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France

Commissaire aux comptes
Membre de la compagnie régionale de Versailles

Renault, société anonyme (“Renault”)

**Statutory auditors’ report on the
consolidated financial statements**

For the year ended December 31, 2017
Renault, société anonyme (“Renault”)
13-15, quai Le Gallo - 92100 Boulogne-Billancourt

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This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Renault, société anonyme (“Renault”)

Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2017

To the annual general meeting of Renault,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Renault for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit, Risks and Ethics Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5, paragraph 1 of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Valuation of the manufacturing specific intangible and tangible assets (vehicles) of the Automotive sector (excl. AVTOVAZ)

Risk identified Intangible and tangible assets of the operating segment “Automotive (excluding AVTOVAZ)” amount to 16 818 million euros.

The Group carries out impairment tests at the operating segment level as well as at the level of the intangible and tangible assets specific to vehicles or mechanical organs under the approach described in note 2-M of the consolidated financial statements.

For the latter, the test consists in comparing the net book value of the intangible and tangible assets specific to the vehicles or mechanicals organs with their recoverable value, defined as the higher amount between the value in use and the fair value net of exit costs. The value in use is calculated based on discounted future cash flows.

We have considered that the valuation of the manufacturing specific assets related to vehicles or mechanical organs is a key audit matter because of their contribution to the financial statements and because of the estimates and judgments required from management to prepare these tests.

Information regarding these impairment tests is included in the note 11 of the notes to the consolidated financial statements.

Our audit response During our audit of the consolidated financial statements, our procedures mainly consisted in:

- Understanding the analysis performed by management in order to identify vehicles presenting indicators of impairment;
 - Reconciling to the consolidated financial statements the net book value of specific assets subject to the impairment test;
 - Assessing the consistency of the volumes and margins assumptions used in the tests with the latest projections of management;
 - Assessing the reasonableness of the main assumptions used through interviews with the economic controllers in charge of the vehicles being tested and by comparing the assumptions with the data used in the previous impairment tests as well as, if applicable, with the historical performance of the vehicles or mechanical organs subject to the test;
-

Valuation of the manufacturing specific intangible and tangible assets (vehicles) of the Automotive sector (excl. AVTOVAZ)

- Testing the arithmetical accuracy of the discounted cash flows projections prepared by management for vehicles subject to an impairment test;
 - Comparing the discount rate after tax used with external data available;
 - Performing sensitivity analysis on the main assumptions used;
 - Assessing the appropriateness of the disclosures in the notes to the consolidated financial statements.
-

Consolidation method and recoverable value of the equity investment of Renault in Nissan

Risk identified As at December 31, 2017, the Renault equity investment in Nissan amounts to 19 135 million euros, and Nissan contributes for 2 791 million euros to Renault’s net profit for the period.

As indicated in note 12 to the consolidated financial statements, Renault has a significant influence over Nissan and accounts for its investment using the equity method. The Nissan accounts used to prepare Renault’s financial statements are Nissan’s consolidated accounts published in compliance with Japanese accounting standards, adjusted for the purpose of the Renault consolidation under IFRS.

We have considered that the consolidation method and recoverable value of the equity investment in Nissan are a key audit matter given its magnitude to Renault’s consolidated financial statements, and given the following areas of attention: (1) the judgement of management to assess the Alliance governance structure as well as facts and circumstances underlying Renault’s significant influence over Nissan, (2) the adjustments to Nissan’s financial statements required to account for Renault’s share in the result and equity of this company and their accuracy, (3) the estimates used by management in determining the recoverable value of Renault’s investment in Nissan.

Our audit response Our audit response to the risks identified mainly consisted in:

- Reading the minutes of the Board of Directors meetings and the related party agreements and commitments register, and obtaining confirmation from management that there were no changes in the governance of Nissan and/or no new contracts structuring the relations between Renault and Nissan which could modify the analysis of the significant influence exercised by Renault over Nissan;
 - Understanding the conclusions and the audit work performed by the independent auditor of Nissan in accordance with our instructions which detail the procedures to be performed and the conclusion format required for our audit purposes;
 - Understanding the audit work performed by the independent auditor of Nissan over the homogenization adjustments required to Nissan’s financial statements to match Renault accounting policies;
-

Consolidation method and recoverable value of the equity investment of Renault in Nissan

- Assessing whether there are any identified impairment indicators, the main indicators being significant adverse changes on markets where Nissan operates or a significant and long lasting drop in Nissan stock market value;
 - Assessing the relevance of the main assumptions used by Renault in the impairment test performed to confirm the recoverable value of its investment in Nissan, by reference to Nissan mid-term plan, historical performance achieved by Nissan as well as the overall perspectives of the Automotive sector;
 - Assessing the appropriateness of the information provided in the notes to the consolidated financial statements.
-

Consolidation of AVTOVAZ : Purchase Price Allocation

Risk identified Renault took control of the AVTOVAZ Group on December 28, 2016. Following the finalization of the price allocation to the fair value of assets and liabilities acquired, the goodwill related to this acquisition amounts to 968 million euros as of December 31, 2017.

The purchase price allocation relies on estimates used to determine the fair value of assets and liabilities acquired.

Consequently, we considered that the purchase price allocation performed on AVTOVAZ represents a key audit matter for the year-ended December 31, 2017.

These elements are detailed in the note 3-B of the notes to the consolidated financial statements.

Our audit response We analyzed the work performed by the Company with its external experts to identify and evaluate the fair value of assets and liabilities acquired. In particular, we were assisted by our specialists to analyze the valuation methodology applied for the main assets and liabilities acquired and assessed the reasonableness of the main estimates used.

We also assessed the appropriateness of the disclosures provided in the notes to the consolidated financial statements regarding the purchase price allocation.

Recoverability of the deferred tax assets of the French tax group

Risk identified As indicated in Note 8-B to the consolidated financial statements, a net deferred tax asset of 202 million euros is recognized in the Renault consolidated balance sheet with respect to the French integrated tax group.

The value of this deferred tax asset depends on the ability of the legal entities of the French tax group to achieve the financial performance expected by management.

The recoverability of this asset is a key audit matter given the level of judgment required from management, with regards specifically to the ability of the underlying legal entities to use their tax losses carried forward.

Recoverability of the deferred tax assets of the French tax group

- Our audit response** Our audit response to the risks identified mainly consisted in:
- Assessing the consistency of the expected financial results of the French tax group with the main assumptions underlying the group mid term plan approved by the Board of Directors;
 - Comparing budgeted and actual results in prior periods to assess the reliability of the budgeting processes.
-

Recoverable value of sales financing receivables

Risk identified Sales financing receivables are related to the financing activities of automotive sales to the dealer network or to retail customers and amount to 39 334 million euros in the consolidated balance sheet as at December 31, 2017.

As indicated in note 2G to the consolidated financial statements, an impairment loss for incurred credit risk is recognized to cover the risk of non-recovery of receivables. The impairment loss is determined on an individual basis for receivables from retail customers (using a statistical or case-by-case approach). The impairment loss for credit losses on dealer network financing is determined on a case-by-case and individual basis for doubtful receivables and on a collective basis for non-doubtful accounts (using a statistical method or internal expertise).

For the calculation of individual impairment losses for the dealer network and the statistical impairment loss for retail financing, the main assumptions are determined by management. This can lead to different estimates.

Given the complexity of the assumptions used to estimate these credit risks and the related impairment loss, as well as the judgment required from management, we consider that the determination of the recoverable value of sales financing receivables is a key audit matter.

- Our audit response** Our procedures mainly consisted in:
- Individual impairment losses on receivables from the dealer network*
- Understanding the evaluation process for these impairment losses and the internal control procedures related to the identification of risk indicators of non-recovery of receivables and the governance and monitoring of the allowances for impairment loss
 - Reconciling the amount of receivables subject to an individual impairment allowances with the amount of receivables included in the impairment loss calculation
 - Assessing the relevance of loss assumptions
 - Performing analytical procedures on receivables and impairment allowances.
- Statistical depreciation of receivables from retail customers:*
- Understanding the evaluation process for these impairment losses and the internal control procedures related to the identification of indicators of impairment loss and the calibration of statistical impairment models;
-

Recoverable value of sales financing receivables

- Performing an analysis of the historical payment behaviors as compared to the parameters used in the models;
 - Testing the statistical matrices for loss migration;
 - Checking the correct recording in the group accounts of the impairment loss coming from the models for statistical impairment;
 - Performing analytical procedures on receivables and impairment allowances.
-

Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Renault by the Annual General Meeting held on April 30, 2014 for KPMG SA and by Order from the Ministry of the Economy of March 27, 1979 for Ernst & Young Audit.

As at December 31, 2017, KPMG SA was in the fourth year of total uninterrupted engagement and Ernst & Young Audit was in the thirty-ninth year of total uninterrupted engagement, of which twenty-four years since securities of the Company were admitted to trading on a regulated market.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit, Risks and Ethics Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit, Risks and Ethics Committee

We submit a report to the Audit, Risks and Ethics Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit, Risks and Ethics Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this audit report.

We also provide the Audit, Risks and Ethics Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit, Risks and Ethics Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, February 21, 2018

The statutory auditors
French original signed by

KPMG Audit
Département de KPMG S.A.

ERNST & YOUNG Audit

Jean-Paul Vellutini

Laurent des Places

Aymeric de La Morandière

Bernard Heller

GROUPE RENAULT

CONSOLIDATED FINANCIAL STATEMENTS 2017

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4.2.1 Consolidated income statement

<i>(€ million)</i>	Notes	2017 ⁽¹⁾	2016
Revenues	4	58,770	51,243
Cost of goods and services sold		(46,477)	(40,256)
Research and development expenses	10-A	(2,590)	(2,370)
Selling, general and administrative expenses		(5,849)	(5,335)
Operating margin	5	3,854	3,282
Other operating income and expenses	6	(48)	1
<i>Other operating income</i>	6	214	727
<i>Other operating expenses</i>	6	(262)	(726)
Operating income (loss)		3,806	3,283
Cost of net financial indebtedness	7	(369)	(284)
<i>Cost of gross financial indebtedness</i>	7	(441)	(385)
<i>Income on cash and financial assets</i>	7	72	101
Other financial income and expenses	7	(135)	(39)
Financial income (expenses)	7	(504)	(323)
Share in net income (loss) of associates and joint ventures		2,799	1,638
<i>Nissan</i>	12	2,791	1,741
<i>Other associates and joint ventures</i>	13	8	(103)
Pre-tax income		6,101	4,598
Current and deferred taxes	8	(891)	(1,055)
Net income		5,210	3,543
Net income – non-controlling interests' share		96	124
Net income – parent-company shareholders' share		5,114	3,419
Basic earnings per share ⁽²⁾ (in €)		18.87	12.57
Diluted earnings per share ⁽²⁾ (in €)		18.68	12.46
Number of shares outstanding (in thousands)			
<i>For basic earnings per share</i>	9	271,080	271,968
<i>For diluted earnings per share</i>	9	273,749	274,331

(1) The revenues of the joint venture Alliance Rostec Auto B.V. and the AVTOVAZ Group, which together make up the AVTOVAZ segment, are fully consolidated from January 1, 2017. The relevant figures are provided in the information by operating segment (section 4.2.6.1.A).

(2) Net income – parent-company shareholders' share divided by number of shares stated.

4.2.2 Consolidated comprehensive income

(€ million)	2017 ⁽¹⁾			2016		
	Gross	Tax effect ⁽²⁾	Net	Gross	Tax effect ⁽²⁾	Net
NET INCOME	6,101	(891)	5,210	4,598	(1,055)	3,543
Other components of comprehensive income from parent-company and subsidiaries						
Items that will not be reclassified subsequently to profit or loss	13	(25)	(12)	(176)	159	(17)
<i>Actuarial gains and losses on defined-benefit pension plans</i>	13	(25)	(12)	(176)	159	(17)
Items that have been or will be reclassified subsequently to profit or loss	(142)	(16)	(158)	(213)	240	27
<i>Translation adjustments on foreign activities ⁽³⁾</i>	(272)	-	(272)	38	-	38
<i>Partial hedge of the investment in Nissan</i>	113	(17)	96	(70)	204	134
<i>Fair value adjustments on cash flow hedging instruments ⁽⁴⁾</i>	5	-	5	(68)	59	(9)
<i>Fair value adjustments on available-for-sale financial assets ⁽⁵⁾</i>	12	1	13	(113)	(23)	(136)
Total other components of comprehensive income from parent-company and subsidiaries (a)	(129)	(41)	(170)	(389)	399	10
Share of associates and joint ventures in other components of comprehensive income						
Items that will not be reclassified subsequently to profit or loss	130	-	130	(225)	-	(225)
<i>Actuarial gains and losses on defined-benefit pension plans</i>	130	-	130	(225)	-	(225)
Items that have been or will be reclassified subsequently to profit or loss ⁽⁶⁾	(1,488)	-	(1,488)	230	-	230
<i>Translation adjustments on foreign activities</i>	(1,519)	-	(1,519)	229	-	229
<i>Other adjustments</i>	31	-	31	1	-	1
Total share of associates and joint ventures in other components of comprehensive income (b)	(1,358)	-	(1,358)	5	-	5
Other components of comprehensive income (a) + (b)	(1,487)	(41)	(1,528)	(384)	399	15
COMPREHENSIVE INCOME	4,614	(932)	3,682	4,214	(656)	3,558
Parent-company shareholders' share			3,575			3,435
Non-controlling interests' share			107			123

(1) The revenues of Alliance Rostec Auto B.V. and the AVTOVAZ Group, which together make up the AVTOVAZ segment, are fully consolidated from January 1, 2017. The relevant figures are provided in the information by operating segment (section 4.2.6.1.A).

(2) In 2017, the tax effect includes an expense of €(255) million (income of €44 million in 2016) resulting from recognition of net deferred tax assets of the French tax consolidation group, comprising €(236) million related to the net income and €(19) million related to other components of comprehensive income (in 2016, €(301) million expenses and €345 million income respectively) (note 8-B).

(3) None were reclassified to profit or loss in 2017 (€23 million in 2016).

(4) Including €(12) million reclassified to profit or loss in 2017 (€(4) million in 2016).

(5) Including €3 million reclassified to profit or loss in 2017 (€1 million in 2016).

(6) None were reclassified to profit or loss in 2017 (€349 million in 2016).

4.2.3 Consolidated financial position

ASSETS (€ million)	Notes	December 31, 2017	December 31, 2016 ⁽¹⁾
NON-CURRENT ASSETS			
Intangible assets and goodwill	10-A	5,240	4,989
Property, plant and equipment	10-B	13,582	12,988
Investments in associates and joint ventures		19,811	19,026
<i>Nissan</i>	12	19,135	18,304
<i>Other associates and joint ventures</i>	13	676	722
Non-current financial assets	22	1,395	1,379
Deferred tax assets	8	971	1,217
Other non-current assets	17	1,435	1,366
Total non-current assets		42,434	40,965
CURRENT ASSETS			
Inventories	14	6,328	5,813
Sales financing receivables	15	39,334	34,358
Automotive receivables	16	1,753	1,900
Current financial assets	22	1,932	1,908
Current tax assets	17	91	44
Other current assets	17	4,014	3,611
Cash and cash equivalents	22	14,057	13,853
Total current assets		67,509	61,487
TOTAL ASSETS		109,943	102,452

(1) The figures at December 31, 2016 include adjustments recognized in 2017 relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B), and are thus different from the previously published figures

SHAREHOLDERS' EQUITY AND LIABILITIES (€ million)	Notes	December 31, 2017	December 31, 2016 ⁽¹⁾
SHAREHOLDERS' EQUITY			
Share capital		1,127	1,127
Share premium		3,785	3,785
Treasury shares		(494)	(321)
Revaluation of financial instruments		809	758
Translation adjustment		(3,376)	(1,668)
Reserves		26,183	23,643
Net income – parent-company shareholders' share		5,114	3,419
Shareholders' equity – parent-company shareholders' share		33,148	30,743
Shareholders' equity – non-controlling interests' share		294	181
Total shareholders' equity	18	33,442	30,924
NON-CURRENT LIABILITIES			
Deferred tax liabilities	8	180	124
Provisions for pension and other long-term employee benefit obligations – long-term	19	1,584	1,717
Other provisions – long-term	20	1,514	1,460
Non-current financial liabilities	23	5,401	4,943
Other non-current liabilities	21	1,579	1,530
Total non-current liabilities		10,258	9,774
CURRENT LIABILITIES			
Provisions for pension and other long-term employee benefit obligations – short-term	19	51	54
Other provisions – short-term	20	915	1,106
Current financial liabilities	23	3,792	5,248
Sales financing debts	23	41,395	36,041
Trade payables		9,904	9,533
Current tax liabilities	21	246	321
Other current liabilities	21	9,940	9,451
Total current liabilities		66,243	61,754
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		109, 943	102,452

(1) The figures at December 31, 2016 include adjustments recognized in 2017 relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B), and are thus different from the previously published figures

4.2.4 Changes in shareholders' equity

(€ million)	Number of shares (thousand)	Share capital	Share premium	Treasury shares	Revaluation of financial instruments	Translation adjustment	Reserves	Net income (parent-company shareholders' share)	Shareholders' equity (parent-company shareholders' share)	Shareholders' equity (non-controlling entities' share)	Total shareholders' equity
Balance at December 31, 2015	295,722	1,127	3,785	(227)	890	(2,059)	21,653	2,823	27,992	482	28,474
2016 net income								3,419	3,419	124	3,543
Other components of comprehensive income ⁽¹⁾					(132)	391	(243)		16	(1)	15
2016 comprehensive income					(132)	391	(243)	3,419	3,435	123	3,558
Allocation of 2015 net income							2,823	(2,823)			
Dividends							(655)		(655)	(109)	(764)
(Acquisitions) disposals of treasury shares and impact of capital increases				(94)					(94)		(94)
Changes in ownership interests ^{(2) (3)}							9		9	(315)	(306)
Cost of share-based payments and other							56		56		56
Balance at December 31, 2016 ⁽³⁾	295,722	1,127	3,785	(321)	758	(1,668)	23,643	3,419	30,743	181	30,924
2017 net income								5,114	5,114	96	5,210
Other components of comprehensive income ⁽¹⁾					51	(1,708)	118		(1,539)	11	(1,528)
2017 comprehensive income					51	(1,708)	118	5,114	3,575	107	3,682
Allocation of 2016 net income							3,419	(3,419)			
Dividends							(855)		(855)	(133)	(988)
(Acquisitions) disposals of treasury shares and impact of capital increases				(173)					(173)		(173)
Changes in ownership interests ⁽²⁾						3	(155)		(152)	139	(13)
Cost of share-based payments and other						(3)	13		10		10
Balance at December 31, 2017	295,772	1,127	3,785	(494)	809	(3,376)	26,183	5,114	33,148	294	33,442

(1) Changes in reserves correspond to actuarial gains and losses net of tax on defined-benefit pension plans during the period.

(2) Changes in ownership interests comprise the effect of acquisitions and disposals of investments, and commitments for buyouts of non-controlling interests. In 2017, they include Renault's acquisition of the shares of Alliance Rostec Auto B.V. previously held by Nissan, which took place in September 2017, and a put option for AVTOVAZ shares subscribed with a third party, giving rise to recognition of €(139) million in Shareholders' equity (parent-company shareholders' share) and €87 million in Shareholders' equity (non-controlling interests' share) (note 3-B).

(3) The figures at December 31, 2016 include adjustments recognized in 2017 relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B), and are thus different from the previously published figures.

Details of changes in consolidated shareholders' equity in 2017 are given in note 18.

4.2.5 Consolidated cash flows

(€ million)	Notes	2017 ⁽¹⁾	2016
NET INCOME		5,210	3,543
Cancellation of dividends received from unconsolidated listed investments		(51)	(44)
Cancellation of income and expenses with no impact on cash			
Depreciation, amortization and impairment		3,046	2,840
Share in net (income) loss of associates and joint ventures		(2,799)	(1,638)
Other income and expenses with no impact on cash, before interest and tax	26-A	1,130	1,405
Dividends received from unlisted associates and joint ventures		3	1
Cash flows before interest and tax ⁽²⁾		6,539	6,107
Dividends received from listed companies ⁽³⁾		761	772
Net change in financing for final customers		(4,617)	(3,934)
Net change in renewable dealer financing		(888)	(1,981)
Decrease (increase) in sales financing receivables		(5,505)	(5,915)
Bond issuance by the Sales Financing segment	23-C	7,409	5,353
Bond redemption by the Sales Financing segment	23-C	(3,797)	(3,673)
Net change in other sales financing debts		2,353	4,030
Net change in other securities and loans of the Sales Financing segment		(227)	(412)
Net change in financial assets and debts of the Sales Financing segment		5,738	5,298
Change in capitalized leased assets		(622)	(705)
Decrease (increase) in working capital before tax	26-B	(112)	(239)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE INTEREST AND TAX		6,799	5,318
Interest received		70	90
Interest paid		(451)	(416)
Current taxes (paid) / received		(716)	(603)
CASH FLOWS FROM OPERATING ACTIVITIES		5,702	4,389
Capital expenditure	26-C	(3,601)	(3,097)
Disposals of property, plant and equipment and intangibles		153	44
Acquisitions of investments involving gain of control, net of cash acquired ⁽⁴⁾		(31)	(133)
Acquisitions of other investments, net of cash acquired		(37)	(48)
Disposals of other investments, net of cash transferred and other ⁽⁵⁾		1	1,120
Net decrease (increase) in other securities and loans of the Automotive segments		(117)	207
CASH FLOWS FROM INVESTING ACTIVITIES		(3,632)	(1,907)
Dividends paid to parent-company shareholders	18-D	(916)	(701)
Transactions with non-controlling interests ⁽⁶⁾		(41)	-
Dividends paid to non-controlling interests	18-I	(133)	(108)
(Acquisitions) sales of treasury shares ⁽⁷⁾		(226)	(102)
Cash flows with shareholders		(1,316)	(911)
Bond issuance by the Automotive segments	23-C	2,259	616
Bond redemption by the Automotive segments	23-C	(2,134)	(1,510)
Net increase (decrease) in other financial liabilities of the Automotive segments		(516)	(1,040)
Net change in financial liabilities of the Automotive segments	23-B	(391)	(1,934)
CASH FLOWS FROM FINANCING ACTIVITIES		(1 707)	(2,845)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		363	(363)

(1) The cash flows of Alliance Rostec Auto B.V. and the AVTOVAZ Group, which together from the AVTOVAZ segment, are fully consolidated from January 1, 2017. The relevant figures are provided in the information by operating segment (section 4.2.6.1.A3).

(2) The operational cash flow before interests and tax is presented excluding dividends received from listed companies.

(3) Dividends received from Daimler (€51 million in 2017 and €44 million in 2016) and Nissan (€710 million in 2017 and €728 million in 2016).

(4) The effect of acquisition of control, as defined by IFRS 10, over the AVTOVAZ Group and its parent company amounted to €(104) million in 2016, including €282 million of cash acquired.

(5) Renault SA sold Nissan shares for an amount of € 1,119 million in 2016, in connection with Nissan's share repurchase operation between March and December 2016 (note 12-B to 2016 consolidated financial statements).

(6) Principally including Renault's acquisition of the shares of Alliance Rostec Auto B.V. previously held by Nissan, which took place in September 2017 (note 3-B).

(7) In compliance with current regulations, Renault acquired Renault shares sold by the French State in November 2017 for the amount of €121 million, for a share offering reserved for current and former employees to be launched within one year (note 18-C).

<i>(€ million)</i>	2017 ⁽¹⁾	2016
Cash and cash equivalents: opening balance	13,853	14,133
Increase (decrease) in cash and cash equivalents	363	(363)
Effect of changes in exchange rate and other changes	(159)	83
Cash and cash equivalents: closing balance ⁽²⁾	14,057	13,853

(1) The cash flows of Alliance Rostec Auto B.V. and the AVTOVAZ Group, which together make up the AVTOVAZ segment, are fully consolidated from January 1, 2017. The relevant figures are provided in the information by operating segment (section 4.2.6.1.A3).

(2) Cash subject to restrictions on use is described in note 22-C.

4.2.6 Notes to the consolidated financial statement

4.2.6.1 Information on operating segments and regions

The number of Renault operating segments increased from two to three in late 2016 following the acquisition of control, as defined by IFRS 10, over the joint venture Alliance Rostec Auto B.V. and the AVTOVAZ Group, which took place in late December 2016 and is described in notes 3-B and 13-A to the consolidated financial statements for 2016, and note 3-B below:

- The segment comprising the Group's automotive activities, as they existed until Renault acquired control of the AVTOVAZ Group under IFRS 10, is now called "Automotive (excluding AVTOVAZ)". This segment comprises the production, sales, and distribution subsidiaries for passenger and light commercial vehicles, automobile service subsidiaries for the Renault, Dacia and Samsung brands, and the subsidiaries in charge of the segment's cash management. It also includes investments in automotive-sector associates and joint ventures, mainly Nissan, and AVTOVAZ (until December 28, 2016).
- The Sales Financing segment, which the Group considers as an operating activity in its own right, carried out for the distribution network and final customers by RCI Banque, its subsidiaries and its investments in associates and joint ventures, is unchanged.
- From the date of acquisition of control, as defined by IFRS 10, over Alliance Rostec Auto B.V. and the AVTOVAZ Group in December 2016, the Group has a third operating segment called "AVTOVAZ", which consists of the Russian automotive subgroup and its parent company.

As the acquisition of control, as defined by IFRS 10, took place on December 28, 2016, these entities have been fully consolidated since December 31, 2016. The figures for the Automotive (excluding AVTOVAZ) segment and the AVTOVAZ segment for 2017 and 2016 are therefore established as follows:

- The net income and changes in cash of Alliance Rostec Auto B.V. and the AVTOVAZ Group are fully consolidated in the AVTOVAZ segment for the first time from January 1, 2017, while the consolidated financial position of the AVTOVAZ segment has included the assets and liabilities of the AVTOVAZ Group and its parent company since December 31, 2016.
- The AVTOVAZ segment includes adjustment of certain assets and liabilities to fair value in application of IFRS 3, and its consequences for determination of net income, as explained in note 3-B. The AVTOVAZ segment figures at December 31, 2016 as reported in the 2017 consolidated financial statements include adjustments recognized in 2017 relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B), and are thus different from the previously published figures.
- The net income of Alliance Rostec Auto B.V. and the AVTOVAZ Group for 2016 are still included by the equity method in the Automotive (excluding AVTOVAZ) segment.
- The income generated by the acquisition of control as defined by IFRS 10 is included in the 2016 net income of the Automotive (excluding AVTOVAZ) segment (note 6-B).

Details of the AVTOVAZ Group's financial information (excluding items included in the consolidated financial position) for the year ended December 31, 2016, as prepared under IFRS and published by AVTOVAZ, are provided in note 13-A.

A – Information by operating segment

A1 – CONSOLIDATED INCOME STATEMENT BY OPERATING SEGMENT

(€ million)	Automotive (excluding AVTOVAZ) ⁽¹⁾	AVTOVAZ ⁽¹⁾	Intra Automotive Transactions	TOTAL AUTOMOTIVE	Sales Financing	Intersegment transactions	Consolidated total
2017							
Sales of goods	51,284	2,694	-	53,978	29	-	54,007
Sales of services	2,246	33	-	2,279	2,484	-	4,763
External sales	53,530	2,727	-	56,257	2,513	-	58,770
Intersegment sales	(379)	765	(765)	(379)	532	(153)	-
Sales by segment	53,151	3,492	(765)	55,878	3,045	(153)	58,770
Operating margin ⁽²⁾	2,630	57	(2)	2,685	1,050	119	3,854
Operating income	2,617	23	(2)	2,638	1,049	119	3,806
Financial income (expenses)	(392)	(112)	-	(504)	-	-	(504)
Share in net income (loss) of associates and joint ventures	2,808	(24)	-	2,784	15	-	2,799
Pre-tax income	5,033	(113)	(2)	4,918	1,064	119	6,101
Current and deferred taxes	(528)	(2)	-	(530)	(325)	(36)	(891)
Net income	4,505	(115)	(2)	4,388	739	83	5,210

(1) For reasons of comparability with previous periods, 2017 external sales by the Automotive (excluding AVTOVAZ) segment still include sales to the AVTOVAZ Group, which amount to €276 million in 2017, and these sales are thus included in the AVTOVAZ segment's intersegment sales.

