inc.	**(140)**	**(115)**	**(18)**
Provisions for pension and other post-retirement benefits relating to foreign companies	**639**	**544**	**490**
Total	**4,706**	**4,453**	**4,124**

In view of the sharp fall in the interest rates used to discount the pension commitments of the Group's French companies, provisions were revised at January 1, 1996. In accordance with the Group's accounting principles, the effect has been spread over the remaining years of service of employees who are still with the company.

C. In addition to the pension commitments described above, Mack Trucks, Inc. is committed to bearing the cost of employees' medical costs and life insurance. These costs are accounted for in accordance with the method described in Note 1-F.

The amounts booked for these plans are broken down as follows:

(In millions of French francs)	1998	1997	1996
Accumulated commitments			
• Retired employees	1,598	1,712	1,472
• Active employees	794	847	776
Provisions for commitments	**2,392**	**2,559**	**2,248**

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

(In millions of French francs)	1998	1997	1996
Additional benefits acquired	22	22	18
Discount effect	195	195	173
Net cost during the year	**217**	**217**	**191**

The rate of cost growth in medical and other expenses in these plans has been assumed to be declining to the annual limits per employee set in labor agreements in 1992, falling gradually to 7% in 2001 for the larger of the plans and to 9% in 1996 for the other plan. Beyond these dates, the labor agreements effectively eliminate the growth in the employer's share of medical expenses.

By way of example, a 1% annual increase in the above rates would have resulted in a FRF25 million increase in the liability and the annual cost in 1998, composed of the sum of the vested benefits earned during the year and the discount effect of FRF2 million. The weighted average rate used to calculate the present value of liabilities remained unchanged at 8% between 1997 and 1998.

23. OTHER PROVISIONS FOR RISKS AND LIABILITIES

Other provisions for risks and liabilities break down as follows (FRF million):

1998	Over one year	Under one year	Total
Provisions for restructuring costs	474	2,451	2,925
Provisions for warranty costs		4,780	4,780
Other	3,047	2,874	5,921
Total	**3,521**	**10,105**	**13,626**

1997	Over one year	Under one year	Total
Provisions for restructuring costs	533	2,819	3,352
Provisions for 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 warranty costs		2,455	2,455
Other	1,722	1,996	3,718
Total	**1,893**	**8,171**	**10,064**

In recent years, the Group has adopted a number of restructuring measures in order to streamline production facilities. These measures have chiefly involved workforce reductions in the form of early retirement, guaranteed income arrangements, internal and external reassignments and redundancies. In 1998, FRF1,287 million in new provisions was booked (FRF1,220 million in 1997 and FRF2,957 million in 1996). A total of FRF1,542 million in restructuring provisions was utilized in 1998 (FRF1,759 million in 1997 and FRF1,061 million in 1996).

The increase in provisions for product warranty costs and other provisions is attributable to the increase in sales volumes, changes in commercial terms and conditions and, with respect to 1997, changes in the scope of consolidation.

24. BONDS AND OTHER BORROWINGS

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

(In millions of French francs)	1998	1997	1996
Bonds	20,597	18,730	14,995
Other debt securities	5,870	6,039	5,411
Bank loans	3,862	3,190	2,861
Other financial debt	695	484	326
Portion over one year of long-term debt	**31,024**	**28,443**	**23,593**
Current portion of long-term debt	**5,405**	**6,528**	**8,362**
Total long-term debt	**36,429**	**34,971**	**31,955**
Short-term debt	**63,780**	**63,970**	**74,081**
Total	**100,209**	**98,941**	**106,036**

Bond issues:

(In millions of French francs)	1998	1997	1996
Renault S.A. :			
1998 issue at 3-month Pibor	500		
1996 issue at 5.80%	2,000	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	99
1985 issue at 12.5%			1,922
Total	**9,575**	**9,075**	**10,997**
Other bonds of industrial and commercial subsidiaries		**16**	**25**
Compagnie Financière Renault			
1985 issue at 12%			1,000
Renault Crédit International :			
1998 issue at 3-month Libor	1,006		
1997 issue at 3-month Libor	1,006	1,004	
1997 issue at 3-month Pibor	2,000	2,000	
1997 issue at 6.30%	1,400	1,400	
1996 issue at 6.60%	2,000	2,000	2,000
1995 single-coupon issue	1,285	1,180	1,077
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
Other bonds	325	324	327
Total	**11,022**	**9,908**	**6,415**
Diac			
1989 issue at 8.70%		500	500
Total		**500**	**500**
Accrued interest	628	700	845
Total	**21,225**	**20,199**	**19,782**

(a) Before interest rate swap (see note 7).

B. Long-term borrowings mature as follows:

(In millions of French francs)	1998	1997	1996
Under one year	5,405	6,528	8,362
Between 1 and 2 years	8,517	5,142	5,942
Between 2 and 3 years	3,911	6,648	1,200
Between 3 and 4 years	3,147	4,650	2,762
Between 4 and 5 years	3,982	1,489	2,802
Over 5 years	11,467	10,514	10,887
Total	**36,429**	**34,971**	**31,955**

Short-term drawings on credit lines with maturities of more than one year are recorded under long-term borrowings.

C. An analysis by currency of bonds and other borrowings, before giving effect to derivative financial instruments, is as follows:

(In millions of French francs)	1998	1997	1996
French francs	58,983	52,174	57,934
Other euro zone currencies	22,350	25,268	25,176
Other EU currencies (outside euro zone)	9,527	12,348	7,909
Other currencies	9,349	9,151	15,017
Total	**100,209**	**98,941**	**106,036**

D. Before giving effect to derivative financial instruments, long-term fixed-rate borrowings amounted to FRF25,465 million on December 31, 1998, FRF24,790 million on December 31, 1997 and FRF27,485 million on December 31, 1996. The corresponding figures for floating-rate borrowings (usually based on LIBOR) were FRF10,964 million, FRF10,181 million and FRF4,470 million.

E. Average weighted interest rates on financial debt, before giving effect to derivative financial instruments, are broken down as follows:

(In millions of French francs)	1998	1997	1996
Short-term debt	4.32%	4.78%	4.13%
Current portion of long-term debt	3.82%	4.35%	8.24%
Total financial debt due in less than one year	**4.29%**	**4.74%**	**4.55%**

F. CREDIT LINES

On December 31, 1998 the Renault Group's open credit lines with banks amounted to the equivalent of FRF62,145 millions in different currencies, with maturities extending to 2003 (with the short-term portion amounting to FRF17,984 million). This compares with FRF66,839 million and FRF17,957 million on December 31, 1997, and FRF62,696 million and FRF16,285 million on December 31, 1996.

A total of FRF13,116 million of these credit lines was in use on December 31, 1998, FRF16,701 million on December 31, 1997 and FRF17,217 million on December 31, 1996.

The average commission paid in 1998 was 0.084% of confirmed credit lines, compared with 0.082% in 1997 and 0.086% in 1996.

25. OTHER LIABILITIES

Other liabilities mainly include sundry taxes, staff remuneration and social charges on wages, in the following amounts:

(In millions of French francs)	1998	1997	1996
Tax liabilities	8,075	5,981	3,136
Payroll	7,014	6,269	5,642
Other	9,442	8,339	8,894
Total	**24,531**	**20,589**	**17,672**

The increase in tax liabilities is chiefly attributable to the rise in taxes payable in 1998.

26. NET FINANCIAL INDEBTEDNESS BY ACTIVITY

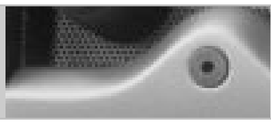
(In millions of French francs)

December 31, 1998	Industrial and commercial activities	Sales financing activities	Balance sheet total
Bonds	9,764	11,461	21,225
Other borrowings	20,328	58,656	78,984
Finance receivables		(71,483)	(71,483)
Investment loans	(39,112)	(1,294)	(40,406)
Marketable securities	(1,456)	(533)	(1,989)
Cash and cash equivalents	(4,970)	(2,158)	(7,128)
Interactivity operations	2,796	(2,796)	
NET FINANCIAL INDEBTEDNESS	**(12,650)**	**(8,147)**	

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)**	

The net indebtedness of manufacturing and marketing activities includes the net financial debt of the industrial and commercial companies and the financial subsidiaries that manage the Group's cash funds.



27. FINANCIAL INSTRUMENTS

In its ordinary operations, the Renault Group is exposed to various financial risks, such as currency risk, interest rate risk and credit risk. The Group has devised on a central basis a set of specific policies for managing these exposures. When managing financial risk, the Group uses derivative financial instruments, but it never acts as market maker in such instruments. Since most transactions are intended to hedge positions taken in the course of normal business, the market risk of the instruments used is largely offset on the hedged positions by equal and opposite movements.

A. MANAGEMENT OF CURRENCY AND INTEREST RATE RISK

The corresponding commitments, expressed in terms of notional amount where appropriate, are broken down as follows:

(In millions of French francs)	1998	1997	1996
FOREIGN EXCHANGE RISK: **CURRENCY SWAP**			
Purchases	3,027	5,650	5,505
Sales	3,017	5,631	5,542
Forward exchange contracts and options:			
Purchases	82,329	71,721	103,083
Sales	81,408	70,837	103,657
INTEREST RATE RISK:			
Interest rate swap	181,104	182,395	105,577
FRAs			
Purchases	9,168	31,663	21,450
Sales	7,857	35,640	34,817
OTHER INTEREST RATE HEDGING INSTRUMENTS			
Purchases	21,320	29,778	17,565
Sales	21,720	30,030	24,015

In addition, in the course of its ordinary business, Renault has entered into a number of financial contracts, including guarantees accompanying sales of receivables, financial guarantees and letters of credit, that may represent a potential risk. On December 31, 1998, neither the amounts involved nor the risks inherent in such contracts are considered to pose any significant risk.

B. COUNTERPARTY RISK

The Group controls the counterparty risk inherent in using financial instrument contracts by dealing solely with leading financial institutions and by establishing limits for each institution.

Renault has commercial relations with customers, dealers and partners throughout the world. Accordingly, its receivables and customer guarantees are highly diversified and, in many cases, collateralized by sureties or other pledges.

As a result, the Group considers that it is not exposed to any notable concentration of credit risk.

C. MARKET VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts on the balance sheet and the estimated market values of the Group's financial instruments are broken down as follows:

(In millions of French francs)		1998		1997		1996	
		Book value	Market value	Book value	Market value	Book value	Market value
ASSETS							
Other listed securities[a]		449	813	452	569	2,160	3,042
Other unlisted equity securities [b]		646	NA	752	NA	737	NA
Other equity securities	(I)	1,095	NA	1,204	NA	2,897	NA
Securities included in other financial assets	(II)	2	2	577	577	673	681
Trading securities		512	512	721	721	96	96
Other securities		1,477	1,781	1,168	1,193	1,095	1,165
Marketable securities	(III)	1,989	2,293	1,889	1,914	1,191	1,261
Total investment portfolio	(I+II+III)	3,086	NA	3,670	NA	4,761	NA
Loans		40,406	40,492	26,369	26,423	36,306	36,418
Finance receivables		71,483	71,298	64,009	63,652	57,808	58,333
Cash and cash equivalents		7,128		10,392		7,264	7,264
LIABILITIES							
Bonds		(21,225)	(21,910)	(20,199)	(21,264)	(19,782)	(20,922)
Other borrowings		(78,984)	(79,364)	(78,742)	(78,782)	(86,254)	(86,389)
		21,894	NA	5,499	NA	103	NA

(a) The difference between market and book value can be analyzed as follows:
- unrealized capital losses: FRF4 million for 1997 and FRF 83 million for 1996
- unrealized capital gains: FRF363 million for 1998, FRF121 million for 1997 and FRF1,044 million for 1996

(b) It has not been possible to determine the market value of equity stakes in some unlisted companies with which the group does business and for which comparisons with listed companies are unavailable

Estimated market value of off-balance sheet instruments:

(In millions of French francs)	1998		1997		1996	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	82,843	82,610	63,742	63,264	90,720	91,352
Currency swaps	3,085	3,143	5,687	5,686	4,854	5,444
Interest rate swaps	2,705	1,982	1,573	2,986	1,511	2,066
Interest rate futures	6	3	27	20	21	51

Assumptions and methods adopted:

Estimated market values are based on information available on the markets and arrived at using valuation methods appropriate to the types of instrument in question. However, the methods and assumptions used are theoretical by nature, and judgement plays a major role in interpreting market data. Adopting different assumptions or pricing methods could therefore have a significant impact on the values estimated.

Market values have been determined on the basis of information available at the end of the fiscal year and do not therefore take account of subsequent movements.

The main assumptions and valuation methods are as follows:

– Securities (marketable securities, redeemable securities and other securities)

The market value of securities is determined mainly by reference to market prices. Redeemable securities and other securities for which there is no traded price have been estimated by reference to the market price of similar securities, if such exist.

– Investment loans

For loans with an original maturity of less than three months and for floating-rate loans, the value recorded on the balance sheet is considered to be the market value. Other fixed-rate loans have been estimated by discounting future cash flows using the rates offered to Renault on December 31, 1998, December 31, 1997 and December 31, 1996 for loans having similar conditions and maturities.

– Sales-finance receivables

Sales-finance receivables at fixed rates have been estimated by discounting future cash flows at rates that would be applicable to similar loans (conditions, maturity and debtor quality) as at December 31, 1998, December 31, 1997 and December 31, 1996.

– Cash and cash equivalents

The value recorded on the balance sheet is considered the market value.

– Bonds and other financial debt

The market value of listed bonds has been estimated at year-end market prices. As regards the Finance Division's debts evidenced by securities issued with a life of less than 90 days, the value recorded on the balance sheet is considered the market value. The market value of other financial debt was determined by discounting future cash flows at the rates offered to Renault on December 31, 1998, December 31, 1997 and December 31, 1996 for loans having similar conditions and maturities.

– Off-balance sheet foreign exchange instruments

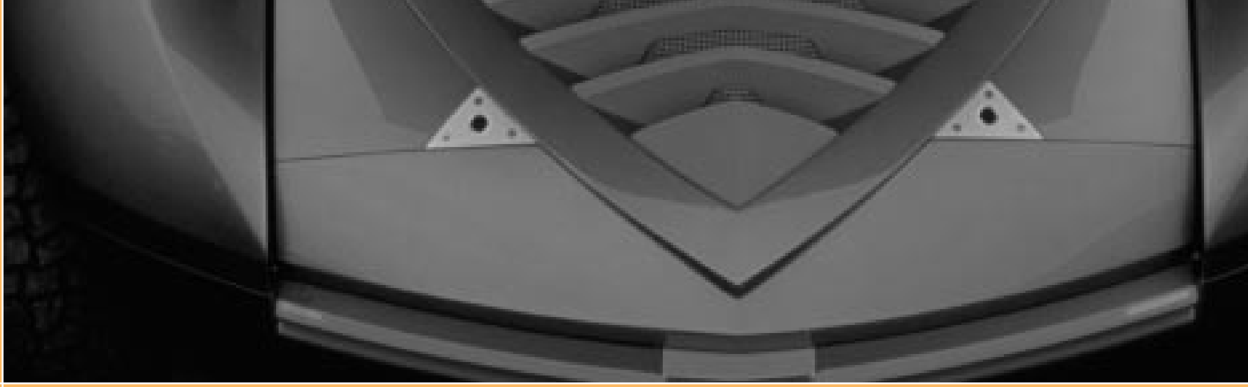
The market value of forward contracts is estimated on the basis of prevailing market conditions. The market value of currency swaps is determined by discounting cash flows using exchange rates and interest rates prevailing on December 31, 1998, December 31, 1997 and December 31, 1996 for the contracts' residual lives.

– Off-balance sheet interest rate instruments

The market value of interest rate swaps represents the amount Renault would receive (or pay) if it settled outstanding contracts at the end of the fiscal year. Unrealized capital gains or losses, determined on the basis of prevailing interest rates and the quality of the counterparty to each contract, is taken into account on December 31, 1998, December 31, 1997 and December 31, 1996.