(2) Details of amortization, depreciation and impairment are provided in the statement of consolidated cash flows by operating segment.

<i>(€ million)</i>	Automotive (excluding AVTOVAZ) ⁽¹⁾	Sales Financing	Intersegment transactions	Consolidated total
2016				
Sales of goods	46,993	28	-	47,021
Sales of services	2,002	2,220	-	4,222
External sales	48,995	2,248	-	51,243
Intersegment sales	(430)	464	(34)	-
Sales by segment	48,565	2,712	(34)	51,243
Operating margin ⁽²⁾	2,327	896	59	3,282
Operating income	2,326	898	59	3,283
Financial income (expenses)	(323)	-	-	(323)
Share in net income (loss) of associates and joint ventures	1,631	7	-	1,638
Pre-tax income	3,634	905	59	4,598
Current and deferred taxes	(754)	(285)	(16)	(1,055)
Net income	2,880	620	43	3,543

(1) In 2016, the Automotive excluding AVTOVAZ segment includes transactions between the Automotive (excluding AVTOVAZ) segment and the AVTOVAZ segment, and the net income of the AVTOVAZ Group and its parent company, accounted for by the equity method. As the impact of the AVTOVAZ Group and its parent company on the net income between December 28, 2016 and December 31, 2016 was judged non-significant, full consolidation was applied from December 31, 2016 (see 4.2.6.1).

(2) Details of amortization, depreciation and impairment are provided in the statement of consolidated cash flows by operating segment.

A2 – CONSOLIDATED FINANCIAL POSITION BY OPERATING SEGMENT

(€ million)	Automotive (excluding AVTOVAZ)	AVTOVAZ	Intra- Automotive Transactions	TOTAL AUTOMOTIVE	Sales Financing	Intersegment transactions	CONSOLIDATED TOTAL
December 31, 2017							
ASSETS							
NON-CURRENT ASSETS							
Property, plant and equipment and intangible assets, and goodwill	16,818	1,616	-	18,434	388	-	18,822
Investments in associates and joint ventures	19,694	15	-	19,709	102	-	19,811
Non-current financial assets – investments in companies	6,241	-	(303)	5,938	2	(4,634)	1,306
Non-current financial assets – other securities, loans and derivatives on financing operations of the Automotive segments	139	-	(50)	89	-	-	89
Deferred tax assets and other non-current assets	1,753	477	(146)	2,084	411	(89)	2,406
Total non-current assets	44,645	2,108	(499)	46,254	903	(4,723)	42,434
CURRENT ASSETS							
Inventories	5,939	344	-	6,283	45	-	6,328
Customer receivables	2,238	214	(435)	2,017	39,972	(902)	41,087
Current financial assets	1,181	-	(38)	1,143	1,610	(821)	1,932
Current tax assets and other current assets	2,853	139	(6)	2,986	4,761	(3,642)	4,105
Cash and cash equivalents	11,718	130	(3)	11,845	2,354	(142)	14,057
Total current assets	23,929	827	(482)	24,274	48,742	(5,507)	67,509
TOTAL ASSETS	68,574	2,935	(981)	70,528	49,645	(10,230)	109,943
SHAREHOLDERS' EQUITY AND LIABILITIES							
SHAREHOLDERS' EQUITY	33,447	(99)	(138)	33,210	4,672	(4,440)	33,442
NON-CURRENT LIABILITIES							
Long-term provisions	2,549	18	-	2,567	531	-	3,098
Non-current financial liabilities	4,392	1,211	(215)	5,388	13	-	5,401
Deferred tax liabilities and other non-current liabilities	1,147	83	(146)	1,084	675	-	1,759
Total non-current liabilities	8,088	1,312	(361)	9,039	1,219	-	10,258
CURRENT LIABILITIES							
Short-term provisions	868	87	-	955	11	-	966
Current financial liabilities	4,270	532	(41)	4,761	-	(969)	3,792
Trade payables and sales financing debts	9,595	824	(400)	10,019	42,248	(968)	51,299
Current tax liabilities and other current liabilities	12,306	279	(41)	12,544	1,495	(3,853)	10,186
Total current liabilities	27,039	1,722	(482)	28,279	43,754	(5,790)	66,243
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	68,574	2,935	(981)	70,528	49,645	(10,230)	109,943

(€ million)	Automotive (excluding AVTOVAZ)	AVTOVAZ	Intra- Automotive Transactions	TOTAL AUTOMOTIVE	Sales Financing	Intersegment transactions	CONSOLIDATED TOTAL
December 31, 2016 ⁽¹⁾							
ASSETS							
NON-CURRENT ASSETS							
Property, plant and equipment and intangible assets, and goodwill	15,843	1,755	-	17,598	388	(9)	17,977
Investments in associates and joint ventures	18,888	41	-	18,929	97	-	19,026
Non-current financial assets – investments in companies	5,790	-	(509)	5,281	1	(4,012)	1,270
Non-current financial assets – other securities, loans and derivatives on financing operations of the Automotive segments	166	-	(57)	109	-	-	109
Deferred tax assets and other non-current assets	1,897	366	-	2,263	376	(56)	2,583
Total non-current assets	42,584	2,162	(566)	44,180	862	(4,077)	40,965
CURRENT ASSETS							
Inventories	5,456	312	-	5,768	54	(9)	5,813
Customer receivables	2,377	251	(451)	2,177	34,923	(842)	36,258
Current financial assets	1,228	-	(40)	1,188	1,383	(663)	1,908
Current tax assets and other current assets	2,417	304	(178)	2,543	4,171	(3,059)	3,655
Cash and cash equivalents	11,820	277	-	12,097	1,894	(138)	13,853
Total current assets	23,298	1,144	(669)	23,773	42,425	(4,711)	61,487
TOTAL ASSETS	65,882	3,306	(1,235)	67,953	43,287	(8,788)	102,452
SHAREHOLDERS' EQUITY AND LIABILITIES							
SHAREHOLDERS' EQUITY	31,098	18	(330)	30,786	4,028	(3,890)	30,924
NON-CURRENT LIABILITIES							
Long-term provisions	2,700	13	-	2,713	464	-	3,177
Non-current financial liabilities	3,851	1,315	(235)	4,931	12	-	4,643
Deferred tax liabilities and other non-current liabilities	945	95	-	1,040	614	-	1,654
Total non-current liabilities	7,496	1,423	(235)	8,684	1,090	-	9,774
CURRENT LIABILITIES							
Short-term provisions	1,055	79	-	1,134	26	-	1,160
Current financial liabilities	5,343	746	(40)	6,049	-	(801)	5,248
Trade payables and sales financing debts	9,260	754	(416)	9,598	36,760	(784)	45,574
Current tax liabilities and other current liabilities	11,630	286	(214)	11,702	1,383	(3,313)	9,772
Total current liabilities	27,288	1,865	(670)	28,483	38,169	(4,898)	61,754
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	65,882	3,306	(1,235)	67,953	43,287	(8,788)	102,452

(1) The figures at December 31, 2016 include adjustments recognized in 2017 relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B), and are thus different from the previously published figures.

A3 – CONSOLIDATED CASH FLOWS BY OPERATING SEGMENT

<i>(€ million)</i>	Automotive (excluding AVTOVAZ)	AVTOVAZ	Intra Automotive Transactions	TOTAL AUTOMOTIVE	Sales Financing	Intersegment transactions	Consolidated total
2017							
Net income	4,505	(115)	(2)	4,388	739	83	5,210
Cancellation of dividends received from unconsolidated listed investments	(51)	-	-	(51)	-	-	(51)
Cancellation of income and expenses with no impact on cash							
Depreciation, amortization and impairment	2,852	109	-	2,961	85	-	3,046
Share in net (income) loss of associates and joint ventures	(2,808)	24	-	(2,784)	(15)	-	(2,799)
Other income and expenses with no impact on cash, before interest and tax	597	139	-	736	372	22	1,130
Dividends received from unlisted associates and joint ventures	3	-	-	3	-	-	3
Cash flows before interest and tax ⁽¹⁾	5,098	157	(2)	5,253	1,181	105	6,539
Dividends received from listed companies ⁽²⁾	761	-	-	761	-	-	761
Decrease (increase) in sales financing receivables	-	-	-	-	(5,568)	63	(5,505)
Net change in financial assets and sales financing debts	-	-	-	-	5,871	(133)	5,738
Change in capitalized leased assets	(529)	-	-	(529)	(93)	-	(622)
Change in working capital before tax	447	98	5	550	(613)	(49)	(112)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE INTEREST AND TAX	5,777	255	3	6,035	778	(14)	6,799
Interest received	68	17	(4)	81	1	(12)	70
Interest paid	(352)	(128)	4	(476)	-	25	(451)
Current taxes (paid)/received	(487)	(6)	-	(493)	(220)	(3)	(716)
CASH FLOWS FROM OPERATING ACTIVITIES	5,006	138	3	5,147	559	(4)	5,702

(1) Cash flows before interest and tax do not include dividends received from listed companies.

(2) Dividends received from Daimler (€51 million) and Nissan (€710 million).

(€ million)	Automotive (excluding AVTOVAZ)	AVTOVAZ	Intra- Automotive Transactions	TOTAL AUTOMOTIVE	Sales Financing	Intersegment transactions	Consolidated total
2017							
CASH FLOWS FROM OPERATING ACTIVITIES	5,006	138	3	5,147	559	(4)	5,702
Purchases of intangible assets	(1,285)	(24)	-	(1,309)	(2)	-	(1,311)
Purchases of property, plant and equipment	(2,221)	(81)	17	(2,285)	(5)	-	(2,290)
Disposals of property, plant and equipment and intangibles	144	29	(20)	153	-	-	153
Acquisitions and disposals of investments involving gain or loss of control, net of cash acquired	(16)	-	-	(16)	(15)	-	(31)
Acquisitions and disposals of other investments and other	(37)	1	-	(36)	-	-	(36)
Net decrease (increase) in other securities and loans of the Automotive segments	(228)	-	-	(228)	-	111	(117)
CASH FLOWS FROM INVESTING ACTIVITIES	(3,643)	(75)	(3)	(3,721)	(22)	111	(3,632)
Cash flows with shareholders ⁽¹⁾	(1,267)	-	-	(1,267)	(49)	-	(1,316)
Net change in financial liabilities of the Automotive segments	(54)	(194)	(3)	(251)	-	(140)	(391)
CASH FLOWS FROM FINANCING ACTIVITIES	(1,321)	(194)	(3)	(1,518)	(49)	(140)	(1,707)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	42	(131)	(3)	(92)	488	(33)	363

(€ million)	Automotive (excluding AVTOVAZ)	AVTOVAZ	Intra- Automotive Transactions	TOTAL AUTOMOTIVE	Sales Financing	Intersegment transactions	Consolidated total
2017							
Cash and cash equivalents: opening balance	11,820	277	-	12,097	1,894	(138)	13,853
Increase (decrease) in cash and cash equivalents	42	(131)	(3)	(92)	488	(33)	363
Effect of changes in exchange rate and other changes	(144)	(16)	-	(160)	(28)	29	(159)
Cash and cash equivalents: closing balance	11,718	130	(3)	11,845	2,354	(142)	14,057

(1) Including the acquisitions of the shares of Alliance Rostec Auto B.V. previously held by Nissan (note 3-B) and the Renault shares sold by the French State, for a share offering reserved for current and former employees (note 18-C).

(€ million)	Automotive (excluding AVTOVAZ) ⁽¹⁾	Sales Financing	Intersegment transactions	Consolidated total
2016				
Net income	2,880	620	43	3,543
Cancellation of dividends received from unconsolidated listed investments	(44)	-	-	(44)
Cancellation of income and expenses with no impact on cash				
Depreciation, amortization and impairment	2,779	61	-	2,840
Share in net (income) loss of associates and joint ventures	(1,631)	(7)	-	(1,638)
Other income and expenses with no impact on cash, before interest and tax	1,059	330	16	1,405
Dividends received from associate companies and non-listed co-companies	-	1	-	1
Cash flows before interest and tax ⁽²⁾	5,043	1,005	59	6,107
Dividends received from listed companies ⁽³⁾	772	-	-	772
Decrease (increase) in sales financing receivables	-	(6,007)	92	(5,915)
Net change in financial assets and sales financing assets	-	5,276	22	5,298
Change in capitalized leased assets	(564)	(141)	-	(705)
Change in working capital before tax	356	(615)	20	(239)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE INTEREST AND TAX	5,607	(482)	193	5,318
Interest received	114	-	(24)	90
Interest paid	(441)	-	25	(416)
Current taxes (paid) / received	(354)	(254)	5	(603)
CASH FLOWS FROM OPERATING ACTIVITIES	4,926	(736)	199	4,389
Purchases of intangible assets	(1,054)	(4)	-	(1,058)
Purchases of property, plant and equipment	(2,037)	(2)	-	(2,039)
Disposals of property, plant and equipment and intangibles	44	-	-	44
Acquisitions and disposals of investments involving gain or loss of control, net of cash acquired ⁽⁴⁾	(397)	(18)	282	(133)
Acquisitions and disposals of other investments and other ⁽⁵⁾	1,087	(15)	-	1,072
Net decrease (increase) in other securities and loans of the Automotive segments	268	-	(61)	207
CASH FLOWS FROM INVESTING ACTIVITIES	(2,089)	(39)	221	(1,907)
Cash flows with shareholders	(896)	(15)	-	(911)
Net change in financial liabilities of the Automotive segments	(1,788)	-	(146)	(1,934)
CASH FLOW FROM FINANCING ACTIVITIES	(2,684)	(15)	(146)	(2,845)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	153	(790)	274	(363)

(€ million)	Automotive (excluding AVTOVAZ) ⁽¹⁾	Sales Financing	Intersegment transactions	Consolidated total
2016				
Cash and cash equivalents: opening balance	11,571	2,672	(110)	14,133
Increase (decrease) in cash and cash equivalents	153	(790)	274	(363)
Effect of changes in exchange rate and other changes	96	12	(25)	83
Cash and cash equivalents: closing balance	11,820	1,894	139	13,853

(1) In 2016 the Automotive (excluding AVTOVAZ) segment includes the net income of the AVTOVAZ Group and its parent company, accounted for by the equity method. As the impact of the AVTOVAZ Group and its parent company on the net income and changes in cash between December 28, 2016 and December 31, 2016 was judged non-significant, full consolidation was applied from December 31, 2016 (see 4.2.6.1).

(2) Cash flows before interest and tax do not include dividends received from listed companies.

(3) Dividends received from Daimler (€44 million) and Nissan (€728 million).

(4) The effect of acquisition of control, as defined by IFRS 10, over the AVTOVAZ Group and its parent company amounted to €(104) million in 2016, including €282 million of cash acquired.

(5) Renault SA sold Nissan shares for an amount of €1,119 million in 2016, in connection with Nissan's share repurchase operation between March and December 2016 (note 12-B to the consolidated financial statements for 2016).

A4 – OTHER INFORMATION FOR THE AUTOMOTIVE SEGMENTS: NET CASH POSITION OR NET FINANCIAL INDEBTEDNESS AND OPERATIONAL FREE CASH FLOW

The net cash position or net financial indebtedness and operational free cash flow are only presented for the Automotive segments, since these indicators are not relevant for monitoring Sales Financing activity.

Net cash position (net financial indebtedness)

(€ million)	December 31, 2017			
	Automotive (excluding AVTOVAZ)	AVTOVAZ	Intra-Automotive transactions	TOTAL AUTOMOTIVE
Non-current financial liabilities	(4,392)	(1,211)	215	(5,388)
Current financial liabilities	(4,270)	(532)	41	(4,761)
Non-current financial assets – other securities, loans and derivatives on financing operations	139	-	(50)	89
Current financial assets	1,181	-	(38)	1,143
Cash and cash equivalents	11,718	130	(3)	11,845
Capitalizable loans from Renault s.a.s. to AVTOVAZ	(87)	-	87	-
Net cash position (net financial indebtedness) of the Automotive segments	4,289	(1,613)	252	2,928

(€ million)	December 31, 2016 ⁽¹⁾			
	Automotive (excluding AVTOVAZ)	AVTOVAZ	Intra-Automotive transactions	TOTAL AUTOMOTIVE
Non-current financial liabilities	(3,849)	(1,315)	235	(4,929)
Current financial liabilities	(5,343)	(746)	40	(6,049)
Non-current financial assets – other securities, loans and derivatives on financing operations	166	-	(57)	109
Current financial assets	1,228	-	(40)	1,188
Cash and cash equivalents	11,820	277	-	12,097
Capitalizable loans from Renault s.a.s. to AVTOVAZ	(97)	-	97	-
Net cash position (net financial indebtedness) of the Automotive segments	3,925	(1,784)	275	2,416

(1) The figures at December 31, 2016 include adjustments recognized in 2017 relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B), and are thus different from the previously published figures.

Operational free cash flow

(€ million)	2017			
	Automotive (excluding AVTOVAZ)	AVTOVAZ	Intra- Automotive transactions	TOTAL AUTOMOTIVE
Cash flows (excluding dividends from listed companies) before interest and tax	5,098	157	(2)	5,253
Changes in working capital before tax	447	98	5	550
Interest received by the Automotive segments	68	17	(4)	81
Interest paid by the Automotive segments	(352)	(128)	4	(476)
Current taxes (paid)/received	(487)	(6)	-	(493)
Acquisitions of property, plant and equipment, and intangible assets net of disposals	(3,362)	(76)	(3)	(3,441)
Capitalized leased vehicles and batteries	(529)	-	-	(529)
Operational free cash flow of the Automotive segments	883	62	-	945

(€ million)	2016
Automotive (excluding AVTOVAZ)	
Cash flows (excluding dividends from listed companies) before interest and tax	5,043
Changes in working capital before tax	356
Interest received by the Automotive (excluding AVTOVAZ) segment	114
Interest paid by the Automotive (excluding AVTOVAZ) segment	(441)
Current taxes (paid)/received	(354)
Acquisitions of property, plant and equipment, and intangible assets net of disposals	(3,047)
Capitalized leased vehicles and batteries	(564)
Operational free cash flow of the Automotive (excluding AVTOVAZ) segment	1,107

B – Information by region

The regions presented correspond to the geographic divisions used for Group management. The regions are defined in section 1.3.1.3 of the registration document.

Consolidated revenues are presented by location of customers.

Property, plant and equipment and intangibles are presented by location of subsidiaries and joint operations.

(€ million)	Europe ⁽¹⁾	Americas	Asia-Pacific	Africa – Middle East-India	Eurasia	Consolidated total
2017						
Revenues	36,249	6,773	3,638	4,512	7,598	58,770
<i>Including AVTOVAZ ⁽²⁾</i>	44	5	-	2	2,951	3,002
Property, plant and equipment and intangibles	12,956	1,073	522	706	3,565	18,822
<i>Including AVTOVAZ ⁽²⁾</i>	-	-	-	-	1,533	1,533
2016						
Revenues	33,195	4,194	5,434	4,212	4,208	51,243
Property, plant and equipment and intangibles	12,038	1,054	589	714	3,582	17,977
<i>Including AVTOVAZ ⁽²⁾</i>	-	-	-	-	1,755	1,755

(1) Including the following for France :

(€ million)	2017	2016
Revenues	12,670	11,968
Property, plant and equipment and intangibles	10,325	9,680

(2) The results of the joint venture Alliance Rostec Auto B.V. and the AVTOVAZ Group, which together make up the AVTOVAZ segment, are fully consolidated from January 1, 2017.

4.2.6.2 Accounting policies and scope of consolidation

NOTE 1 – APPROVAL OF THE FINANCIAL STATEMENTS

The Renault Group's consolidated financial statements for 2017 were examined at the Board of Directors' meeting of February 15, 2018 and will be submitted for approval by the shareholders at the General Shareholders' Meeting.

NOTE 2 – ACCOUNTING POLICIES

In application of European regulations, the Renault Group's consolidated financial statements for 2017 are prepared under IFRS (International Financial Reporting Standards) as issued by the IASB (International Accounting Standards Board) at December 31, 2017 and adopted by the European Union at the year-end.

A – CHANGES IN ACCOUNTING POLICIES

A1 – Changes in 2017

At December 31, 2017 the Group applies the new amendments to accounting standards shown below, which were published in the Official Journal of the European Union and mandatory.

New amendments that became mandatory on January 1, 2017	
Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses

The Group presents the new disclosures on changes in financial liabilities required by the amendment to IAS 7 in note 23-B.

The amendment to IAS 12 concerns recognition methods for a deferred tax asset and its requirements have been incorporated into the approach described in note 8.

The Group has not opted for early application of the new standards listed below, which have been published in the European Union's Official Journal and will be mandatory from January 1, 2018 or later.

New standards and amendments not applied early by the Group		Mandatory application date
IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue from contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019

On October 29, 2016 the European Union published in the Official Journal IFRS 15, "Revenue from Contracts with Customers", which will replace IAS 11 and IAS 18 and the associated IFRIC and SIC interpretations. IFRS 15 proposes a new approach to recognition of sales revenues described in five stages.

This new standard will not have any major impact on the Group's financial statements. The Group has reviewed its sales contracts and concluded that there is no need to modify the trigger event for revenue recognition, or the current accounting treatment of warranties which makes a distinction between insurance-type warranties (to be covered by provisions) and service-type warranties (for which revenues are spread over the duration of the warranty extension). Treatment of incentives granted in the form of reduced interest on the sale of a vehicle with associated financing will be modified such that the effect of the interest reduction will always be included in profit and loss at the time of the vehicle sale, instead of being recognized progressively as is currently the case. The impact of this change, amounting to approximately €200 million net of deferred taxes, will be recognized in opening shareholders' equity. The Group has not identified any significant financing component at the transition date, but will apply the principle of recognising its effects in the financial statements as soon as they become significant. The Group also intends to disclose the amount of sales revenues with its partners in the notes to the financial statements.

The Group will apply IFRS 15 from January 1, 2018 under the simplified retrospective approach (cumulative effect method): the 2018 financial statements will apply the principles of IFRS 15, while the comparative figures for 2017 will continue to be reported under the previous standards. The effects of the changes will be recorded in shareholders' equity at January 1, 2018, and detailed information will be disclosed in the notes to show the impacts of first application of IFRS 15 and report sales revenues under the accounting policies previously used.

On November 29, 2016 the European Union published in the Official Journal IFRS 9, "Financial instruments". This standard introduces changes including:

- a new approach to classification and measurement of financial assets, based on the business model and contractual cash flows: loans and debt securities that are not considered "basic" as defined by the standard (Solely Payments of Principal and Interest) will be carried at fair value through profit and loss, while "basic" loans and debt securities will be

carried at amortized cost or at fair value through Other Comprehensive Income ; equity instruments will be carried at fair value through profit and loss or, under an irrevocable option, at fair value through Other Components of Comprehensive Income ;

- a single impairment model based on credit risk: IFRS 9 introduces a shift from an “incurred” loss model to an “expected” loss model ;
- a substantially reformed approach to hedge accounting, to better reflect risk management, particularly by broadening the range of eligible hedging instruments. Until a future standard is released for macro-hedging, IFRS 9 allows continuation of the existing hedge accounting treatments under IAS 39 for all hedging, or solely for macro-hedging.

The Group has reviewed all of its financial asset portfolios to determine their accounting classification according to the categories set out by IFRS 9. In particular, the Group intends to classify the Daimler shares held as part of the strategic partnership as “at fair value through Other Components of Comprehensive Income”. In accordance with the standard, shares in investment funds will be carried at fair value through profit and loss.

The Group has also developed a new impairment model on receivables, based on prospective assessment of the credit risk at the inception of the receivable and its deterioration over time. A simplified approach will be used for short-term Automotive receivables, leading to recognition of additional provisions on healthy receivables based on a transition matrix. The expected impacts of this new impairment model are not significant.

In the Sales Financing segment, in-depth analyses have been conducted to define a new impairment methodology. As a result, all financial instruments in the scope of the standard are potentially subject to impairment for expected credit losses under the following rules:

- upon initial recognition, impairment on the instrument is recorded equivalent to the 12-month expected credit loss.
- If there is a significant deterioration in the credit risk after initial recognition, impairment on the instrument is recorded equivalent to the instrument’s lifetime expected losses.

As IFRS 9 does not change the definition of the risk of default given by IAS 39, the Group will continue to use the same definitions of doubtful and compromised doubtful receivables. It is important to note that the accounting concept of “doubtful” used in the Sales Financing segment is very similar to the Basel accords’ concept of “default”.

The new impairment model covers assets carried at amortized cost or at fair value through Other Components of Comprehensive Income, and must reflect the observed deterioration in the credit risk.

To ensure coherence between its prudential risk management policy and its accounting method for establishing provisions, the Sales Financing segment, in compliance with the recommendations of the Basel Committee and the European Banking Authority, will use the existing Basel rules as far as possible to generate the IFRS 9 parameters required for its calculations. However, to comply with IFRS 9, adjustments must be made to the parameters used for portfolios concerned by the AIRB (advanced internal ratings-based) approach, in order to incorporate economic conditions and forecasts and recent developments that are not adequately reflected at the closing date (as opposed to using the prudential environment’s “bottom of cycle” assessment or long-term historical average).

An approach based on Basel credit risk models will thus be implemented for customer and dealer loans and financing, finance leases, and irrevocable financing commitments and financial guarantees given. These assets account for more than 85% of the financial assets covered by IFRS 9. For other assets, a standard approach based on a simplified methodology will be applied, since these portfolios are non-significant.

Measurement of the impacts of application of these new methods on the Group’s financial statements is currently being finalized, and should lead to an increase in impairment, although with low materiality.

For hedge accounting, the Group will apply IFRS 9 for documentation of its micro-hedging operations, and the accounting principles laid down in IAS 39 will continue to be used for documentation of macro-hedging operations until there is a further change in the IFRS.

IFRS 9 is mandatory from January 1, 2018 and can be applied early. The changes in accounting policies resulting from adoption of IFRS 9 will be applied retrospectively in the financial statements for the year ending December 31, 2018, with application of the following simplifications:

- the 2017 consolidated financial statements presented for comparative information will not be restated for application of IFRS 9, and will thus be identical to the figures published for N-1 under the accounting principles laid down in IAS 39 “Financial Instruments – Recognition and Measurement”;
- differences in book value on financial assets at the date of first application of IFRS 9 will be recorded in Shareholders’ Equity, under Reserves and Revaluation of financial instruments.

Measurement of the impacts of IFRS 15 and IFRS 9 for the Nissan Group is currently being finalized.

On November 9, 2017 the European Union published in the Official Journal IFRS 16, “Leases”, which will replace IAS 17 and the associated IFRIC and SIC interpretations and will eliminate the previous distinction between operating leases and finance leases for the lessee. Under IFRS 16, the lessee recognizes an asset related to the right of use and a financial liability that represents the lease obligation. The right-of-use asset is amortized and the lease liability is initially recognized at the present value of lease payments over the term of the lease. The present value is computed using the implicit interest rate of the lease agreement if it can be readily determined, or at the incremental borrowing rate otherwise. However, IFRS 16 is very similar to the existing standard as regards the treatment of leases by the lessor.

The Group is currently working to identify its leases that come under the scope of IFRS 16, and is examining their valuation under the new standard. At this stage, real estate leases make up the Group’s main lease commitments and will account for most of the restated agreements.

No valuation is yet available of the impacts of application of this standard, but due to the specificities in lease contracts allowing penalty-free withdrawal before the end of the contract, the irrevocable lease commitments reported in note 28-A1 to the 2017 financial statements are still not fully representative of the financial liability that should be recognized in application of IFRS 16. The negative impact of this standard's application on the financial liability, and the positive effects on the operating margin and cash flows from operating activities, are currently being analysed.

Application of IFRS is mandatory from January 1, 2019. The Group does not intend to apply the standard early. The modalities of first application of IFRS 16 have not yet been fixed.

A2 – Accounting policies applied by the AVTOVAZ Group

The AVTOVAZ Group's financial statements, which are fully consolidated by Renault from December 31, 2016, are prepared under IFRS as issued by the IASB. The accounting policies applied are the same as those used by the Renault Group described in note 2, apart from a few exceptions which are specifically indicated in the relevant sections of note 2.

These exceptions concern useful lives for property, plant and equipment (note 2-L), the definition of cash-generating units (note 2-M) and the valuation method for the cost of outgoing inventories (note 2-O).