D. ANALYSIS OF SECURITIES PORTFOLIO

(In millions of French francs)		1998		1997		1996	
		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
Debt securities issued by Group companies						99	99
Other held-to-maturity debt securities		2	2	27	27	45	45
	(I)	**2**	**2**	**577**	**577**	**673**	**681**
Trading securities	(II)	**512**	**512**	**721**	**721**	**96**	**96**
OTHER SECURITIES							
Debt securities issued by central or local authorities		29	29	37	37	129	129
Debt securities issued by industrial and commercial companies							
Debt securities issued by Group companies		436	436	380	380	340	340
Other debt securities		706	740	552	578	625	696
Equities		304	576	650	767	2,160	3,042
	(III)	**1,475**	**1,781**	**1,619**	**1,762**	**3,524**	**4,207**
Total for valued securities	(I+II+III)	**1,989**	**2,295**	**2,917**	**3,060**	**4,023**	**4,984**
Securities for which the market value cannot be determined	(IV)	**646**		**752**		**737**	
Total		**2,635**		**3,669**		**4,760**	



Securities other than trading securities are analyzed by maturity:

(In millions of French francs)	Held-to-maturity securities		Other securities	
1998	Book value	Market value	Book value	Market value
Under one year	1	1	714	747
Between one and five years			420	422
Between five and ten years	1	1	1	1
Over ten years			35	35
Shares			305	576
Total	**2**	**2**	**1,475**	**1,781**
	Held-to-maturity securities		**Other securities**	
1997	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**
	Held-to-maturity securities		**Other securities**	
1996	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**

28. OTHER COMMITMENTS AND CONTINGENCIES

A. THE GROUP IS COMMITTED FOR THE FOLLOWING AMOUNTS:

(In millions of French francs)	1998	1997	1996
Customer guarantees and endorsements (sales financing)	72	29	23
Other guarantees granted	16,110	12,223	8,790
Pledged or mortgaged assets in favor of consolidated subsidiaries	68	133	110
Opening of confirmed credit lines for customers	2,472	1,429	423
Securities payable from repurchase or forward transactions	50	30	1,500

The "Other guarantees granted" item includes rent from irrevocable leases to which the Group is committed. These are broken down as follows:

(In millions of French francs)	1998	1997	1996
Year following the end of the fiscal year	388	350	378
Subsequent years	1,265	1,277	1,353

On December 31, 1998 the Group was committed to firm investment orders of FRF6,421 million compared with FRF5,821 million on December 31, 1997 and FRF6,280 million on December 31, 1996.

B. In 1994, Renault decided to combine its new-vehicle research and development units in a single site, the Technocentre at Guyancourt . In March 1995, the Group signed an agreement within a group of investors under which the Technocentre would be built by a real estate company 15%-owned by Renault and 85% by the investors. This company leases the center to Renault at prevailing market rents under a lease expiring in 2010. The agreement gives Renault the option, inter alia, 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 FRF5.2 billion. In June 1995, the Group sold the land and the building under construction to the real estate company at cost.

C. The Group is periodically subject to tax audits in France and other countries in which it operates. Tax adjustments are taken to the financial statements. Contested tax adjustments are also taken into account for an amount equal to the estimated risk.

D. In general, all litigation in which Renault or Group companies is involved is examined at year-end. After seeking the opinion of legal advisors, the provisions deemed necessary are, where appropriate, set aside to cover the estimated risk.

29. COMPANIES CONSOLIDATED ON DECEMBER 31, 1998

		RENAULT GROUP'S INTEREST, %		
FULLY-CONSOLIDATED COMPANIES		**1998**	**1997**	**1996**
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
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
Fabricación de Automobiles Renault de España	Spain	92	92	91
Renault España	Spain	100	100	100
Mecanización Contable S.A.	Spain	92	92	91
Confranpor	Portugal	-	-	50
Vehicle Engineering and Manufacturing				
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
Creos	France	100	100	100
Société des Automobiles Alpine Renault	France	100	100	100
Emboutissage Tôlerie Gennevilliers	France	100	100	100
Creica	France	100	100	100
SNC Renault Douai	France	100	100	100
SNC Renault Flins	France	100	100	100
SNC Renault Sandouville	France	100	100	100
SNC Renault Cléon	France	100	100	100
SNC Renault Le Mans	France	100	100	100
GIE AT Systèmes	France	96	96	-
Industrial Companies				
Société Bretonne de Fonderie et de Mécanique	France	100	100	100
Société Mécanique de Villeurbanne	France	100	100	100
Métallurgique du Temple	France	100	100	100
Fundição Portuguesa	Portugal	82	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	Great Britain	100	100	100
SNR Wälzlager	Germany	100	100	100
SNR Italia	Italy	100	100	100

		RENAULT GROUP'S INTEREST, %		
		1998	1997	1996
SNR Bearings USA	USA	100	100	100
SNR España	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
Compagnie d'Affrètement et de Transport	Italy	100	100	100
Compagnie d'Affrètement et de Transport	Germany	100	100	100
Other companies				
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	Great Britain	100	100	100
Compagnie d'Affrètement et de Transport	Switzerland	100	100	100
Compagnie d'Affrètement et de Transport	Mexico	100	100	-
Chausson Outillage	France	-	-	100
CAT Distri	Belgium	100	-	-
Compagnie d'Affrètement et de Transport	Argentina	65	-	-
Compagnie d'Affrètement et de Transport	Brazil	65	-	-
Sales – France				
Renault France Automobiles (RFA)	France	100	100	-
Pessac Automobiles	France	100	100	100
Renault Paris Clichy	France	100	100	100
Grands Garages de Catalogne	France	100	100	100
Grands Garages Mulhousiens	France	100	100	100
Grands Garages Douaisiens	France	100	100	100
Société Nouvelle Garage du Nord	France	100	100	100
Renault Limoges	France	-	100	100
Société Garage du Nord	France	100	100	100
Renault Montbéliard	France	100	100	100
Automobiles des Remparts	France	100	100	100
Auto Services Brestois	France	100	100	100
Nerva	France	100	100	100
Avignon Stade Automobile	France	100	100	100
Société Nouvelle des Grands Garages de Savoie	France	99	100	100
Etablissements Louis Grisoni	France	100	100	100
Société Immobilière pour le Commerce et la Réparation Automobile	France	100	-	-
Sales – Europe				
Renault Italia	Italy	100	100	100
Deutsche Renault	Germany	100	100	100
Renault Belgique Luxembourg	Belgium	100	100	100
Renault Nederland	Netherlands	100	100	100
Renault U.K.	Great Britain	100	100	100
Renault Österreich Automobilvertriebs	Austria	100	100	100

		RENAULT GROUP'S INTEREST, %		
		1998	1997	1996
Renault Suisse	Switzerland	100	100	100
Renault Portuguesa	Portugal	98	98	93
Renault España Comercial S.A. and its subsidiaries	Spain	92	92	91
Renault Retail Group	Great Britain	100	100	100
Renault Hungaria	Hungary	100	100	-
Renault Ceska Républika	Czech Republic	100	100	-
Renault Polska	Poland	100	100	-
Renault Amsterdam	Netherlands	100	-	-
Renault Berlin	Germany	100	-	-
Renault Köln	Germany	100	-	-
International Operations				
Oyak Renault Otomobil Fabrikalari	Turkey	52	52	57
REVOZ	Slovenia	54	54	54
Renault Comercial do Brasil	Brazil	-	-	48
Renault do Brasil Automóveis	Brazil	-	-	60
Mercosur				
Cofal	Luxembourg	80	63	-
Renault Comercial do Brasil (a)	Brazil	50	31	-
Renault do Brasil Automóveis (a)	Brazil	48	38	-
Renault Argentina (a)	Argentina	47	32	-
Capillitas S.A.	Argentina	47	32	-
Centro Automotores S.A.	Argentina	47	32	-
Cormasa S.A.	Argentina	48	32	-
Courtage S.A.	Argentina	47	32	-
Cormecánica	Chile	48	34	-
Metalúrgica Tandil S.A.	Argentina	34	24	-
Plan Rombo	Argentina	46	32	-
Rombo Ahorro	Argentina	47	31	-
Santander S.A.	Argentina	-	24	-
After-sales				
Société de Distribution pour la Chimie, l'Automobile et la Mécanique	France	100	100	100
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	Great Britain	100	100	100
Société d'Assistance Technique Automobile	France	100	100	-
Société Charolaise de Participations	France	100	-	-
Industrial Research and Development Companies				
Société de Construction Mécanique de l'Arbresle	France	100	100	100

		RENAULT GROUP'S INTEREST, %		
		1998	1997	1996
Other companies				
France Véhicules Industriels	France	100	100	100
Renault Vehículos Industriales	Spain	100	100	100
Renault V.I. Belgique	Belgium	100	100	100
Renault LKW	Germany	100	100	100
Renault Veicoli Industriali	Italy	100	100	100
Renault Truck Industries	Great Britain	100	100	100
Renault Veículos Comerciais	Portugal	100	100	100
Société Internationale de Facturation	Cayman Islands	-	-	100
Mack Trucks and its industrial, commercial and financial subsidiaries	USA	100	100	100
Lofimat	France	-	100	100
Karosa	Czech Republic	94	51	51
Renault V.I. Nubag	Switzerland	100	100	100
Renault V.I. Lastbiler	Denmark	100	100	100
Renault V.I. Lastkraftwagen	Austria	100	100	100
Société de Transmissions Bouthéon	France	-	100	-
Laudate	France	100	100	-
Heuliez Bus	France	75	-	-
Renault Bus	France	100	-	-
Renault Trucks Polska	Poland	100	-	-
FINANCIAL COMPANIES				
Sales Financing – France				
Renault Crédit International S.A.	France	100	100	100
DIAC	France	100	100	100
Compagnie de Gestion Rationelle	France	100	100	100
Société de Gestion, d'Exploitation de Services en moyens administratifs	France	100	100	100
Diac Location	France	100	100	100
Renault V.I. Finance	France	100	100	100
Sales Financing – outside France				
Renault Finanzholding (ex. Renault Bank GmbH)	Germany	100	100	100
Renault Leasing Beteilungs	Germany	100	100	100
RCI GmbH	Austria	100	100	100
Renault Bank	Austria	100	50	50
Renault Autofin S.A. (ex. Renault Crédit S.A.)	Belgium	100	100	100
Overlease	Belgium	100	100	100
Finalliance	Belgium	-	50	50
Renault Financiaciónes	Spain	96	96	96
Renault Leasing de España	Spain	96	96	96
Renault Financial Services Ltd.	Great Britain	50	50	50
Overlease	Netherlands	100	100	100
Renault Financiering	Netherlands	-	-	100
Finrenault	Italy	100	100	100
Refactor	Italy	100	100	100
Sveviafin	Italy	50	50	50
Renault Gest SCO	Portugal	100	100	95
Renault Gest SGPS	Portugal	100	100	95
Renault Gest SFAC	Portugal	100	100	95

		RENAULT GROUP'S INTEREST, %		
		1998	1997	1996
Renault Gest Leasing	Portugal	100	100	95
Renault Crédit S.A.	Switzerland	100	100	100
Accordia	Italy	100	-	-
Diac Belgique	Belgium	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
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	Great Britain	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
Overlease España (ex. Renault Services Espagne)	Spain	96	96	96
Difusora de Seguros S.A.	Spain	96	96	96
Gest Seguros	Portugal	100	100	96
Renault Conseil Assistance	France	-	-	100
Renault Versicherungs Dienst	Germany	100	100	100
Renault Services S.A.	Belgium	100	100	100

		RENAULT GROUP'S INTEREST, %		
		1998	1997	1996
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
GIE TA 96	France	50	50	50
Industrial Companies				
Roulements Nadella	France	50	50	50
Nadella Cuscinetti	Italy	50	50	50
Nadella U.K.	Great Britain	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	50
Nadella Suisse	Switzerland	50	50	-
COMMERCIAL VEHICLES DIVISION				
Société Charolaise de Participations	France	-	50	50
Hansa Auto Oy	Finland	50	50	-

		RENAULT GROUP'S INTEREST, %		
		1998	1997	1996
COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD				
AUTOMOBILE DIVISION				
International Operations				
Renault Maroc	Morocco	50	50	50
Cofal	Luxembourg	-	-	33
Sociedad de Fabricación de Automotores	Colombia	24	24	24
Maïs	Turkey	49	49	20
Industrial Companies				
Industria Cuscinetti (ICSA)	Italy	33	33	33
Nadella Inde (NRB)	India	13	-	-
COMMERCIAL VEHICLES DIVISION				
Heuliez Bus	France	-	37	37
Subsidiaries of France Véhicules Industriels	France	100	100	100
Renault V.I. Liège	Belgium	100	100	100
Renault Truck Ireland	Ireland	100	100	100
Macasa	Spain	100	100	100
Iruvisa	Spain	100	100	100
Barnavisa	Spain	100	100	100
Sevisa	Spain	100	100	100
Muvisa	Spain	100	100	100
Laudate	France	48	-	100
Société de Transmissions Bouthéon	France	40	-	-
FINANCE DIVISION				
Société de Développement des Echanges	Switzerland	33	33	33
Sodéchanges France	France	-	33	33
Sofrafi	France	40	40	40
Solocvi	France	40	40	40
Diamond Lease	Belgium	45	45	45
Diamond Finance U.K.	Great Britain	40	40	40
Fineritalia	Italy	40	40	40

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 1998

Pursuant to the mandate entrusted to us by your Annual Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Renault for the fiscal year ended on December 31, 1998.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with professional standards. Those standards require that we plan and perform the audit so as to obtain a reasonable assurance that the annual accounts are free of material misstatement. An audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also involves assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion expressed below.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and the assets and liabilities of the Group as at December 31, 1998, and results of its financial operations for the fiscal year then ended.

We have also verified the Group financial information provided in the Group management report.

We have no comments to make as to the fair presentation of this information nor its consistency with the consolidated financial statements.

Paris, March 16, 1999

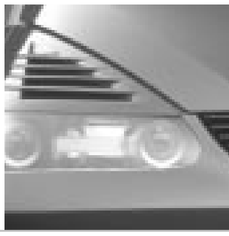
The Auditors

DELOITTE TOUCHE TOHMATSU

Olivier AZIERES

ERNST & YOUNG, Audit

Dominique THOUVENIN



CONSOLIDATED INCOME STATEMENTS

(In millions of euros)	1998	1997	1996
Sales of goods and services	35,993	30,495	26,835
Sales financing revenues (note 4)	1,194	1,201	1,228
Revenues (note 3)	**37,187**	**31,696**	**28,063**
Cost of goods and services sold	(28,518)	(24,887)	(22,381)
Cost of sales financing (note 4)	(761)	(687)	(719)
Research and development expenses	(1,553)	(1,378)	(1,391)
Selling, general and administrative expenses	(4,435)	(4,181)	(3,812)
Operating margin (note 1-H)	**1,920**	**563**	**(240)**
Other operating income and expenses (note 5)	(268)	(254)	(673)
Operating income (loss)	**1,652**	**309**	**(913)**
Net interest income	52	44	10
Other income and expenses, net	8	264	39
Financial income (note 7)	**60**	**308**	**49**
Share in net income of companies accounted for under the equity method (note 11)	**(13)**	**7**	**3**
Group pre-tax income (loss)	**1,699**	**624**	**(861)**
Current and deferred tax (note 8)	(362)	205	58
Group net income (loss)	**1,337**	**829**	**(803)**
Minority interests	12	(2)	3
Renault net income (loss)	**1,349**	**827**	**(800)**
Earnings per share in French francs (note 1-K)	5.64	3.47	(3.36)
Number of shares outstanding (in thousands)	239,261	238,151	237,750

The Group introduced the notion of operating margin in 1998. Data for 1996 and 1997 have been restated on a proforma basis.

CONSOLIDATED BALANCE SHEETS ON DECEMBER 31

(In millions of euros)	1998	1997	1996
ASSETS			
Intangible assets	85	91	54
Property, plant and equipment (note 9)	8,800	8,961	8,401
Assets under operating lease (note 10)	250	274	274
Investments in companies accounted for under the equity method (note 11)	117	109	115
Other investments (note 12)	167	184	442
Other financial assets	310	346	328
Finance receivables (note 13)	10,898	9,758	8,813
Deferred tax assets (note 8)[a]	1,255	952	617
Inventories (note 14)	4,022	3,713	3,303
Accounts and notes receivable (note 15)	2,901	2,649	2,426
Other receivables and pre-paid expenses (note 16)	1,770	2,153	1,582
Loans (note 17)	6,160	4,020	5,535
Marketable securities (note 18)	303	288	182
Cash and cash equivalents (note 1-P)	1,087	1,584	1,107
Total assets	**38,125**	**35,082**	**33,179**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	914	914	914
Share premium account	2,367	2,367	2,367
Retained earnings	3,551	2,840	3,610
Translation adjustments	(320)	(253)	(333)
Net income	1,349	827	(800)
Shareholders' equity (note 19)	7,861	6,695	5,758
Minority interests (note 20)	662	679	309
Redeemable shares (note 21)	353	353	353
Deferred tax liabilities (note 8)[a]	196	217	216
Provisions for pensions and other post-retirement benefits (note 22)	1,082	1,069	971
Other provisions for risks and liabilities (note 23)	2,077	1,889	1,534
Bonds (note 24)	3,236	3,079	3,016
Other borrowings (note 24)	12,041	12,004	13,149
Accounts and notes payable	6,306	5,474	4,556
Other liabilities (note 25)	3,740	3,139	2,694
Deferred income	571	484	623
Total shareholders' equity and liabilities	**38,125**	**35,082**	**33,179**

(a) From 1998, deferred tax assets and liabilities are offset by tax grouping in balance sheet presentation. Data for 1996 and 1997 have been restated accordingly (note 8).

CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

(In millions of euros)	Number of shares (in thousands)	Share capital	Share premium account	Foreign currency translation adjustment	Retained earnings	Total
Balance on December 31, 1995, before allocation	**237,355**	**911**	**2,354**	**(325)**	**3,737**	**6,677**
Capital increase (note 19-A)	790	3	13			16
Dividend					(127)	(127)
Change in translation adjustment and other				(8)		(8)
Income for the 1996 fiscal year					(800)	(800)
Balance on December 31, 1996, before allocation	**238,145**	**914**	**2,367**	**(333)**	**2,810**	**5,758**
Treasury stocks	1,000				14	14
Dividend						
Change in translation adjustment and other				80	16	96
Income for the 1997 fiscal year					827	827
Balance on December 31, 1997, before allocation	**239,145**	**914**	**2,367**	**(253)**	**3,667**	**6,695**
Treasury stocks	653				61	61
Dividend					(127)	(127)
Change in translation adjustment and other				(67)	2	(65)
Income for the 1998 fiscal year					1,349	1,349
Balance on December 31, 1998, before allocation	**239,798**	**914**	**2,367**	**(320)**	**4,900**	**7,861**

On December 31, 1998, unrealized foreign exchange gains and losses relating to euro zone currencies included in consolidated shareholders' equity amounted to (349) million euros.

STATEMENTS OF CASH FLOWS

(In millions of euros)	1998	1997	1996
OPERATING ACTIVITIES			
Net income	1,349	827	(800)
Depreciation and amortization	1,803	1,677	1,620
Net effects of sales financing credit losses	104	88	87
(Profits)/losses on asset disposal	(11)	(307)	50
Appropriation of long-term net valuation provisions	164	134	258
Share in net income of companies accounted for under the equity method (net of dividends received)	16	(6)	13
Deferred taxes	(315)	(311)	(170)
Minority interests	(12)	2	(3)
Cash flow	**3,098**	**2,104**	**1,055**
Increase in inventories	(377)	(64)	(13)
Decrease (increase) in accounts and notes receivable	(305)	(52)	50
Decrease (increase) in other receivables and accrued expenses	366	(386)	(177)
Increase (decrease) in trade accounts and notes payable	860	592	(6)
Increase in other payables and deferred income	905	511	576
Decrease in working capital requirement	**1,449**	**601**	**430**
Retail financing	(6,242)	(5,745)	(4,812)
Customer repayment	5,336	4,980	4,398
Change in renewable net dealer financing	(394)	(165)	213
Increase in receivables from sales financing	**(1,300)**	**(930)**	**(201)**
Cash flows from operating activities	**3,247**	**1,775**	**1,284**

(In millions of euros)	1998	1997	1996
INVESTING ACTIVITIES			
Acquisitions of investments, net of cash acquired	**(67)**	**(124)**	**(100)**
Capital expenditure for property, plant equipment and intangibles	(2,205)	(2,359)	(2,499)
Disposal of investments, net of cash disbursed	63	687	22
Proceeds from sales of property, plant and equipment and intangible assets	397	394	351
Net investment	**(1,812)**	**(1,402)**	**(2,226)**
Net (increase) decrease in other financial assets[a]	47	(15)	23
Receivables on AB Volvo relative to the disposal of VTC			172
CASH FLOWS FROM INVESTING ACTIVITIES[a]	**(1,765)**	**(1,417)**	**(2,031)**
FINANCING ACTIVITIES			
Bond issuance	246	686	622
Bond redemption	(79)	(600)	(214)
Net increase (decrease) in other borrowings	359	(1,748)	(123)
Net (increase) decrease in marketable securities[a]	(7)	(93)	51
Net (increase) decrease in loans[a]	(2,312)	1,792	85
Proceeds from minority interests	28	74	26
Dividends paid to parent company shareholders	(127)		(112)
Dividends paid to minority interests	(32)	(19)	(11)
Other			(11)
CASH FLOW FROM FINANCING ACTIVITIES[a]	**(1,924)**	**92**	**313**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (note 1-O)	**(442)**	**450**	**(434)**
Balance at the beginning of the year	**1,584**	**1,107**	**1,614**
Increase (decrease)	(442)	450	(434)
Effects of exchange rates on cash and cash equivalents	(55)	27	(73)
Balance at the end of the year	**1,087**	**1,584**	**1,107**

(a) 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 1996 have been adjusted accordingly.

INFORMATION BY DIVISION

(In millions of euros)	Renault S.A. Head Office	Automobile Division	Commercial Vehicles Division	Finance Division	Consolidated
1998 fiscal year					
Revenues		30,274	6,237	1,444	
Inter-division eliminations[b]		(535)	(45)	(188)	
Contribution to consolidated revenues		29,739	6,192	1,256	37,187
Contribution to consolidated operating margin		1,545	171	204	1,920
Contribution to consolidated operating income		1,282	136	234	1,652
Contribution to consolidated pre-tax income[a]		1,307	90	302	1,699
Total assets	767	15,851	3,036	18,471	38,125
Investments in securities		41	14	12	67
Investments in property, plant, equipment and intangibles		1,885	151	169	2,205
Depreciation and amortization		1,563	148	92	1,803
Research and development expenses		1,408	145		1,553
Workforce		109,409	25,635	3,277	138,321
1997 fiscal year					
Revenues		25,773	5,279	1,313	
Inter-division eliminations[b]		(499)	(68)	(102)	
Contribution to consolidated revenues		25,274	5,211	1,211	31,696
Contribution to consolidated operating margin		364	(8)	207	563
Contribution to consolidated operating income		137	(29)	201	309
Contribution to adjusted consolidated pre-tax income[a]		300	(24)	348	624
Contribution to published consolidated pre-tax income		361	(70)	333	624
Total assets	678	15,541	2,948	15,915	35,082
Investments in securities	(4)	121	6	1	124
Investments in property, plant, equipment and intangibles		1,963	163	233	2,359
Depreciation and amortization		1,432	149	96	1,677
Research and development expenses		1,237	141		1,378
Workforce		112,178	25,860	3,277	141,315
1996 fiscal year					
Revenues		22,716	4,650	1,324	
Inter-division eliminations[b]		(464)	(75)	(88)	
Contribution to consolidated revenues		22,252	4,575	1,236	28,063
Contribution to consolidated operating margin		(342)	(93)	195	(240)
Contribution to consolidated operating income		(998)	(107)	192	(913)
Contribution to adjusted consolidated pre-tax income[a]		(983)	(141)	263	(861)
Contribution to published consolidated pre-tax income		(940)	(173)	252	(861)
Total assets	695	13,554	2,778	16,152	33,179
Investments in securities	(8)	80	16	12	100
Investments in property, plant, equipment and intangibles		2,066	215	218	2,499
Depreciation and amortization		1,384	134	102	1,620
Research and development expenses		1,210	181		1,391
Workforce		111,523	26,049	3,333	140,905

(a) The activity of the Renault and Cofiren Head Offices is allocated to other divisions according to convention. Data for 1996 and 1997 have been restated to take account of the new allocation agreement implemented during 2nd-half 1998, backdated to January 1, 1998.
Head Office income, which in 1997 included a capital gain on the sale of AB VOLVO shares for 188 million euros, has likewise been divided between the divisions according to convention.
(b) Interdivision transactions are carried out under near-market conditions.

INFORMATION BY GEOGRAPHIC AREA[a]

(In millions of euros)	France	Other EU countries	Other European countries	Other countries	Consolidated
1998 fiscal year					
Revenues	32,958	18,731	2,023	4,592	
Inter-area eliminations	(15,651)	(4,387)	(892)	(187)	
Contribution to consolidated revenues	17,307	14,344	1,131	4,405	37,187
Contribution to consolidated operating margin[b]	1,364	411	53	92	1,920
Contribution to consolidated operating income	1,151	405	41	55	1,652
Contribution to consolidated pre-tax income	1,293	398	53	(45)	1,699
Total assets	17,936	11,152	6,505	2,532	38,125
Investments in securities	54	1	2	10	67
Investments in property, plant, equipment and intangibles	1,451	261	39	454	2,205
Depreciation and amortization	1,410	222	31	140	1,803
Workforce	92,854	24,087	5,378	16,002	138,321
1997 fiscal year					
Revenues	27,719	15,685	1,607	3,552	
Inter-area eliminations	(12,514)	(3,589)	(662)	(102)	
Contribution to consolidated revenues	15,205	12,096	945	3,450	31,696
Contribution to consolidated operating margin[b]	184	273	22	84	563
Contribution to consolidated operating income	37	167	21	84	309
Contribution to consolidated pre-tax income	294	170	47	113	624
Total assets	18,503	9,755	4,463	2,191	35,082
Investments in securities	121	2		1	124
Investments in property, plant, equipment and intangibles	1,753	332	60	214	2,359
Depreciation and amortization	1,336	211	25	105	1,677
Workforce	95,455	25,220	4,827	15,813	141,315
1996 fiscal year					
Revenues	25,290	13,680	1,164	2,226	
Inter-area eliminations	(9,644)	(3,964)	(596)	(93)	
Contribution to consolidated revenues	15,646	9,716	568	2,133	28,063
Contribution to consolidated operating margin[b]	(798)	505	15	38	(240)
Contribution to consolidated operating income	(963)	(2)	15	37	(913)
Contribution to consolidated pre-tax income	(951)	(10)	44	56	(861)
Total assets	18,203	8,479	5,624	873	33,179
Investments in securities	99	1			100
Investments in property, plant, equipment and intangibles	2,077	296	32	94	2,499
Depreciation and amortization	1,310	232	26	52	1,620
Workforce	99,524	27,299	4,599	9,483	140,905

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

(b) The Group introduced the notion of operating margin in 1998. Date for 1996 and 1997 have been restated on a proforma basis.

1. ACCOUNTING POLICIES

The Group financial statements are prepared in accordance with French law and the International Accounting Standards published by IASC, with the exception of Standard 9 which requires development costs to be capitalized. 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 rate 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 high-inflation economies (i.e. with an inflation rate over three years 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 consolidated 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 using the hedged rate.

D. REVENUES

Revenues include all income from the ordinary activities of consolidated companies. It includes proceeds from the 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) are considered as loans. However, the sale is not recognized if the vehicle is covered by a leasing contract issued by a Group-owned finance company, 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 revenues 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 leases 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 uncollectable. 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 fiscal 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 case 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 recognized only when they lead to a revaluation of the provision for these liabilities of more than 10%; they are then recognized over the remaining years of service of employees who are still with the company.

When the terms of pension and post-retirement benefits change, the effects 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 MARGIN

The concept of "operating margin" was introduced into the Group accounts in 1998. Operating margin corresponds to operating income before the following:

– costs and provisions for restructuring,
– gains and losses on the disposal of property, plant and equipment and intangible assets (excluding sales of vehicles),
– income and expenses arising from transactions on investment (disposals, amortization of goodwills in particular),
– unusual items corresponding to income and expenses that are unusual in their frequency, nature or amount.

I. OPERATING INCOME

The definition of operating income is unchanged from previous years. It 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 by the equity method, or any extraordinary income is not included. Extraordinary items are 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):
– income from sales financing is included in revenues,
– the net financing costs of sales is considered to be an operating expense and included in operating margin. 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), cost of risk associated with financing of receivables, depreciation of assets on operating leases as well as the gains and assets on disposals of leased assets.

J. 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.

Applying the IAS 12 standard, as amended with effect from January 1, 1998, the Group now offsets deferred tax assets and liabilities by tax grouping in its presentation of the consolidated balance sheet. This measure has been retroactively applied to the 1996 and 1997 financial statements.

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

K. 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.

L. 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.

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

M. 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 include only 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 carried, or at their market value if this is lower.

N. TREASURY STOCK

Shares in the common stock of the parent company held on a long-term basis by consolidated companies are taken to reduce consolidated shareholders' equity at their purchase price.

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

O. 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.

P. CASH AND CASH EQUIVALENTS

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

Q. 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.

R. BORROWING

Loan costs including issuance costs

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

Renegotiations of loans

Expenses arising from the renegotiations of loans or similar operations intended to bring interest payments to a level close to market rates are recorded as financial expenses in the accounts for the year the negotiation was conducted.

S. FINANCIAL INSTRUMENTS

To manage its exchange rate risk, the Group uses forward foreign exchange contracts, currency swaps and, to a lesser extent, options. Forward 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 Group's general policy 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 to hedge its purchases. Insofar as the Group is able either to settle certain transactions by a payment, or to take physical delivery of the underlying commodities, these contracts are not treated as financial instruments.

2. CHANGE IN THE SCOPE OF CONSOLIDATION

The scope of consolidation can be broken down as follows:

Number of subsidiaries	1998	1997	1996
Fully consolidated	184	181	168
Proportionately integrated	11	12	9
Equity method	36	37	47
	231	230	224

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

Consolidated revenues for 1998 take into account:

– 66 million euros corresponding to the effects of full consolidation of Heuliez Bus from January 1, 1998 (the company was previously accounted for by the equity method).

– 46 million euros corresponding to the effects of first-time consolidation of Renault Trucks Polska.

Consolidated revenues for 1997 take into account:

– 400 million euros corresponding to the effect of full consolidation of the Renault Argentina group from June 30, 1997; until then the group was accounted for by the equity method via the Coal holding company.

– 122 million euros corresponding to the effect of first-time consolidation of the sales subsidiaries in Central Europe (Renault Polska, Renault Ceska and Renault Hongaria).

Consolidated revenues for 1996 take into account:

– for the Automobile Division, the first-time consolidation of the French sales subsidiaries (164 million euros) and of Renault Retail Group (155 million euros), and the entry of Renault Comercial do Brazil (73 million euros);

– for the Commercial Vehicles Division, the entry of Carouse (78 million euros).

Change in the scope of consolidation after the year-end

Renault V.I. signed an agreement with Iveco regarding a joint venture to handle the coach and bus activities (i.e. design, production and marketing) of both groups. This agreement resulted in the formation of IRIS.BUS on January 1, 1999. Renault V.I. owns 50 % of the joint venture.

Renault has signed an agreement with Fiat to merge all the foundry operations of the two groups. When this operation is complete, Renault will hold 33.5 % of the new entity.

3. REVENUES

In terms of revenues, the relationship between the country in which companies are located and their marketing areas breaks down as follows (figures in millions of euros):

1998	France	European Union	Company location Other European countries	Other countries	Total
Sales and marketing area					
France	14,310	41		3	14,354
European Union	1,208	14,286	1	1	15,496
Other European countries	246	16	1,130	1	1,393
Other countries	1,543	1		4,400	5,944
Total	**17,307**	**14,344**	**1,131**	**4,405**	**37,187**

1997	France	European Union	Company location Other European countries	Other countries	Total
Sales and marketing area					
France	12,455	22	3	17	12,497
European Union	982	12,023		1	13,006
Other European countries	225	37	914		1,176
Other countries	1,543	14	28	3,432	5,017
Total	**15,205**	**12,096**	**945**	**3,450**	**31,696**

1996	France	European Union	Company location Other European countries	Other countries	Total
Sales and marketing area					
France	12,898	18	8	1	12,925
European Union	870	9,576		1	10,447
Other European countries	404	115	533	3	1,055
Other countries	1,474	7	27	2,128	3,636
Total	**15,646**	**9,716**	**568**	**2,133**	**28,063**

4. SALES FINANCING

Revenues (In millions of euros)	1998	1997	1996
Retail and dealer financing	661	665	660
Leasing, rentals and similar operations	533	536	568
Total	1,194	1,201	1,228

Costs (In millions of euros)	1998	1997	1996
Net credit losses	(61)	(40)	(50)
Other sales financing costs	(700)	(647)	(669)
Total	(761)	(687)	(719)

5. OTHER OPERATING INCOME AND EXPENSES, NET

(In millions of euros)	1998	1997	1996
Restructuring costs and provisions	(244)	(235)	(595)
Gains and losses on disposals of tangible and intangible long-term assets (excepting sales of vehicles)	(62)	(49)	(77)
Gains and losses on transactions in investments in operating activities	22	51	3
Items of an unusual nature or abnormally high amount	16	(21)	(4)
Total	(268)	(254)	(673)

Following the introduction of the "operating margin" concept, foreign exchange differences on trading operations as well as proceeds from sales of vehicles, which were previously carried as "Other operating income and expenses", are now recorded as "Costs of goods and services sold". The figures for 1996 and 1997 have been adjusted accordingly.

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

In 1998 this item was chiefly composed of manpower plans for foreign companies (90 million euros) and French companies (60 million euros) as well as the net effect of the continued implementation of other restructuring measures by the Automobile Division.

In 1998 Renault S.A. made no new provisions for manpower plans.

In 1997 this item was mainly composed of Renault S.A.'s manpower plan (65 million euros) 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 (RIB) Vilvoorde factory (369 million euros) and costs involved in Renault S.A.'s manpower plan (121 million euros).

6. PERSONNEL COSTS

(In millions of euros)	1998	1997	1996
Automobile Division	4,403	4,339	4,153
Commercial Vehicles Division	1,119	1,057	1,005
Finance Division	183	185	178
Total	5,705	5,581	5,336

The total level of remuneration for Renault Group Directors (members of the Group's Executive Committee) was 3.1 million euros in 1998.

Remuneration of members of the Board of Directors totaled 0.3 million euros in 1998 and 0.3 million euros in 1997.