B – Estimates and judgments

In preparing its financial statements, Renault has to make estimates and assumptions that affect the book value of certain assets and liabilities, income and expense items, and the information disclosed in certain notes. Renault regularly revises its estimates and assessments to take account of past experience and other factors deemed relevant in view of the economic circumstances. If changes in these assumptions or circumstances are not as anticipated, the figures reported in Renault's future consolidated financial statements could differ from the estimates established at the time the financial statements were finalized.

For the purposes of allocation of the purchase price of AVTOVAZ, the fair value of the assets and liabilities transferred at December 31, 2016 was determined (note 3-B). These valuations, which are dependent on estimates and judgments, affected the following items: property, plant and equipment and intangible assets, financial assets and other assets, deferred taxes, customer receivables, financial liabilities, other liabilities and provisions.

In general, the main items in the Group's consolidated financial statements that are dependent on estimates and judgments at December 31, 2017 are:

- Capitalization of research and development expenses and their amortization period (notes 2-K and 10-A),
- Any impairment on fixed assets (notes 2-M and 11), and operating receivables (notes 16 and 17),
- The recoverable value of leased vehicles classified as property, plant and equipment or in inventories (notes 2-G, 10-B and 14),
- Investments in associates, notably Nissan (notes 2-M, 12 and 13);
- Sales financing receivables (notes 2-G and 15);
- Recognition of deferred taxes (notes 2-I and 8);
- Provisions, particularly vehicle and battery warranty provisions (note 2-G), provisions for pensions and other long-term employee benefit obligations (notes 2-S and 19) and provisions for workforce adjustment measures (notes 2-T and 6-A) and provisions for legal and tax risks (note 20);
- The value of assets in Iran, mainly comprising shares, a shareholder loan and commercial receivables (note 6-D) and in general the value of Group assets located in all areas concerned by country risks.

C – Consolidation principles

The consolidated financial statements include the financial statements of all companies controlled exclusively by the Group either directly or indirectly (subsidiaries). Jointly controlled companies are accounted for under the equity method when they are classified as joint ventures and consolidated on the basis of the percentage share specific to each balance sheet and income statement item when they are classified as joint operations.

Companies in which the Group exercises significant influence (associates) are included in the financial statements on an equity basis.

Significant intercompany transactions and unrealized internal profits are eliminated.

Investments in non-significant companies that are not included in the scope of consolidation, even though they fulfil the above criteria, are recorded as other non-current assets.

Their consolidation would have a negligible impact on the consolidated financial statements, since they are Group-financed entities whose losses, if any, are recognized via impairment losses, and which:

- acquire almost all their purchases from Group companies or
- carry out almost all their sales transactions with Group companies.

Put options on non-controlling interests are carried at fair value and classified in other non-current liabilities in the consolidated financial position, with a corresponding adjustment to equity.

D – Presentation of the consolidated financial statements

Valuation basis

The consolidated financial statements are established under the historical cost convention, except for certain categories of assets and liabilities, in compliance with IFRS rules. The categories concerned are detailed in the following notes.

Operating income and operating margin

Operating income includes all revenues and costs directly related to the Group's activities, whether recurrent or resulting from non-recurring decisions or operations, such as restructuring costs. The operating margin corresponds to the operating income before other operating income and expenses, which are by nature unusual or significant and could affect comparability of the margin. Other operating income and expenses cover:

- restructuring costs relating to discontinued activities and workforce adjustment costs;
- gains or losses on partial or total disposal of businesses or operating entities, gains or losses on total or partial disposals of investments in associates and joint ventures, other gains and losses relating to changes in the scope of consolidation such as acquisitions of control, as defined by IFRS 10, over entities previously accounted for under the equity method, and direct acquisition costs for entities that are fully consolidated or consolidated on a line-by-line percentage of interest basis;
- gains or losses on disposal of property, plant and equipment or intangible assets (except leased assets sales);
- impairment on property, plant and equipment or intangible assets and goodwill (excluding goodwill of associates or joint ventures);
- unusual items, i.e. income and charges that are unusual in their frequency, nature or amount, relating to significant litigation or impairment of operating receivables.

Share in net income of associates and joint ventures

The share in net income of associates and joint ventures reported in the Group's consolidated income statement comprises the share in these entities' profits or losses, and impairment and recoveries of impairment relating to these entities (note 2-M). The impairment booked is limited to the net book value of the investment, unless an additional commitment has been made.

The gain or loss resulting from the sale or loss of significant influence or joint control over associates and joint ventures accounted for by the equity method, and the gain or loss on acquisition of control, as defined by IFRS 10, over companies that were already consolidated but not controlled, is reported in other operating income and expenses in the Group's consolidated income statement. This includes transfers of accumulated translation adjustments during the period the entity was accounted for by the equity method.

The Group recognizes a deferred tax liability on dividend distributions for all differences between the book and tax values of its investments in associates and joint ventures (note 2-I). This tax is included in current and deferred taxes in the Group's income statement.

Goodwill relating to associates and joint ventures is included in the value of the relevant entities as stated in the assets in the consolidated statement of financial position. In the event of impairment, an impairment loss is booked and included in the consolidated income statement via the share in net income (loss) of associates and joint ventures (note 2-J).

Acquisition expenses related to investments in associates and joint ventures are included in the initial acquisition cost for these investments.

Cross-investments between a consolidated entity and an associate are neutralized in measuring the investment in the associate as stated in the assets of the statement of financial position. Nissan's 15% stake in Renault is therefore neutralized in valuing the investment in Nissan shown in the assets of the consolidated statement of financial position (note 12).

Dividends received from unlisted associates and joint ventures are included in the Automotive segments' operational free cash flow, while dividends received from listed associates and joint ventures, i.e. Nissan, are excluded from the operational free cash flow of the Automotive (excluding AVTOVAZ) segment.

Reporting by operating segment

The information by operating segment is based on internal reporting to the Group Executive Committee, identified as the "Chief Operating Decision-Maker". This information is prepared under the IFRSs applicable to the consolidated financial statements. All Group financial data are assigned to the operating segments. The "Intersegment transactions" and "Intra-Automotive" columns are reserved for transactions between the segments, which are carried out on near-market terms. Dividends paid by the Sales Financing segment to the Automotive (excluding AVTOVAZ) segment are included in the Automotive (excluding AVTOVAZ) segment's financial income.

The indicator used to evaluate segment performance is the operating margin.

Apart from taxes and the associates' share in net income, income and expenses relating to sales financing are recorded as operating items. The tax effect inherent to the French consolidated taxation system is included in the tax expense of the Automotive (excluding AVTOVAZ) segment.

Assets and liabilities are specific to each segment. Receivables assigned by the Automotive (excluding AVTOVAZ) segment to the sales financing companies are treated as operating assets by the assignee when the risks and benefits are substantially transferred. These receivables are mostly receivables on the dealership network.

Vehicles and batteries for which the Automotive (excluding AVTOVAZ) segment has a repurchase commitment are included in the segment's assets. When these assets are financed by the Sales Financing segment, the Sales Financing segment recognises a receivable on the Automotive (excluding AVTOVAZ) segment.

Current and non-current assets and liabilities

Sales financing receivables, other securities, derivatives, loans and financial liabilities of the Sales Financing segment (other than redeemable shares and subordinated loans) are considered as current assets and liabilities, because they are used in this operating segment's normal business cycle.

For the Automotive segments, in addition to items directly related to the business cycle, all assets and liabilities maturing within one year are classified as current.

E – Translation of the financial statements of foreign companies

The Group's presentation currency is the Euro.

For foreign companies, the functional currency is generally the local currency. In cases where most transactions are carried out in a different currency, that is adopted as the functional currency.

To determine whether a country is in hyperinflation, the Group refers to the list published by the AICPA (American Institute of Certified Public Accountants) International Task Force. None of the countries where Renault has significant business activity was on this list in 2017.

Foreign companies' accounts are established in their functional currency, and subsequently translated into the Group's presentation currency as follows:

- financial position items other than components of shareholders' equity, which are stated at historical value, are translated at the closing exchange rate;
- income statement items are translated at the average exchange rate for the period;
- the translation adjustment is one of the other components of comprehensive income, and therefore has no impact on net income.

Goodwill generated by a business combination with a foreign company is treated as an asset or liability of the entity acquired, as appropriate. It is therefore expressed in the relevant entity's functional currency, and translated into Euros at the closing rate.

When a foreign company is sold, the accumulated translation adjustments on its assets and liabilities are transferred to other operating income and expenses in the income statement.

F – Translation of foreign currency transactions

Transactions undertaken in a currency other than the functional currency of the entity concerned are initially translated to and recorded in the functional currency, using the rate applicable at the transaction date.

For financial reporting purposes, monetary assets and liabilities in currencies other than the functional currency are translated at the closing rate. All resulting foreign exchange differences are recognized in the income statement, except for foreign exchange gains and losses on financial instruments designated as hedges of a net investment in a foreign entity (note 2-X).

The following impacts are therefore recorded in net income:

- translation adjustments related to financial operations by the Automotive segments are included in the net financial income;
- other translation adjustments are included in the operating margin.

Derivatives are measured and recorded as described in note 2-X.

G – Revenues and margin

Revenues comprise all proceeds from sales of the Group's automotive goods, services related to these sales, and the various sales financing products marketed by the Group's companies to their customers.

Sales of goods and services and margin recognition

- Sales and margin recognition

Sales of automotive goods are recognized when the goods are made available to the distribution network in the case of non-Group dealers, or upon delivery to the end-user in the case of direct sales. The margin on sales is recognized immediately for normal sales by the Automotive segments, including sales with associated financing contracts (credit or finance lease). However, no sale is recognized when an automotive item (vehicle or electric car battery) is covered by an operating lease from a Group finance company or the Group has made a buy-back commitment with a high probability of application, if the term of the contract covers an insufficient portion of the item's useful life.

In such cases, the transactions are recorded as operating leases and included in sales of services. The difference between the price paid by the customer and the buy-back price is treated as rental income, and spread over the period the automotive item is at the customer's disposal. The production cost for the new automotive item concerned is recorded in inventories for contracts of less than one year, or included in property, plant and equipment under fixed assets leased to customers when the contracts exceed one year. The sale of the automotive item as second-hand at the end of the lease gives rise to recognition of sales

revenue and the related margin. The forecast resale value takes account of recent known developments on the second-hand automotive market but also future anticipated developments over the period in which the automotive goods will be sold, which may be influenced by factors both external (economic situation, taxation) and internal (changes in the range or the manufacturer's pricing strategy). As soon as a loss is expected on the resale, a provision (if the automotive item is in inventories) or additional depreciation (if the automotive item is included in property, plant and equipment) is recognized to cover the loss. When the overall position of the lease contract (rental income and income on resale) shows a loss, an additional provision is also recorded immediately to cover the future loss.

- Sales incentive programmes

When based on the volume or price of the products sold, the cost of these programmes is deducted from revenues when the corresponding sales are recorded. Otherwise, the cost is included in selling, general and administrative expenses. If programmes are approved after the sales, a provision is established when the decision is made.

The Group sometimes organizes promotional campaigns offering reduced-interest loans to end-users. The cost of these operations is recognized immediately when the rates offered cannot cover refinancing and administration costs, and charged to sales financing revenues over the duration of the loan otherwise.

- Warranty

The estimated or incurred costs relating to manufacturer's product or part warranties not covered by insurance are charged to expenses when the sales are recorded. Provisions for costs to be borne by Renault are valued on the basis of observed data by model and engine, i.e. the level of costs, and their distribution over the periods covered by the manufacturer's warranty. In the event of product recalls following incidents that come to light after the vehicle has been put on the market, provisions are established to cover the costs involved as soon as the decision to undertake the recall campaign has been made. Amounts claimed from suppliers are deducted from the warranty expense when it is considered practically certain they will be recovered.

- Services related to sales of automotive products

Renault offers its customers extended warranty and maintenance contracts, the income and margin on which are recognized over the period covered by the contract.

Sales financing revenues and operating margin recognition

- Sales financing revenues

Sales financing revenues are generated by financing operations for sales of vehicles to dealers and end-users. These financing operations take the form of loans from the Sales Financing segment companies, and are carried in the balance sheet at amortized cost under the effective interest rate method, less any impairment. Income on these contracts is calculated so as to give a constant interest rate over the period, and is included in sales revenues.

- Sales financing costs

The costs of sales financing are considered as operating expenses and included in the operating margin. They mainly comprise interest incurred by Sales financing companies to refinance their customer loan transactions, other costs and revenues directly related to administration of this type of refinancing (temporary investments, hedging and management of exchange and interest rate risks), and the cost of risks unrelated to refinancing of receivables. Refinancing comes from diversified sources: public and private bond issues, public and private securitization backed by Automotive segments loans, negotiable debt instruments, savings collected and financing from credit institutions and assimilates.

- Commissions payable to business intermediaries

Commissions are treated as external distribution costs, and therefore deferred as contract acquisition costs, so as to give a constant interest rate over the term of the financing contracts.

- Impairment of receivables

Impairment for incurred losses is recognized to cover the risk of non-recovery of receivables. This impairment is determined on an individual basis for customer sales financing receivables (using a case-by-case or statistical approach). For dealer financing, it is determined on an individual basis under a case-by-case approach in the case of doubtful receivables and on a collective basis for healthy receivables (using a statistical approach or internal expert assessment). Any receivable with an incurred risk of partial or total non-recovery is classified as a doubtful receivable no later than once it is overdue by more than three months, and as a compromised doubtful receivable if the debtor's financial position has significantly deteriorated and no later than one year after classification as doubtful. Impairment is recognized accordingly.

Impairment for country risk is also recognized, depending on the credit risk to which debtors are exposed when there is a long-term continuous decline in a country's economic environment. This impairment is recognized for non-Euro-zone countries rated lower than BBB+ by Standard & Poor's. In the current RCI Banque portfolio, the countries concerned are Argentina, Brazil, Morocco and Romania. The impairment is calculated by applying a forecast default rate (probability of default) and a rate of loss caused by default to outstanding Sales Financing customer receivables that have not already been subject to impairment on an individual basis, grouped by country. Dealer financing assets are already covered by dealer network impairment, which uses a similar calculation basis.

H – Financial income (expenses)

The cost of net financial indebtedness comprises the cost of gross financial indebtedness less income associated with cash, cash equivalents and financial assets of the Automotive segments. The cost of gross financial indebtedness consists of income and

expenses generated by the Automotive segments' financial indebtedness during the period, including the impact of the effective portion of the related interest rate hedges.

Other financial income and expenses mainly include changes in the fair value of Renault SA redeemable shares, the net interest on provisions for pensions, and dividends and impairment of companies that are neither controlled nor under significant influence by the Group.

I – Income tax

The Group recognizes deferred taxes for all temporary differences between the tax and book values of assets and liabilities in the consolidated statement of financial position. Deferred taxes are calculated at the latest tax rate enacted at the closing date applicable to the period when temporary differences are reversed. Each individual fiscal entity (legal entity, establishment or group of entities that pays tax to the tax administration) that is authorized to offset its current tax assets and liabilities reports deferred tax assets and liabilities net. Recognition of deferred tax assets depends on the probability of future recovery.

For associates and joint ventures, a deferred tax liability on dividend distributions is booked for all differences between the book value and tax value of shares held.

Tax credits that can only be used against a taxable profit are recorded as a deduction from the income tax payable. Tax credits that are recoverable regardless of whether the company makes a taxable profit are set against the relevant nature of expense.

J – Goodwill

Non-controlling interests (formerly called "minority interests") are carried at fair value (the full goodwill method) or at their share in the fair value of assets acquired and liabilities transferred (the partial goodwill method). To date Renault has only recognized goodwill valued under the partial goodwill method. The choice of which method to use is made for each individual case.

Goodwill is not amortized, but impairment tests are carried out at least annually or whenever there is evidence of loss of value. After initial recognition, goodwill is stated at cost less any accumulated impairment.

Goodwill relating to associates and joint ventures is included in the value of the entities concerned as reported in the assets in the statement of financial position. In the event of impairment, an impairment loss is booked and included in the consolidated income statement via the share in net income (loss) of associates and joint ventures.

Acquisitions of additional investments concerning non-controlling interests in companies controlled by the Group are treated as equity transactions. The positive or negative difference between the cost of acquiring shares and the book value of the non-controlling interests acquired is recorded in shareholders' equity.

K – Research and development expenses

Development expenses incurred between the decision to begin development and implement production facilities for a new vehicle or component (e.g. engine or gearbox) and the subsequent approval of the design for mass production are capitalized as intangible assets. They are amortized on a straight-line basis from the date of approval for production, over the expected market life of the vehicle or part, which is initially no longer than seven years. Market lives are regularly reviewed and subsequently adjusted if there is a significant difference from the initial estimate. Capitalized development expenses mainly comprise the cost of prototypes, the cost of studies invoiced by external firms, the cost of personnel assigned to the project and a share of overheads dedicated exclusively to development activities.

Borrowing costs directly attributable to the development of a project requiring at least 12 months of preparation before commissioning are included in the gross value of the asset, which is a "qualifying asset". The capitalization rate for borrowing costs is limited such that capitalized borrowing costs do not exceed the total borrowing costs borne during the year. When a project is financed through a specific borrowing, the capitalization rate is equal to the interest rate on the borrowing.

Expenses incurred before the decision to begin product development are recorded as costs in the period they are incurred, in the same way as research expenses. Expenses incurred after the start of mass production are treated as production costs.

L – Property, plant and equipment

The gross value of property, plant and equipment corresponds to historical acquisition or production cost.

Design and preparation expenses are included in the asset's production cost.

The production cost for property, plant and equipment also includes financing costs borne during the construction phase, under the same method as for intangible assets. When a project is financed through a specific borrowing, the capitalization rate is equal to the interest rate on the borrowing.

Investment subsidies received are deducted from the gross value of the assets concerned.

Subsequent expenses for property, plant and equipment, except those incurred to increase productivity or prolong the life of an asset, are charged to expenses as incurred.

Assets used by the Group under finance leases are treated as assets financed by credit.

Fixed assets leased to customers are vehicles and batteries under a lease of more than one year from a Group finance company, for which the Group has a repurchase commitment, or vehicles sold under an agreement including a buy-back clause (note 2-G).

Depreciation

In the **Automotive (excluding AVTOVAZ)** segment and the **Sales Financing segment**, depreciation is calculated on a straight-line basis over the following estimated useful lives:

Buildings ⁽¹⁾	15 to 30 years
Specific tools	2 to 7 years
Machinery and other tools (other than press lines)	5 to 15 years
Press lines	20 to 30 years
Other tangible assets ⁽²⁾	4 to 6 years

(1) Buildings in use before 1987 are depreciated over a period of up to 40 years.

(2) Except for leased batteries, which are depreciated over periods of 8 to 10 years depending on the models.

Useful lives are regularly reviewed, and accelerated depreciation is recorded when an asset's useful life becomes shorter than the initially expected period of use, particularly when it is decided to withdraw a vehicle or component from the market.

Depreciation for the **AVTOVAZ segment** is calculated on a straight-line basis over useful lives that may be longer than those used in other Renault Group companies, up to a maximum of 80 years for buildings, 17 years for specific tools, 20 years for machinery and other tools and 13 years for other tangible assets.

M – Impairment

Impairment of fixed assets (other than leased assets)

Fixed assets are subjected to impairment tests as soon as there is any indication of a loss of value, such as significant adverse changes in the market in which the company operates, or changes affecting the circumstances and manner of use of the assets.

For the **Automotive (excluding AVTOVAZ) segment**, impairment tests are carried out at two levels:

- At the level of vehicle-specific assets (including components)
Vehicle-specific assets (including components) consist of capitalized development expenses and tools. Impairment tests are carried out by comparing the net book value of the assets with the recoverable value, calculated based on discounted future cash flows related to the vehicle and its components.
- At the level of other cash-generating units
A cash-generating unit is defined as a coherent subset that generates largely independent cash flows. Other cash-generating units may represent an economic entity (plant or subsidiary) or the whole Automotive (excluding AVTOVAZ) segment. Net fixed assets related to cash-generating units notably include goodwill, specific assets and capacity assets, and components of working capital.

For each of the two levels, impairment tests are carried out by comparing the net book value with the recoverable value. Recoverable value is defined as the higher of value in use or fair value less selling costs.

Value in use is the present value of estimated future cash flows expected to arise from the use of an asset. Future cash flows derive from the business plan drawn up and validated by the Management, plus a terminal value based on discounted normative cash flows after application of a growth rate to infinity. They also include the dividends paid by the Sales Financing segment to the Automotive (excluding AVTOVAZ) segment; these dividends represent, in cash form, the Sales Financing segment's contribution as taken into consideration in internal assessments of project profitability. The assumptions underlying the business plan include estimates of market developments in countries in which the Group operates and its share of those markets, changes in the sale price of products and the prices of purchased components and commodities. The pre-tax discount rate used is the weighted average cost of capital as determined by the company.

When the recoverable value is lower than the net book value, impairment equivalent to the difference is recorded against the assets concerned.

For the **Sales Financing segment**, an impairment test is carried out at least once a year or whenever there is an indication of loss of value, by comparing the book value and recoverable value of assets. Recoverable value is defined as the higher of fair value (less selling costs) and value in use. The value in use is based on a market approach, determined by using multiples for each group of cash-generating units made up of legal entities or groups of legal entities in the same country. The same discount rate is used for all cash-generating units tested: a risk-free 10-year rate increased by the average risk premium for the sector in which the cash-generating units operate. The forecast horizon for income and losses is 1 year.

For **AVTOVAZ**, impairment tests are also carried out at two levels (on specific assets and on the whole Group). The AVTOVAZ Group as a whole is considered as one cash-generating unit, and no tests are conducted for individual factories or economic entities.

Impairment of investments in associates and joint ventures

Impairment tests of the value of investments in associates and joint ventures are carried out as soon as there is any indication of a loss of value, essentially significant adverse changes in the markets in which the company operates, or a major or long-term decline in stock market value.

Impairment tests are carried out in compliance with IAS 28 and IAS 36, by comparing the book value of the investment in the associate or joint venture with the recoverable value, which is the higher of value in use and fair value, less selling costs. The value in use is equal to the share of the present value of future estimated cash flows expected by the associate or joint venture. If the associate or joint venture is listed, the fair value is its stock market value.

When the recoverable value is lower than the book value, impairment equivalent to the difference is recorded against the relevant investment in an associate or joint venture, and included in the Group's income statement via the share in net income (loss) of associates and joint ventures.

N – Non-current assets or groups of assets held for sale

Assets held for sale are non-current assets or groups of assets that are available for immediate sale and have a high probability of being sold.

Non-current assets or groups of assets considered to be held for sale are measured and recorded at the lower of net book value or fair value less selling costs. No further amortization is recorded once an asset is classified as held for sale (or included in a group of assets held for sale). These assets are reported on a specific line of the consolidated financial position.

O – Inventories

Inventories are stated at the lower of cost or net realizable value. Cost corresponds to acquisition cost or production cost, which includes direct and indirect production expenses, and a share of manufacturing overheads based on a normal level of activity. The normal level of activity is assessed site by site, in order to determine the share of fixed costs to be excluded in the event of below-normal activity.

Inventories of the Automotive (excluding AVTOVAZ) segment and the Sales Financing segment are valued under the FIFO (First In First Out) method. Inventories of AVTOVAZ are valued at weighted average cost.

When the net realizable value is lower than the financial position value, impairment equal to the difference is recorded.

P – Assignment of receivables

Receivables assigned to third parties (through securitization or discounting) are removed from Group assets when the associated risks and benefits are also substantially transferred to the third parties in question.

The same treatment applies to assignments between the Automotive (excluding AVTOVAZ) and Sales Financing segments.

Q – Treasury shares

Treasury shares are shares held for the purposes of stock option plans, performance share plans and other share-based payment arrangements awarded to Group managers and executives. Treasury shares acquired during the sale of Renault shares by the French State in 2017 are to be used for a share offering reserved for current and former employees that will enable them to share in the Renault Group's results (note 18-C).

They are recorded at acquisition cost and deducted from Group shareholders' equity until the date of sale.

When these shares are sold, the sale price is directly included in consolidated shareholders' equity. Consequently, no gain or loss on treasury shares is included in the net income for the period.

R – Stock option plans / Performance share attribution plans and other share-based payments agreements

The Group awards stock option plans (purchase and subscription options), performance share attribution plans and other share-based payments, all for Renault shares. The grant date is the date at which beneficiaries are informed of the decision to grant these options or performance shares, and the terms of the relevant plans. For plans subject to performance conditions, an estimate of achievement of those conditions is taken into account in determining the number of options or shares attributed. This estimate is reviewed annually based on changes in the probability of performance condition achievement. The final fair value of services rendered in return for attribution of options or shares is measured by reference to the fair value of those options or shares at their grant date, using a suitable binomial mathematical model that assumes exercise of the options is spread over the exercise period on a straight-line basis. Entitlements to attribution of performance shares are valued based on the share value at grant date less dividends expected during the vesting period. Where relevant, a discount is applied to reflect the fact that the shares must be held for a certain period. The share price volatility factor applied is implicit volatility at the grant date. The expected dividend used is determined by reference to the dividend payout schedule announced at the time each plan is valued.

The total fair value calculated in this way is spread on a straight-line basis over the vesting period for the relevant plan. The cost is included in personnel expenses, with a corresponding adjustment to consolidated reserves. When the option is exercised, the cash amount received by the Group in settlement of the exercise price is booked in cash and cash equivalents, with a corresponding adjustment to consolidated reserves.

S – Pensions and other long-term employee benefit obligations

The Group's payments for defined-contribution benefit plans are recorded as expenses for the relevant period.

For defined-benefit plans concerning post-employment benefits, the Group uses the Projected Unit Credit Method to determine the present value of its obligations. Under this method, benefits are attributed to periods of service according to the plan's benefit formula, principally on a straight-line basis over the years of service.

The future payments for employee benefits are measured on the basis of future salary increases, retirement age, mortality and length of employment with the company, and are discounted at a rate determined by reference to yields on long-term high quality corporate bonds of a duration corresponding to the estimated average duration of the benefit plan concerned.

The actuarial gains and losses resulting from revisions of the underlying assumptions and experience-based adjustments are included in other components of comprehensive income.

The net expense for the year, corresponding to the current period service cost plus the past service cost where relevant, is charged to the operating margin. The interest expense on the net defined-benefit liability (asset) is recorded in the net financial income and expenses.

T – Workforce adjustment measures

The estimated cost of workforce adjustment measures, which for accounting purposes is treated as an employee benefit, is covered by a provision over the estimated residual employment period of the employees concerned.

The estimated cost of termination indemnities is recognized as soon as a detailed plan has either been announced or is in progress.

U – Financial assets

The Group recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

Financial assets comprise investments in non-controlled companies in which Renault does not exercise significant influence, marketable securities, negotiable debt instruments, loans, and derivative assets related to financial transactions (note 2-X).

These instruments are presented as non-current assets, apart from those maturing within 12 months of the closing date, which are classified as current assets.

Investments in non-controlled companies in which Renault does not have significant influence

Investments in non-controlled companies in which Renault does not have significant influence are classified as "available-for-sale" assets. The fair values of such financial assets are determined in priority by reference to the market price. If this is not possible, the Group uses a valuation method that is not based on market data.

Changes in the fair value of "available-for-sale" assets are included in other components of comprehensive income. If there is a significant or prolonged decrease in the fair value such that it falls below the acquisition price, impairment is recorded in the income statement. A decrease is considered significant if it exceeds 40% of the amount and prolonged if it is observed in more than four successive published financial reports.

Marketable securities and negotiable debt instruments

Short-term investments in the form of marketable securities and negotiable debt instruments are undertaken for the management of cash surpluses, but do not meet the requirements to qualify as cash equivalents.

These instruments are classified as "available-for-sale" assets and carried at fair value.

Loans

Loans essentially include loans for investment of cash surpluses and loans to associates.

They are initially recognized at fair value, plus directly attributable transaction costs.

Loans are valued at amortized cost. Impairment is recognized in the income statement when there is objective evidence of depreciation in value caused by an event arising after the initial recognition of the asset.

V – Cash and cash equivalents

Cash includes cash on hand, current accounts and other demand deposits, with the exception of bank overdrafts, which are included in financial liabilities. These instruments are stated at amortized cost.

Cash equivalents are investments held for the purpose of meeting short-term cash commitments. For an investment to qualify as a cash equivalent, it must be readily convertible for a known amount of cash and be subject to an insignificant risk of change in value. Fixed or variable-income instruments that are not listed on an active market are stated at amortized cost. Other instruments are carried at fair value.

Bank accounts subject to restrictions due to sector-specific regulations (for example, banking regulations) or bank accounts allocated to increasing credit on securitized receivables are included in cash and cash equivalents.

W – Financial liabilities of the Automotive segments and sales financing debts

The Group recognizes a financial liability (for the Automotive segments) or a sales financing debt when it becomes a party to the contractual provisions of the instrument.

Financial liabilities and sales financing debts comprise redeemable shares, bonds, other debts represented by a certificate, borrowings from credit institutions, other interest-bearing borrowings and derivative liabilities related to financial transactions (note 2-X).

Redeemable shares

In accordance with IAS 39, the Group considers that the variable interest on redeemable shares is an embedded derivative which cannot be valued separately. Consequently, the Group states all its redeemable shares at fair value, which is equal to market value.

Changes in the fair value of Automotive (excluding AVTOVAZ) segment redeemable shares are recorded in financial income and expenses, while changes in the fair value of Sales Financing segment redeemable shares are recorded in the operating margin.

Bonds, other debts represented by a certificate, borrowings from credit institutions and other interest-bearing borrowings

Bonds, other debts represented by a certificate, borrowings from credit institutions and other interest-bearing borrowings are initially stated at fair value, less any directly attributable transaction costs.

At each reporting date, apart from specific hedge accounting methods (note 2-X), these financial liabilities are generally restated at amortized cost using the effective interest rate method. The financial expense calculated in this way includes issuance expenses and issuance or redemption premiums, together with the impact of debt renegotiations when the old and new terms are not substantially different.

X – Derivatives and hedge accounting

Measurement and presentation

Derivatives are initially stated at fair value. This fair value is subsequently reviewed at each closing date.

- The fair value of forward exchange contracts is based on market conditions. The fair value of currency swaps is determined by discounting future cash flows, using closing-date market rates (exchange and interest rates).
- The fair value of interest rate derivatives is the amount the Group would receive (or pay) to settle outstanding contracts at the closing date, taking into account any unrealized gains or losses based on interest rates and the quality of the counterparty to each contract at the closing date. This fair value includes accrued interest.
- The fair value of commodity derivatives is based on market conditions.

The Automotive segments' derivatives are reported in the financial position as current if they mature within 12 months and non-current otherwise. All Sales Financing segment derivatives are reported in the financial position as current.

Hedge accounting

The treatment of derivatives designated as hedging instruments depends on the type of hedging relationship:

- fair value hedge;
- cash flow hedge;
- hedge of a net investment in a foreign operation.

The Group identifies the hedging instrument and the hedged item as soon as the hedge is set up, and documents the hedging relationship, stating the hedging strategy, the risk hedged and the method used to assess the hedge's effectiveness. This documentation is subsequently updated, such that the effectiveness of the designated hedge can be demonstrated.

Hedge accounting uses specific measurement and recognition methods for each category of hedge.

- Fair value hedges: the hedged item is adjusted to fair value in view of the risk hedged and the hedging instrument is recorded at fair value. As changes in these items are recorded in the income statement simultaneously, only the ineffective portion of the hedge has an impact on net income. It is recorded in the same income statement item as changes in the fair value of the hedged item and the hedging instrument.
- Cash flow hedges: no adjustment is made to the value of the hedged item; only the hedging instrument is adjusted to fair value. Following this adjustment, the effective portion of the change in fair value attributable to the hedged risk is recorded, net of taxes, in other components of comprehensive income, while the ineffective portion is included in net income. The cumulative amount included in shareholders' equity is transferred to the income statement when the hedged item has an impact on net income.
- Hedge of a net investment in a foreign operation: the hedging instrument is adjusted to fair value. Following this adjustment, the effective portion of the change in fair value attributable to the hedged exchange risk is recorded, net of taxes, in other components of comprehensive income, while the ineffective portion is included in net income. The cumulative amount included in shareholders' equity is transferred to net income at the date of liquidation or sale of the investment. The interest rate component of borrowings in yen used to hedge the investment in Nissan is considered as the ineffective portion, and is therefore recorded directly in financial income and expenses.

Derivatives not designated as hedges

Changes in the fair value of derivatives not designated as hedges are recognized directly in financial income, except in the case of derivatives entered into exclusively for reasons closely related to business operations. In this case, changes in the fair value of derivatives are included in the operating margin.

NOTE 3 – CHANGES IN THE SCOPE OF CONSOLIDATION

	Automotive (excluding AVTOVAZ)	AVTOVAZ	Sales Financing	Total
Number of companies consolidated at December 31, 2016	115	74	36	225
Newly consolidated companies (acquisitions, formations, etc)	1	-	1	2
Deconsolidated companies (disposals, mergers, liquidations, etc)	-	9	-	9
Number of companies consolidated at December 31, 2017	116	65	37	218

A – Main change in the scope of consolidation in 2017

RCI Colombia SA, a customer and dealer sales financing company in Colombia formed by the Group in partnership with BBVA, joined the scope of consolidation in 2017. The Group has exclusive control over this entity, which is fully consolidated.

On 15 December 2017, the Renault Group announced the formation of a new joint venture named Renault-Brilliance-Jinbei Automotive Company, which will produce and sell light commercial vehicles in China under the Jinbei, Renault and Huasong brands. Renault owns 49% of this joint venture and its investment was purchased for 2 yuan. The new entity will be accounted for by the equity method from January 1, 2018.

B – AVTOVAZ Group

The AVTOVAZ Group is Russia's leading automaker. It sells Lada brand cars and also makes cars for Renault and Nissan.

The joint venture Alliance Rostec Auto B.V. and the AVTOVAZ Group, consisting of the parent company PJSC AVTOVAZ and its subsidiaries, which were accounted for by the equity method until late December 2016, are fully consolidated from the date of the Alliance Rostec Auto B.V capital increase subscribed by Renault s.a.s. in December 2016, which took place after the capital increase by AVTOVAZ subscribed by Alliance Rostec Auto B.V.

The acquisition of control, as defined by IFRS 10, took place on December 28, 2016. Since the impact of these entities on net income and changes in cash between December 28 and December 31, 2016 was judged non-significant, full consolidation was applied from December 31, 2016.

The cash capital increase for Alliance Rostec Auto B.V. subscribed by Renault s.a.s. on December 28, 2016, which amounted to 14.85 billion roubles (€236 million translated at the rate of the capital increase date), followed a 26.14 billion rouble cash capital increase for AVTOVAZ, of which 14.85 billion roubles (€231 million at the 2016 year-end exchange rate) were provided by Alliance Rostec Auto B.V.

Alliance Rostec Auto B.V. also invested in a financial instrument with a value of €180 million, substantially conferring economic interests in AVTOVAZ even though this financial instrument does not make Alliance Rostec Auto B.V the legal owner of any shares in AVTOVAZ. Alliance Rostec Auto B.V contracted a loan from Renault to finance this operation.

Following these capital increases, at December 31, 2016 Renault owned 73.30% of the capital (57.30% of voting rights) of Alliance Rostec Auto B.V. which held 64.60% of the capital of AVTOVAZ, such that the indirect investment in AVTOVAZ was 47.35%. Including the financial instrument held by Alliance Rostec Auto B.V., 88.69% of the capital of AVTOVAZ was held by Alliance Rostec Auto B.V., and therefore in substance the indirect percentage ownership of AVTOVAZ was 65.01% at December 31, 2016.

The fair value of the total consideration transferred at the acquisition date breaks down as follows:

- €113 million (€7,106 million roubles) for the investment previously held via Alliance Rostec Auto B.V., translated at the rate of the date of the December 2016 AVTOVAZ capital increase for ordinary shares, and valued at the AVTOVAZ stock market price at the date of acquisition of control under IFRS 10 for preference shares, i.e. 9 roubles per ordinary share and 3.92 roubles per preference share. This valuation resulted in recognition in other operating income of a €113 million gain on sale of the shares owned prior to the acquisition of control;
- €217 million in cash;
- €132 million corresponding to 73.3% of the €180 million paid by Alliance Rostec Auto B.V. to acquire a financial instrument analysed in substance as economic interests in AVTOVAZ.

The costs associated with the acquisition of control amount to €4 million (of which €3 million were already recognized at December 31, 2016), and are recorded in other operating expenses.

As the control over AVTOVAZ was acquired at the very end of 2016, it was not possible to determine the fair values of the assets and liabilities transferred by the year-end. They were therefore recorded at the value stated in the consolidated financial statements under IFRS published by AVTOVAZ at December 31, 2016, except for certain debts to Renault. The fair values of the assets and liabilities transferred were finalized in 2017. The net liabilities acquired break down as follows:

	Notes	Fair value at December 31, 2016 of the net liabilities acquired (using the exchange rate of December 28, 2016)		Book value at December 31, 2016 in the financial statements of AVTOVAZ and Alliance Rostec Auto B.V. (using the exchange rate of December 31, 2016)		Adjustments for allocation of the purchase price
		€ million	in millions of roubles	€ million	in millions of roubles	in millions of roubles
AVTOVAZ Group net liabilities						
Property, plant and equipment and intangible assets	(1)	821	51,723	661	42,475	9,248
Investments in associates and joint ventures		41	2,606	41	2,606	-
Financial assets and other non-current assets		233	14,696	241	15,525	(829)
Deferred tax assets	(2)	266	16,784	21	1,339	15,445
Inventories		319	20,059	320	20,600	(541)
Customer receivables	(3)	256	16,156	248	15,884	272
Current financial assets and other current assets		129	8,134	127	8,181	(47)
Cash and cash equivalents		280	17,610	274	17,610	-
Long-term provisions		(13)	(818)	(10)	(628)	(190)
Non-current financial liabilities	(3)	(1,159)	(73,036)	(874)	(56,194)	(16,842)
Deferred tax liabilities	(4)	-	-	(51)	(3,311)	3,311
Other non-current liabilities		(40)	(2,540)	(28)	(1,788)	(752)
Short-term provisions		(80)	(5,082)	(78)	(4,989)	(93)
Current financial liabilities		(762)	(47,986)	(746)	(47,986)	-
Trade payables		(744)	(46,882)	(729)	(46,882)	-
Current tax liabilities and other current liabilities		(318)	(20,021)	(311)	(20,021)	-
Non-controlling interests		(11)	(662)	(10)	(662)	-
Net liabilities acquired from the AVTOVAZ Group		(782)	(49,259)	(904)	(58,241)	8,982
Net assets of Alliance Rostec Auto B.V.						
Cash and cash equivalents		3	176	3	176	-
Other operating assets and liabilities		-	(15)	-	(15)	-
Net assets acquired from Alliance Rostec Auto B.V.		3	161	3	161	-

(1) The Lada brand, which is valued at 9,248 million roubles, has an indefinite life and is thus unamortized.

(2) Mainly corresponds to recognition of deferred tax assets on tax loss carryforwards amounting to 16,967 million roubles and deferred taxes on other adjustments.

(3) Corresponds to an adjustment of debts to Russian Technologies, Renault s.a.s. (2,679 million roubles already recorded in the consolidated financial statements at December 31, 2016) and Vnesheconombank (VEB).

(4) Including €(233) million roubles already recognized at December 31, 2016 reclassified as a deduction from deferred tax assets.

Final determination of goodwill:

	Amounts at December 31, 2017		Amounts at December 31, 2016	
	€ million ⁽¹⁾	in millions of roubles	€ million ⁽¹⁾	in millions of roubles
Fair value of the consideration transferred (A)	462	30,300	462	30,300
Net liabilities of AVTOVAZ Group transferred - 100% (B)	(782)	(49,259)	(868)	(54,630)
Net assets acquired from Alliance Rostec Auto B.V. (C)	3	161	3	161
Share acquired (D) = (B) x 65.01% + (C) x 73.3%	(506)	(31,905)	(563)	(35,397)
Goodwill (A) - (D)	968	62,205	1,025	65,697

(5) Translated at the Euro-rouble rate of the date of acquisition of control: 62.9938 RUB = 1 EUR, or the rate of the payment date in the case of the fair value of the consideration transferred

Corrections to the consolidated financial position at December 31, 2016 following the final allocation of the purchase price for AVTOVAZ

The finalized fair values of the AVTOVAZ assets and liabilities transferred and the amount of goodwill on this business combination were determined in 2017 and are reported in the statement of financial position at December 31, 2016 presented in these financial statements. Details of the adjustments made to the figures published in the 2016 Registration Document are provided below:

Renault Group consolidated financial position	Amounts at December 31, 2016		Difference
	As published at December 31, 2016	As published at December 31, 2017	
€ million			
Property, plant and equipment and intangible assets	17,887	17,977	90
Investments in associates and joint ventures	19,026	19,026	-
Non-current financial assets	1,392	1,379	(13)
Deferred tax assets and other non-current assets	2,288	2,583	295
Inventories	5,821	5,813	(8)
Customer receivables	36,272	36,258	(14)
Current financial assets and other current assets	5,564	5,563	(1)
Cash and cash equivalents	13,853	13,853	-
TOTAL ASSETS	102,103	102,452	349
SHAREHOLDERS' EQUITY	30,895	30,924	29
Long-term provisions	3,174	3,177	3
Non-current financial liabilities	4,639	4,943	304
Deferred tax liabilities	124	124	-
Other non-current liabilities	1,518	1,530	12
Short-term provisions	1,159	1,160	1
Current financial liabilities	41,289	41,289	-
Trade payables	9,533	9,533	-
Current tax liabilities and other current liabilities	9,772	9,772	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	102,103	102,452	349

Changes in Renault's investment in AVTOVAZ in 2017 and non-controlling interests

During 2017, Renault's investment in AVTOVAZ changed due to Renault's acquisition in September 2017 of the shares in Alliance Rostec Auto B.V. that were previously held by Nissan and a put option for AVTOVAZ shares subscribed with a third party. The impact of the change in the investment is directly recognized in Shareholders' equity – parent-company shareholders' share and non-controlling interests' share, in the respective amounts of €(139) million and €87 million.

At December 31, 2017 Renault held 82.45% of the capital (and 66.45% of the voting rights) of Alliance Rostec Auto B.V., which held 64.60% of AVTOVAZ, such that the indirect investment in AVTOVAZ is 53.26%. Including the financial instrument held by Alliance Rostec Auto B.V., and the put option taken on AVTOVAZ shares in 2017, 89.42% of the capital of AVTOVAZ is held by Alliance Rostec Auto B.V., and therefore in substance the indirect percentage ownership of AVTOVAZ at December 31, 2017 is 73.73%.

The non-controlling interests amounted to €(334) million at December 31, 2016, valued as the share of provisional identifiable net liabilities recognized by the entities acquired corresponding to the investments held by the non-controlling entities. The Group did not opt to state these non-controlling interests at fair value. Following finalization of the purchase price allocation, the non-controlling interests at December 31, 2016 now amount to €(305) million.

Intragroup accounts between Renault and AVTOVAZ and the 2016 AVTOVAZ income statement

At December 31, 2015, as stated in note 13-A to the 2015 consolidated financial statements "AVTOVAZ consolidated financial statements included under the equity method in the Renault consolidation", the loans made by Renault in 2012 and 2013 (book value €100 million each at December 31, 2015) were not covered by any specific guarantee.

Renault also had customer receivables amounting to €315 million at December 31, 2015 (€38 million of receivables in euros, and €277 million of receivables in roubles, corresponding to a total amount of 22,370 million roubles).

In view of AVTOVAZ's financial position, Renault decided to leave the funds corresponding to these loans and receivables at the disposal of AVTOVAZ for an indeterminate period, and intended to use them in the AVTOVAZ Group's capital restructuring to be organized from the second half-year of 2016. Settlement of these financial assets was therefore neither planned nor likely to occur, and as a result they were treated as part of the net investment in the AVTOVAZ Group in application of IAS 28 "Investments in associates and joint ventures", and reclassified as investments accounted for under the equity method.

The gross value of these loans and receivables reclassified as investments accounted for under the equity method was €519 million at December 31, 2016. The Renault Group's share of the 2016 losses of AVTOVAZ was charged to the net investment including these loans and receivables until the date of full consolidation, up to the total amount of the net investment. As a result the value of the loans and receivables was reduced to nil.

At the date of full consolidation, in application of IFRS 3, these loans and receivables were reclassified as financial assets and stated at fair value. They will be capitalized for the same amount in a later phase. This revaluation led the Group to recognize a gain of €487 million in other operating income. At December 31, 2017, it is still intended to capitalize these loans and receivables via a reserved capital increase of AVTOVAZ.

No revenues or net income of the entities acquired were recognized in 2016 as they were non-significant between the date of acquisition of control and first full consolidation at December 31, 2016. The amount of revenues and net income from these entities in 2016, that would have been included in Renault's net income if AVTOVAZ had been fully consolidated from January 1, 2016 is detailed in note 13-A to the 2016 consolidated financial statements, "Investment in AVTOVAZ".

4.2.6.3 Consolidated income statement

NOTE 4 – REVENUES

A – Breakdown of revenues

(€ million)	2017	2016
Sales of goods - Automotive segments (including AVTOVAZ)	53,978	46,993
Rental income on leased assets ⁽¹⁾	504	401
Sales of other services	1,775	1,601
Sales of services - Automotive segments (including AVTOVAZ)	2,279	2,002
Sales of goods - Sales Financing segment	29	28
Rental income on leased assets ⁽¹⁾	116	97
Interest income on sales financing receivables	1,478	1,371
Sales of other services ⁽²⁾	890	752
Sales of services - Sales Financing segment	2,484	2,220
TOTAL REVENUES	58,770	51,243

(1) Rental income recorded by the Group on vehicle sales with a buy-back commitment or fixed asset rentals.

(2) Mainly income on services comprising insurance, maintenance, and replacement vehicles under a financing contract or otherwise.

B – 2016 revenues applying 2017 scope and methods

(€ million)	Automobile (including AVTOVAZ)	Sales financing	Total
2016 revenues	48,995	2,248	51,243
Changes in scope of consolidation	1,794	-	1,794
2016 revenues applying 2017 scope and methods	50,789	2,248	53,037
2017 revenues	56,257	2,513	58,770

NOTE 5 – OPERATING MARGIN: DETAILS OF INCOME AND EXPENSES BY NATURE

A – Personnel expenses

Personnel expenses amount to €6,502 million in 2017 (€5,747 million in 2016).

The average workforce during the year for consolidated entities is presented in section 2.4- Human Capital of the 2017 Registration Document.

Details of pensions and other long-term employee benefit expenses are presented in note 19.

The income recorded in respect of the French “CICE” Tax Credit for Competitiveness and Employment amount to €61 million in 2017 and €50 million in 2016. It is allocated between income statement items by purpose.

Share-based payments concern stock options, performance shares and other share-based payments granted to personnel, and amounted to a personnel expense of €77 million for 2017 (€65 million in 2016).

The plan valuation method is presented in note 18-H.

B – Rental expenses

Rents amount to €252 million in 2017 (€224 million in 2016).

C – Foreign exchange gains/losses

In 2017, the operating margin includes a net foreign exchange loss of €113 million, related to movements in the Argentinian peso, Russian rouble and Turkish lira (compared to a net foreign exchange gain of €62 million in 2016 related to the same currencies).

NOTE 6 – OTHER OPERATING INCOME AND EXPENSES

(€ million)	2017 ⁽¹⁾	2016
Restructuring and workforce adjustment costs	(56)	(283)
Gains and losses on total or partial disposal of businesses or operating entities, and other gains and losses related to changes in the scope of consolidation	-	(23)
Income generated by acquisition of control, as defined by IFRS 10, over Alliance Rostec Auto B.V. and the AVTOVAZ Group	-	325
Gains and losses on disposal of property, plant and equipment and intangible assets (except leased asset sales)	96	19
Impairment of property, plant and equipment, intangible assets and goodwill (excluding goodwill of associates and joint ventures)	(52)	(38)
Reversal of impairment related to operations in Iran	4	2
Other unusual items	(40)	(1)
Total	(48)	1

(1) Including the AVTOVAZ Group: €(33) million of restructuring and workforce adjustments costs and €2 million of gains and losses on disposal of property, plant and equipment and intangible assets in 2017.

A – Restructuring and workforce adjustments costs

Restructuring and workforce adjustment costs mainly concern the Americas, Eurasia and Europe regions in 2017 and 2016.

In 2016 these costs included €98 million related to a French career-end work exemption plan introduced in 2013. Employees could sign up to this plan until December 31, 2016. In application of IAS 19 (revised), this is considered as an employee benefit and the cost must be covered by a provision established over the residual forecast working life of the employees concerned.

Restructuring and workforce adjustment costs in 2016 also included €106 million for the specific career work exemption arrangements included in the agreement signed on January 13, 2017 named “*Renault France CAP 2020 – Contrat d’Activité pour une Performance durable*” (activity contract for sustainable performance). The terms of these arrangements were negotiated with representative unions between September 2016 and early January 2017. Since they include a clause that restricts the system to employees having done 15 years of shift work in and outside the Renault Group, the charge recognized in 2016 covered the total cost for employees who had earned the full entitlements at December 31, 2016 and a share of the cost for employees who could sign up for the system between January 1, 2017 and December 31, 2019.

B – Income generated by acquisition of control, as defined by IFRS 10, over Alliance Rostec Auto B.V and the AVTOVAZ Group

The acquisition of control over Alliance Rostec Auto B.V. and AVTOVAZ, which took place on December 28, 2016 (note 3-B), was treated as a sale of the shares held in Alliance Rostec Auto B.V. and AVTOVAZ at the date control was acquired, at their fair value (€113 million, corresponding to the price set for the December 2016 AVTOVAZ capital increase for ordinary shares and the AVTOVAZ stock market price at the transaction date for preference shares), in compliance with IFRS 3 “Business combinations”.

The loans and receivables that are analysed under IAS 28 as an extension of the investment had a book value of nil at the date of acquisition of control, and were stated at fair value in compliance with IFRS 3, resulting in a gain of €487 million. The accumulated translation adjustments, amounting to €(272) million at the date of acquisition of control, were transferred to other operating income and expenses.

The net impact of acquisition of control of the AVTOVAZ Group recognized in other operating income and expenses in 2016 is thus a net gain of €325 million including €3 million of share purchase expenses.

C – Impairment of property, plant and equipment, intangible assets and goodwill (excluding goodwill of associates and joint ventures)

At December 31, 2017, impairment amounting to €52 million was recorded (€37 million in 2016). This impairment mainly results from impairment tests of vehicles (notes 10 and 11).

D – Impairment related to operations in Iran

The Group’s exposure to risks on business with Iran has been fully written off since 2013 and consists of securities, a shareholder loan and commercial receivables. This situation changed little in 2017. The gross amount in the assets at December 31, 2017 was €784 million, including €680 million of customer receivables (€803 million and €699 million respectively at December 31, 2016).

The level of operations with Iran rose in 2017 compared to 2016, with sales of CKD amounting to €743 million (€513 million at December 31, 2016). Sales are only recognized once the cash is received, and payments related to the totally written-off receivables dating from before mid-2013 remain very limited, as the €4 million of impairment recovered in 2017 indicates (€2 million at December 31, 2016).

In August 2017 a new agreement was signed between Renault, IDRO, an investment and industry renewal fund in Iran, and PARTO NEGIN NASEH Co (Negin Holding), the current importer of Renault products to Iran, to form a future joint venture in which Renault will be the majority shareholder. This followed a strategic agreement signed in September 2016.

Effective finalization of this operation remains subject to a number of suspensive conditions, including regulatory approvals, formation of the new company and preparation of the industrial assets for the project. The company was not yet in existence at December 31, 2017 as the conditions were not fulfilled.

As the market is gradually reopening, in view of the future execution of this agreement signed with the Iranian State in August 2017 and forthcoming discussions with local partners, the possibility of reconsolidating Renault Pars is still under consideration.

E. Other unusual items

Other unusual items mainly comprise the costs on vacant leased premises in Korea which Renault was obliged to leave, estimated at €23 million until the end of the lease contracts.

NOTE 7 – FINANCIAL INCOME (EXPENSES)

(€ million)	2017 ⁽¹⁾	2016
Cost of gross financial indebtedness	(441)	(385)
Income on cash and financial assets	72	101
Cost of net financial indebtedness	(369)	(284)
Change in fair value of redeemable shares	(120)	(3)
Foreign exchange gains and losses on financial operations	20	38
Net interest expenses on the defined-benefit liabilities and assets corresponding to pension and other long-term employee benefit obligations	(25)	(32)
Other	(10)	(42)
Other financial income and expenses	(135)	(39)
Financial income (expenses)	(504)	(323)

(1) Including for the AVTOVAZ Group: €(119) million in the cost of net financial indebtedness and €7 million in other financial income and expenses in 2017.

The net liquidity position (net financial indebtedness) of the Automotive segments is presented in the information by operating segment (see section 4.2.6.1 – A4).

NOTE 8 – CURRENT AND DEFERRED TAXES

As Renault SA elected to determine French income taxes under the domestic tax consolidation regime when it was formed, this is the regime applicable to the Group in which Renault SA is taxed in France.

The Renault Group also applies other optional tax consolidation systems in Germany, Italy, Spain, Romania and the UK.

A – Current and deferred tax charge

(€ million)	2017 ⁽¹⁾	2016
Current tax charge	(634)	(728)
Deferred tax income (charge)	(257)	(327)
Current and deferred taxes	(891)	(1,055)

(1) Including for the AVTOVAZ Group :€(5) million in current tax charge and €3 million in deferred taxes in 2017.

The current tax charge for entities included in the French tax consolidation group amounts to €148 million in 2017 (€182 million in 2016).

€486 million of the current tax charge comes from foreign entities including AVTOVAZ in 2017 (€546 million in 2016).

B – Breakdown of the tax charge

(€ million)	2017 ⁽¹⁾	2016
Income before taxes and share in net income of associates and joint ventures	3,302	2,960
Statutory income tax rate in France, excluding the exceptional contribution	34.43%	34.43%
Theoretical tax income (charge)	(1,137)	(1,019)
Effect of differences between local rates and the French rate ⁽²⁾	201	161
Tax credits	68	73
Distribution taxes	(84)	(78)
Change in unrecognized deferred tax assets ⁽³⁾	(72)	(310)
Other impacts ⁽⁴⁾	232	225
Current and deferred tax income (charge) excluding taxes based on intermediate net results	(792)	(948)
Taxes based on intermediate net results ⁽⁵⁾	(99)	(107)
Current and deferred tax income (charge)	(891)	(1,055)

(1) Including for the AVTOVAZ Group: €(89) million of income before taxes and share in net income of associates and joint ventures and €(2) million in current and deferred tax charges in 2017.

(2) The main contributors to the tax rate differential are Korea, Spain, Morocco, Romania, Switzerland, Turkey and since 2017 AVTOVAZ.

(3) The main contributors to the change in unrecognized deferred tax assets are AVTOVAZ, Argentina, France and India in 2017 (Brazil, France and India in 2016).

(4) Other impacts mainly include the effect of permanent differences, reduced-rate taxations, tax reassessments, prior year adjustments and changes in future year tax rates adopted before the year-end. In 2017, they also include the exceptional contribution levied on 2017 net income in France. In 2016, they also include the effect of permanent differences concerning impacts recorded in other income and expenses following the full consolidation of AVTOVAZ (see note 6-B).

(5) The Group's taxes based on intermediate net results are primarily the CVAE in France and the IRAP in Italy.

French tax consolidation group

At December 31, 2017, the effective tax rate in the French tax consolidation group is 31.5% (41.6% in 2016).

The Group partially recognizes the deferred tax assets of the French tax consolidation group that correspond to tax loss carryforwards, in view of profitability prospects.

The amount of net deferred tax assets recognized in the consolidated financial position totalled €202 million at December 31, 2017, compared to €457 million at the start of the year, comprising €(37) million recognized in income (€200 million at December 31, 2016) and €239 million included in other components of comprehensive income (€257 million at December 31, 2016), due to the respective origins of the taxes concerned.

At December 31, 2017, the amount of deferred tax assets recognized decreased by €(255) million, incorporating the effect of the gradual reduction in the French income tax rate from 34.43% to 25.83% between 2019 and 2022, in application of the French finance law for 2018. The corresponding charge was recognized in income (€(236) million) and other components of comprehensive income (€(19) million). The impact of the gradual French income tax rate decrease between 2019 and 2022 is included in other impacts in the breakdown of the tax charge for 2017 and 2016.