7. FINANCIAL INCOME

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

(In millions of euros)	1998	1997	1996
Interest expense	(315)	(405)	(443)
Interest income	364	440	443
Gain on marketable securities	3	9	10
Total	52	44	10

In 1998 financial costs amounted to 38 million euros, the cost of the interest rate swap intended to bring the rate of interest on the 1992 bond issue into line with market rates.

Other financial income and expense includes:

(In millions of euros)	1998	1997	1996
Income from participations in non-Group companies	7	262	38
Other financial income and expenditure	1	2	1
Total	8	264	39

In 1997, income from non-Group investments included 64 million euros in capital gains from the sale of Elf Aquitaine shares by the Finance Division and 188 million euros in capital gains from the sale of AB Volvo shares by Renault S.A. head office.

8. CURRENT AND DEFERRED TAXES

By applying the worldwide "consolidated profits" tax regime, which was extended on January 1, 1998 for a period of three years, Renault bases its taxes on the taxable earnings of most of its subsidiaries and companies in which it has holdings, French and foreign, calculated under this regime. Against the tax liability corresponding to this taxable earnings figure, the tax paid by these companies can, within certain limits, be offset.

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

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

(In millions of euros)	1998	1997	1996
Income taxes currently payable	(677)	(147)	(163)
Deferred tax credits	20	123	505
Change in provisions for loss of value on deferred taxes and assets	295	229	(284)
Net deferred tax credits	315	352	221
Current and deferred taxes	(362)	205	58

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 tax legislation and rate in effect in the various countries.

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. In view of the Group's earnings prospects, the valuation made in previous years has been revised. Only the proportion of these allowances relating to minority interests in subsidiaries not taken into account in the worldwide "consolidated profits" regime has been left unchanged.

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

	1998	1997	1996
French corporate income tax rate	36.6%	36.6%	36.6%
Items eligible for reduced rate of taxation	(2.1%)	(15.2%)	3.1%
Appropriation/reversal of valuation allowances for deferred tax assets	(17.4%)	(36.7%)	(33.0%)
Other items	4.2%	(17.5%)	
EFFECTIVE TAX RATE	21.3%	(32.8%)	6.7%

The breakdown of the effective tax rate is made by reference to the French corporate tax rate, currently 36.6%, although the rate under the worldwide "consolidated profits" regime is 33.3%. The French corporate tax rate is subject to temporary surcharges, bringing it to 41.6% for 1998 and 40% for 1999. Such surcharges apply only to the Group entities liable for tax in France. The resulting revisions to deferred taxes are not significant. This temporary surcharge has increased the income tax currently payable by 33 million euros in 1998.

The capital gains on disposals in 1997 resulted from one-off disposals of equity holdings.

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

(In millions of euros)	1998	1997	1996
Fixed assets	(505)	(493)	(542)
Provisions and other accrued expenses deductible only on payment	944	895	926
Inter-company eliminations	645	679	558
Valuation allowance	(25)	(346)	(541)
Net deferred tax assets (liabilities)	**1,059**	**735**	**401**

The revised IAS 12 standard relating to corporate income tax has been applied for the first time in 1998. This standard states that deferred tax assets and liabilities must be offset in the presentation of the balance sheet by tax grouping. This standard has been applied retroactively to the financial statements for 1996 and 1997 in the amount of 482 million euros and 463 million euros respectively.

Moreover, on December 31, 1998 the Group has a capital loss carryover of 606 million euros on capital gains taxable at the reduced rate. These capital losses may be set against lower-rate taxable earnings up to and including 2002.

The total difference between the share of shareholders' equity in Group companies and the tax value of equity holdings at December 31, 1998 is 1,735 million euros. No deferred tax has been recorded in respect of this difference since the situation is not expected to be reversed through disposals in the foreseeable future.

9. PROPERTY, PLANT AND EQUIPMENT

(In millions of euros)	1998	1997	1996
Land	331	327	307
Buildings	3,984	3,955	3,608
Special tools	4,661	4,748	4,221
Machinery and equipment	9,319	9,365	8,368
Other tangibles	1,727	1,746	1,602
Construction in progress	913	847	1,137
Gross value	**20,935**	**20,988**	**19,243**
Land and buildings	(1,976)	(1,875)	(1,672)
Special tools	(3,234)	(3,227)	(3,086)
Machinery and equipment	(5,790)	(5,772)	(5,077)
Other tangible assets	(1,135)	(1,153)	(1,007)
Depreciation and amortization	(12,135)	(12,027)	(10,842)
Net value	**8,800**	**8,961**	**8,401**

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

(In millions of euros)	Gross value	Depreciation	Net value
Value on December 31, 1995	**18,035**	**(10,003)**	**8,032**
Acquisitions/(depreciation)	2,312	(1,720)	592
(Disposals)/reversals	(1,213)	922	(291)
Translation adjustment	37	(6)	31
Change in scope of consolidation	72	(35)	37
Value on December 31, 1996	**19,243**	**(10,842)**	**8,401**
Acquisitions/(depreciation)	2,066	(1,555)	511
(Disposals)/reversals	(1,203)	897	(306)
Translation adjustment	178	(84)	94
Change in scope of consolidation	704	(443)	261
Value on December 31, 1997	**20,988**	**(12,027)**	**8,961**
Acquisitions/(depreciation)	1,975	(1,711)	264
(Disposals)/reversals	(1,712)	1,398	(314)
Translation adjustment	(129)	58	(71)
Change in scope of consolidation	(187)	147	(40)
Value on December 31, 1998	**20,935**	**(12,135)**	**8,800**

Owing to the reduced levels of debt in industrial and commercial activities (note 26), the Group has not capitalized interim interest during the 1998 fiscal year.

Interim interest capitalized during the 1997 fiscal year amounted to 46 million euros and 30 million euros in 1996.

The "change in scope of consolidation" entry includes:

– in 1998, (37) million euros as a result of the change from full consolidation to equity-method accounting following the partial disposal of Société de Transmissions de Bouthéon, representing a gross amount of (94) million euros and 57 million euros in amortization,

– in 1997, 241 million euros as a result of the full consolidation of the Renault Argentina Group on June 30, 1997, representing a gross amount of 686 million euros and 445 millions in amortization.

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 euros)	Gross value	Depreciation	Net value
Value on December 31, 1995	**459**	**(171)**	**288**
Acquisitions/(depreciation)	177	(87)	90
(Disposals)/reversals	(198)	94	(104)
Value on December 31, 1996	**438**	**(164)**	**274**
Acquisitions/(depreciation)	182	(83)	99
(Disposals)/reversals	(190)	91	(99)
Value on December 31, 1997	**430**	**(156)**	**274**
Acquisitions/(depreciation)	154	(78)	76
(Disposals)/reversals	(190)	90	(100)
Value on December 31, 1998	**394**	**(144)**	**250**

11. INVESTMENT IN COMPANIES AT EQUITY

(In millions of euros)	1998	1997	1996
Maïs	57	60	14
Sofasa	3	10	9
Cofal Group			61
Société de Transmissions de Bouthéon	14		
Other	43	39	31
Total	**117**	**109**	**115**

In the course of 1998 Renault Véhicules Industriels sold 60% of Société de Transmissions de Bouthéon. This company, formerly fully consolidated, is now accounted for by the equity method.

In the course of 1997, Renault acquired an additional 29% stake in Maïs, taking its holding from 20% to 49%.

Cofal has been fully consolidated since June 30, 1997.

Changes in this item were as follows:

(In millions of euros)	1998	1997	1996
Balance on January 1	**109**	**115**	**136**
Change in scope of consolidation	14	(55)	(16)
Change in translation adjustment and other changes	(2)	38	2
Dividend distribution	(3)	(2)	(15)
Increase in capital	12	2	2
Income	(13)	11	6
Balance on December 31	**117**	**109**	**115**

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

	Automobile Division			Commercial Vehicles Division		
(In millions of euros)	1998	1997	1996	1998	1997	1996
Sales	1,072	1,132	1,643	253	221	267
Net income	(41)	5	17	2	(3)	0
Shareholders' equity	159	201	318	62	20	21
Balance sheet total	**574**	**507**	**543**	**68**	**109**	**125**

12. OTHER SECURITIES

(In millions of euros)	1998	1997	1996
Investments in majority-owned subsidiaries	136	151	151
Investments held at 20 to 40%	24	18	16
Investments held at less than 20%	96	99	352
Other investments, gross	256	268	519
Provisions	(89)	(84)	(77)
Net value	**167**	**184**	**442**

The net value of investments in majority-owned subsidiaries was 73 million euros in 1998, 83 million euros in 1997 and 87 million euros in 1996.

On December 31, 1998, 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 %**	**65**	**120**

In 1996 and 1997, investments held at less than 20% included the value of the Group's investments in AB Volvo and Elf Aquitaine: 104 million euros and 156 million euros respectively. These holdings were sold during the 1997 fiscal year (note 7).

13. FINANCE RECEIVABLES

(In millions of euros)	1998	1997	1996
Dealer financing	2,619	2,253	2,062
Retail financing	5,498	5,047	4,512
Leasing and similar operations	3,200	2,902	2,730
Gross finance receivables	11,317	10,202	9,304
Provisions for credit losses	(419)	(444)	(491)
Net finance receivables	**10,898**	**9,758**	**8,813**

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

(In millions of euros)	1998	1997	1996
France	3,446	3,323	3,603
Other EU countries	7,325	6,330	5,148
Other countries	127	105	62
Total	**10,898**	**9,758**	**8,813**

Maturities are as follows:

(In millions of euros)	1998	1997	1996
Less than one year	5,823	5,339	4,789
One to five years	5,056	4,399	4,007
Greater than five years	19	20	17
Total	**10,898**	**9,758**	**8,813**

14. INVENTORIES

(In millions of euros)	1998	1997	1996
Inventories at cost	4,298	4,014	3,632
Provisions	(276)	(301)	(329)
Inventories, net	**4,022**	**3,713**	**3,303**

The net value of inventories is stated below:

(In millions of euros)	1998	1997	1996
Raw materials and supplies	738	673	566
Work-in-progress	504	473	406
Finished products and parts for automobiles	1,988	1,729	1,595
Finished products and parts for commercial vehicles	587	540	530
Other finished products and parts	197	275	194
Long-term leases	8	23	12
Total	**4,022**	**3,713**	**3,303**

15. ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable can be broken down as follows :

(In millions of euros)	1998	1997	1996
Accounts and notes receivable	3,060	2,803	2,579
Provisions	(159)	(154)	(153)
Accounts and notes receivable, net	**2,901**	**2,649**	**2,426**

This item does not include accounts receivable from dealers, which in France and several other European countries, are sold to the Group's financial subsidiaries or other financial institutions whenever the risk of noncollection is transferred to those subsidiaries and institutions. In such cases, they are recorded under accounts and notes receivable. If risk is not transferred, they are recorded in accounts receivable even though, for legal purposes, the receivable itself has been sold.

16. OTHER RECEIVABLES AND PREPAID EXPENSES

(In millions of euros)	1998	1997	1996
Bond issuance costs and redemption premiums	24	31	30
Pre-paid expenses	430	497	458
Tax receivables	712	911	605
Other receivables	604	714	489
Total	**1,770**	**2,153**	**1,582**

17. INVESTMENT LOANS

Investment loans primarily consist of interbank loans by financial companies and correspond principally to the investment of cash surpluses from industrial and commercial activities:

(In millions of euros)	1998	1997	1996
Maturity over one year	227	215	281
Maturity of less than one year	5,933	3,805	5,254
Total	**6,160**	**4,020**	**5,535**

18. MARKETABLE SECURITIES

(In millions of euros)	1998	1997	1996
Gross value	303	288	182
Less provisions			
Marketable securities, net	**303**	**288**	**182**

This item does not include marketable securities considered as cash equivalents, which amounted to 67 million euros in 1998, 130 million euros in 1997, and 96 million euros in 1996.

19. SHAREHOLDERS' EQUITY

Movements in shareholders' equity:

(In millions of euros)	1998	1997	1996
Shareholders' equity on January 1	**6,695**	**5,758**	**6,677**
Par value of shares issued			3
Share premium account			12
Dividend (note 19-A)	(127)		(128)
Change in translation adjustment and other	(65)	96	(6)
Treasury stocks	9	14	
Net income	1,349	827	(800)
Shareholders' equity on December 31 (before allocation)	**7,861**	**6,695**	**5,758**

A. The Annual General Meeting of Shareholders of June 11, 1998 decided to distribute 127 million euros in dividends (0.53 euro per share).

The Annual General Meeting of Shareholders of June 7, 1996 voted to distribute a dividend of 128 million euros (0.53 euro per share). Of this, 15 million euros were paid in shares, pursuant to the option offered by the Annual General Meeting of June 7, 1996. Accordingly, the company's share capital increased by 3 million euros through the issue of 790,154 new shares (par value 19 euros) at 4 euros.

B. The Joint General Meeting of June 11, 1998 authorized the Board of Directors to convert stock options, on one or more occasions, held by senior managers of the company and its associated companies. Such options give the right to subscribe for new shares issued by the company in connection with a capital increase, or to purchase shares acquired by the company though buybacks, pursuant to applicable laws and regulations. Shares held as treasury stock by Renault S.A., previously taken to reduce shareholders' equity, have been earmarked for this resolution and recorded as marketable securities.

On December 31, 1998 the Group no longer held treasury stock on a durable basis.

C. Reserves include a nondistributable statutory reserve of 91 million euros on December 31, 1998, 70 million euros on December 31, 1997 and 70 million euros on December 31, 1996.

D. As a result of these transactions, Renault S.A.'s share capital breaks down as follows:

	Number of securities held	% of voting rights	Security type
French state	106,037,141	44.22	Shares
Protocol and associated shareholders[(a)]	17,247,320	7.19	Shares
Others[(b)]	116,514,106	48.59	Shares
Total	**239,798,567**	**100.00**	

(a) On November 21, 1994 the protocol shareholders signed an agreement whereby they retained their entire stake for three months and 80% of the stake for the subsequent 21 months. During the three years following this initial 24-month period (i.e. until November 20, 1999), any sale involving all or part of that 80%, either to a third party or to another protocol shareholder, would be subject to the preemptive rights of the other partner shareholders.

(b) Renault employees, former employees, legal beneficiaries and general public.

20. MINORITY INTERESTS

(In millions of euros)	1998	1997	1996
Minority interests as at January 1	679	309	328
Dividends	(32)	(19)	(12)
Change in translation adjustment	(35)	21	8
Change in scope of consolidation	62	366	(12)
Minority interest in profits	(12)	2	(3)
Minority interests as at December 31	**662**	**679**	**309**

The following items have been recorded under "Change in method of consolidation and other changes in company structure":

– in 1998, the capital increases subscribed by the minority shareholders of Renault do Brasil Automóveis (43 million euros)

– in 1997, the full consolidation of Cofal and Renault Argentina on June 30, 1997 (295 million euros), the dilution of minority interests following the capital increases of Cofal, subscribed solely by Renault (270 million euros), and the capital increases subscribed by the minority shareholders of Renault do Brasil Automóveis (73 million euros).

21. REDEEMABLE SHARES

(In millions of euros)	1998	1997	1996
Redeemable shares Renault S.A. 1983	153	153	153
Redeemable shares Renault S.A. 1984	165	165	165
Redeemable shares Diac 1985	35	35	35
Redeemable shares outstanding	**353**	**353**	**353**

The redeemable shares issued in October 1983 and April 1984 by Renault S.A. can be redeemed with a premium on the sole initiative of Renault from 1998. The shares earn a minimum annual return of 9% composed of a fixed portion (6.75%) and a variable portion that depends on consolidated revenues and that is calculated at comparable structure and methods. Returns to the shares in 1998 amount to 34 million euros (32 million euros in 1997 and 32 million euros in 1996) and are carried under financial charges. The redeemable shares are listed on the Paris Bourse. In the course of 1998, the shares, which have a par value of 153 euros, traded at between 487 euros and 271 euros, ex-coupon.

The return on the redeemable shares issued by Diac in 1985 comprises a fixed portion equal to the annual money-market rate (TAM) and a variable portion obtained by applying the year-on-year increase in Diac's consolidated net income to 40% of the TAM.

The total market value of the redeemable shares, based on the year-end closing price, was 874 million euros in 1998.

22. PROVISIONS FOR PENSIONS AND OTHER POST-RETIREMENT BENEFITS

A. These provisions are broken down as follows (in millions of euros):

1998	French companies	Foreign companies	Total
Provision for pension commitments	641	76	717
Provision for medical expenses		365	365
Total	**641**	**441**	**1,082**

1997	French companies	Foreign companies	Total
Provisions for pension commitments	613	66	679
Provision for medical expenses		390	390
Total	**613**	**456**	**1,069**

1996	French companies	Foreign companies	Total
Provisions for pension commitments	557	72	629
Provision for medical expenses		342	342
Total	**557**	**414**	**971**

B. Depending on the laws and practices prevailing in different countries, the Renault Group usually contributes to its employees' retirement income by making earnings-related payments to the national organizations responsible for paying old-age financial benefits. At present, there is no actuarial liability concerning these pension arrangements.

In addition, some of the Group's companies have granted additional benefits to their employees. These supplementary benefits, which usually accrue to employees in the course of their service with the company, consist either of a retirement bonus (in France and most other countries in which the Renault Group operates) or pension payments (chiefly in the USA and Germany).