The amount of deferred tax assets recognized in 2016 was calculated at the tax rate of 34.43% applicable at December 31, 2016 and totalled €44 million, comprising €(301) million recognized in income and €345 million included in other components of comprehensive income. The impact of the French income tax rate reduction from 34.43% to 28.92% starting in 2020 introduced by France's finance law for 2017 was included in "Other impacts" in the breakdown of the tax charge for 2016.

Entities not in the French tax consolidation group

The effective tax rate across all foreign entities (excluding AVTOVAZ) is 23.2% at December 31, 2017 (30% for 2016). The effective tax rate for AVTOVAZ is (2.1)% as few deferred taxes were recognized via profit and loss in 2017. The decrease in the effective tax rate is mainly explained by the higher share of taxable profits in low-tax rate countries, and the use of tax losses.

C – Breakdown of net deferred taxes

C1 – Change in deferred tax assets and liabilities

(€ million)	2017	2016 ⁽¹⁾
Deferred tax assets	1,217	881
Deferred tax liabilities	(124)	(122)
Net deferred tax assets (liabilities) at January 1	1,093	759
Deferred tax income (charge) for the period	(257)	(327)
Deferred tax income (charge) included in other comprehensive income	(41)	401
Translation adjustments	(7)	(2)
Change in scope of consolidation and other	3	262
Net deferred tax assets (liabilities) at December 31	791	1,093
<i>Including: - deferred tax assets</i>	971	1,217
<i>- deferred tax liabilities</i>	(180)	(124)

(1) The figures at December 31, 2016 include adjustments recognized in 2017 relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B), and are thus different from the previously published figures.

C2 – Breakdown of net deferred tax assets by nature

(€ million)	2017	2016 ⁽¹⁾
Deferred taxes on:		
Investments in associates and joint ventures excluding AVTOVAZ ⁽²⁾	(161)	(179)
Fixed assets excluding AVTOVAZ	(1,745)	(1,597)
Provisions and other expenses or valuation allowances deductible upon utilization excluding AVTOVAZ	814	1,018
Loss carryforwards excluding AVTOVAZ ⁽³⁾	4,353	4,403
Other items excluding AVTOVAZ	645	571
Net deferred tax assets (liabilities) excluding AVTOVAZ	3,906	4,216
Fixed assets of AVTOVAZ	1	23
Provisions and other expenses or valuation allowances deductible upon utilization of AVTOVAZ	38	18
Loss carryforwards of AVTOVAZ	334	342
Non-interest bearing financial liabilities in roubles of AVTOVAZ	(60)	(66)
Other items of AVTOVAZ	21	23
Net deferred tax assets (liabilities) of AVTOVAZ	334	340
Unrecognized deferred tax assets related to tax losses (note 8-C3)	(3,280)	(3,240)
Other unrecognized deferred tax assets	(169)	(223)
Net deferred tax assets (liabilities) reported	791	1,093

(1) The figures at December 31, 2016 include adjustments recognized in 2017 relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B), and are thus different from the previously published figures.

(2) Including tax on future dividend distributions.

(3) Including €3,739 million for the French tax consolidation entities and €614 million for other entities at December 31, 2017 (€3,745 million and €658 million respectively at December 31, 2016).

The residual unrecognized deferred tax assets of entities included in the French tax consolidation group amounted to €2,637 million (€2,585 million at December 31, 2016). They are tax losses that can be carried forward indefinitely to set against future taxable income up to a limit of 50% of that income. €309 million of these unrecognized assets were generated by items booked through shareholders' equity (effects of the partial hedge of the investment in Nissan), and €2,328 million were generated by items affecting the income statement (respectively €331 million and €2,254 million at December 31, 2016).

For entities not in the French tax consolidation group, unrecognized deferred tax assets totalled €813 million at December 31, 2017 (€89 million for AVTOVAZ and €724 million for the Group excluding AVTOVAZ) essentially tax loss carryforwards generated by the Group in Brazil, and to a lesser extent in India. They initially amounted to €1,141 million at December 31, 2016 (€342 million generated by AVTOVAZ, and €799 million generated by the Group excluding AVTOVAZ). After recognition in 2017 of adjustments following the final allocation of the purchase price for the AVTOVAZ Group (note 3-B) and recognition of deferred tax assets on tax loss carryforwards amounting to €263 million, unrecognized deferred tax assets at December 31, 2016 now amount to €878 million, including €79 million relating to AVTOVAZ.

C3 – Breakdown of tax losses by expiry date

Unrecognized loss carryforwards represent a potential tax saving of €3,280 million at December 31, 2017.

(€ million)	December 31, 2017			December 31, 2016 ⁽¹⁾		
	Recognized	Unrecognized	Total	Recognized	Unrecognized	Total
Tax losses that can be carried forward indefinitely ⁽²⁾	1,160	3,079	4,239	1,237	3,090	4,327
Tax losses expiring in more than 5 years	2	90	92	4	54	58
Tax losses expiring in between 1 and 5 years	-	22	22	1	17	18
Tax losses expiring within 1 year	-	-	-	-	-	-
Total tax losses excluding AVTOVAZ	1,162	3,191	4,353	1,242	3,161	4,403
Tax losses of AVTOVAZ that can be carried forward indefinitely ⁽³⁾	245	89	334	263	79	342
Total tax losses of AVTOVAZ	245	89	334	263	79	342
Total tax losses of the Group	1,407	3,280	4,687	1,505	3,240	4,745

(1) The figures at December 31, 2016 include adjustments recognized in 2017 relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B), and are thus different from the previously published figures.

(2) Including recognized and unrecognized net deferred tax assets corresponding to tax loss carryforwards of entities included in the French tax consolidation group, which amount to €1,102 million and €2,637 million respectively at December 31, 2017 and €1,160 million and €2,585 million respectively at December 31, 2016 (note 8-C2).

(3) Following adoption of Russian federal law 401-FZ of November 30, 2016, tax losses can be carried forward indefinitely.

NOTE 9 – BASIC AND DILUTED EARNINGS PER SHARE

(In thousands of shares)	2017	2016
Shares in circulation	295,722	295,722
Treasury shares	(5,254)	(4,368)
Shares held by Nissan x Renault's share in Nissan	(19,388)	(19,386)
Number of shares used to calculate basic earnings per share	271,080	271,968

The number of shares used to calculate the basic earnings per share is the weighted average number of ordinary shares in circulation during the period, i.e. after neutralization of treasury shares and Renault shares held by Nissan.

(In thousands of shares)	2017	2016
Number of shares used to calculate basic earnings per share	271,080	271,968
Dilutive effect of stock options, performance share rights and other share-based payments	2,665	2,363
Number of shares used to calculate diluted earnings per share	273,745	274,331

The number of shares used to calculate the diluted earnings per share is the weighted average number of ordinary shares potentially in circulation during the period, i.e. the number of shares used to calculate the basic earnings per share plus the number of stock options and rights to performance shares awarded under the relevant plans, and rights to shares as part of the Chairman and CEO's performance-related remuneration, that have a dilutive effect and fulfil the performance conditions at the year-end when issuance is conditional (note 18-G).

4.2.6.4 Operating assets and liabilities, shareholders' equity

NOTE 10 – INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

A – Intangible assets and goodwill

A1 – Changes in intangible assets and goodwill

Changes in 2017 in intangible assets were as follows:

(€ million)	December 31, 2016 ⁽¹⁾	Acquisitions / (amortization and impairment)	(Disposals) / reversals	Translation adjustment	Change in scope of consolidation and other ⁽²⁾	December 31, 2017
Capitalized development expenses ⁽²⁾	8,618	1,209	(1,272)	(8)	16	8,563
Goodwill	1,191	-	-	(77)	-	1,114
Other intangible assets	989	101	(34)	(21)	9	1,044
Intangible assets, gross	10,798	1,310	(1,306)	(106)	25	10,721
Capitalized development expenses	(5,257)	(847)	1,272	2	(16)	(4,846)
Other intangible assets	(552)	(114)	30	5	(4)	(635)
Amortization and impairment	(5,809)	(961)	1,302	7	(20)	(5,481)
Capitalized development expenses	3,361	362	-	(6)	-	3,717
Goodwill	1,191	-	-	(77)	-	1,114
Other intangible assets	437	(13)	(4)	(16)	5	409
Intangible assets, net	4,989	349	(4)	(99)	5	5,240

(1) The figures at December 31, 2016 include adjustments recognized in 2017 relating to the purchase price paid for the AVTOVAZ Group (note 3-B), and are thus different from the previously published figures.

(2) Including impairment relating to capitalized development expenses and other intangible assets: €31 million, see note 6-C.

Most of the goodwill is located in Europe and in Eurasia.

Acquisitions of intangible assets in 2017 comprise €1,209 million of self-produced assets and €101 million of purchased assets (respectively €903 million and €155 million in 2016).

In 2017, amortization and impairment of intangible assets include €31 million of impairment concerning vehicles (including components), compared to €37 million of impairment in 2016 (note 6-C).

Changes in 2016 in intangible assets are as follows:

(€ million)	Gross value	Amortization and impairment	Net value
Value at December 31, 2015	9,527	(5,957)	3,570
Acquisitions (note 26-C) / (amortization)	1,058	(877)	181
(Disposals) / reversals	(1,038)	1,032	(6)
Translation adjustment	(22)	(7)	(29)
Change in scope of consolidation and other ^{(1) (2)}	1,273	-	1,273
Value at December 31, 2016 ⁽²⁾	10,798	(5,809)	4,989

(1) The impact of full consolidation of the AVTOVAZ Group and the two Renault Sport Racing entities in 2016 is reflected in the "Change in scope of consolidation".

(2) The figures at December 31, 2016 include adjustments recognized in 2017 relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B), and are thus different from the previously published figures.

A2 – Research and development expenses included in income

(€ million)	2017 ⁽¹⁾	2016
Research and development expenses	(2,983)	(2,530)
Capitalized development expenses	1,209	903
Amortization of capitalized development expenses	(816)	(743)
TOTAL INCLUDED IN INCOME	(2,590)	(2,370)

(1) Including for the AVTOVAZ Group: €16 million of capitalized development expenses and €(26) million of research and development expenses reported in the income statement in 2017.

Research and development expenses are reported net of research tax credits for the vehicle development activity.

B – Property, plant and equipment

Changes in 2017 in property, plant and equipment were as follows:

(€ million)	December 31, 2016	Acquisitions / (depreciation and impairment)	(Disposals) / reversals	Translation adjustments	Change in scope of consolidation and other	December 31, 2017
Land	601	12	(46)	(8)	10	569
Buildings	6,539	232	(75)	(109)	115	6,702
Specific tools	16,170	793	(388)	(209)	65	16,431
Machinery and other tools	11,404	948	(298)	(198)	378	12,234
Fixed assets leased to customers	2,778	817	(259)	(20)	(1)	3,315
Other tangibles	846	73	(52)	(14)	7	860
Construction in progress ⁽¹⁾	1,395	362	(15)	(27)	(483)	1,232
Gross value	39,733	3,237	(1,133)	(585)	91	41,343
Land						
Buildings	(3,913)	(250)	75	35	(13)	(4,066)
Specific tools	(13,073)	(968)	385	126	(5)	(13,535)
Machinery and other tools	(8,449)	(618)	275	98	(62)	(8,756)
Fixed assets leased to customers	(657)	(178)	64	7	(2)	(766)
Other tangibles	(653)	(47)	49	9	4	(638)
Construction in progress	-	-	-	-	-	-
Depreciation and impairment ⁽²⁾	(26,745)	(2,061)	848	275	(78)	(27,761)
Land	601	12	(46)	(8)	10	569
Buildings	2,626	(18)	-	(74)	102	2,636
Specific tools	3,097	(175)	(3)	(83)	60	2,896
Machinery and other tools	2,955	330	(23)	(100)	316	3,478
Fixed assets leased to customers	2,121	639	(195)	(13)	(3)	2,549
Other tangible	193	26	(3)	(5)	11	222
Construction in progress ⁽¹⁾	1,395	362	(15)	(27)	(483)	1,232
Net value	12,988	1,176	(285)	(310)	13	13,582

(1) Items classified as “construction in progress” are transferred to completed asset categories via the “acquisitions / (depreciation and impairment)” column.

(2) Depreciation and impairment in 2017 include impairment of €25 million, mainly concerning vehicles (including components) (see note 6-C).

Changes in property, plant and equipment in 2016 were as follows:

(€ million)	Gross value	Depreciation and impairment	Net value
Value at December 31, 2015	36,552	(25,381)	11,171
Acquisitions / (depreciation and impairment)	3,273	(1,963)	1,310
(Disposals) / reversals	(1,229)	844	(385)
Translation adjustments	417	(234)	183
Change in scope of consolidation and other ⁽¹⁾	720	(11)	709
Value at December 31, 2016	39,733	(26,745)	12,988

(1) The impact of full consolidation of the AVTOVAZ Group and the two Renault Sport Racing entities in 2016 is reflected in the "Change in scope of consolidation".

NOTE 11 – IMPAIRMENT TESTS ON FIXED ASSETS (OTHER THAN LEASED ASSETS)

The Group carried out impairment tests on its fixed assets under the approach described in the section on accounting policies (note 2-M).

A – Impairment tests on vehicle-specific assets (including components)

Following impairment tests of specific assets dedicated to vehicles (including components), impairment of €56 million was booked during 2017 (€35 million at December 31, 2016). This impairment concerns intangible assets (€31 million) and property, plant and equipment (€25 million). In 2016, it only concerned intangible assets and was primarily allocated to capitalized development expenses.

B – Impairment tests on other cash-generating units of the Automotive (excluding AVTOVAZ) segment

In 2017, no cash-generating unit representing an economic entity (plant or subsidiary) was subjected to an impairment test, as there were no indications of impairment in the various combined economic units that make up the Group.

An impairment test was carried out on the Automotive (excluding AVTOVAZ) segment, as it is the case every year.

The recoverable value used for the purpose of impairment tests for the Automotive (excluding AVTOVAZ) segment is the value in use, determined under the discounted future cash flow method on the basis of the following assumptions.

	2017	2016
Business plan duration	6 years	3 years
Forecast sales volumes over the projected horizon (units)	4,407,000	3,830,000
Growth rate to infinity	1.9%	1.9%
After-tax discount rate	8.6%	8.7%

In 2017 as in 2016, no impairment was recognized on assets included in the Automotive (excluding AVTOVAZ) segment as a result of the impairment test.

The assumptions used for impairment testing at December 31, 2017 are taken from the six-year strategic plan, Drive the Future 2017-2022, which was announced in October 2017. The assumptions used for impairment testing at December 31, 2016 were the best estimates available at that date, since data from the new medium-term plan for 2017-2022 was still being validated.

A reasonably possible change in the main assumptions used should not result in a recoverable value that is lower than the book value of the assets tested.

C – Impairment tests on the AVTOVAZ cash-generating unit and the Lada brand

Impairment tests of the AVTOVAZ cash-generating unit

The market capitalization of AVTOVAZ, which amounts to €750 million at December 31, 2017 (€739 million at December 31, 2016), is higher than the book value of AVTOVAZ net assets (including goodwill) at that date.

The value in use of AVTOVAZ was not determined, since the fair value is higher than the value of the assets tested.

Impairment tests of the Lada brand

For the purpose of allocation of the purchase price of AVTOVAZ (see note 3-B), the Lada brand was recognized at its fair value at the date control was acquired, i.e. 9,248 million roubles (€144 million) at December 31, 2016. Since this brand is an intangible asset with an indefinite useful life, an impairment test was carried out at December 31, 2017 based on a discount rate of 16.3% and a growth rate to infinity of 4%. No impairment was booked in 2017, as the recoverable value was higher than the book value.

A 2% increase in the discount rate would lead to recognition of impairment of 698 million roubles (€11 million before deferred taxes and €9 million after deferred taxes).

Using a 0% growth rate to infinity would lead to recognition of impairment of 319 million roubles (€5 million before deferred taxes and €4 million after deferred taxes).

NOTE 12 – INVESTMENT IN NISSAN

A – Nissan consolidation method

Renault and the Japanese automaker Nissan have chosen to develop a unique type of alliance between two distinct companies with common interests, uniting forces to achieve optimum performance. The Alliance is organized so as to preserve individual brand identities and respect each company's corporate culture.

Consequently:

- Renault is not assured of holding the majority of voting rights in Nissan's Shareholders' Meeting.
- The terms of the Renault-Nissan agreements do not entitle Renault to appoint the majority of Nissan directors, nor to hold the majority of voting rights at meetings of Nissan's Board of Directors; Renault cannot unilaterally appoint the President of Nissan. At December 31, 2017, Renault occupied two of the nine seats on Nissan's Board of Directors (unchanged since December 31, 2016).
- Renault-Nissan b.v., owned 50% by Renault and 50% by Nissan, is a joint entity formed by the Alliance, with decision-making power restricted to certain strategic issues concerning either group. As it coordinates common activities at the worldwide level, it can make decisions that respect each partner's independence. This decision-making power was conferred on Renault-Nissan b.v. to generate synergies and bring both automakers worldwide economies of scale. This entity does not enable Renault to direct Nissan's financial and operating strategies, which are governed by Nissan's Board of Directors and cannot therefore be considered to represent contractual control by Renault over Nissan. The matters examined by Renault-Nissan b.v. since it was formed have remained strictly within this contractual framework, and are not an indication that Renault exercises control over Nissan.
- Renault can neither use nor influence the use of Nissan's assets in the same way as its own assets.
- Renault provides no guarantees in respect of Nissan's debt.

In view of this situation, Renault is considered to exercise significant influence over Nissan, and therefore uses the equity method to include its investment in Nissan in the consolidation.

B – Nissan consolidated financial statements included under the equity method in the Renault consolidation

The Nissan accounts included under the equity method in Renault's financial statements are Nissan's consolidated accounts published in compliance with Japanese accounting standards (as Nissan is listed on the Tokyo stock exchange), after adjustments for the requirements of the Renault consolidation.

Nissan publishes consolidated financial statements quarterly, and annually at March 31. For the purposes of the Renault consolidation, Nissan results are included in line with the Renault calendar (the results for the period January to December are consolidated in Renault's annual financial statements).

Nissan held 0.7% of its own treasury shares at December 31, 2017. Consequently, Renault's percentage interest in Nissan is 43.7% and Renault holds 43.4% of voting rights in Nissan (unchanged since December 31, 2016).

C – Changes in the investment in Nissan as shown in Renault's statement of financial position

(€ million)	Share in net assets			Goodwill	Total
	Before neutralization	Neutralization proportional to Nissan's investment in Renault ⁽¹⁾	Net		
At December 31, 2016	18,528	(974)	17,554	750	18,304
2017 net income ⁽²⁾	2,791		2,791		2,791
Dividend distributed	(710)		(710)		(710)
Translation adjustment	(1,403)		(1,403)	(64)	(1,467)
Other changes ⁽³⁾	217		217		217
At December 31, 2017	19,423	(974)	18,449	686	19,135

(1) Nissan has held 44,358,000 Renault shares since 2002, corresponding to an investment of around 15%.

(2) Including a positive €284 million impact of the disposal of Calsonic Kansei in the first quarter of 2017, and a positive €737 million impact of the US tax reform in the fourth quarter of 2017, giving a total impact of €1,021 million in 2017.

(3) Other changes include the effect of Renault dividends received by Nissan, the change in actuarial gains and losses on pension obligations, the change in the financial instruments revaluation reserve and the change in Nissan treasury shares.

D – Changes in Nissan equity restated for the purposes of the Renault consolidation

	December 31, 2016	2017 net income	Dividends	Translation adjustment	Other changes ⁽¹⁾	December 31, 2017
<i>(¥ billion)</i>						
Shareholders' equity – Parent-company shareholders' share under Japanese GAAP	4,479	827	(198)	130	74	5,312
Restatements for compliance with IFRS:						
Provision for pension and other long-term employee benefit obligations	26	(19)		1	(14)	(6)
Capitalization of development expenses	668	(5)		-		663
Deferred taxes and other restatements	(146)	44		14	(14)	(102)
Net assets restated for compliance with IFRS	5,027	847	(198)	145	46	5,867
Restatements for Renault Group requirements ⁽²⁾	204	(35)	(14)	(41)	19	133
Net assets restated for Renault Group requirements	5,231	812	(212)	104	65	6,000
<i>(€ million)</i>						
Net assets restated for Renault Group requirements	42,388	6,387	(1,625)	(3,211)	503	44,442
Renault's percentage interest	43.7%					43.7%
Renault's share (before neutralization effect described below)	18,528	2,791	(710)	(1,403)	217	19,423
Neutralization of Nissan's investment in Renault ⁽³⁾	(974)					(974)
Renault's share in the net assets of Nissan	17,554	2,791	(710)	(1,403)	217	18,449

(1) Other changes include the effect of Renault dividends received by Nissan, the change in actuarial gains and losses on pension obligations, the change in the financial instruments revaluation reserve and the change in Nissan treasury shares.

(2) Restatements for Renault Group requirements essentially correspond to revaluation of fixed assets by Renault for the acquisitions undertaken between 1999 and 2002, and elimination of Nissan's investment in Renault accounted for under the equity method.

(3) Nissan has held 44,358 thousand Renault shares in Renault since 2002, an ownership interest of about 15%.

E – Nissan net income under Japanese GAAP

Since Nissan's financial year ends at March 31, the Nissan net income included in the 2017 Renault consolidation is the sum of Nissan's net income for the final quarter of its 2016 financial year and the first three quarters of its 2017 financial year.

	January to March 2017		April to June 2017		July to September 2017		October to December 2017		January to December 2017	
	Fourth quarter of Nissan's 2016 financial year		First quarter of Nissan's 2017 financial year		Second quarter of Nissan's 2017 financial year		Third quarter of Nissan's 2017 financial year		Reference period for Renault's 2017 consolidated financial statements	
	(¥ billion)	(€ million) ⁽¹⁾	(¥ billion)	(€ million) ⁽¹⁾	(¥ billion)	(€ million) ⁽¹⁾	(¥ billion)	(€ million) ⁽¹⁾	(¥ billion)	(€ million) ⁽¹⁾
Net income – Parent-company shareholders' share	249	2,060	135	1,103	142	1,086	301	2,269	827	6,518

(1) Converted at the average exchange rate for each quarter.

F – Nissan financial information under IFRS

The table below presents Nissan financial information, restated under IFRS for the purposes of the Renault consolidation, for the years 2017 and 2016. The restatements do not include the fair value adjustments of assets and liabilities applied by Renault at the time of the acquisitions in 1999 and 2002, or the elimination of Nissan's investment in Renault accounted for under the equity method.

	2017		2016	
	(¥ billion)	(€ million) ⁽¹⁾	(¥ billion)	(€ million) ⁽²⁾
Revenues	11,869	93,711	11,383	94,611
Net income				
Parent-company shareholders' share	813	6,415	507	4,214
Non-controlling interests' share	22	173	31	259
Other components of comprehensive income				
Parent-company shareholders' share	198	1,567	(444)	(3,694)
Non-controlling interests' share	7	57	(18)	(151)
Comprehensive income				
Parent-company shareholders' share	1,011	7,982	63	520
Non-controlling interests' share	29	230	13	108
Dividends received from Nissan	93	710	86	728
	December 31, 2017		December 31, 2016	
	(¥ billion)	(€ million) ⁽¹⁾	(¥ billion)	(€ million) ⁽²⁾
Non-current assets	7,978	59,095	7,596	61,556
Current assets	12,314	91,206	11,493	93,136
TOTAL ASSETS	20,292	150,301	19,089	154,692
Shareholders' equity				
Parent-company shareholders' share	5,868	43,462	5,028	40,746
Non-controlling interests' share	288	2,133	425	3,444
Non-current liabilities	6,951	51,484	6,553	53,104
Current liabilities	7,185	53,222	7,083	57,398
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	20,292	150,301	19,089	154,692

(1) Converted at the average exchange rate for 2017 i.e. 126.7 JPY = 1 EUR for income statement items, and at the December 31, 2017 rate i.e. 135.0 JPY = 1 EUR for financial position items.

(2) Converted at the average exchange rate for 2016 i.e. 120.3 JPY = 1 EUR for income statement items, and at the December 31, 2016 rate i.e. 123.4 JPY = 1 EUR for financial position items.

G – Hedging of the investment in Nissan

The Group has partially hedged the Yen/Euro exchange risk on its investment in Nissan since 1999.

At December 31, 2017, the corresponding hedging operations totalled ¥181 billion (€1,341 million), comprising ¥24 billion (€178 million) of private placements on the EMTN market and ¥157 billion (€1,163 million) in bonds issued directly in yen on the Japanese Samurai bond market.

During 2017, these operations generated favourable foreign exchange differences of €113 million (unfavourable difference of €70 million in 2016). The net favourable effect of €96 million after deferred taxes is recorded in the Group's translation adjustment reserve (note 18-E).

H – Valuation of Renault’s investment in Nissan at stock market prices

Based on the quoted price at December 31, 2017 of ¥1,123.5 per share, Renault’s investment in Nissan is valued at €15,244 million (€17,450 million at December 31, 2016 based on the price of ¥1,175.5 per share).

I – Impairment test of the investment in Nissan

At December 31, 2017, the stock market value of the investment was 20.3% lower than the value of Nissan in Renault’s statement of financial position (4.7% lower at December 31, 2016).

In application of the approach presented in the note on accounting policies (note 2-M), an impairment test was carried out at December 31, 2017. An after-tax discount rate of 8.1% and a growth rate to infinity (including the effect of inflation) of 4.2% were used to calculate value in use. The terminal value was calculated under profitability assumptions consistent with Nissan’s past data and balanced medium-term prospects.

The test results did not lead to recognition of any impairment on the investment in Nissan at December 31, 2017.

A reasonably possible change in the main assumptions used should not result in a recoverable value that is lower than the book value of the investment in Nissan.

J – Operations between the Renault Group and the Nissan Group

J1 – Automotive (excluding AVTOVAZ) and Sales Financing

Renault and Nissan follow joint strategies for vehicle and component development, purchasing, production and distribution resources. Since April 1, 2014 the two companies have also been engaged in a convergence project for four key functions: Engineering, Manufacturing and Supply Chain Management, Purchasing and Human Resources. This cooperation is reflected in synergies that reduce costs, particularly in the support functions and sales to Nissan.

The Automotive (excluding AVTOVAZ) segment is involved in operations with Nissan on two levels:

- Industrial production: cross-over production of vehicles and components in the Alliance’s manufacturing plants:
 - Sales by the Renault Group to the Nissan group in 2017 totalled approximately €4,961 million (€4,105 million in 2016), comprising around €3,362 million for vehicles (€2,465 million in 2016), €1,501 million for components (€1,580 million in 2016), and €98 million for services (€60 million in 2016). The increase is mainly driven by sales of vehicles made by Renault Samsung Motors for Nissan North America, and the Nissan Micra made in Flins, France.
 - Purchases by the Renault Group from the Nissan group in 2017 totalled approximately €2,400 million (€2,115 million in 2016), comprising around €1,240 million of vehicles (€1,170 million in 2016), €1,028 million of components (€795 million in 2016), and €132 million of services (€150 million in 2016).
 - The balance of Renault Group receivables on the Nissan group is €853 million at December 31, 2017 (€430 million at December 31, 2016) and the balance of Renault Group liabilities to the Nissan group is €795 million at December 31, 2017 (€647 million at December 31, 2016).
- Finance: In addition to its activity for Renault, Renault Finance acts as the Nissan group’s counterparty in financial instruments trading to hedge foreign exchange and interest rate. Renault Finance undertook approximately €20.9 billion of forex transactions on the foreign exchange market for Nissan in 2017 (€19.7 billion in 2016). Operations undertaken with Nissan on foreign exchange, interest rate and commodity derivatives are recorded at market price and included in the positions managed by Renault Finance. In the balance sheet, the derivative assets on the Nissan group amount to €63 million at December 31, 2017 (€70 million at December 31, 2016) and derivative liabilities amount to €41 million at December 31, 2017 (€74 million at December 31, 2016).