As regards pensions, contributions are made to external fund managers. The aim of such funds is to cover 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.

The assumptions used by French companies are as follows:

	1998	1997	1996
Retirement age	60 yrs	60 yrs	60 yrs
Salary level	3.5% to 4%	3.5% to 4%	3.5% to 4%
Discount rate	6.5%	6.5%	6.5%

The assumptions used by the US subsidiary Mack Trucks, Inc., the main foreign entity having significant pension commitments, are as follows:

	1998	1997	1996
Discount rate	8%	8%	8%
Return on plan assets	9.5%	10.5%	10.5%

The Group's pension commitments are broken down as follows:

(In millions of euros)	1998	1997	1996
Vested benefits of employees of French companies	804	800	752
Unrecognized transition obligations	(163)	(187)	(195)
Provisions for pension and other post-retirement benefits in French companies	**641**	**613**	**557**
Vested benefits of employees of Mack Trucks, Inc.	615	594	520
Unrecognized transition obligation	(42)	(52)	(82)
Fair value of plan assets	(621)	(603)	(468)
Other items	27	44	27
Pension provisions at Mack Trucks, Inc.	**(21)**	**(17)**	**(3)**
Provisions for pension and other post-retirement benefits relating to foreign companies	**97**	**83**	**75**
Total	**717**	**679**	**629**

In view of the sharp fall in the interest rates used to discount the pension commitments of the Group's French companies, provisions were revised at January 1, 1996. In accordance with the Group's accounting principles, the effect has been spread over the remaining years of service of employees who are still with the company.

C. In addition to the pension commitments described above, Mack Trucks, Inc. is committed to bearing the cost of employees' medical costs and life insurance. These costs are accounted for in accordance with the method described in Note 1-F.

The amounts booked for these plans are broken down as follows:

(In millions of euros)	1998	1997	1996
Accumulated commitments			
• Retired employees	244	261	224
• Active employees	121	129	118
Provisions for commitments	**365**	**390**	**342**

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

(In millions of euros)	1998	1997	1996
Additional benefits acquired	3	3	3
Discount effect	30	30	26
Net cost during the year	**33**	**33**	**29**

The rate of cost growth in medical and other expenses in these plans has been assumed to be declining to the annual limits per employee set in labor agreements in 1992, falling gradually to 7% in 2001 for the larger of the plans and to 9% in 1996 for the other plan. Beyond these dates, the labor agreements effectively eliminate the growth in the employer's share of medical expenses.

By way of example, a 1% annual increase in the above rates would have resulted in a 4 million euro increase in the liability and the annual cost in 1998, composed of the sum of the vested benefits earned during the year and the discount effect of 0.3 million euros. The weighted average rate used to calculate the present value of liabilities remained unchanged at 8% between 1997 and 1998.

23. OTHER PROVISIONS FOR RISKS AND LIABILITIES

Other provisions for risks and charges break down as follows (in millions of euros):

1998	Over one year	Under one year	Total
Provisions for restructuring costs	72	374	446
Provisions for warranty costs		729	729
Other	465	437	902
Total	**537**	**1,540**	**2,077**

1997	Over one year	Under one year	Total
Provisions for restructuring costs	81	430	511
Provisions for warranty costs		570	570
Other	355	453	808
Total	**436**	**1,453**	**1,889**

1996	Over one year	Under one year	Total
Provisions for restructuring costs	26	567	593
Provisions for warranty costs		374	374
Other	263	304	567
Total	**289**	**1,245**	**1,534**

In recent years, the Group has adopted a number of restructuring measures in order to streamline production facilities. These measures have chiefly involved workforce reductions in the form of early retirement, guaranteed income arrangements, internal and external reassignments and redundancies. In 1998, 196 million euros in new provisions was booked (186 million euros in 1997 and 451 million euros in 1996). A total of 235 million euros in restructuring provisions was utilized in 1998 (268 million euros in 1997 and 162 million euros in 1996).

The increase in provisions for product warranty costs and other provisions is attributable to the increase in sales volumes, changes in commercial terms and conditions and, with respect to 1997, changes in the scope of consolidation.

24. BONDS AND OTHER BORROWINGS

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

(In millions of euros)	1998	1997	1996
Bonds	3,140	2,855	2,286
Other debt securities	895	921	825
Bank loans	589	486	436
Other financial debt	106	74	50
Portion over one year of long-term debt	**4,730**	**4,336**	**3,597**
Current portion of long-term debt	**824**	**995**	**1,275**
Total long-term debt	**5,554**	**5,331**	**4,872**
Short-term debt	**9,723**	**9,752**	**11,293**
Total	**15,277**	**15,083**	**16,165**

Bond issues:

(In millions of euros)	1998	1997	1996
Renault S.A. :			
1998 issue at 3-month Pibor	76		
1996 issue at 5.80%	305	305	305
1994 issue at 6.25%	305	305	305
1993 issue at 7.25%	229	229	229
1993 issue at 7.5%	229	229	229
1992 issue at 9%	301	301	301
1986 issue at 10.625%	15	14	14
1985 issue at 12.5%			293
Total	**1,460**	**1,383**	**1,676**
Other bonds of industrial and commercial subsidiaries		**2**	**4**
Compagnie Financière Renault			
1985 issue at 12%			152
Renault Crédit International :			
1998 issue at 3-month Libor	153		
1997 issue at 3-month Libor	153	153	
1997 issue at 3-month Pibor	305	305	
1997 issue at 6.30%	213	213	
1996 issue at 6.60%	305	305	305
1995 single-coupon issue	197	181	165
1993 issue at 7.5% (April)	152	152	152
1993 issue at 7.5% (November)	152	152	152
1992 issue at 8.25%			154
Other bonds	50	49	50
Total	**1,680**	**1,510**	**978**
Diac			
1989 issue at 8.70%		76	76
Total		**76**	**76**
Accrued interest	96	108	130
Total	**3,236**	**3,079**	**3,016**

(a) Before interest rate swap (see note 7).

B. Long-term borrowings mature as follows:

(In millions of euros)	1998	1997	1996
Under one year	825	995	1,275
Between 1 and 2 years	1,298	784	906
Between 2 and 3 years	596	1,013	183
Between 3 and 4 years	480	709	421
Between 4 and 5 years	607	227	427
Over 5 years	1,748	1,603	1,660
Total	**5,554**	**5,331**	**4,872**

Short-term drawings on credit lines with maturities of more than one year are recorded under long-term borrowings.

C. An analysis by currency of bonds and other borrowings, before giving effect to derivative financial instruments, is as follows:

(In millions of euros)	1998	1997	1996
French francs	8,992	7,954	8,832
Other euro zone currencies	3,407	3,852	3,838
Other EU currencies (outside euro zone)	1,453	1,883	1,206
Other currencies	1,425	1,394	2,289
Total	**15,277**	**15,083**	**16,165**

D. Before giving effect to derivative financial instruments, long-term fixed-rate borrowings amounted to 3,882 million euros on December 31, 1998, 3,779 million euros on December 31, 1997 and 4,190 million euros on December 31, 1996. The corresponding figures for floating-rate borrowings (usually based on LIBOR) were 1,672 million euros, 1,552 million euros and 682 million euros.

E. Average weighted interest rates on financial debt, before giving effect to derivative financial instruments, are broken down as follows:

(In millions of euros)	1998	1997	1996
Short-term debt	4.32%	4.78%	4.13%
Current portion of long-term debt	3.82%	4.35%	8.24%
Total financial debt due in less than one year	**4.29%**	**4.74%**	**4.55%**

F. CREDIT LINES

On December 31, 1998 the Renault Group's open credit lines with banks amounted to the equivalent of 9,474 million euros in different currencies, with maturities extending to 2003 (with the short-term portion amounting to 2,742 million euros. This compares with 10,190 million euros and 2,738 million euros on December 31, 1997, and 9,558 million and 2,483 million euros on December 31, 1996.

A total of 2,000 million euros of these credit lines was in use on December 31, 1998, 2,546 million euros on December 31, 1997 and 2,625 million euros on December 31, 1996.

The average commission paid in 1998 was 0.084% of confirmed credit lines, compared with 0.082% in 1997 and 0.086% in 1996.

25. OTHER LIABILITIES

Other liabilities mainly include sundry taxes, staff remuneration and social charges on wages, in the following amounts:

(In millions of euros)	1998	1997	1996
Tax liabilities	1,231	912	478
Payroll	1,069	956	860
Other	1,440	1,271	1,356
Total	**3,740**	**3,139**	**2,694**

The increase in tax liabilities is chiefly attributable to the rise in taxes payable in 1998.

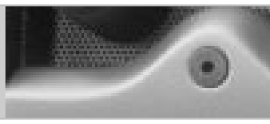
26. NET FINANCIAL INDEBTEDNESS BY ACTIVITY

(In millions of euros) December 31, 1998	Industrial and commercial activities	Sales financing activities	Balance sheet total
Bonds	1,489	1,747	3,236
Other borrowings	3,099	8,942	12,041
Finance receivables		(10,898)	(10,898)
Investment loans	(5,963)	(197)	(6,160)
Marketable securities	(222)	(81)	(303)
Cash and cash equivalents	(758)	(329)	(1,087)
Interactivity operations	426	(426)	
NET FINANCIAL INDEBTEDNESS	**(1,929)**	**(1,242)**	

December 31, 1997	Industrial and commercial activities	Sales financing activities	Balance sheet total
Bonds	1,424	1,655	3,079
Other borrowings	3,618	8,386	12,004
Finance receivables		(9,758)	(9,758)
Investment loans	(3,481)	(539)	(4,020)
Marketable securities	(205)	(83)	(288)
Cash and cash equivalents	(1,427)	(157)	(1,584)
Interactivity operations	390	(390)	
NET FINANCIAL INDEBTEDNESS	**319**	**(886)**	

December 31, 1996	Industrial and commercial activities	Sales financing activities	Balance sheet total
Bonds	1,914	1,102	3,016
Other borrowings	5,577	7,572	13,149
Finance receivables		(8,813)	(8,813)
Investment loans	(5,122)	(413)	(5,535)
Marketable securities	(158)	(24)	(182)
Cash and cash equivalents	(824)	(283)	(1,107)
Interactivity operations	44	(44)	
NET FINANCIAL INDEBTEDNESS	**1,431**	**(903)**	

The net indebtedness of manufacturing and marketing activities includes the net financial debt of the industrial and commercial companies and the financial subsidiaries that manage the Group's cash funds.



27. FINANCIAL INSTRUMENTS

In its ordinary operations, the Renault Group is exposed to various financial risks, such as currency risk, interest rate risk and credit risk. The Group has devised on a central basis a set of specific policies for managing these exposures. When managing financial risk, the Group uses derivative financial instruments, but it never acts as market maker in such instruments. Since most transactions are intended to hedge positions taken in the course of normal business, the market risk of the instruments used is largely offset on the hedged positions by equal and opposite movements.

A. MANAGEMENT OF CURRENCY AND INTEREST RATE RISK

The corresponding commitments, expressed in terms of notional amount where appropriate, are broken down as follows:

(In millions of euros)	1998	1997	1996
FOREIGN EXCHANGE RISK:			
CURRENCY SWAP			
Purchases	461	861	839
Sales	460	858	845
Forward exchange contracts and options:			
Purchases	12,551	10,934	15,715
Sales	12,411	10,799	15,802
INTEREST RATE RISK:			
Interest rate swap	27,609	27,806	16,095
FRAs			
Purchases	1,398	4,827	3,270
Sales	1,198	5,433	5,308
OTHER INTEREST RATE HEDGING INSTRUMENTS			
Purchases	3,250	4,540	2,678
Sales	3,311	4,578	3,661

In addition, in the course of its ordinary business, Renault has entered into a number of financial contracts, including guarantees accompanying sales of receivables, financial guarantees and letters of credit, that may represent a potential risk. On December 31, 1998, neither the amounts involved nor the risks inherent in such contracts are considered to pose any significant risk.

B. COUNTERPARTY RISK

The Group controls the counterparty risk inherent in using financial instrument contracts by dealing solely with leading financial institutions and by establishing limits for each institution.

Renault has commercial relations with customers, dealers and partners throughout the world. Accordingly, its receivables and customer guarantees are highly diversified and, in many cases, collateralized by sureties or other pledges.

As a result, the Group considers that it is not exposed to any notable concentration of credit risk.

C. MARKET VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts on the balance sheet and the estimated market values of the Group's financial instruments are broken down as follows:

(In millions of euros)		1998		1997		1996	
		Book value	Market value	Book value	Market value	Book value	Market value
ASSETS							
Other listed securities[a]		69	124	69	87	329	464
Other unlisted equity securities [b]		98	NA	115	NA	113	NA
Other equity securities	(I)	167	NA	184	NA	442	NA
Securities included in other financial assets	(II)			88	88	103	104
Trading securities		78	78	110	110	15	15
Other securities		225	272	178	182	167	177
Marketable securities	(III)	303	350	288	292	182	192
Total investment portfolio	(I+II+III)	470	NA	560	NA	727	NA
Loans		6,160	6,173	4,020	4,028	5,535	5,552
Finance receivables		10,898	10,869	9,758	9,704	8,813	8,893
Cash and cash equivalents		1,087		1,584		1,107	1,107
LIABILITIES							
Bonds		(3,236)	(3,340)	(3,079)	(3,242)	(3,016)	(3,190)
Other borrowings		(12,041)	(12,099)	(12,004)	(12,010)	(13,149)	(13,170)
		3,338	NA	**839**	NA	**17**	NA

(a) The difference between market and book value can be analyzed as follows:
- unrealized capital losses: 1 million euros for 1997 and 13 million euros for 1996.
- unrealized capital gains: 55 million euros for 1998, 18 million euros for 1997 and 159 million euros for 1996.

(b) It has not been possible to determine the market value of equity stakes in some unlisted companies with which the Group does business and for which comparisons with listed companies are unavailable.

Estimated market value of off-balance sheet instruments:

(In millions of euros)	1998		1997		1996	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	12,629	12,594	9,717	9,645	13,830	13,927
Currency swaps	470	479	867	867	740	830
Interest rate swaps	412	302	240	455	230	315
Interest rate futures	1		4	3	3	8

Assumptions and methods adopted:

Estimated market values are based on information available on the markets and arrived at using valuation methods appropriate to the types of instrument in question. However, the methods and assumptions used are theoretical by nature, and judgement plays a major role in interpreting market data. Adopting different assumptions or pricing methods could therefore have a significant impact on the values estimated.

Market values have been determined on the basis of information available at the end of the fiscal year and do not therefore take account of subsequent movements.

The main assumptions and valuation methods are as follows:

– Securities (marketable securities, redeemable securities and other securities)

The market value of securities is determined mainly by reference to market prices. Redeemable securities and other securities for which there is no traded price have been estimated by reference to the market price of similar securities, if such exist.

– Investment loans

For loans with an original maturity of less than three months and for floating-rate loans, the value recorded on the balance sheet is considered to be the market value. Other fixed-rate loans have been estimated by discounting future cash flows using the rates offered to Renault on December 31, 1998, December 31, 1997 and December 31, 1996 for loans having similar conditions and maturities.

– Sales-finance receivables

Sales-finance receivables at fixed rates have been estimated by discounting future cash flows at rates that would be applicable to similar loans (conditions, maturity and debtor quality) as at December 31, 1998, December 31, 1997 and December 31, 1996.

– Cash and cash equivalents

The value recorded on the balance sheet is considered the market value.

– Bonds and other financial debt

The market value of listed bonds has been estimated at year-end market prices. As regards the Finance Division's debts evidenced by securities issued with a life of less than 90 days, the value recorded on the balance sheet is considered the market value. The market value of other financial debt was determined by discounting future cash flows at the rates offered to Renault on December 31, 1998, December 31, 1997 and December 31, 1996 for loans having similar conditions and maturities.

– Off-balance sheet foreign exchange instruments

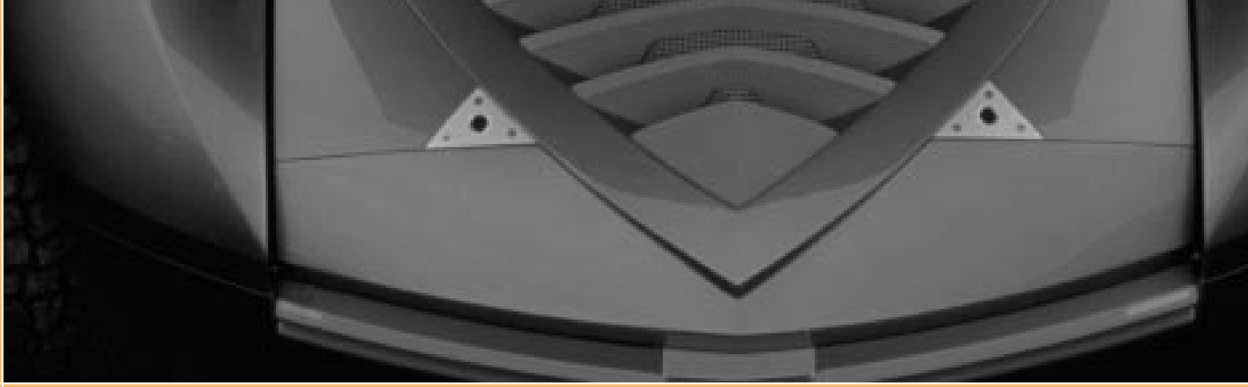
The market value of forward contracts is estimated on the basis of prevailing market conditions. The market value of currency swaps is determined by discounting cash flows using exchange rates and interest rates prevailing on December 31, 1998, December 31, 1997 and December 31, 1996 for the contracts' residual lives.