Renault’s Sales Financing segment helps to attract customers and build loyalty to Nissan brands through a range of financing products and services incorporated into the sales policy, principally in Europe. In 2017, RCI Banque recorded €137 million of service revenues in the form of commission and interest received from Nissan (€134 million at December 31, 2016). The balance of Sales financing receivables on the Nissan group is €107 million at December 31, 2017 (€78 million at December 31, 2016) and the balance of liabilities is €191 million at December 31, 2017 (€210 million at December 31, 2016).

The Alliance partners hold investments in associates and joint ventures that manage their cooperation. Details of these entities’ activity and location, and the Renault Group’s influence over them, are given in note 13.

J2 – AVTOVAZ

In 2017, total sales by AVTOVAZ to Nissan and purchases by AVTOVAZ from Nissan amounted to an estimated €233 million and €30 million respectively.

In the AVTOVAZ financial position at December 31, 2017, the balances of transactions between AVTOVAZ and the Nissan Group consist mainly of:

- a non-current receivable for jointly controlled assets amounting to €38 million (€50 million at December 31, 2016),
- operating receivables and payables amounting respectively to €25 million and €69 million (€68 million and €118 million at December 31, 2016).

NOTE 13 – INVESTMENTS IN OTHER ASSOCIATES AND JOINT VENTURES

Details of investments in other associates and joint ventures are as follows in the Group's financial statements:

- Consolidated income statement

(€ million)	2017	2016
Share in net income (loss) of other associates and joint ventures	8	(103)
AVTOVAZ ⁽¹⁾	-	(89)
Other associates accounted for under the equity method	10	17
Joint ventures accounted for under the equity method	(2)	(31)

(1) AVTOVAZ has been fully consolidated since December 31, 2016 following acquisition of control on December 28, 2016 (4.2.6.1 and note 3-B).

- Consolidated statement of financial position

(€ million)	December 31, 2017	December 31, 2016
Investments in other associates and joint ventures	676	722
Associates accounted for under the equity method	380	398
Joint ventures accounted for under the equity method	296	324

A – Investment in AVTOVAZ

As a result of AVTOVAZ's 26.14 billion rouble cash capital increase in late December 2016, corresponding to 2,904,524,987 new ordinary shares, of which 14.85 billion roubles (1,650,000 shares) were subscribed by Alliance Rostec Auto B.V., and Renault's subscription to the cash capital increase by Alliance Rostec Auto B.V. on December 28, 2016, Renault acquired control over AVTOVAZ and Alliance Rostec Auto B.V. on December 28, 2016. Consequently Alliance Rostec Auto B.V. and AVTOVAZ are fully consolidated from December 31, 2016 and accounted for by the equity method until that date.

The AVTOVAZ Group's published financial information under IFRS for the year ended December 31, 2016 (excluding items included in the consolidated financial position) is summarized below:

	2016	
	(in millions of roubles)	(€ million ⁽¹⁾)
Revenues	184,931	2,492
Operating margin	(16,233)	(219)
Other operating income and expenses	(24,377)	(328)
Operating income (loss)	(40,610)	(547)
Net income	(44,779)	(603)
Parent-company shareholders' share	(45,008)	(606)
Non-controlling interests' share	229	3
Other components of comprehensive	(214)	(3)
Parent-company shareholders' share	(172)	(3)
Non-controlling interests' share	(42)	-
Comprehensive income	(44,993)	(606)
Parent-company shareholders' share	(45,180)	(609)
Non-controlling interests' share	187	3
Dividends received from AVTOVAZ	-	-
	2016	
	(in millions of roubles)	(€ million ⁽¹⁾)
Cash flows from operating activities	(11,259)	(152)
Cash flows from investing activities	(13,553)	(183)
<i>including: acquisitions/disposals of property, plant and equipment, and intangible assets</i>	<i>(13,708)</i>	<i>(185)</i>
Cash flows from investing activities and translation adjustment	37,435	504
<i>including: cash flows from the December 2016 capital increase</i>	<i>26,141</i>	<i>352</i>
Increase (decrease) in cash and cash equivalents	12,623	170

- (1) Converted at the average exchange rate for January to December 2016, i.e. 74.2236 RUB = 1 EUR for income statement and cash flow items. Balance sheet figures at December 31, 2016 are included in the information by operating segment in section 4.2.6.1-A. The AVTOVAZ income statement used for its inclusion by the equity method in the Renault Group financial statements is converted by applying the average exchange rate for each quarter to the financial statements for the corresponding quarter.

B – Associates and joint ventures accounted for under the equity method, other than Nissan and AVTOVAZ

B1 – Information on other associates and joint ventures accounted for under the equity method

Name	Country of location	Main activity	Percentage ownership and voting rights held by the Group	
			December 31, 2017	December 31, 2016
Entities under significant influence				
Automotive (excluding AVTOVAZ)				
Boone Comenor	France	Metal trading	33	33
Motorlu Araclar Imal ve Satis A.S (MAIS)	Turkey	Automotive sales	49	49
Renault Nissan Automotive India Private Limited (RNAIPL)	India	Vehicle manufacturing	30	30
Renault South Africa	South Africa	Automotive import	40	40
AVTOVAZ				
Ferro VAZ GmbH ⁽¹⁾	Germany	Export and import of machinery, equipment and spare parts	50	50
Sales Financing				
RN Bank	Russia	Automotive sales financing	30	30
BARN B.V.	Netherlands	Holding	30	30
Nissan Renault Financial Services India Private Limited	India	Automotive sales financing	30	30
Joint ventures				
Automotive (excluding AVTOVAZ)				
Renault Algérie Production	Algeria	Vehicle manufacturing	49	49
Dongfeng Renault Automotive Company	China	Automaker	50	50
Indra Investissements	France	Dismantling of end-of-life vehicles	50	50
AVTOVAZ				
ZAO GM-AVTOVAZ ⁽¹⁾	Russia	Vehicle manufacturing and automotive sales	50	50
Sales Financing				
Renault Credit Car	Belgium	Automotive sales financing	50	50
RN SF B.V.	Netherlands	Holding	50	50
Orfin Finansman Anonim Sirketi	Turkey	Automotive sales financing	50	50

B2 – Cumulative financial information on associates accounted for under the equity method

(€ million)	December 31, 2017	December 31, 2016
Investments in associates	380	398
Share in income (loss) of associates	10	17
Share of associates in other components of comprehensive income	(28)	-
Share of associates in comprehensive income	(18)	17

B3 – Cumulative financial information on joint ventures accounted for under the equity method

(€ million)	December 31, 2017	December 31, 2016
Investments in joint ventures	296	324
Share in income (loss) of joint ventures	(2)	(31)
Share of joint ventures in other components of comprehensive income	(23)	(13)
Share of joint ventures in comprehensive income	(25)	(44)

NOTE 14 – INVENTORIES

(€ million)	December 31, 2017			December 31, 2016		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Raw materials and supplies	1,845	(328)	1,517	1,789	(309)	1,480
Work in progress	390	(1)	389	308	(4)	304
Used vehicles	1,589	(91)	1,498	1,456	(77)	1,379
Finished products and spare parts	3,076	(152)	2,924	2,804	(154)	2,650
TOTAL	6,900	(572)	6,328	6,357	(544)	5,813

NOTE 15 – SALES FINANCING RECEIVABLES

A – Sales financing receivables by nature

(€ million)	December 31, 2017	December 31, 2016
Dealership receivables	10,210	9,550
Financing for end-customers	22,085	19,219
Leasing and similar operations	7,649	6,241
Gross value	39,944	35,010
Impairment	(610)	(652)
Net value	39,334	34,358

Details of fair value are given in note 24-A.

B – Assignments and assets pledged as guarantees for management of the liquidity reserve

B1 – Assignment of sales financing assets

(€ million)	December 31, 2017		December 31, 2016	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Assigned receivables carried in the balance sheet	10,391	10,344	9,768	9,730
Associated liabilities	2,272	2,326	3,064	3,091

The Sales Financing segment has undertaken several public securitization operations and several conduit financing operations (in Germany, Brazil, France, Italy and the United Kingdom) involving loans to final customers and receivables on the dealership network. Both types of operation are conducted through special purpose vehicles. Some public operations were subscribed by RCI Banque, which makes it possible to have securities eligible as collateral for the European Central Bank.

The receivables assigned through such operations are not derecognized, as all risks are retained by the Group. The associated liabilities correspond to securities resulting from the securitization operations, recognized in other debts represented by a certificate.

The difference between the receivables assigned and the amount of the associated liabilities corresponds to the higher credit necessary for these operations, and the share of securities retained by RCI Banque to form a liquidity reserve.

Securitized assets can no longer be assigned or pledged. Subscribers to debt securities only have claims on the assets assigned.

B2 – Assets pledged as guarantees for management of the liquidity reserve

For management of its liquidity reserve, the Sales Financing segment has provided guarantees to the Banque de France (under France's central collateral management system 3G (*Gestion Globale des Garanties*) in the form of assets with book value of €6,949 million at December 31, 2017 (€ 5,453 million at December 31, 2016). These guarantees comprise €5,676 million in the form of shares in securitization vehicles, €168 million in euro bonds and €1,106 million in sales financing receivables (€4,504 million of shares in securitization vehicles, €168 million in euro bonds and €781 million in sales financing receivables at December 31, 2016). The funding provided by the Banque de France against these guarantees amounts to €2,500 million at December 2017 (€2,000 million at December 2016). All assets provided as guarantees to the Banque de France remain in the balance sheet.

C – Sales financing receivables by maturity

(€ million)	December 31, 2017	December 31, 2016
- 1 year	20,067	18,456
1 to 5 years	18,819	15,565
+ 5 years	448	337
Total sales financing receivables – net	39,334	34,358

D – Breakdown of overdue sales financing receivables (gross values)

(€ million)	December 31, 2017	December 31, 2016
Receivables for which impairment has been recognized: overdue by ⁽¹⁾	375	373
0 to 90 days	52	46
90 to 180 days	51	45
More than 180 days	272	282
Receivables for which no impairment has been recognized: overdue by	271	224
0 to 90 days	271	224

(1) This only includes sales financing receivables partly or totally written off through impairment on an individual basis.

The maximum exposure to credit risk for the sales financing activity is represented by the net book value of sales financing receivables plus the amount of financing commitments for customers reported under irrevocable off-balance sheet commitments given (note 28-A).

This risk is reduced by guarantees provided by customers, as reported in off-balance sheet commitments received (note 28-B). In particular, guarantees held in connection with overdue or impaired sales financing receivables amounted to €660 million at December 31, 2017 (€593 million at December 31, 2016).

There is no indication at the year-end that the quality of sales financing receivables not yet due or unimpaired has been adversely affected, nor is there any significant concentration of risks within the sales financing customer base.

E – Changes in impairment of sales financing receivables

(€ million)	
Value at December 31, 2016	(652)
Impairment recorded during the year	(296)
Reversals for use of impairment	164
Reversals of unused residual amounts	161
Translation adjustments and other	13
Value at December 31, 2017	(610)

Net credit losses amounted to €67 million in 2017 (€104 million in 2016).

NOTE 16 – AUTOMOTIVE RECEIVABLES

(€ million)	December 31, 2017	December 31, 2016
Gross value	2,572	2,747
Impairment ⁽¹⁾	(819)	(847)
AUTOMOTIVE RECEIVABLES – NET	1,753	1,900

(1) Including €(677) million related to Iran at December 31, 2017 and €(699) million at December 31, 2017.

These receivables do not include accounts receivable assigned to the Group's sales financing companies or other non-Group entities when substantially all the risks and benefits associated with ownership of the receivables are transferred. The risk of dilution (essentially the risks of non-settlement after a commercial dispute) is retained by the Group, but is considered negligible. Receivables assigned in this way to Group sales financing companies are included in sales financing receivables, principally dealership receivables.

When substantially all the risks and benefits are not transferred, although from a legal standpoint receivables have been assigned to Group sales financing companies or other non-Group entities, they remain in Automotive receivables and a corresponding financial liability is recorded (in other interest-bearing borrowings). The amount of assigned receivables of the Automotive (excluding AVTOVAZ) segment that remain in the balance sheet because the Group retains the credit risk or risk of late settlement is not significant at December 31, 2017.

There is no significant concentration of risks in the Automotive (excluding AVTOVAZ) customer base, and no single non-Group customer accounts for more than 10% of the total sales revenues of the Automotive (excluding AVTOVAZ) segment.

There are no significant concentrations of credit risk in the AVTOVAZ segment.

At December 31, 2017, the maturity status of receivables for which no impairment has been recognized is as follows:

(€ million)	December 31, 2017	December 31, 2016
Not yet due and not impaired	1,560	1,725
Overdue by up to 30 days	78	63
Overdue by 31 to 90 days	62	63
Overdue by more than 90 days	53	49
GROSS VALUE	1,753	1,900

Details of fair value are given in note 24-A.

NOTE 17 – OTHER CURRENT AND NON-CURRENT ASSETS

(€ million)	December 31, 2017			December 31, 2016		
	Non-current	Current	Total	Non-current	Current	Total
Prepaid expenses	249	307	556	193	283	476
Tax receivables (excluding current taxes due)	527	1,846	2,373	517	1,737	2,254
Taxes due ⁽¹⁾	4	91	95	-	44	44
Other receivables	555	1,728	2,283	574	1,349	1,923
Investments in controlled unconsolidated entities	100	-	100	82	-	82
Derivatives on operating transactions of the Automotive segments	-	10	10	-	4	4
Derivatives on financing transactions of the Sales Financing segment	-	123	123	-	238	238
TOTAL	1,435	4,105	5,440	1,366	3,655	5,021
<i>Gross value</i>	<i>1,470</i>	<i>4,307</i>	<i>5,777</i>	<i>1,394</i>	<i>3,860</i>	<i>5,254</i>
<i>Impairment</i>	<i>(35)</i>	<i>(202)</i>	<i>(237)</i>	<i>(28)</i>	<i>(205)</i>	<i>(233)</i>

(1) Current taxes due are reported separately in the consolidated financial position (section 4.2.3).

Tax receivables (excluding current taxes due) do not include French tax receivables assigned outside the Group (the "CIR" Research Tax Credit and "CICE" Tax Credit For Competitiveness and Employment), when substantially all the risks and benefits associated with ownership of the receivables are transferred. In the case of tax receivables, assignment only gives rise to recognition if the risk of dilution is deemed to be non-existent, notably when the assigned receivables have already been subject to a tax inspection or preliminary audit.

The total amount of tax receivables assigned and derecognized in 2017 is €194 million, comprising €144 million of CIR receivables and €50 million of CICE receivables (€50 million of CICE receivables in 2016). No assigned tax receivables remained in the balance sheets at December 31, 2017 and 2016.

NOTE 18 – SHAREHOLDERS' EQUITY

A – Share capital

The total number of ordinary shares issued and fully paid at December 31, 2017 is 295,722 thousand, with par value of €3.81 per share (unchanged compared to December 31, 2016).

Treasury shares do not bear dividends. They account for 2.17% of Renault's share capital at December 31, 2017 (1.57% at December 31, 2016).

The Nissan Group holds 15% of Renault through its wholly-owned subsidiary Nissan Finance Co. Ltd (no voting rights are attached to these shares).

B – Capital management

In managing its capital, the Group's objective is to guarantee continuity of business in order to provide returns for shareholders and benefits for other stakeholders, and to maintain optimum capital structure in order to optimize its cost.

The Group actively manages its capital structure, making adjustments in view of developments in economic conditions. The Group may adjust dividend payments to shareholders, redeem some of the capital or issue new shares.

The Group's objectives are monitored in different ways in the different operating segments.

The Group manages the Automotive (excluding AVTOVAZ) segment's capital by reference to a ratio equal to the segment's net indebtedness divided by the amount of shareholders' equity. Net financial indebtedness includes all non-operating interest-bearing financial liabilities and commitments less cash and cash equivalents and other non-operating financial assets such as marketable securities or the segment's loans. Shareholders' equity is as reported in the Group's financial position. The Automotive (excluding AVTOVAZ) segment presents a net liquidity position at December 31, 2017 and December 31, 2016 (section 4.2.6.1-A4).

The Sales Financing segment must comply with regulatory ratios specific to banking operations. The minimum solvency ratio (shareholders' equity including subordinated loans to total weighted risks) is 8%. RCI Banque's Core Tier 1 solvency ratio is 15.01% at December 31, 2017 (15.74% at December 31, 2016).

The Group also partially hedges its investment in Nissan (note 12-G).

C – Renault treasury shares

In accordance with decisions approved at General Shareholders' Meetings, the Board of Directors decided to allocate all Renault treasury shares to current stock option and performance share plans and other share-based payment agreements awarded to Group managers and executives.

	December 31, 2017	December 31, 2016
Total value of treasury plans (€ million)	494	321
Total number of treasury shares	6,414,355	4,649,545

On November 3, 2017, the French government announced the closing of its sale of 4.73% of the share capital of Renault (i.e. 14 million shares) through an institutional placement with accelerated book building.

In accordance with the applicable regulations, by decision of the Board of Directors Renault acquired 10% of the shares sold by the State (1,400,000 shares) at the placement price (€121 million), in preparation for an offering reserved for current and former Renault Group employees that will enable them to share in the Group's results.

This employee offering will be made within one year, on terms to be decided by the Board of Directors.

D – Distributions

At the General and Extraordinary Shareholders' Meeting of June 15, 2017, it was decided to distribute a dividend of €3.15 per share representing a total amount of €916 million (€2.40 per share or a total of €701 million in 2016). This dividend was paid in June, 2017.

E – Translation adjustment

The change in translation adjustment over the year is analyzed as follows:

(€ million)	2017	2016
Change in translation adjustment on the value of the investment in Nissan	(1,467)	12
Impact, net of tax, of partial hedging of the investment in Nissan (note 12-G)	96	134
TOTAL CHANGE IN TRANSLATION ADJUSTMENT RELATED TO NISSAN	(1,371)	146
Effect of the acquisition of control, as defined by IFRS 10, over AVTOVAZ	-	349
Other changes in translation adjustment	(324)	(94)
TOTAL CHANGE IN TRANSLATION ADJUSTMENT	(1,695)	401

The effects of the acquisition of control, as defined by IFRS 10, over AVTOVAZ on the translation adjustment are presented on notes 3 and 13-A to the consolidated financial statements for 2016.

In 2016 and 2017, other changes in the translation adjustment mostly resulted from movements in the Russian rouble, the Brazilian real and the Argentinian peso.

F – Financial instrument revaluation reserve

F1 – Change in the financial instrument revaluation reserve

The figures below are reported net of tax effects.

(€ million)	Cash flow hedges	Available-for-sale financial assets	Total
At December 31, 2016 ⁽¹⁾	8	738 ⁽²⁾	746
Changes in fair value recorded in shareholders' equity	(4)	63	59
Transfer from shareholders' equity to profit loss ⁽³⁾	(12)	3	(9)
At December 31, 2017 ⁽¹⁾	(8)	804 ⁽²⁾	796

(1) For the schedule of amounts related to cash flow hedges transferred from shareholder's equity to profit and loss, see note F-3 below.

(2) The revaluation reserve partly relates to Daimler shares (note 22-A).

(3) For a breakdown of the amounts related to cash flow hedges transferred from shareholders' equity to profit and loss, see note F-2 below.

F2 – Breakdown of the amounts related to cash flow hedges transferred from the financial instrument revaluation reserve to the income statement

(€ million)	2017	2016
Operating Margin	(22)	5
Other operating income and expenses	-	-
Net financial income (expense)	-	-
Share in net income of associates and joint ventures	-	-
Current and deferred taxes	10	(9)
Total transferred to the income statement for cash flow hedges	(12)	(4)

F3 – Schedule of amounts related to cash flow hedges transferred from the financial instruments revaluation reserve to the income statement

(€ million)	December 31, 2017	December 31, 2016
Within one year	(3)	3
After one year	(2)	(12)
Revaluation reserve for cash flow hedges excluding associates and joint ventures	(5)	(9)
Revaluation reserve for cash flow hedges – associates and joint ventures	(3)	17
Total revaluation reserve for cash flow hedges	(8)	8

This schedule is based on the contractual maturities of hedged cash flows.

G – Stock option and performance share plans and other share-based payments

The Board of Directors periodically awards performance shares to Group executives and managers, with prices and exercise periods specific to each plan. Until 2012, it also periodically granted stock options, each with their own vesting and required holding periods. All plans include performance conditions which determine the number of options or performance shares granted to beneficiaries. Loss of the benefit of stock options or performance shares follows the applicable regulations: all options and rights are forfeited in the event of resignation or termination, and a decision is made for each individual case when an employee leaves at the company's instigation.

The Board of Directors also decided that some of the Chairman and CEO's variable compensation for a given year would be converted into shares that will vest subject to conditions of performance and continued employment at Renault from 2013 onwards, while the continued employment condition only applies from 2016 onwards.

G1 – Changes in the number of stock options and share rights held by personnel

	Stock options			Share rights (1)
	Quantity	Weighted average exercise price (€)	Weighted average share price at grant and exercise dates (€)	
Options outstanding and rights not yet vested at January 1, 2017	430,049	37	-	4,165,297
Granted	-	-	-	1,450,328
Options exercised or vested rights	(130,710) (2)	-	50 (3)	(890,480) (4)
Options and rights expired and other adjustments	-	-	-	(139,296)
Options outstanding and rights not yet vested at December 31, 2017	299,339	37	-	4,585,849

(1) The figures include stock options awarded as part of the Chairman and CEO's performance-related remuneration.

(2) Stock options exercised in 2017 were granted under plans 18 and 19 in 2011 and plan 20 in 2012.

(3) Price at which the shares were acquired by the Group to cover future options.

(4) Performance shares vested mainly relate to plan 21 introduced in 2014

G2 – Stock options

For plans current in 2017, options attributed vest after a period of 4 years, and the exercise period then covers the 4 following years:

Plan	Type of plan	Grant date	Exercise price (€)	Options outstanding at December 31, 2017	Exercise period
Plan 18	Stock purchase options	April 29, 2011	38.80	133,018	April 30, 2015 – April 28, 2019
Plan 19	Stock purchase options	December 8, 2011	26.87	38,800	December 9, 2015 – December 7, 2019
Plan 20	Stock purchase options	December 13, 2012	37.43	127,521	December 13, 2016 – December 12, 2020
TOTAL				299,339	

G3 – Performance share plans and other share-based payment agreements

Vesting and minimum holding periods are different depending on whether beneficiaries are French tax residents or tax residents of other countries, in order to take account of local tax constraints.

The vesting period for shares awarded to French tax residents is 3 years followed by a minimum holding period of 2 years, reduced to 1 year for plans introduced from 2016.

For non-French tax residents, the vesting period is 4 years and there is no minimum holding period.

Plan	Type of plan	Grant date	Share rights awarded at December 31, 2017	Vesting date	Holding period
Plan 21 ⁽¹⁾	Performance shares	February 12, 2014	- 303,590	February 12, 2017 ⁽²⁾ February 12, 2018	February 12, 2017– February 12, 2019 None
Plan 22 ⁽¹⁾	Performance shares	February 11, 2015	1,017,730 383,801	February 11, 2018 February 11, 2019	February 11, 2018 – February 11, 2020 None
Plan 23 ⁽¹⁾	Performance shares	April 29, 2016	983,600 360,800	April 29, 2019 April 29, 2020	April 29, 2019 – April 29, 2020 None
Plan 23 bis	Performance shares	July 27, 2016	100,000	July 27, 2020	None
Plan 24 ⁽¹⁾	Performance shares	February 9, 2017	1,002,310 434,018	February 9, 2020 February 9, 2021	February 9, 2020 – February 9, 2021 None
TOTAL			4,585,849		

(1) These figures include shares awarded as part of the Chairman and CEO's performance-related remuneration.

(2) The performance shares concerned by these plans were issued to beneficiaries in 2017.

H – Share-based payments

Share-based payments exclusively concern stock options and performance shares awarded to personnel, and shares awarded as part of the Chairman and CEO's performance related remuneration.

The plans have been valued by the methods described in the accounting policies (note 2-R). The main details are as follows:

Plan	Initial value (thousands of €)	Unit fair value	Expense for 2017 (€ million)	Expense for 2016 (€ million)	Share price at grant date (€)	Volatility	Interest rate	Exercise price (€)	Duration of option	Dividend per share (€)
Plan 18	3,422	9.31		-	36.70	37.28 %	2.28 %	38.80	4-8 years	0.30 – 1.16
Plan 19	1,608	5.36		-	27.50	42.24 %	1.99 %	26.87	4-8 years	1.19 – 1.72
Plan 20	2,708	6.87		(1)	40.39	35%	0.71%	37.43	4-8 years	1.57- 2.19
Plan 20 bis	21,767	36.38		(1)	43.15	N/A	0.87%	N/A	2-4 years	1.57 -1.97
Plan 21 ⁽¹⁾	38,702 13,653	53.69 54.97	(3) (4)	(15) (4)	65.76 65.61	N/A N/A	0.20% 0.19%	N/A N/A	3-5 years 4 years	1.72 – 1.97 1.72 – 1.97
Plan 22 ⁽¹⁾	51,509 19,138	66.51 65.19	(20) (5)	(22) (6)	78.75 76.58	N/A N/A	(0.10)% (0.03)%	N/A N/A	3-5 years 4 years	1.90 – 2.22 1.90 – 2.22
Plan 23 ⁽¹⁾	53,728 19,929	66.38 65.72	(18) (5)	(12) (3)	80.25 76.16	N/A N/A	(0.48)% (0.48)%	N/A N/A	3-4 years 4 years	2.40 – 2.88 2.40 – 2.88
Plan 23 bis	5,348	65.34	(1)	(1)	76.99	N/A	(0.48)%	N/A	4 years	2.40 – 2.88
Plan 24 ⁽¹⁾	53,646 22,167	66.18 66.16	(16) (5)	- -	82.79	N/A N/A	(0.56)% (0.57)%	N/A N/A	3-4 years 4 years	3.15 – 3.34 3.15 – 3.34
TOTAL			(77)	(65)						

(1) For these plans, performance shares were awarded at different dates within the stated period. The figures also include shares awarded as part of the Chairman and CEO's performance-related compensation. The information reported may correspond to weighted averages based on quantities awarded per grant date.

I – Share of non-controlling interests

Entity	Country of location	Percentage of ownership and voting rights held by non-controlling interests		Net income – non-controlling interests' share (€ million)		Shareholders' equity – non-controlling interests' share (€ million)		Dividends paid to non-controlling interests (minority shareholders) (€ million)	
		December 31, 2017	December 31, 2016	2017	2016	December 31, 2017	December 31, 2016 ⁽¹⁾	2017	2016
Automotive (excl. AVTOVAZ)									
Renault Samsung Motors	Korea	20%	20%	45	49	210	198	(32)	(31)
Oyak Renault Otomobil Fabrikalari	Turkey	48%	48%	51	43	257	243	(38)	(53)
Other	N/A	N/A	N/A	7	8	29	32	(10)	(9)
Total - Automotive (excluding AVTOVAZ)				103	100	496	473	(80)	(93)
Sales Financing									
Banco RCI Brasil ⁽²⁾	Brazil	40%	40%	20	17	-	-	(51)	(6)
Rombo Compania Financiera ⁽²⁾	Argentina	40%	40%	4	5	-	-	-	(6)
RCI Colombia S.A. Compania de Financiamiento ⁽³⁾	Colombia	49%	-	1	-	20	-	-	-
Other	N/A	N/A	N/A	2	2	14	13	(2)	(3)
Total – Sales financing				27	24	34	13	(53)	(15)
AVTOVAZ									
Alliance Rostec Auto B.V. ⁽⁴⁾	Netherlands	18%	27%	-	-	211	346	-	-
AVTOVAZ ⁽⁴⁾	Russia	26%	35%	(33)	-	(430)	(603)	-	-
LLC United Automobile Group ⁽⁴⁾	Russia	26%	35%	1	-	(24)	(35)	-	-
Other	N/A	N/A	N/A	(2)	-	7	(13)	-	-
Total AVTOVAZ				(34)	-	(236)	(305)	-	-
TOTAL				96	124	294	181	(133)	(108)

(1) The figures at December 31, 2016 include adjustments recognized in 2017 relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B), and are thus different from the previously published figures.