– Off-balance sheet interest rate instruments

The market value of interest rate swaps represents the amount Renault would receive (or pay) if it settled outstanding contracts at the end of the fiscal year. Unrealized capital gains or losses, determined on the basis of prevailing interest rates and the quality of the counterparty to each contract, is taken into account on December 31, 1998, December 31, 1997 and December 31, 1996.

D. ANALYSIS OF SECURITIES PORTFOLIO

(In millions of euros)	1998 Book value	1998 Market value	1997 Book value	1997 Market value	1996 Book value	1996 Market value
HELD-TO-MATURITY SECURITIES						
Debt securities issued by central or local authorities			84	84	81	82
Debt securities issued by Group companies					15	15
Other held-to-maturity debt securities			4	4	7	7
(I)			88	88	103	104
Trading securities (II)	78	78	110	110	15	15
OTHER SECURITIES						
Debt securities issued by central or local authorities	4	4	6	6	20	20
Debt securities issued by industrial and commercial companies						
Debt securities issued by Group companies	66	66	58	58	52	52
Other debt securities	108	113	84	88	95	105
Equities	47	89	99	117	329	464
(III)	225	272	247	269	496	641
Total for valued securities (I+II+III)	303	350	445	467	614	760
Securities for which the market value cannot be determined (IV)	99		115		113	
Total	402		560		727	



Securities other than trading securities are analyzed by maturity:

(In millions of euros)	Held-to-maturity securities		Other securities	
1998	Book value	Market value	Book value	Market value
Under one year			100	114
Between one and five years			64	64
Between five and ten years				
Over ten years			5	5
Shares			47	89
Total			**225**	**272**

	Held-to-maturity securities		Other securities	
1997	Book value	Market value	Book value	Market value
Under one year	88	88	67	70
Between one and five years			80	82
Between five and ten years				
Over ten years				
Shares			100	117
Total	**88**	**88**	**247**	**269**

	Held-to-maturity securities		Other securities	
1996	Book value	Market value	Book value	Market value
Under one year	3	3	123	132
Between one and five years	100	101	41	43
Between five and ten years			3	3
Over ten years	2	2		
Shares			329	463
Total	**103**	**104**	**496**	**641**

28. OTHER COMMITMENTS AND CONTINGENCIES

A. THE GROUP IS COMMITTED FOR THE FOLLOWING AMOUNTS:

(In millions of euros)	1998	1997	1996
Customer guarantees and endorsements (sales financing)	11	4	4
Other guarantees granted	2,456	1,863	1,340
Pledged or mortgaged assets in favor of consolidated subsidiaries	10	20	17
Opening of confirmed credit lines for customers	377	218	64
Securities payable from repurchase or forward transactions	8	5	229

The "Other guarantees granted" item includes rent from irrevocable leases to which the Group is committed. These are broken down as follows:

(In millions of euros)	1998	1997	1996
Year following the end of the fiscal year	59	53	58
Subsequent years	193	195	206

At December 31, 1998 the Group was committed to firm investment orders of 979 million euros compared with 887 million euros on December 31, 1997 and 957 million euros on December 31, 1996.

B. In 1994, Renault decided to combine its new-vehicle research and develop units in a single site, the Technocentre at Guyancourt. In March 1995, the Group signed an agreement within a group of investors under which the Technocentre would be built by a real estate company, with 15% owned by Renault and 85% by the investors. This company leases the center to Renault at prevailing market rents under a lease expiring in 2010. The agreement gives Renault the option, inter alia, 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 0.8 billion euros. In June 1995, the Group sold the land and the building under construction to the real estate company at cost.

C. The Group is periodically subject to tax audits in France and other countries in which it operates. Tax adjustments are taken to the financial statements. Contested tax adjustments are also taken into account for an amount equal to the estimated risk.

D. In general, all litigation in which Renault or Group companies is involved is examined at year-end. After seeking the opinion of legal advisors, the provisions deemed necessary are, where appropriate, set aside to cover the estimated risk.

29. COMPANIES CONSOLIDATED ON DECEMBER 31, 1998

		RENAULT GROUP'S INTEREST, %		
FULLY-CONSOLIDATED COMPANIES		**1998**	**1997**	**1996**
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
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
Fabricación de Automobiles Renault de España	Spain	92	92	91
Renault España	Spain	100	100	100
Mecanización Contable S.A.	Spain	92	92	91
Confranpor	Portugal	-	-	50
Vehicle Engineering and Manufacturing				
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
Creos	France	100	100	100
Société des Automobiles Alpine Renault	France	100	100	100
Emboutissage Tôlerie Gennevilliers	France	100	100	100
Creica	France	100	100	100
SNC Renault Douai	France	100	100	100
SNC Renault Flins	France	100	100	100
SNC Renault Sandouville	France	100	100	100
SNC Renault Cléon	France	100	100	100
SNC Renault Le Mans	France	100	100	100
GIE AT Systèmes	France	96	96	-
Industrial Companies				
Société Bretonne de Fonderie et de Mécanique	France	100	100	100
Société Mécanique de Villeurbanne	France	100	100	100
Métallurgique du Temple	France	100	100	100
Fundição Portuguesa	Portugal	82	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	Great Britain	100	100	100
SNR Wälzlager	Germany	100	100	100
SNR Italia	Italy	100	100	100

		RENAULT GROUP'S INTEREST, %		
		1998	1997	1996
SNR Bearings USA	USA	100	100	100
SNR España	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
Compagnie d'Affrètement et de Transport	Italy	100	100	100
Compagnie d'Affrètement et de Transport	Germany	100	100	100
Other companies				
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	Great Britain	100	100	100
Compagnie d'Affrètement et de Transport	Switzerland	100	100	100
Compagnie d'Affrètement et de Transport	Mexico	100	100	-
Chausson Outillage	France	-	-	100
CAT Distri	Belgium	100	-	-
Compagnie d'Affrètement et de Transport	Argentina	65	-	-
Compagnie d'Affrètement et de Transport	Brazil	65	-	-
Sales – France				
Renault France Automobiles (RFA)	France	100	100	-
Pessac Automobiles	France	100	100	100
Renault Paris Clichy	France	100	100	100
Grands Garages de Catalogne	France	100	100	100
Grands Garages Mulhousiens	France	100	100	100
Grands Garages Douaisiens	France	100	100	100
Société Nouvelle Garage du Nord	France	100	100	100
Renault Limoges	France	-	100	100
Société Garage du Nord	France	100	100	100
Renault Montbéliard	France	100	100	100
Automobiles des Remparts	France	100	100	100
Auto Services Brestois	France	100	100	100
Nerva	France	100	100	100
Avignon Stade Automobile	France	100	100	100
Société Nouvelle des Grands Garages de Savoie	France	99	100	100
Etablissements Louis Grisoni	France	100	100	100
Société Immobilière pour le Commerce et la Réparation Automobile	France	100	-	-
Sales – Europe				
Renault Italia	Italy	100	100	100
Deutsche Renault	Germany	100	100	100
Renault Belgique Luxembourg	Belgium	100	100	100
Renault Nederland	Netherlands	100	100	100
Renault U.K.	Great Britain	100	100	100
Renault Österreich Automobilvertriebs	Austria	100	100	100

		RENAULT GROUP'S INTEREST, %		
		1998	1997	1996
Renault Suisse	Switzerland	100	100	100
Renault Portuguesa	Portugal	98	98	93
Renault España Comercial S.A. and its subsidiaries	Spain	92	92	91
Renault Retail Group	Great Britain	100	100	100
Renault Hungaria	Hungary	100	100	-
Renault Ceska Républika	Czech Republic	100	100	-
Renault Polska	Poland	100	100	-
Renault Amsterdam	Netherlands	100	-	-
Renault Berlin	Germany	100	-	-
Renault Köln	Germany	100	-	-
International Operations				
Oyak Renault Otomobil Fabrikalari	Turkey	52	52	57
REVOZ	Slovenia	54	54	54
Renault Comercial do Brasil	Brazil	-	-	48
Renault do Brasil Automóveis	Brazil	-	-	60
Mercosur				
Cofal	Luxembourg	80	63	-
Renault Comercial do Brasil (a)	Brazil	50	31	-
Renault do Brasil Automóveis (a)	Brazil	48	38	-
Renault Argentina (a)	Argentina	47	32	-
Capillitas S.A.	Argentina	47	32	-
Centro Automotores S.A.	Argentina	47	32	-
Cormasa S.A.	Argentina	48	32	-
Courtage S.A.	Argentina	47	32	-
Cormecánica	Chile	48	34	-
Metalúrgica Tandil S.A.	Argentina	34	24	-
Plan Rombo	Argentina	46	32	-
Rombo Ahorro	Argentina	47	31	-
Santander S.A.	Argentina	-	24	-
After-sales				
Société de Distribution pour la Chimie, l'Automobile et la Mécanique	France	100	100	100
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	Great Britain	100	100	100
Société d'Assistance Technique Automobile	France	100	100	-
Société Charolaise de Participations	France	100	-	-
Industrial Research and Development Companies				
Société de Construction Mécanique de l'Arbresle	France	100	100	100

		RENAULT GROUP'S INTEREST, %		
		1998	1997	1996
Other companies				
France Véhicules Industriels	France	100	100	100
Renault Vehículos Industriales	Spain	100	100	100
Renault V.I. Belgique	Belgium	100	100	100
Renault LKW	Germany	100	100	100
Renault Veicoli Industriali	Italy	100	100	100
Renault Truck Industries	Great Britain	100	100	100
Renault Veículos Comerciais	Portugal	100	100	100
Société Internationale de Facturation	Cayman Islands	-	-	100
Mack Trucks and its industrial, commercial and financial subsidiaries	USA	100	100	100
Lofimat	France	-	100	100
Karosa	Czech Republic	94	51	51
Renault V.I. Nubag	Switzerland	100	100	100
Renault V.I. Lastbiler	Denmark	100	100	100
Renault V.I. Lastkraftwagen	Austria	100	100	100
Société de Transmissions Bouthéon	France	-	100	-
Laudate	France	100	100	-
Heuliez Bus	France	75	-	-
Renault Bus	France	100	-	-
Renault Trucks Polska	Poland	100	-	-
FINANCIAL COMPANIES				
Sales Financing – France				
Renault Crédit International S.A.	France	100	100	100
DIAC	France	100	100	100
Compagnie de Gestion Rationelle	France	100	100	100
Société de Gestion, d'Exploitation de Services en moyens administratifs	France	100	100	100
Diac Location	France	100	100	100
Renault V.I. Finance	France	100	100	100
Sales Financing – outside France				
Renault Finanzholding (ex. Renault Bank GmbH)	Germany	100	100	100
Renault Leasing Beteilungs	Germany	100	100	100
RCI GmbH	Austria	100	100	100
Renault Bank	Austria	100	50	50
Renault Autofin S.A. (ex. Renault Crédit S.A.)	Belgium	100	100	100
Overlease	Belgium	100	100	100
Finalliance	Belgium	-	50	50
Renault Financiaciónes	Spain	96	96	96
Renault Leasing de España	Spain	96	96	96
Renault Financial Services Ltd.	Great Britain	50	50	50
Overlease	Netherlands	100	100	100
Renault Financiering	Netherlands	-	-	100
Finrenault	Italy	100	100	100
Refactor	Italy	100	100	100
Sveviafin	Italy	50	50	50
Renault Gest SCO	Portugal	100	100	95
Renault Gest SGPS	Portugal	100	100	95
Renault Gest SFAC	Portugal	100	100	95

		RENAULT GROUP'S INTEREST, %		
		1998	**1997**	**1996**
Renault Gest Leasing	Portugal	100	100	95
Renault Crédit S.A.	Switzerland	100	100	100
Accordia	Italy	100	-	-
Diac Belgique	Belgium	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
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	Great Britain	100	100	100
Renault Acceptance GmbH	Germany	100	100	100
Service Companies				
Société Internationale de Gestio				
et de Maintenance Automobile	France	100	100	100
Réalisation, Etudes, Courtage et Assurances	France	100	100	100
Overlease España (ex. Renault Services Espagne)	Spain	96	96	96
Difusora de Seguros S.A.	Spain	96	96	96
Gest Seguros	Portugal	100	100	96
Renault Conseil Assistance	France	-	-	100
Renault Versicherungs Dienst	Germany	100	100	100
Renault Services S.A.	Belgium	100	100	100

		RENAULT GROUP'S INTEREST, %		
		1998	1997	1996
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
GIE TA 96	France	50	50	50
Industrial Companies				
Roulements Nadella	France	50	50	50
Nadella Cuscinetti	Italy	50	50	50
Nadella U.K.	Great Britain	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	50
Nadella Suisse	Switzerland	50	50	-
COMMERCIAL VEHICLES DIVISION				
Société Charolaise de Participations	France	-	50	50
Hansa Auto Oy	Finland	50	50	-

		RENAULT GROUP'S INTEREST, %		
		1998	1997	1996
COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD				
AUTOMOBILE DIVISION				
International Operations				
Renault Maroc	Morocco	50	50	50
Cofal	Luxembourg	-	-	33
Sociedad de Fabricación de Automotores	Colombia	24	24	24
Maïs	Turkey	49	49	20
Industrial Companies				
Industria Cuscinetti (ICSA)	Italy	33	33	33
Nadella Inde (NRB)	India	13	-	-
COMMERCIAL VEHICLES DIVISION				
Heuliez Bus	France	-	37	37
Subsidiaries of France Véhicules Industriels	France	100	100	100
Renault V.I. Liège	Belgium	100	100	100
Renault Truck Ireland	Ireland	100	100	100
Macasa	Spain	100	100	100
Iruvisa	Spain	100	100	100
Barnavisa	Spain	100	100	100
Sevisa	Spain	100	100	100
Muvisa	Spain	100	100	100
Laudate	France	48	-	100
Société de Transmissions Bouthéon	France	40	-	-
FINANCE DIVISION				
Société de Développement des Echanges	Switzerland	33	33	33
Sodéchanges France	France	-	33	33
Sofrafi	France	40	40	40
Solocvi	France	40	40	40
Diamond Lease	Belgium	45	45	45
Diamond Finance U.K.	Great Britain	40	40	40
Fineritalia	Italy	40	40	40

AUTOMOBILE DIVISION

F.A.S.A. RENAULT

Carretera de Madrid, km 185
47008 Valladolid
Spain

92.2% owned by Renault. The F.A.S.A. Renault share is listed on the Madrid stock exchange.

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

Plants in Valladolid, Palencia and Séville.

1998 Revenues: 1,024 billion pesetas (local consolidated figures).

Workforce: 13,944 people (local consolidated figures).

RENAULT AGRICULTURE

7, rue Dewoitine
78140 Vélizy-Villacoublay
France

Wholly owned by Renault.

Activity: design, manufacturing and marketing of agricultural tractors.

Plant in Le Mans.

1998 revenues: FRF 2.8 billion (in accordance with Renault consolidation standards).

Workforce: 3,688 people.

RENAULT FRANCE AUTOMOBILES

34, quai du Point du Jour
92100 Boulogne-Billancourt
France

Wholly owned by Renault.

Activity: trade, repairing, maintenance and leasing of passenger cars and LCVs.

47 sites in Fance

1998 Revenues: FRF 21,264 billion.

Workforce: 7,356 people.

COMPAGNIE D'AFFRÈTEMENT ET DE TRANSPORT (C.A.T.)

82, rue du Point du Jour
92100 Boulogne
France

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

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

1998 revenues: FRF 6.9 billion.

Workforce: 2,060 people.

COMMERCIAL VEHICLES DIVISION

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

Wholly owned by Renault V.I.

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

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

1998 revenues: FRF 22,445 million (company accounts).

Workforce: 11,443 people (company accounts).

MACK TRUCKS INC.
World Headquarters
2100 Mack Boulevard
Allentown, Pennsylvania 18105, U.S.A.

Wholly owned by Renault V.I.

Activity: design, manufacturing and marketing of heavy duty trucks (U.S. Class 8).

Plants in Winnsboro, Macungie, Hagerstown (USA)

1998 revenues: USD 2,772.2 million (Renault V.I. consolidated figures).

Workforce: 5,720 people (Renault V.I. consolidated figures).

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 cash management.

Total assets at 31/12/1998: FRF 129 billion (C.F.R. consolidated figures).

Workforce at 31/12/1998: 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 1998: 40.7 billion (R.C.I. consolidated figures).

Total assets at 31/12/1998: 86.5 billion (R.C.I. consolidated figures).