(2) The Group has granted minority shareholders in these companies put options to sell their investments. A liability corresponding to these put options is included in other liabilities, amounting to €129 million for the Brazilian subsidiary and €25 million for the Argentinian subsidiary at December 31, 2017 (€178 million and €25 million respectively at December 31, 2016). A corresponding charge is made to shareholders' equity, allocated in priority to the non-controlling interests' share with any residual amount allocated to the parent-company shareholders' share. The liability is stated at fair value. Fair value is determined by estimating the potential purchase price, taking into account future results of the financing portfolio as it exists at the closing date and the provisions of the partnership contracts. This is a level 3 fair value, as it uses recognized models but their significant data are not based on observable market data.

(3) Entity that was fully consolidated for the first time in 2017.

(4) The percentages of voting rights held by non-controlling interests under the legal analysis (see note 3-B) are 34% in ARA B.V. and 35% in the AVTOVAZ Group at December 31, 2017 (43% and 35% respectively at December 31, 2016).

There are no significant restrictions on the Group's capacity to access or use its assets and settle its liabilities, other than restrictions that result from the regulatory framework in which the subsidiaries operate. The local supervisory authorities may require banking subsidiaries to keep a certain level of capital and liquidities, limit their exposure to other group parties, and comply with other ratios.

J – Joint operations

Entity	Country of location	Main activity	Percentage of ownership held by the Group	
			December 31, 2017	December 31, 2016
Automotive (excluding AVTOVAZ)				
Renault Nissan Technology and Business Centre India Private Limited (RNTBCI) ⁽¹⁾	India	Shared service centre	67	67

(1) The Group holds 50% of voting rights in the Indian company RNTBCI.

NOTE 19 – PROVISIONS FOR PENSIONS AND OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

A – Pension and benefit plans

Pensions and other long-term employee benefit obligations essentially concern active employees. These benefits are covered either by defined-contribution plans or defined-benefit plans.

- Defined-contribution plans

The Group makes earnings-related payments, in accordance with local custom, to the national organizations responsible for paying pensions and similar financial benefits. There is no actuarial liability concerning these pension arrangements.

The total expense for defined-contribution plans was €619 million in 2017 (€592 million in 2016).

- Defined-benefit plans

The accounting treatment of defined-benefit plans is described in note 2-S, and involves establishment of provisions. These plans concern:

- indemnities payable upon retirement or departure, in application of legislation or agreements in certain countries such as France and Turkey;
- supplementary pensions providing employees with contractual income; the countries applying this type of plan are in Europe (e.g. the United Kingdom, France, Germany, the Netherlands, and Switzerland);
- other long-term benefits, chiefly long-service awards and flexible holiday entitlements.

Defined-benefit supplementary pension plans are generally covered by contracts with pension funds or insurance companies. In such cases, the obligations and assets are valued separately. The difference between the obligation and the fair value of the assets held to fund it may indicate underfunding or overfunding. In the event of underfunding, a provision is booked. In the event of overfunding, an asset is recognized subject to certain conditions.

- Principal defined-benefit plans of the Group

In France, the Group's retirement indemnities result from agreements negotiated with each French entity and employee representatives. They are based on employees' salaries and length of service; payment is conditional on being in the company's employment at the time of retirement. Retirement benefit obligations for France are entirely covered by provisions, and account for most of the Group's liabilities for retirement indemnities.

The Group's most significant supplementary pension plan is in the United Kingdom, where two defined-benefit pension plans are managed as part of a dedicated pension fund comprising two compartments: one concerns Automotive subsidiaries (excluding AVTOVAZ), the other RCI Financial Services Ltd. This plan has been closed to new beneficiaries since 2004, and concerns 1,850 people.

This pension fund (a trust) is a legal entity in its own right. It is administered by a board of Trustees with equal representation for the participating companies and their current and former employees. The fund is governed by local regulations, which set the minimum funding requirements that can lead to additional contributions being made by the Group. The asset investment policy is defined for each section of the fund by a supervisory body which examines the performance of investments quarterly. The risks associated with these plans are the usual risks (lower future returns on fund assets, a decline in the equities markets, longer life expectancy for beneficiaries, a rise in inflation, etc).

The fund compartment dedicated to the Automotive (excluding AVTOVAZ) segment is underfunded and the Group has made a commitment to cover the shortfall by 2026 through payments amounting to £5 million maximum per year. In application of IAS 19, the deficit for this fund compartment is valued at £71 million at December 31, 2017. The deficit for the fund compartment dedicated to RCI Financial Services Ltd is valued at £10 million at December 31, 2017 under IAS 19.

B – Main actuarial assumptions used to calculate provisions and other data for the most significant plans

Main actuarial assumptions and actual data for the Group's retirement indemnities in France	December 31, 2017		December 31, 2016	
	Renault s.a.s.	Others	Renault s.a.s.	Others
Retirement age	60 to 65 years	60 to 65 years	60 to 65 years	60 to 65 years
Discount rate ⁽¹⁾	1.43%	0.58% to 2%	1.44%	1% to 2%
Salary increase rate	2.5%	1% to 2.7%	2.7%	1% to 2.7%
Duration of plan	13 years	7 to 20 years	13 years	7 to 20 years
Gross obligation	€1,062 million	€175 million	€1,093 million	€172 million

(1) The rates used to value the Group's obligations in France vary between companies depending on the maturities of obligations. The benchmark for the discount rate is the zero-coupon rate plus the average spread curve for issuers rated AA as published by Reuters.

Main actuarial assumptions and actual data for the Group's supplementary pensions in the UK	December 31, 2017		December 31, 2016	
	Automotive excl. AVTOVAZ	Sales financing	Automotive excl. AVTOVAZ	Sales financing
Financial discount rate ⁽¹⁾	2.5%	2.5%	2.7%	2.7%
Salary increase rate	2%	3.1%	2%	3.15%
Duration of plan	20 years	25 years	21 years	26 years
Actual return on fund assets	7.4%	8.8%	13%	16.3%
Gross obligation	€363 million	€37 million	€340 million	€34 million
Fair value of assets invested via pension funds	€284 million	€27 million	€271 million	€25 million

(1) In 2017, the discount rate was determined by reference to the interest rate curve established by Deloitte based on the iBoxx £ index for AA-rated corporate bonds (DTRB £ AA corporate bond yield curve). In 2016, the discount rate was determined on the basis of the Mercer Yield Curve.

C – Net expense for the year

(€ million)	2017	2016
Current service cost	94	96
Past service cost and (gain) / loss on settlement ⁽¹⁾	(92)	(3)
Net interest on the net liability (asset)	25	31
Effects of workforce adjustment measures	-	(1)
Net expense (income) for the year recorded in the income statement	27	123

(1) These costs mainly include entitlements to pre-retirement leave as defined in the 1991 competitiveness agreement for France, amended by the agreement signed in January 2017 named "CAP 2020 – Contrat d'Activité pour une Performance durable" (activity contract for sustainable performance). New rights will be recognized from the date of vesting, in accordance with IAS 19, and are no longer treated as retirement indemnities. The positive impact of this change on 2017 net income has been classified as other operating income and expenses (note 6-A) since all the impacts of CAP 2020 are included in that category (some were recorded in advance at December 31, 2016).

D – Detail of balance sheet provision

D1 – Breakdown of the balance sheet provision

(€ million)	December 31, 2017		
	Present value of the obligation	Fair value of fund assets	Net defined-benefit liability (asset)
Retirement and termination indemnities			
France	1,237	-	1,237
Europe (excluding France)	15	-	15
Americas	2	-	2
Asia - Pacific	-	-	-
Africa – Middle East - India	2	-	2
Eurasia ⁽¹⁾	43	-	43
Total retirement and termination indemnities	1,299	-	1,299
Supplementary pensions			
France	125	(60)	65
United Kingdom	400	(311)	89
Europe (excluding France and United Kingdom) ⁽²⁾	255	(166)	89
Americas	5	-	5
Asia - Pacific	2	-	2
Total supplementary pensions	787	(537)	250
Other long-term benefits			
France ⁽³⁾	82	-	82
Europe (excluding France)	2	-	2
Americas	2	-	2
Total other long-term benefits	86	-	86
TOTAL ⁽⁴⁾	2,172	(537)	1,635

(1) Essentially Romania and Turkey.

(2) Essentially Germany, the Netherlands and Switzerland.

(3) Flexible holiday entitlements and long-service awards.

(4) Total net liability due within one year: €51 million; total net liability due after one year: €1,584 million.

D2 – Schedule of amounts related to net defined benefit liability

(€ million)	December 31, 2017				
	- 1 year	1 to 5 years	5 to 10 years	+ 10 years	Total
Present value of obligation	61	285	401	1,425	2,172
Fair value of plan assets	(10)	(45)	(63)	(419)	(537)
Net defined benefit liability (asset)	51	240	338	1,006	1,635

The weighted average duration of plans is 15 years at December 31, 2017 (as at December 31, 2016).

E – Changes in obligations, fund assets and the provision

<i>(€ million)</i>	Present value of the obligation (A)	Fair value of the fund assets (B)	Net defined-benefit liability (A) +(B)
Balance at December 31, 2016	2,295	(524)	1,771
Current service cost	94	-	94
Past service cost and gain/loss on liquidation	(92)	-	(92)
Net interest on the net liability (asset)	36	(11)	25
Effects of workforce adjustment measures	-	-	-
Net expense (income) for 2017 recorded in the income statement (19-C)	38	(11)	27
Actuarial gains and losses on the obligation resulting from changes in demographic assumptions	16	-	16
Actuarial gains and losses on the obligation resulting from changes in financial effects	(35)	-	(35)
Actuarial gains and losses on the obligation resulting from experience effects	8	-	8
Net return on fund assets (not included in net interest above)	-	(2)	(2)
Net expense (income) for 2017 recorded in other components of comprehensive income	(11)	(2)	(13)
Employer's contributions to funds	-	(31)	(31)
Employee's contributions to funds	-	(6)	(6)
Benefits paid under the plan	(129)	24	(105)
Benefits paid upon liquidation of a plan	-	-	-
Effect of changes in exchange rate	(21)	13	(8)
Effect of changes in scope of consolidation	-	-	-
Balance at December 31, 2017	2,172	(537)	1,635

Accumulated actuarial gains and losses, net of tax (excluding the associates' share) recorded in other components of comprehensive income amounted to an expense of €634 million at December 31, 2017 (an expense of €620 million at December 31, 2016).

A 100 base point decrease in discount rates used for each plan would result in a €286 million increase in the amount of obligations at December 31, 2017 (€316 million at December 31, 2016), and a 100 base point increase in discount rates used for each plan would result in a €230 million decrease in the amount of obligations at December 31, 2017 (€254 million at December 31, 2016).

F – Fair value of fund assets

Details of the assets invested via pension funds and insurance companies are as follows:

(€ million)	December 31, 2017		
	Assets listed on active markets	Unlisted assets	Total
Pension funds			
Cash and cash equivalents	-	-	-
Shares	85	-	85
Bonds	197	-	197
Shares in mutual funds and other	31	4	35
Total – Pension funds	313	4	317
Insurance companies			
Cash and cash equivalents	5	-	5
Shares	5	2	7
Bonds	180	3	183
Real estate property	16	-	16
Shares in mutual funds and other	-	9	9
Total insurance companies	206	14	220
TOTAL	519	18	537

Pension fund assets mainly relate to plans located in the United Kingdom (57.9%). Insurance contracts principally concern France (11.1%), Germany (4.8%), the Netherlands (19.3%) and Switzerland (5.7%). The actual returns on plan assets in the United Kingdom are shown in note 19-B.

The weighted average actual rate of return on the Group's main funds was 5.17% in 2017 (8.45% in 2016).

At the date of this report, the best estimate of contributions that will be payable to the funds in 2017 is approximately €15 million.

The Group's pension fund assets do not include Renault Group's financial instruments. Real estate investments do not include real estate properties occupied by the Group.

NOTE 20 – CHANGE IN PROVISIONS

(€ million)	Restructuring provisions	Warranty provisions	Tax risks and litigation provisions	Insurance activities ⁽¹⁾	Other provisions	Total
At December 31, 2016 ⁽²⁾	431	965	440	369	361	2,566
Increases	106	557	95	96	105	959
Reversals of provisions for application	(193)	(525)	(153)	(33)	(51)	(955)
Reversals of unused balance of provisions	(7)	(6)	(39)	-	(25)	(77)
Changes in scope of consolidation	-	-	5	-	-	5
Translation adjustments and other changes	(18)	(18)	(28)	-	(5)	(69)
At December 31, 2017 ⁽³⁾	319	973	320	432	385	2,429

(1) Mainly technical reserves established by the sales financing activity's insurance companies.

(2) The figures at December 31, 2016 include adjustments recognized in 2017 relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B), and are thus different from the previously published figures.

(3) Short-term portion of provisions: €915 million; long-term portion provisions: €1,514 million.

All known litigation in which Renault or Group companies are involved is examined at each closing. After seeking the opinion of legal advisors, any provisions deemed necessary are set aside to cover the estimated risk. During 2017, the Group recorded no significant new litigation in provisions. Information on contingent liabilities is provided in note 28-A2.

Increases to restructuring provisions essentially comprise the effect of workforce adjustment measures in Americas, Eurasia and Europe (note 6-A).

At December 31, 2017, "Other provisions" include €70 million of provisions established in application of environmental regulations (€61 million at December 31, 2016). These include provisions to cover expenses relating to end-of-life vehicles and used batteries, and environmental compliance costs for industrial land that the Group intends to sell in the Europe region and industrial sites in the Americas region. They also include €3 million for depollution of commercial land belonging to Renault Retail Group (€7 million at December 31, 2016), and a provision of €3 million for water pollution in the AVTOVAZ Group's financial statements (€9 million at December 31, 2016).

NOTE 21 – OTHER CURRENT AND NON-CURRENT LIABILITIES

(€ million)	December 31, 2017			December 31, 2016		
	Non-current	Current	Total	Non-current	Current	Total
Tax liabilities (excluding current taxes due)	55	1,278	1,333	70	1,323	1,393
Current taxes due	-	246	246	-	321	321
Social liabilities	22	1,434	1,456	21	1,405	1,426
Other liabilities	189	5,918	6,107	247	5,695	5,942
Deferred income	1,313	1,308	2,621	1,192	1,018	2,210
Derivatives on operating transactions of the Automotive segments	-	2	2	-	10	10
Total	1,579	10,186	11,765	1,530	9,772	11,302

Other liabilities mainly correspond to deferred income recorded in connection with sales contracts including a buy-back commitment (€518 million at December 31, 2017 and €631 million at December 31, 2016).

The Group is subject to a greenhouse gas emission quota system in the European Union and Korea. In 2017, greenhouse gas emissions were higher than the quotas allocated in Europe and Korea, and the Group recorded a corresponding expense of less than €1 million in 2017.

4.2.6.5 Financial assets and liabilities, fair value and management of financial risks

NOTE 22 – FINANCIAL ASSETS – CASH AND CASH EQUIVALENTS

A – Current / non – current breakdown

(<i>€ million</i>)	December 31, 2017			December 31, 2016 ⁽¹⁾		
	Non-current	Current	Total	Non-current	Current	Total
Investments in non-controlled entities	1,306	-	1,306	1,269	-	1,269
Marketable securities and negotiable debt instruments	-	1,184	1,184	-	952	952
Loans	27	485	512	28	417	445
Derivatives on financing operations by the Automotive segments	62	263	325	82	539	621
Total financial assets	1,395	1,932	3,327	1,379	1,908	3,287
<i>Gross value (excluding AVTOVAZ)</i>	1,396	1,933	3,329	1,380	1,910	3,290
<i>Impairment (excluding AVTOVAZ)</i>	(1)	(2)	(3)	(1)	(2)	(3)
<i>Gross value - AVTOVAZ</i>	4	3	7	13	-	13
<i>Impairment - AVTOVAZ</i>	(4)	(2)	(6)	-	-	-
Cash equivalents	-	6,640	6,640	-	6,822	6,822
Equivalents	-	7,417	7,417	-	7,031	7,031
Total cash and cash equivalents	-	14,057	14,057	-	13,853	13,853
<i>Cash equivalents (excluding AVTOVAZ)</i>	-	6,542	6,542	-	6,575	6,575
<i>Cash (excluding AVTOVAZ)</i>	-	7,387	7,387	-	7,002	7,002
<i>Cash equivalents - AVTOVAZ</i>	-	101	101	-	247	247
<i>Cash - AVTOVAZ</i>	-	27	27	-	29	29

(1) The figures at December 31, 2016 include adjustments recognized in 2017 relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B), and are thus different from the previously published figures.

Information on the counterparty risks associated with financial assets and cash and cash equivalents is provided in notes 25-B6 and 25-C2.

B – Investments in non-controlled entities

At December 31, 2017, investments in non-controlled entities include €1,165 million (€1,163 million at December 31, 2016) for the Daimler shares purchased under the strategic partnership agreement. These shares are classified as available-for-sale financial assets and their fair value is determined by reference to the market price. At December 31, 2017, the stock market price (€70.80 per share) was higher than the acquisition price (€35.52 per share). The corresponding decline in fair value over the year, amounting to €2 million (compared to a €113 million increase in 2016), is recorded in other components of comprehensive income for 2017.

Investments in non-controlled entities also include €67 million at December 31, 2017 (€58 million at December 31, 2016) paid to the Fund for the Future of the Automobile (*Fonds Avenir Automobile – FAA*). Under the support plan for these suppliers introduced by the French authorities and automaker, Renault has made a commitment to pay a total of €200 million as funds are called. The outstanding amount for Renault at December 31, 2017 is €58 million.

The fair value of these securities is determined by reference to the most recent net asset value reported by the FAA's management company, after adjustment for any relevant information that becomes known afterwards.

C – Cash not available to the Group

Some current bank accounts held by the Sales Financing Securitization Fund are used to increase credit on securitized receivables, and consequently act as guarantees in the event of default on payment of receivables (note 15-B1). These current bank accounts amount to €506 million at December 31, 2017 (€477 million at December 31, 2016).

NOTE 23 – FINANCIAL LIABILITIES AND SALES FINANCING DEBTS

A – Current / non – current breakdown

(€ million)	December 31, 2017			December 31, 2016 ⁽¹⁾		
	Non - current	Current	Total	Non – current	Current	Total
Renault SA redeemable shares	554	-	554	434	-	434
Bonds	3,233	1,471	4,704	2,572	2,176	4,748
Other debts represented by a certificate	-	609	609	-	554	554
Borrowings from credit institutions (at amortized cost)	329	806	1,135	533	1,122	1,655
Other interest-bearing borrowings ⁽²⁾	212	181	393	230	146	376
Financial liabilities of the Automotive (excluding AVTOVAZ) segment	4,328	3,067	7,395	3,769	3,998	7,767
Derivatives on financing operations of the Automotive (excluding AVTOVAZ) segment	64	234	298	82	544	626
Total financial liabilities of the Automotive (excluding AVTOVAZ) segment	4,392	3,301	7,693	3,851	4,542	8,393
Borrowings from credit institutions (at amortized cost)	531	490	1,021	585	705	1,290
Other interest – bearing borrowings	2	1	3	5	1	6
Other non – interest – bearing borrowings	463	-	463	490	-	490
Financial liabilities of AVTOVAZ (excluding derivatives) ⁽³⁾	996	491	1,487	1,080	706	1,786
Total Automotive financial liabilities including AVTOVAZ	5,388	3,792	9,180	4,931	5,248	10,179
DIAC redeemable shares	13	-	13	12	-	12
Bonds	-	17,885	17,885	-	14,638	14,638
Other debts represented by a certificate	-	3,363	3,363	-	4,771	4,771
Borrowings from credit institutions	-	4,944	4,944	-	3,845	3,845
Other interest – bearing borrowings	-	15,085	15,085	-	12,690	12,690
Financial liabilities and debts of the sales financing segment (excluding derivatives)	13	41,277	41,290	12	35,944	35,956
Derivatives on financing operations of the Sales Financing segment	-	118	118	-	97	97
Financial liabilities and debts of the Sales Financing segment	13	41,395	41,408	12	36,041	36,053
Total Automotive financial liabilities including AVTOVAZ and financial liabilities and debts of the Sales Financing segment	5,401	45,187	50,588	4,943	41,289	46,232

(1) The figures at December 31, 2016 include adjustments recognized in 2017 relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B), and are thus different from the previously published figures.

(2) The Automotive (excluding AVTOVAZ) segment's financial lease liability amounts to €79 million at December 31, 2017 (€83 million at December 31, 2016)

(3) Figures are represented excluding intragroup transactions. Intragroup transactions between the Automotive (excluding AVTOVAZ) and AVTOVAZ segments are presented in the consolidated financial position by segment in section 4.2.6.1.A2. The AVTOVAZ financial lease liability amounts to €5 million at December 31, 2017 (€6 million at December 31, 2016).

B – Changes in Automotive financial liabilities and derivatives assets on financing operations

(€ million)	December 31, 2016 ⁽¹⁾	Change in cash flows	Change resulting from acquisition or loss of control over subsidiaries and other operating units	Foreign exchange changes with no effect on cash flows	Other changes with no effect on cash flows	December 31, 2017
Renault SA redeemable shares	434	-	-	-	120	554
Bonds	4,748	125	-	(123)	(46)	4,704
Other debts represented by a certificate	554	55	-	-	-	609
Borrowings from credit institutions (at amortized cost)	1,655	(479)	-	(100)	59	1,135
Other interest – bearing borrowings	376	151	-	(139)	5	393
Financial liabilities of the Automotive (excluding AVTOVAZ) segment (excluding derivatives)	7,767	(148)	-	(362)	138	7,395
Derivatives on financing operations of the Automotive (excluding AVTOVAZ) segment	626	(312)	-	(5)	(11)	298
Total financial liabilities of the Automotive (excluding AVTOVAZ) segment	8,393	(460)	-	(367)	127	7,693
Borrowings from credit institutions (at amortized cost)	1,290	(196)	-	(161)	88	1,021
Other interest-bearing borrowings	6	(1)	-	78	(80)	3
Other non-interest-bearing borrowings	490	-	-	(38)	11	463
Financial liabilities of AVTOVAZ (excluding derivatives) ⁽²⁾	1,786	(197)	-	(121)	19	1,487
TOTAL AUTOMOTIVE FINANCIAL LIABILITIES INCLUDING AVTOVAZ (a)	10,179	(657)	-	(488)	146	9,180
Derivative assets on Automotive financing operations (excluding AVTOVAZ) (b)	621	(266)	-	(28)	(2)	325
Net change in Automotive financial liabilities in consolidated cash flows (section 4.2.5) (a) – (b)		(391)				

(1) The figures at December 31, 2016 include adjustments recognized in 2017 relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B), and are thus different from the previously published figures.

(2) Figures are presented excluding intragroup transactions. Intragroup transactions between the Automotive (excluding AVTOVAZ) and AVTOVAZ segments are presented in the consolidated financial position by segment in section 4.2.6.1-A2.

C – Financial liabilities and sales financing liabilities of the Automotive (excluding AVTOVAZ) and Sales Financing segments

Redeemable shares

The redeemable shares issued in October 1983 and April 1984 by Renault SA are subordinated perpetual shares. They earn a minimum annual return of 9% comprising a 6.75% fixed portion and a variable portion that depends on consolidated revenues and is calculated based on identical Group structure and methods. The return on redeemable shares, amounting to €19 million for 2017 (€18 million for 2016), is included in interest expenses. These shares are listed on the Paris Stock Exchange. They traded for €695 at December 31, 2017 and €543.9 at December 31, 2016 for par value of €153, leading to a corresponding €120 million adjustment (€3 million in 2016) to the fair value of redeemable shares recorded in other financial expenses (note 7).

The return on Diac redeemable shares issued in 1985 comprises a fixed portion equal to the Annual Monetary Rate, and a variable portion calculated by multiplying an amount equal to 40% of the Annual Monetary Rate by the rate of increase in net consolidated profit of the Diac sub-group compared to the prior year.

Changes in bonds of the Automotive (excluding AVTOVAZ) segment

Renault SA issued three bonds under its EMTN programme: two Eurobonds with nominal value of €750 million and a 1% coupon each, the first with 6-year maturity issued on March 8, 2017 and the second with 8-year maturity issued on November 28, 2017; and an EMTN-format private placement of ¥7 billion with 3-year maturity.

Also, as part of its “Shelf Registration” programme, Renault SA issued a ¥90 billion Samurai bond on the Japanese market on July 6, 2017. This new Samurai bond has two tranches, one with nominal value of ¥63.4 billion, 3-year maturity and a coupon of 0.36%, and the other with nominal value of ¥26.6 billion, 5-year maturity and a coupon of 0.5%.

At December 31, 2017, the total amount of bonds issued by Renault SA is €2,259 million and total bond redemptions amount to €2,106 million.

Renault do Brasil redeemed €28 million of the bond issued in March 2016.

Changes in debts of the Sales Financing segment

In 2017, RCI Banque group issued new bonds totalling €7,409 million and maturing between 2018 and 2025, and redeemed bonds for a total of €3,811 million, of which €14 million redeemed to the Automotive (excluding AVTOVAZ) segment.

New savings collected rose by €2,359 million in 2017 (€2,445 million of sight deposits and €(86) million of term deposits) to €14,934 million (€11,470 million of sight deposits and €3,464 million of term deposits), and are classified as other interest-bearing borrowings. These savings are collected in Germany, Austria, France and the United Kingdom.

Credit lines

At December 31, 2017, Renault SA had confirmed credit lines opened with banks worth €3,405 million (€3,305 million at December 31, 2016). These credit lines were unused at December 31, 2017 and 2016.

Also, at December 31, 2017, the Sales Financing segment's confirmed credit lines opened in several currencies with banks amounted to €4,934 million (€4,637 at December 31, 2016). These credit lines were drawn to the extent of €23 million at December 31, 2017 (unused at December 31, 2016)

The contractual documentation for financial liabilities and confirmed credit lines contains no clause that could affect the continued supply of credit in the event of any change in Renault's credit rating or financial ratio compliance.

Breakdown by maturity

For financial liabilities including derivatives, contractual flows are similar to the expected flows and correspond to the amounts to be paid.

For floating-rate financial instruments, interest is calculated using interest rates as at December 31, 2017.

No contractual flows are reported for Renault and Diac redeemable shares as they have no fixed redemption date.

Financial liabilities of the Automotive (excluding AVTOVAZ) segment

(€ million)	December 31, 2017							
	Balance sheet value	Total contractual flows	- 1 yr	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs	+ 5 yrs
Bonds by issued by Renault SA (by issue date)								
2013	900	900	900	-	-	-	-	-
2014	500	500	-	-	-	500	-	-
2015	570	570	518	52	-	-	-	-
2016	444	444	-	444	-	-	-	-
2017	2,219	2,219	-	-	522	-	197	1,500
Bonds issued by Renault do Brasil (by issue date)								
2016	57	57	26	25	6	-	-	-
Accrued interest, expenses and premiums	14	31	31	-	-	-	-	-
Total bonds	4,704	4,721	1,475	521	528	500	197	1,500
Other debts represented by a certificate	609	609	609	-	-	-	-	-
Borrowings from credit institutions	1,135	1,133	797	126	109	81	6	14
Other interest-bearing borrowings	393	365	185	23	27	20	24	86
Total other financial liabilities	2,137	2,107	1,591	149	136	101	30	100
Future interest on bonds and other financial liabilities	-	191	42	40	32	31	16	30
Redeemable shares	554	-	-	-	-	-	-	-
Derivatives on financing operations	298	297	233	39	17	4	4	-
Total financial liabilities of the Automotive (excluding AVTOVAZ) segment	7,693	7,316	3,341	749	713	636	247	1,630

The portion of financial liabilities of the Automotive (excluding AVTOVAZ) segment maturing within one year breaks down as follows:

(€ million)	December 31, 2017			
	Contractual flows maturing within 1 yr	- 1 month	1 – 3 months	3 months – 1 year
Bonds	1,475	2	7	1,466
Other financial liabilities	1,591	292	377	922
Future interest on bonds and other financial liabilities	42	-	18	24
Derivatives on financing operations	233	45	56	132
Total financial liabilities maturing within 1 year	3,341	339	458	2,544

Financial liabilities and debts of the Sales Financing segment

(€ million)	December 31, 2017							
	Balance sheet value	Total contractual flows	- 1 yr	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs	+ 5 yrs
Bonds issued by RCI Banque (by issue date)								
2013	1,468	1,434	1,434	-	-	-	-	-
2014	1,415	1,397	-	884	-	513	-	-
2015	2,793	2,777	985	29	1,005	-	758	-
2016	4,829	4,858	444	2,359	-	733	-	1,322
2017	7,314	7,330	25	550	1,528	765	2,722	1,740
Accrued interest, expenses and premiums	66	114	112	2	-	-	-	-
Total bonds	17,885	17,910	3,000	3,824	2,533	2,011	3,480	3,062
Other debts represented by a certificate	3,363	3,366	1,936	849	545	36	-	-
Borrowings from credit institutions ⁽¹⁾	4,944	4,944	1,416	583	2,350	514	81	-
Other interest-bearing borrowings	15,085	15,086	13,755	912	254	112	53	-
Total other financial liabilities	23,392	23,396	17,107	2,344	3,149	662	134	-
Future interest on bonds and other financial liabilities	-	897	171	273	192	104	79	78
Redeemable shares	13	-	-	-	-	-	-	-
Derivative liabilities on financing operations	118	108	18	31	1	7	22	29
Total Financial liabilities and debts of the Sales Financing segment	41,408	42,311	20,296	6,472	5,875	2,784	3,715	3,169

(1) Including €2.5 billion for "TLTRO" long-term financing operations introduced by the European Central Bank in late 2014, which are progressively being used by RCI Banque.