Workforce: 3,203 people (consolidated figures).

SOCIÉTÉ FINANCIÈRE ET FONCIÈRE
27-33, quai Le Gallo
92109 Boulogne-Billancourt Cedex
France

Wholly owned Compagnie Financière Renault.

Activity: centralized cash management
for the Renault Group.

Total assets at 31/12/1998: FRF 2,169 million.

Workforce: 37 people.

RENAULT FINANCE
Avenue de Rhodanie 48
Case postale 1002, Lausanne
Switzerland

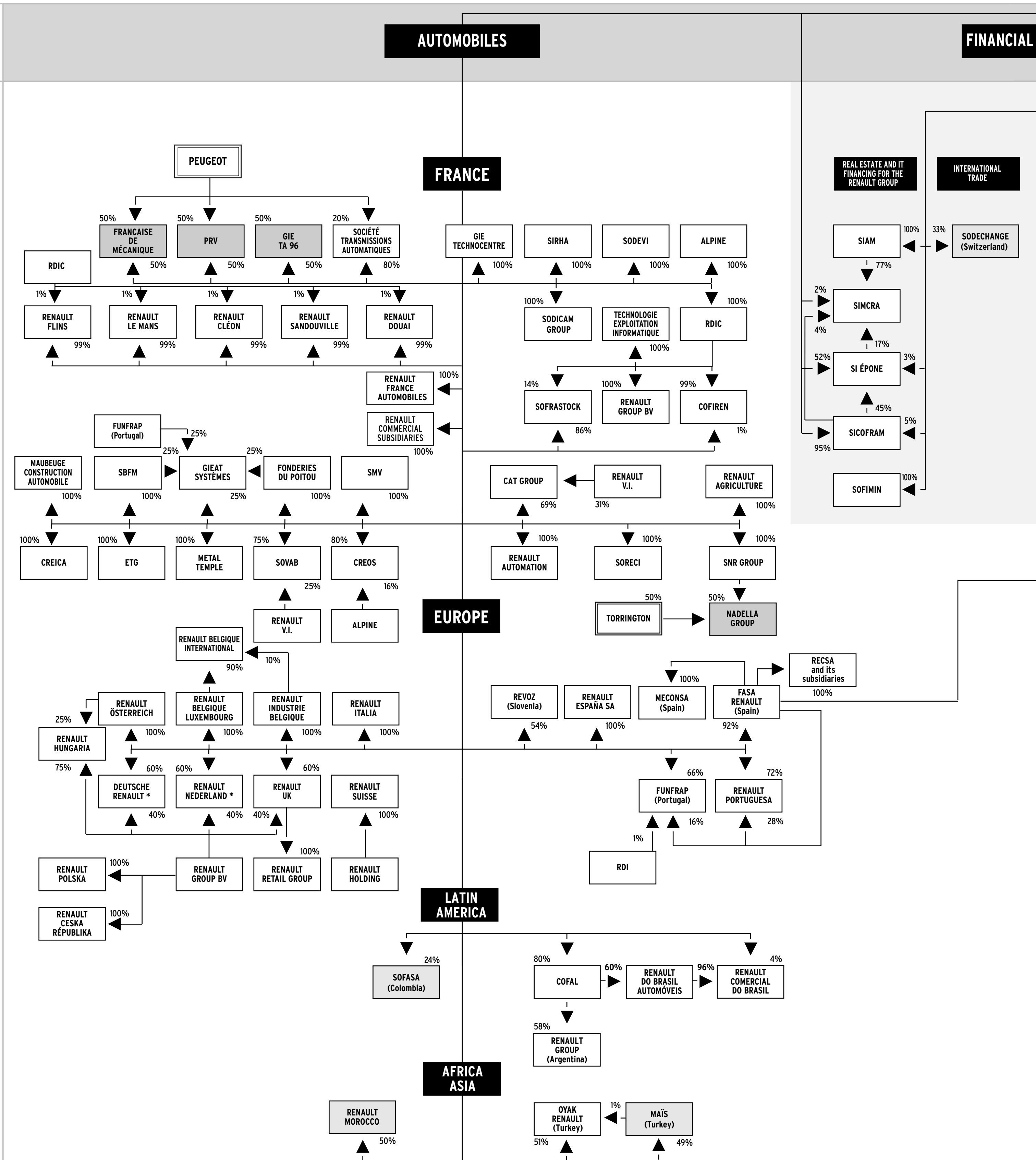
Wholly owned by Renault Holding (a wholly owned subsidiary of Compagnie Financière Renault).

Activity: It acts as counterparty in foreign exchange operations and interest rate management for the Renault Group's industrial and commercial activities and is responsible for the deposits of Renault S.A., thus helping to optimize the management of counterparty risk. It carries out market operations on its own account.

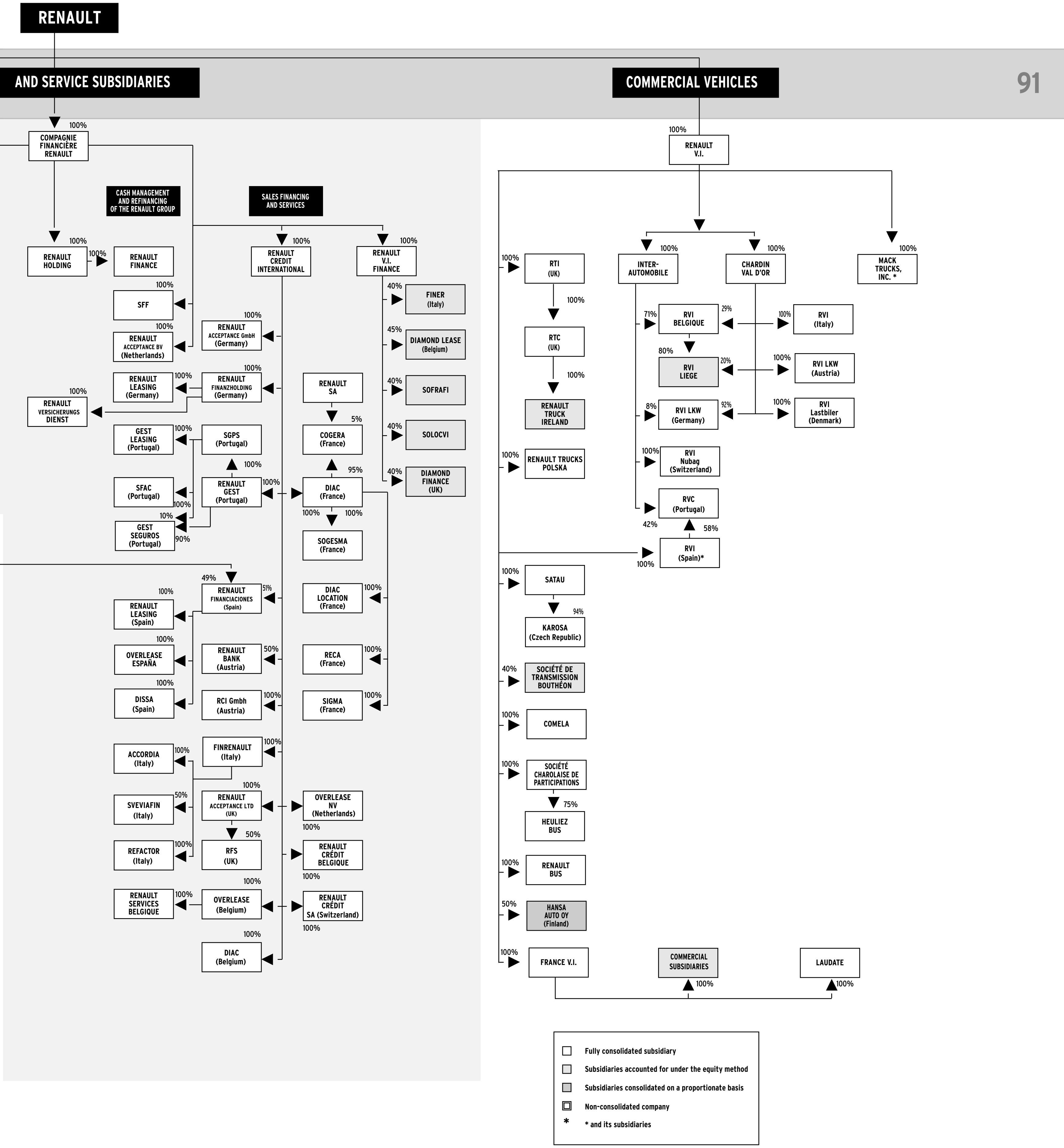
Total assets at 31/12/1998: CHF 40 billion.

Workforce: 27 people.

Hierarchy


AUTOMOBILES
FINANCIAL
FRANCE
PEUGEOT
FRANCAISE DE MÉCANIQUE
PRV
GIE TA 96
SOCIÉTÉ TRANSMISSIONS AUTOMATIQUES
RDIC
RENAULT FLINS
RENAULT LE MANS
RENAULT CLÉON
RENAULT SANDOUVILLE
RENAULT DOUAI
GIE TECHNOCENTRE
SIRHA
SODEVI
ALPINE
SODICAM GROUP
TECHNOLOGIE EXPLOITATION INFORMATIQUE
RDIC
RENAULT FRANCE AUTOMOBILES
RENAULT COMMERCIAL SUBSIDIARIES
SOFRASTOCK
RENAULT GROUP BV
COFIREN
FUNFRAP (Portugal)
MAUBEUGE CONSTRUCTION AUTOMOBILE
SBFM
GIEAT SYSTÈMES
FONDERIES DU POITOU
SMV
CAT GROUP
RENAULT V.I.
RENAULT AGRICULTURE
CREICA
ETG
METAL TEMPLE
SOVAB
CREOS
RENAULT AUTOMATION
SORECI
SNR GROUP
RENAULT V.I.
ALPINE
EUROPE
TORRINGTON
NADELLA GROUP
RENAULT BELGIQUE INTERNATIONAL
RENAULT ÖSTERREICH
RENAULT BELGIQUE LUXEMBOURG
RENAULT INDUSTRIE BELGIQUE
RENAULT ITALIA
RENAULT HUNGARIA
DEUTSCHE RENAULT *
RENAULT NEDERLAND *
RENAULT UK
RENAULT SUISSE
RENAULT POLSKA
RENAULT GROUP BV
RENAULT RETAIL GROUP
RENAULT HOLDING
RENAULT CESKA RÉPUBLIKA
REVOZ (Slovenia)
RENAULT ESPAÑA SA
MECONSA (Spain)
FASA RENAULT (Spain)
RECSA and its subsidiaries
FUNFRAP (Portugal)
RENAULT PORTUGUESA
RDI
LATIN AMERICA
SOFASA (Colombia)
COFAL
RENAULT DO BRASIL AUTOMÓVEIS
RENAULT COMERCIAL DO BRASIL
RENAULT GROUP (Argentina)
AFRICA ASIA
RENAULT MOROCCO
OYAK RENAULT (Turkey)
MAÏS (Turkey)
REAL ESTATE AND IT FINANCING FOR THE RENAULT GROUP
INTERNATIONAL TRADE
SIAM
SODECHANGE (Switzerland)
SIMCRA
SI ÉPONE
SICOFRAM
SOFIMIN

The Renault Group (Consolidated companies) on December 31, 1998



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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 1998 registered as a reference document by the "Commission des Opérations en Bourse" on April 8, 1999, under the number R 99-049.

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


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VII. Joint Annual General Meeting June 10, 1999

DRAFT RESOLUTIONS

ORDINARY BUSINESS

First resolution (Approval of the accounts for the year)

The Annual General Meeting, having taken note of the Directors' Report and the auditors' general report on the accounts for the year ending December 31, 1998, hereby approves the accounts for the year as presented, showing income of FRF 5,990,300,544.84 (EUR 913,215,431.02). It also approves the transactions reflected in these accounts or summarized in these reports.

The Annual General Meeting therefore gives the Directors discharge of the execution of their term of office in respect of the past financial year.

Second resolution (Appropriation of the income for the year)

The Annual General Meeting decides on the following appropriation of the year's income:

Income for the year	FRF 5,990,300,544.84
Allocation to legal reserve	/
Balance	FRF 5,990,300,544.84
Income carried forward from previous years	FRF 3,587,281,213.01
Distributable income for the year	FRF 9,577,581,757.85
Dividend	FRF 1,198,992,835.00
Retained earnings	FRF 8,378,588,922.85

Each eligible share will receive a dividend of FRF 5 (EUR 0.76225) carrying the right to a dividend tax credit (avoir fiscal) of:

- FRF 2.50 (EUR 0.38) if the credit will be utilized either by a natural person or, pursuant to Article 146-2 of the Tax Code, by a legal entity liable for corporate income tax
- FRF 2.25 (EUR 0.34) in other cases

The dividend will be paid on July 2, 1999.

Assuming that the company holds some of its own shares as treasury stock, the corresponding unpaid dividend will be taken to retained earnings.

The Annual General Meeting takes note that the following dividends have been paid for the past four fiscal years:

Year	Net Dividend	Tax credit	Gross dividend
1994	3.50	1.75	5.25
1995	3.50	1.75	5.25
1996	0	0	0
1997	3.50	1.75	5.25

Third Resolution (Agreements falling within the scope of Article 101 of the 1966 Companies Act)

The Annual General Meeting takes note that, according to the auditors' special report, the auditors have not been informed of any new agreement authorized by the Board during the year ended December 31, 1998 and falling within the scope of Article 101 of the Act of July 24, 1966 (Companies Act).

Fourth resolution (Renewal of a director's term of office)

The Annual General Meeting renews the term of office of Mr Jean-Luc Lagardère as a director for a period of six years, that is, until the Annual General Meeting called to approve the accounts for the year to December 31, 2004.

Fifth resolution (Renewal of a director's term of office)

The Annual General Meeting renews the term of office of Mr Louis Schweitzer as a director for a period of six years, that is, until the Annual General Meeting called to approve the accounts for the year to December 31, 2004.

Sixth resolution (Ratification of the appointment of a director)

The Annual General Meeting ratifies the appointment as a director of Mrs Jeanne Seyvet, named as a representative of the French State by a decree dated December 11, 1998 and which was the subject of a vote at the Board's meeting on December 15, 1998. Mrs Jeanne Seyvet succeeds Mr Didier Lombard for the remainder of his term of office, that is to say, until the Annual General Meeting called to approve the accounts for the year to December 31, 2000.

Seventh resolution (Discharge of a director)

The Annual General Meeting gives full and final discharge to

Mrs Anne Le Lorier, whose term of office expired during the year to December 31, 1998.

Eighth resolution (Discharge of a director)

The Annual General Meeting gives full and final discharge to Mr Didier Lombard, whose term of office expired during the year to December 31, 1998.

Ninth resolution (Discharge of a director)

The Annual General Meeting gives full and final discharge to Mr Gérard Muteau, whose term of office expired during the year to December 31, 1998.

Tenth resolution (Report of the auditors on redeemable shares)

The Annual General Meeting takes note of the auditors' report on the factors taken into account in determining the remuneration of redeemable shares (titres participatifs).

Eleventh resolution (Authorization for share buybacks)

The Annual General Meeting, having taken note of the report of the Board of Directors and the information appearing in the notice submitted to the Commission des Opérations de Bourse, hereby authorizes the Board of Directors, in conformity with article 217-2 (amended) of the Act of July 24, 1966, to deal in the company's own shares under the conditions and within the limits established by law. The purpose of this authorization is to allow the company to avail itself of the possibility of dealing in its own shares with a view to:

- stabilizing the share price by buying and selling shares on the stock market
- managing its cash funds and shareholders' equity
- using some or all of the shares thus acquired in order to:

• transfer them to employees and managers of the company and its group, in compliance with legal provisions (stock options, employee profit sharing, sale of shares reserved for employees)

or

• to tender them in connection with share exchanges, effected either through offers or otherwise, initiated by the company

- reducing the share capital, should the case arise, by canceling all or part of its shares.

Such purchases can be effected by any means, including over-the-counter trades and block trades, and during the periods to be decided by the Board of Directors. Further, any shares thus acquired can be sold or transferred by any means.

The Annual General Meeting sets the maximum bid price at EUR 60 (FRF 393.57) per share and the maximum ask price at EUR 15 (FRF 98.39) per share. Further, the maximum number of shares that may be acquired in this way shall not exceed 10% of the share capital.

In the event of capitalization of reserves and free distribution of shares, as well as a stock split or reverse stock split, the above prices will be multiplied by a coefficient equal to the ratio between the number of shares making up the share capital before and after the transaction.

This authorization is granted for a period which will expire at the next Annual General Meeting convened to approve the financial statements, but which in any case may not exceed eighteen months. The Annual General Meeting gives full powers, including that of delegation and subdelegation, to the Board of Directors to implement this authorization.

Twelfth resolution (Bond issues)

The Annual General Meeting, having taken note of the Board of Directors' report:

- terminates as from this Annual General Meeting the authorization given to the Board of Directors by the Joint Annual General Meeting of June 11, 1998, as part of the Ninth Resolution regarding the issue of bonds;

and

- authorizes the Board of Directors to issue, at its own discretion, bonds up to a maximum nominal value of EUR 3 billion (FRF 19,678,710,000) or its equivalent in foreign currencies, in the forms, at the times, and on the terms and conditions which the Board deems to be appropriate. Such bonds may be issued in one or several tranches, in France or abroad, in euro, French or foreign currency, or in a unit of account established with reference to several currencies.

To this end, full powers are given to the Board of Directors to fix, within the framework of the relevant laws, the characteristics of the bonds and to take all measures necessary towards making one or more bond issues.

The Board of Directors will also have full powers to decide if a guarantee should be attached to the bonds and, if so, to define and grant this guarantee, and to form a bond-holders' group and take all the relevant measures pertaining thereto.

This authorization given to the Board of Directors is valid from this Annual General Meeting until the date of the Annual General Meeting called to approve the financial statements for 2000.

SPECIAL BUSINESS

Thirteenth resolution (Issue of equity-linked securities with subscription rights)

The Annual General Meeting, after reading the Board of Directors' report and the auditors' special report and pursuant to the provisions of paragraph 3 of article 180-III of Act 66-537 of July 24, 1966:

1. Hereby delegates to the Board of Directors the powers necessary to carry out, in one or more stages, in the proportions and at the periods it shall determine, both in France and abroad, the issue of shares of the company and of any securities of any kind whatsoever giving right, immediately and/or in the future, to company shares;
2. Hereby decides that the amount of any share capital increases likely to be carried out immediately and/or in the future, in respect of the aforementioned delegation, shall not be in excess of FRF 3 billion (EUR 457,347,051.71) at par value, to which amount shall be added, as the case may be, the total par value of the additional shares to be issued in order to preserve the right of the holders of securities entitling them to shares, pursuant to French law;
3. Also decides that the par value of debt instruments likely to be issued in respect of the above-mentioned delegation shall not be more than EUR 3 billion (FRF 19,678,710,000), or the equivalent in foreign currencies;
4. Decides that shareholders shall be allowed to exercise their preferential subscription right, pursuant to the statutory provisions, on a full allotment basis. Furthermore, the Board of Directors shall be empowered to allow the Shareholders to subscribe to a number of shares, on a prorata basis, greater than that they would have subscribed on a full allotment basis, in proportion to the subscription rights they hold and in any case to within the amount they would have applied for;

If the subscriptions on an irreducible basis and, as the case may be, on a reducible basis, have not absorbed the whole issue of shares or securities as defined above, then the Board of Directors may use, in the order in which it deems it to be suitable, one or other of the following options:

- to limit the issue to the amount of subscriptions, provided that the latter amounts to at least three-quarters of the issue decided upon;
- to freely distribute all or part of the unsubscribed shares;
- to offer to the public all or part of the unsubscribed shares;

5. Decides that the issue of share warrants in the company under article 339-5 of the Act of July 24, 1966, may take place either by an offer for subscription pursuant to the conditions stipulated above, or by free allotments of shares to the holders of existing shares;
6. Notes that, where necessary, the above-mentioned power of attorney shall legally favor holders of securities giving future access to company shares likely to be issued, waive shareholders preferential rights to subscribe to the shares to which such securities give right;

   Decides to withdraw the preferential subscription rights from shares issued by bond conversion or by exercise of warrants;
7. Decides that the sum accruing to or which must accrue to the company for each share issued under the afore-mentioned power of attorney shall be at least equal to the par value of the shares;
8. Decides that the Board of Directors shall be fully authorized with the option to subdelegate to its Chairman, pursuant to the conditions stipulated by law, to implement

said authorization for the purposes namely of determining the dates and terms of the issues together with the forms and features of the securities to be created, of fixing the issue prices and terms, of determining the amounts to be issued, of fixing the coupon date, even retroactive of the shares to be issued, of determining the method of paying-up the shares or other securities issued and, as the case may be, of setting out the terms for their repurchase on the Stock Exchange and the possibility of suspending the exercise of the subscription rights to shares attached to the securities to be issued, for a period of not more than three months, of determining the conditions on which shall be ensured the preservation of the rights of holders of securities giving future access to the share capital, and same pursuant to the legal and statutory provisions. Additionally, the Board of Directors or its Chairman shall be authorized, as the case may be, to carry out any deductions from the issue price or prices and in particular those in respect of the costs incurred by the completion of the issues, and to generally take all necessary steps and enter into all agreements to complete the issues anticipated; and to determine any increase or increases of capital resulting from any issue completed using the said authorization; and to amend the articles of incorporation accordingly;

In the event of debt issue, the Board of Directors shall be authorized, with the option to subdelegate to the Chairman, in particular to decide its nature, whether subordinated or not, to determine its interest rate, its maturity, the redemption price whether fixed or variable and with or without premium, the amortization terms in view of market conditions; and the conditions under which such securities entitle the holder to shares of the company;

The authorization thus given to the Board of Directors is valid with effect from this day and until the General Meeting held to render a decision on the accounts of the 2000 fiscal year.

Fourteenth resolution (Issue of equity-linked securities without subscription rights)

The Annual General Meeting, after hearing the Board of Directors' report and the auditors' special report and pursuant to the provisions of paragraph 3 of article 180 - III of Act 66-537 of July 24, 1966:

1. Hereby delegates to the Board of Directors the powers necessary to carry out, by way of a public call for investment, in one or more stages, and in the proportions and at the periods it shall determine, both in France and abroad, the issue of shares of the company and of all securities of any kind whatsoever giving access, immediately or in the future, to company shares; including if such securities are issued pursuant to article 339-3 of the above-mentioned law of July 24, 1966;

2. Hereby decides that the amount of capital increases likely to be completed immediately and/or in the future, in respect of the above-mentioned power of attorney, shall not be more than FRF 1.8 billion (EUR 274,408,231.03) in par value; to which amount shall be added, as the case may be, the nominal total of the extra shares to be issued in order to preserve, pursuant to the law, the rights of those holders of securities entitling them to shares;

3. Also decides that the total nominal value of debt instruments likely to be issued in respect of the above-mentioned delegation shall not be more than EUR 3 billion (FRF 19,678,710,000), or the equivalent of said amount in the event of an issue in foreign currencies, or in a unit of account determined with reference to several currencies.

4. Decides to cancel the preferential subscription right of shareholders to the securities to be issued, it being agreed that the Board of Directors shall be authorized to give shareholders the option to subscribe on a priority basis to all or part of the issue, during the period and on the terms that it shall lay down. Such a subscription priority shall not lead to the creation of negotiable rights, but should the Board of Directors deem it to be appropriate it should be exercised on either a full allotment or prorata basis;

5. Decides that if subscriptions by shareholders and by the public have not absorbed the whole of an issue of shares or of securities, such as set out above, then the Board of Directors may use, in the order it deems appropriate, one or all of the following options;

- to limit, as the case may be, the issue to the amount of subscriptions, providing such amount is equal to at least three quarters of the issue decided upon;

- to freely distribute all or part of the unsubscribed shares
- to offer all or part of the unsubscribed shares to the public

6. Notes that, as the case may be, the above-mentioned power of attorney means that, for the benefit of holders of securities giving future access to company shares likely to be issued, shareholders have to waive their preferential right to subscribe to the shares to which such securities give right;

   Decides to cancel the preferential right of shareholders to subscribe to shares issued through the conversion of bonds or the exercise of warrants.

7. Decides that the amount accruing or which must accrue to the company for each of the shares issued under the above-mentioned power of attorney, after taking into account, in the event of issues of independent share subscription notes, the issue price of such notes, shall be at least equivalent to the average of the first prices on the Stock Exchange of the company's shares over ten consecutive trading days selected from the twenty trading days preceding the issue of the said securities, such average being adjusted to take into account the coupon date;

8 Decides that the Board of Directors shall be fully authorized, with the option to subdelegate such authorization to its Chairman, pursuant to the conditions stipulated by the law to implement such delegation for the purposes, in particular, of determining the dates and conditions of the issue, together with the form and features of the securities to be created; of laying down the prices and terms of the issue; of determining the amounts to be issued; of setting the coupon date, even if retroactive, of the shares to be issued; of determining the method of paying-up the shares or other securities issued and, as the case may be, of stipulating the terms of their repurchase on the Stock Exchange, and the possibility of suspending the exercise of the rights of allocation of shares attached to the securities to be issued for a period of not more than three months; of determining the conditions on which will be ensured the preservation of the rights of holders of securities giving future access to the share capital, and pursuant to the legal and statutory provisions. Additionally, the Board of Directors or its Chairman may carry out, as the case may be, any deductions from the issue price or prices and, in particular, the deduction of the costs incurred by the completion of the issues; and, generally, take all necessary steps and enter into all agreements to ensure the satisfactory completion of the issues planned; and record any increase or increases of capital resulting from any issues completed using the above-mentioned authorization; and amend the articles of incorporation accordingly;

   In the event of a debt issue, the Board of Directors is fully authorized, with the option to subdelegate such authorization to the Chairman, in particular to decide on whether such issues are subordinated or not; to set the interest rates, the term of said issues, the redemption price whether fixed or variable, with or without discount, the conditions of amortization in terms of market conditions, and the terms under which such securities shall entitle its holders to shares in the company;

9 The authorization thus given to the Board of directors is valid with effect from this day and until the General Meeting held to render a decision on the accounts of the 2000 fiscal year;

Fifteenth resolution (To increase the capital by incorporation of reserves, profits, issue or share premiums)

The Extraordinary General Meeting rendering a decision on the conditions of quorum and majority required for ordinary general meetings, having duly heard the Board of Directors' report, hereby delegates to the Board of Directors the authorization required to increase, in one or more stages, the share capital to within a maximum nominal amount of FRF 6 billion (EUR 914,694,103.42), by successively or simultaneously incorporating in the capital all or part of the reserves, profits or issue, merger or share premiums, to be carried out by the

creation or free allotments of shares or by jointly using both methods;

The General Meeting hereby decides that any rights representing fractions shall not be negotiable and that the corresponding shares shall be sold, the proceeds from the sale being allocated to the rights holder no later than thirty days after the date of entry to their account of the whole number of shares allocated;

The General Meeting hereby fully authorizes the Board of Directors, with the option to subdelegate such authorization to its Chairman, pursuant to the conditions stipulated by law, in particular in order to fix the dates and terms of the issues, to determine the amounts to be issued and, more generally, to take all steps to ensure their satisfactory completion; to ensure all procedures and formalities; to implement the relevant capital increase or increases; and to amend the articles of incorporation;

The authorization thus given to the Board of Directors is hereby valid with effect from this day and until the General meeting held to render a decision on the accounts of the 2000 fiscal year.

Sixteenth resolution (To increase the capital with a view to completing a takeover bid with exchange of shares)

The General Meeting, after taking note of the Board of Directors' report and of the auditors' special report and pursuant to the provisions of article 193-1 of the Act of July 24, 1966, hereby authorizes the Board of Directors to increase the share capital by a maximum nominal amount of FRF 1.8 billion (EUR 274,408,231.03) by the successive or simultaneous issue, in one or more stages, of new company shares with a view to remunerate shares contributed to a takeover bid with exchange of shares in another company listed on the official or second market of a Member State of the European Economic Area (other than France) or a member country of the Organization for Economic Cooperation and Development;

The issue of new shares to remunerate shares contributed to a takeover bid with exchange of shares shall, pursuant to the provisions of article 180 of the Act of July 24, 1966, result from the issue of securities of all classes giving access immediately and/or in the future to the proportion of the share capital; the par value of the debt issues, as the case may be, and pursuant to the above authorization, shall not be more than EUR 3 billion (FRF 19,678,710,000);

The General Meeting hereby decides that the Board of Directors shall be fully authorized, with the option to subdelegate such authorization to its Chairman, pursuant to the conditions stipulated by law, to implement such authorization with a view to, in particular:

- determining the exchange parity and, as the case may be, the amount of the down-payment to be made;
- recording the amount of shares contributed to the exchange of shares;
- determining the dates, terms of issue, in particular the price and the coupon date, of the new shares or, as the case may be, of the shares giving access immediately and/or in the future to a proportion of the share capital;
- entering into liabilities under the heading 'share premium', on which shareholders will have rights, the differences between the issue price of the new shares and their par value;
- deducting, as the case may be, from the said share premium, all the costs an brokerage incurred by the authorized transaction;

and

- generally taking all necessary steps and entering into all agreements to complete the authorized transaction successfully, and recording any subsequent capital increase or increases; and amending the articles of incorporation accordingly;

The authorization thus given to the Board of Directors is hereby valid with effect from this day and until the General meeting held to render a decision on the accounts of the 2000 fiscal year.

Seventeenth resolution (General limitations of authorizations)

The General Meeting, having taken note of the Board of Directors' report and, after passing the thirteenth, fourteenth, fifteenth and sixteenth resolutions, hereby decides:

- To set at EUR 3 billion (FRF 19,678,710,000) or at the equivalent of that amount, in the event of an issue in a foreign currency or in a unit of account set with reference to several currencies, the maximum par value of debt instruments likely to be issued in respect of the authorizations given in the above-mentioned resolutions

and

- To set at FRF 6 billion (EUR 914,694,103.42) the maximum nominal amount of the share capital increases, whether immediately and/or in the future, likely to be carried out in respect of the authorizations given in the above-mentioned resolutions, it being pointed out that to this nominal amount will be added, if applicable, the nominal amount of the shares to be issued additionally to preserve the right of the holders of securities entitling them to shares pursuant to the law.

Eighteenth resolution (Conversion of the share capital to euros)

The Annual General Meeting, having considered the Board of Directors' report:

- delegates to the Board of Directors full powers to decide, in compliance with applicable legal and regulatory provisions and this resolution, to convert the company's share capital to euros, and hence:

- increase the share capital, in connection with the authorization given to the Board of Directors under the fifteenth resolution of this Annual General Meeting, by raising the nominal value of the shares such that the value obtained by applying the conversion rate is rounded up to the next cent (hundredth of one euro) or, at most, the next euro

or

- reduce the share capital in order to round the nominal value of the shares down to the next cent (hundredth of one euro) or, at most, the next euro and allocate the reduced amount to an unavailable reserve.

- decides that the Board of Directors will have full powers, with the possibility of subdelegation to the Chairman, in compliance with the legal and regulatory provision applicable to the implementation of this delegation, to determine the date at which the share capital will be converted to euros, to make the corresponding changes to the articles of incorporation and to undertake all related formalities.

Nineteenth resolution (Approval of the merger by absorption of SODICAM)

The Annual General Meeting:

- having taken note of the report of the Commissaire aux apports (a public officer designated to assess the value of contributions in kind to capital):

- having taken note of the merger treaty with SODICAM (a société anonyme with capital of FRF 11,000,000, with registered offices at 34, quai du Point du Jour, 92100 Boulogne Billancourt, France; registered with the Registrar of Companies at Nanterre under the number B 302 135 629) whereby SODICAM contributes all its assets and liabilities to Renault for the purposes of the merger

- hereby approves the agreement, and consequently:

- approves the contributions made by SODICAM pursuant to the merger as well as the valuation of said contributions, and decides that Renault shall merge with and absorb SODICAM. The difference between the net value of the assets contributed by SODICAM and the carrying value of

its securities in Renault's books shall be taken to an account titled "merger cancellation"

- decides that since Renault has owned all SODICAM's shares since the date the merger treaty was filed with the Commercial Court, no shares will be issued as consideration for the contribution, and that the acquired entity will be dissolved immediately, without liquidation, due to the sole fact of the merger, which will become final on July 1, 1999.

SPECIAL BUSINESS

Twentieth resolution (Modification of articles of incorporation)

The Annual General Meeting, having taken note of the Directors' Report, decides to modify paragraph 1 of article 10.1.A/ of the articles of incorporation with a view to increasing the number of directors appointed by annual general meetings of shareholders.

Accordingly, paragraph 1 of article 10.1.A/ concerning the number of directors appointed by annual general meetings of shareholders shall now read:

"10.1 The company is administered by a board of directors composed of:

A/ Directors appointed by the Annual General Meeting of shareholders

There shall be no fewer than 3 (three) such directors and no more than 12 (twelve). Directors can be natural or legal persons. Legal persons must designate a permanent representative, who has the same obligations and responsibilities as those that would obtain if he or she were appointed in person, without prejudice to the joint and several liability of the legal person he or she represents."

The remainder of article 10 is unchanged.

The Annual General Meeting approves and adopts all the provisions of the new text, as submitted.

In consequence whereof, the text of the articles of incorporation governing the company shall be that submitted to the officers of the general meeting and made available to shareholders in the manner and within the time limits prescribed by law. Such text, duly initialled and signed by the aforementioned officers, shall be appended to the minutes of this meeting.

ORDINARY BUSINESS

Twenty first resolution (Appointment of a director)

The Annual General Meeting appoints Mr Yoshikazu Hanawa as director for a period of six years, that is, until the Annual General Meeting called to approve the accounts for the year to 31 December 2004.

Twenty second resolution (Powers to attend to formalities)

The Annual General Meeting gives full powers to the bearer of a copy or extract of the minutes of this Meeting to attend to all the formalities of deposit and publication provided for by the law.