The portion of financial liabilities and debts of the Sales Financing segment maturing within one year breaks down as follows:

(€ million)	December 31, 2017			
	Contractual flows maturing within 1 year	-1 month	1-3 months	3 months – 1 year
Bond	3,000	701	106	2,193
Other financial liabilities	17,107	12,757	965	3,385
Future interest on bonds and other financial liabilities	171	5	18	148
Derivative liabilities on financing operations	18	2	4	12
Total financial liabilities maturing within 1 year	20,296	13,465	1,093	5,738

D – Financial liabilities of the AVTOVAZ segment

The AVTOVAZ segment's short-term loans and borrowings consisted of the following:

(€ million)	December 31, 2017	December 31, 2016
Rouble-denominated bank loans	494	696
Foreign currency denominated bank loans	1	9
Other Rouble-denominated interest-bearing loans	37	41
Total short-term loans and borrowings of the AVTOVAZ Group	532	746
Less short-term loans and borrowings from Renault s.a.s.	(41)	(40)
Total current financial liabilities of the AVTOVAZ segment	491	706

The AVTOVAZ segment's long-term loans and borrowings consisted of the following:

(€ million)	December 31, 2017	December 31, 2016 ⁽¹⁾
Rouble-denominated bank loans ⁽²⁾	531	585
Rouble-denominated interest-free loans ⁽³⁾	442	477
Rouble-denominated interest-free promissory notes	14	13
Other interest-bearing Rouble-denominated loans	-	5
Other foreign currency denominated interest-bearing loans and borrowings ⁽⁴⁾	51	57
Total long-term loans and borrowings of the AVTOVAZ Group	1,038	1,137
Total long-term loans and borrowings of Alliance Rostec Auto B.V.	173	178
Total long-term loans and borrowings of the AVTOVAZ segment	1,211	1 315
Less long-term loans and borrowings from Renault s.a.s.	(215)	(235)
Non-current financial liabilities of the AVTOVAZ segment	996	1 080

(1) The figures at December 31, 2016 include adjustments recognized in 2017 relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B), and are thus different from the previously published figures.

(2) These figures include a €(38) million adjustment at December 31, 2017 (€(45) million at December 31, 2016) relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B).

(3) These figures include a €308 million adjustment at December 31, 2017 (€349 million at December 31, 2016) relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B).

(4) These figures include a €(48) million adjustment at December 31, 2017 (€(42) million at December 31, 2016) relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B).

Rouble-denominated interest-free loans and promissory notes consist of the following liabilities:

Issue date	Maturity date (after extension)	December 31, 2017			
		Nominal value		Book value	
		(Millions of roubles)	(€ million)	(Millions of roubles)	(€ million)
Rouble-denominated interest-free loans					
June 5, 2009	June 5, 2009	25,000	360	25,000	360
April 29, 2010	April 29, 2010	26,282	379	5,700	82
Total		51,282	739	30,700	442
Rouble-denominated interest-free promissory notes					
April 23, 2001	March 7, 2020	1,481	21	987	14

In 2017, the AVTOVAZ Group repaid financial liabilities totalling €402 million and contracted new financial liabilities totalling €210 million.

At December 31, 2017, the AVTOVAZ Group's average interest rate was 11.15% for outstanding rouble-denominated bank loans and 3.00% for foreign currency-denominated bank loans (12.25% and 4.97% respectively at December 31, 2016). Foreign currency-denominated bank loans are in Euro. The AVTOVAZ Group has €193 million of floating-rate bank loans at December 31, 2017 (€51 million at December 31, 2016).

At December 31, 2017, the AVTOVAZ Group has confirmed credit lines opened with banks in the amount of €1,304 million (€1,601 million at December 31, 2016). As at December 31, 2017, the AVTOVAZ Group has €262 million (€312 million at December 31, 2016) of undrawn available confirmed borrowing facilities, of which €2 million were available for future operating activities and €260 million were available for investment activities (€2 million and €310 million respectively at December 31, 2016).

As at December 31, 2017, the AVTOVAZ Group was not in compliance with covenants set by loan agreements with banks, which include gearing, EBITDA, profitability and liquidity ratios and cross-default, as well as maximum amount of all claims, for which

AVTOVAZ is a defendant. As at December 31, 2017, the AVTOVAZ Group had €405 million (€601 million at December 31, 2016) of bank loans with breached covenants. Credit institutions are able to demand early repayment of these debts with breached covenants, which comprise €16 million of long-term debt (€246 million at December 31, 2016) and €389 million of short-term debt (€355 million respectively at December 31, 2016).

At December 31, 2017 the AVTOVAZ Group had received waivers of early repayment demands due to breached covenants for all loan agreements in default, covering grace periods extending more than twelve months after the year-end date.

At December 31, 2016 the AVTOVAZ Group had received waivers of early repayment demands for loan agreements with breached covenants in the amount of €282 million, including €124 million of long-term debt. Since these waivers covered a maximum period of twelve months from the year-end date, all long-term loans with breached covenants (totalling €246 million) were reclassified as short-term debt.

At December 31, 2017 the AVTOVAZ Group had an overdue borrowing due to Renault s.a.s. in the amount of €37 million (€40 million at December 31, 2016).

Non-current financial liabilities are repayable as follows:

<i>(€ million)</i>	December 31, 2017	December 31, 2016 ⁽¹⁾
Current portion of loans and borrowings	403	349
1 to 5 years	491	711
> 5 years	936	1,048
Total long-term loans and borrowings	1,830	2,108
Less current portion of loans and borrowings	(403)	(349)
Less loans with breached covenants	-	(246)
Less adjustment for discounting interest-free rouble-denominated liabilities	(389)	(376)
Long-term portion of loans and borrowings of the AVTOVAZ Group	1,038	1,137
1 to 5 years	173	178
Long-term loans and borrowings of Alliance Rostec Auto B.V.	173	178
Non-current loans and borrowings of the AVTOVAZ segment	1,211	1,315
Less long-term portion of loans and borrowings from Renault s.a.s.	(215)	(235)
Total non-current loans and borrowings of the AVTOVAZ segment	996	1,080

(1) The figures at December 31, 2016 include adjustments recognized in 2017 relating to allocation of the purchase price paid for the AVTOVAZ Group (note 3-B), and are thus different from the previously published figures.

At December 31, 2017, the AVTOVAZ Group's loans and borrowings of €719 million were guaranteed by property, plant and equipment in the amount of €164 million, by finished goods in the amount of €19 million and by 100% shares of AO Lada-Servis and AO ZAK (at December 31, 2016, €952 million of loans and borrowings were guaranteed by €238 million of property, plant and equipment and by €39 million of finished goods).

NOTE 24 – FINANCIAL INSTRUMENTS BY LEVEL, FAIR VALUE AND IMPACT ON NET INCOME

A – Financial instruments by category and fair value by level

IAS 39 standard defines 4 categories of financial instrument:

- Financial assets at fair value through profit or loss, comprising assets held for trading and assets designated from the outset as carried at fair value through profit or loss.
- Held-to-maturity investments.
- Loans and receivables carried at amortized cost.
- Available-for-sale financial assets, comprising all financial instruments not included in any of the above categories.

The following breakdown by level of fair value is presented for financial instruments carried in the balance sheet at fair value;

- Level 1: instruments whose fair values are derived from quoted prices in an active market;
- Level 2: instruments whose fair values are derived from observable market prices and are not included in level 1;
- Level 3: instruments whose fair values are derived from unobservable inputs on the market.

Estimated fair values are based on information available on the markets and determined at using valuation methods appropriate to the types of instrument in question.

Fair values have been determined on the basis of information available at the end of the year and do not therefore take account of subsequent movements.

In general, the valuation methods for each level are as follows:

- Level 1: fair value is identical to the most recent quoted price.
- Level 2: fair value is generally determined by recognized valuation models that use observable market data.
- Level 3: the fair value of investments in non-controlled companies is based on the share of net assets.

In 2017, no financial instruments were transferred between Level 1 and Level 2, or into or out of Level 3.

(€ million)	Notes	December 31, 2017								
		Balance sheet value					Fair value of financial assets at amortized cost	Fair value level of financial assets at fair value		
		Held for trading	Initially designated as measured at fair value through profit and loss	Hedging derivatives	Available for sale	Loans and receivables		Level 1	Level 2	Level 3
FINANCIAL ASSETS AND OTHER ASSETS										
Loans	22	-	-	-	-	512	(1)			
Sales financing receivables	15	-	-	-	-	39,334	39,194 (2)			
Automotive customer receivables	16	-	-	-	-	1,753	(1)			
Tax receivables (including current taxes due)	17	-	-	-	-	2,468	(1)			
Other receivables and prepaid expenses	17	-	-	-	-	2,824	(1)			
Cash equivalents	22	-	-	-	-	2,757	(1)			
Cash	22	-	-	-	-	7,417	(1)			
Total financial assets recorded at amortized cost		-	-	-	-	57,065				
Marketable securities and negotiable debt instruments	22	-	-	-	1,184	-		1,184	-	-
Investments in non-controlled entities	22	-	-	-	1,306	-		1,165	-	141
Investments in unconsolidated controlled entities	17	-	-	-	100	-		-	-	100
Derivatives on financing operations of the Automotive segments	22	-	-	1	-	-		1	-	-
Derivatives on operating transactions of the Automotive segments	17	-	-	6	-	-		-	6	-
Derivatives on financing operations of the Sales Financing segment	17	-	-	36	-	-		-	36	-
Financial assets at fair value through equity		-	-	43	2,590	-		2,350	42	241
Other receivables (3)	17	-	15	-	-	-		-	15	-
Derivatives on financing operations of the Automotive segments	22	321	-	3	-	-		-	324	-
Derivatives on operating transactions of the Automotive segments	17	-	-	4	-	-		-	4	-
Derivatives on financing operations of the Sales Financing segment	17	28	-	59	-	-		-	87	-
Cash equivalents	22	3,686	-	-	197	-		3,883	-	-
Financial assets at fair value through profit and loss		4,035	15	66	197	-		3,883	430	-
Total financial assets recorded at fair value		4,035	15	109	2,787	57,065		6,233	472	241

(1) The Group does not report the fair value of financial assets such as Automotive customer receivables, tax receivables or cash and cash equivalents because their net book value after impairment is a reasonable approximation of their fair value.

(2) The fair value of sales financing receivables is estimated by discounting future cash flows at rates that would be applicable to similar loans (conditions, maturity and debtor quality) at the year-end. Receivables with a term of less than one year are not discounted, as their fair value does not differ significantly from their net book value. This is a level 3 fair value, as it uses recognized models for which certain significant data, such as the credit risk associated with the portfolio of receivables, are not based on observable market data.

(3) Short-term assets of the AVTOVAZ pension fund at fair value through profit or loss.

(€ million)	Notes	December 31, 2017								
		Balance sheet value				Fair value of financial liabilities at amortized cost	Fair value level of financial liabilities at fair value			
		Held for trading	Initially designated as measured at fair value through profit and loss	Hedging derivatives	Other financial liabilities		Level 1	Level 2	Level 3	
FINANCIAL LIABILITIES AND OTHER LIABILITIES										
Tax liabilities (including current taxes due)	21	-	-	-	1,579	(1)				
Social liabilities	21	-	-	-	1,456	(1)				
Other liabilities and deferred income	21	-	-	-	8,728	(1)				
Trade payables		-	-	-	9,904	(1)				
Bonds (*)	23	-	-	-	22,589	22,782 (2)				
Other debts represented by a certificate (*)	23	-	-	-	3,972	4,026 (2)				
Borrowings from credit institutions (*)	23	-	-	-	7,100	7,100 (2)				
Other interest-bearing and non-interest-bearing borrowings (*)	23	-	-	-	15,944	16,010 (2)				
Total financial liabilities recorded at amortized cost		-	-	-	71,272					
(*) Financial liabilities and debts of the Automotive (excluding AVTOVAZ) segment					6,841	6,876				
Financial liabilities and debts of AVTOVAZ					1,487	1,516				
Financial liabilities and debts of the Sales Financing segment					41,277	41,526				
Derivatives on financing operations of the Automotive segments	23	-	-	3	-		-	3	-	
Derivatives on financing operations of the Sales Financing segment	23	-	-	67	-		-	67	-	
Derivatives on operating transactions of the Automotive segments	21	-	-	2	-		-	2	-	
Financial liabilities at fair value through equity		-	-	72	-		-	72	-	
Redeemable shares (Renault & DIAC)	23	-	567	-	-		567	-	-	
Derivatives on financing operations of the Automotive segments	23	295	-	-	-		-	295	-	
Derivatives on financing operations of the Sales Financing segment	23	23	-	28	-		-	51	-	
Derivatives on operating transactions of the Automotive segments	21	-	-	-	-		-	-	-	
Financial liabilities at fair value through profit and loss		318	567	28	-		567	346	-	
Total financial liabilities recorded at fair value		318	567	100	-		567	418	-	

(1) The Group does not report the fair value of financial liabilities such as trade payables, tax liabilities and social liabilities, because their book value is a reasonable approximation of their fair value.

(2) The fair value of the Automotive (excluding AVTOVAZ) segment's financial liabilities and sales financing debts measured at amortized cost is essentially determined by discounting future cash flows at rates offered to Renault at December 31, 2017 for loans with similar conditions and maturities. The rates offered to Renault result from observable market data such as zero-coupon interest rate curves and secondary market prices for bonds issued by the Group, and consequently this is a level 2 fair value. The fair value of AVTOVAZ financial liabilities measured at amortized cost is determined by discounting future cash flows using rates currently available for borrowings with similar terms, credit risk and remaining maturities. The discount rate used to estimate the fair value of AVTOVAZ long term borrowings was 11% at December 31, 2017.

B – Changes in Level 3 financial instruments

Level 3 financial instruments amounted to €241 million at December 31, 2017 (€188 million at December 31, 2016). They increased by €53 million over the year.

C – Impact of financial instruments on net income

(€ million)	Financial assets other than derivatives			Financial liabilities other than derivatives		Derivatives	Total impact on net income
	2017	Instruments held for trading	Available-for- sale instruments	Loans and receivables	Instruments designated as measured at fair value through profit and loss		
Operating margin	8	1	17	-	(162)	6	(130)
Net financial income (expenses)	(1)	60	(124)	(140)	(336)	150	(391)
Impact on net income – Automotive (excluding AVTOVAZ) segment	7	61	(107)	(140)	(498)	156	(521)
Operating margin	-	-	(12)	-	-	-	(12)
Net financial income (expenses)	-	-	30	(134)	(2)	-	(106)
Impact on net income – AVTOVAZ segment	-	-	18	(134)	(2)	-	(118)
Operating margin	-	1	1,412	(1)	(673)	(111)	628
Impact on net income – Sales Financing segment	-	1	1,412	(1)	(673)	(111)	628
Total gains (losses) with impact on net income	7	62	1,323	(275)	(1,173)	45	(11)

(1) Including financial liabilities subject to fair value hedges.

For the Automotive (excluding AVTOVAZ) segment and AVTOVAZ segment, the impact of financial instruments on the operating margin mainly corresponds to foreign exchange gains and losses on operating transactions, and impairment of operating receivables.

D – Fair value hedges

(€ million)	2017	2016
Change in fair value of the hedging instrument	(113)	(89)
Change in fair value of the hedged item	128	89
Net impact on net income of fair value hedges	15 ⁽¹⁾	-

(1) Including Sales financing segment for € 14 million in 2017.

Hedge accounting methods are described in note 2-X.

NOTE 25 – DERIVATIVES AND MANAGEMENT OF FINANCIAL RISKS

A – Derivatives and netting agreements

A1 – Fair value of derivatives

The fair value of derivatives corresponds to their balance sheet value.

(€ million)	Financial assets		Other assets	Financial liabilities and sales financing debts		Other liabilities
	Non-current	Current	Current	Non-current	Current	Current
December 31, 2017						
Cash flow hedges	-	1	-	-	-	-
Fair value hedges	-	-	37	-	-	-
Net investment hedge in Nissan	-	-	-	-	-	-
Derivatives not classified as hedges and derivatives held for trading	44	254	26	39	251	-
Total foreign exchange risk	44	255	63	39	251	-
Cash flow hedges	-	-	36	3	67	-
Fair value hedges	2	1	27	-	28	-
Derivatives not classified as hedges and derivatives held for trading	16	7	1	22	6	-
Total interest rate risk	18	8	64	25	101	-
Cash flow hedges	-	-	6	-	-	2
Fair value hedges	-	-	-	-	-	-
Derivatives not classified as hedges and derivatives held for trading	-	-	-	-	-	-
Total commodity risk	-	-	6	-	-	2
Total	62	263	133	64	352	2

A2 – Netting agreements and other similar commitments

Framework agreements for operations on financial futures and similar agreements

The Group negotiates its derivatives contracts in accordance with the framework agreements issued by the International Swaps and Derivatives Association (ISDA) and the FBF (*Fédération Bancaire Française*).

In the event of default, the non-defaulting party has the right to suspend execution of its payment obligations and to demand payment or transfer of a termination balance for all terminated transactions.

The ISDA and FBF framework agreements do not meet the requirements for netting in the financial statements. The Group currently has no legally enforceable right to net the reported amounts, except in the case of default or a credit event.

Netting of financial assets and liabilities: summary

(€ million)	Amounts in the statement of financial position eligible for netting	Amounts not netted in the statement of financial position			Net amounts
		Financial instruments Assets/liabilities	Guarantees included in liabilities	Off balance sheet guarantees	
December 31, 2017					
ASSETS					
Derivatives on financing operations of the Automotive (excluding AVTOVAZ) segment	325	(183)	-	-	142
Derivatives on financing operations of the Sales Financing segment	123	(41)	-	-	82
Cash and cash equivalents ⁽¹⁾	(250)	-	-	(250)	-
Sales financing receivables on dealers ⁽²⁾	393	-	(169)	-	224
TOTAL ASSETS	1,091	(224)	(169)	(250)	448
LIABILITIES					
Derivatives on financing operations of the Automotive (excluding AVTOVAZ) segment	297	(183)	-	-	114
Derivatives on financing operations of the Sales Financing segment	118	(41)	-	-	77
TOTAL LIABILITIES	415	(224)	-	-	191

(1) This concerns a loan guaranteed by securities (reverse repo). The securities received as guarantees are included in Assets pledged, provided as guarantees or mortgaged in commitments received (see note 28-B).

(2) Sales financing receivables held by Banco RCI Brasil, whose exposure is covered by pledges of "letras de cambio" (bills of exchange) subscribed by dealers and reported under other debts represented by a certificate.

B – Management of financial risks of the Automotive (excluding AVTOVAZ) and Sales Financing segments

The Automotive (excluding AVTOVAZ) and Sales Financing segments are exposed to the following financial risks:

- Liquidity risks
- Market risks (foreign exchange, interest rate, equity and commodity risks)
- Counterparty risk

B1 – Liquidity risks

The Automotive (excluding AVTOVAZ) and Sales Financing segments are financed via the capital markets, through:

- long-term resources (bond issues, private placements, project financing, term deposits, etc);
- short-term bank loans or commercial paper issues and sight deposits;
- securitization of receivables by Sales Financing.

The **Automotive (excluding AVTOVAZ)** segment needs sufficient financial resources to finance its day-to-day business and the investments necessary for future growth. It therefore regularly borrows on the banking and capital markets to refinance its gross debt and guarantee liquidity for the Automotive (excluding AVTOVAZ) segment, and this exposes it to liquidity risks in the event of extended market closures or tensions over credit availability. As part of its centralized cash management policy, Renault SA handles most refinancing for the Automotive (excluding AVTOVAZ) segment through long-term resources via the capital markets (bond issues and private placements), short-term financing such as treasury notes, or project financing via the banking sector or public or semi-public bodies.

Medium-term refinancing for the Automotive (excluding AVTOVAZ) segment in 2017 was mostly provided by bond issues. Renault SA issued three bonds under its EMTN programme: two Eurobonds with nominal value of €750 million and a 1% coupon each, the first with 6-year maturity issued on March 8, 2017 and the second with 8-year maturity issued on November 28, 2017; and an EMTN-format private placement of ¥7 billion with 3-year maturity on April 11, 2017.

Also, as part of its "Shelf Registration" programme, Renault SA issued a ¥90 billion Samurai bond on the Japanese market on July 6, 2017. This new Samurai bond has two tranches, one with nominal value of ¥63.4 billion, 3-year maturity and a coupon of 0.36%, and the other with nominal value of ¥26.6 billion, 5-year maturity and a coupon of 0.5%.

The contractual documentation for this financing contains no clause that could affect the continued supply of credit in the event of any change in Renault's credit rating or financial ratio compliance. However, certain types of financing, particularly market financing, contain standard clauses (pari passu, negative pledge and cross-default clauses).

The Automotive (excluding AVTOVAZ) segment also has confirmed credit lines opened with banks worth €3,405 million, maturing at various times up to 2022. None of these credit lines was in use at December 31, 2017. These confirmed credit facilities form a liquidity reserve.

The contractual documentation for these confirmed bank credit facilities contains no clause that might adversely affect credit availability or continuation as a result of a change in Renault's credit rating or financial ratio compliance.

Given its available cash reserves (€11.7 billion) and confirmed credit lines unused at year-end (€3.4 billion), the Automotive (excluding AVTOVAZ) segment has sufficient financial resources to cover its commitments over a 12-month horizon.

Confirmed credit lines open but unused are described in note 23-C.

The **Sales Financing** segment is very attentive to diversification of its sources of liquidity. Any restriction on access to banking and financial markets would lead to downscaling of its financing activity and/or raise the cost of the financing negotiated.

RCI Banque's liquidity risk monitoring follows the European Banking Authority's recommendations for an Internal Liquidity Adequacy Assessment Process (ILAAP). It uses several indicators and analyses (static liquidity, liquidity reserve, several stress scenarios), which are updated and reported to RCI Banque's Financial Committee. The stress scenarios include assumptions concerning the deposit leak, loss of access to new financing, partial unavailability of certain elements of the liquidity reserve and forecasts for issuance of new credit. The stressed assumptions for deposit leaks are very conservative and are regularly backtested.

In 2017, the Sales Financing segment issued the equivalent of €6 billion in public bonds and extended the maturity of its debt by issuing an 8-year bond for the first time. As well as six Euro bond issues alternating between fixed and floating coupon rates, two bonds were issued in Swiss francs and pounds sterling respectively. For the first time, the segment used a dual-tranche format combining a fixed-rate issue with a floating-rate issue, and extended its floating-rate credit curve by launching its first 7-year issue in this format. Private placements were also undertaken in parallel, totalling €0.4 billion.

The revolving period for the private securitisation of automotive loans in the United Kingdom was extended for a further year, and the amount was raised by £0.2 billion to £1.1 billion.

The alternation of different maturities, coupon types and issue formats is part of the Sales Financing segment's diversification strategy for financing sources. This policy has been followed for several years, and enables the segment to reach the maximum number of investors.

The Sales Financing entities in Brazil, South Korea, Morocco, Argentina and for the first time Poland also undertook issues on their domestic bond markets.

Savings deposits collected from private customers increased by €2.4 billion over 2017 and totalled €15.0 billion at December 31, 2017, or 34% of assets, in line with the company's objective of holding customer deposits equivalent to approximately one third of the customer financing issued.

With these resources, as well as assets held in Europe comprising €4.4 billion in undrawn confirmed credit lines with banks, €3.6 billion of collateral eligible for the European Central Bank's monetary policy operations, €1.8 billion of highly liquid assets, and short-term financial assets amounting to €0.4 billion, RCI Banque is able to fund its customer financing for more than 12 months with no access to external resources.

Confirmed credit lines open but unused are described in note 23-C.

B2 – Foreign exchange risks

- Management of foreign exchange risks

The **Automotive (excluding AVTOVAZ)** segment is exposed to foreign exchange risks in the course of its industrial and commercial business. These risks are monitored and centralized by Renault Financing and Treasury department.

It is Renault's general policy not to hedge operating future cash flows in foreign currencies. As a result, the Group's operating margin is exposed to foreign exchange risks. The working capital is also sensitive to movements in exchange rates. Any hedges of such risks require formal authorization from the Finance department or General Management, and the results of these hedges are then reported to the General Management.

In contrast, the Automotive (excluding AVTOVAZ) segment's general policy is to minimize the foreign exchange risks affecting financing and investment flows in foreign currencies, to avoid any exchange-related distortion of the financial result. All the Automotive (excluding AVTOVAZ) segment's exposures to foreign exchange risks on financial result items are aggregated and monitored by the central Cash Management team, with monthly reporting to the Chief Financial Officer. Financing flows in foreign currency originating from Renault entities are hedged in the same currency. If a subsidiary needs external financing in a currency other than the local currency, the parent-company monitors the operations closely. Cash surpluses in countries that are not part of the parent-company's centralized cash management are generally invested in local currency, under the supervision of the Group's central Cash management department.

Equity investments (in currencies other than the euro) are not generally hedged. However, due to its importance, the investment in Nissan is subject to a partial foreign exchange hedge amounting to 181 billion yen at December 31, 2017 (note 12-G).

The subsidiary Renault Finance can undertake foreign exchange operations on its own behalf, within strictly defined risk limits. Its foreign exchange positions are monitored and valued in real time. This activity is chiefly intended to maintain the Group's expertise on the financial markets. It generates very short exposures and does not exceed some tens of millions of euros, and cannot therefore have a significant impact on Renault's consolidated results.

The **Sales Financing** segment has low exposure to foreign exchange risks due to the management principles applied. No position can be taken under the central management framework for refinancing; the trading room hedges all flows concerned. Residual, temporal positions in foreign currencies related to the time differences in cash flow inherent to multi-currency cash management may still remain. They are monitored daily and the same hedging policy applies. The sales financing subsidiaries are obliged to

obtain refinancing in their own currency and as a result are not exposed. In exceptional circumstances, limits are assigned to subsidiaries where sales financing activities or refinancing take place in several different currencies, and to subsidiaries authorized to invest some of their cash surpluses in a currency other than their local currency.

At December 31, 2017 RCI Banque's consolidated foreign exchange position reached €8 million.

The Automotive (excluding AVTOVAZ) and Sales Financing segments made no major changes to their foreign exchange risk management policy in 2017.

- Analysis of financial instruments' sensitivity to foreign exchange risks in the Automotive (excluding AVTOVAZ) segment

This analysis concerns the sensitivity to foreign exchange risks of monetary assets and liabilities (including intercompany balances) and derivatives in a currency other than the currency of the entity that holds them. However, it does not take into account items covered by fair value hedges (hedged assets or liabilities and derivatives), for which changes in fair value of the hedged item and the hedging instrument almost totally offset each other in the income statement.

The impact on shareholders' equity (before tax) of a 1% rise in the Euro against other currencies is assessed by converting available-for-sale financial assets, cash flow hedges and the partial hedge of the investment in Nissan. For the Automotive (excluding AVTOVAZ) segment, this impact would be a favourable €13 million at December 31, 2017, mainly associated with the yen bond issues that make up the partial hedge of the investment in Nissan (see note 12-G).

The impact on net income of a 1% rise in the Euro against other currencies would be an unfavourable €3 million at December 31, 2017, mainly attributable to unhedged operating assets and liabilities denominated in a currency that is not the functional currency.

- Currency derivatives

(€ million)	December 31, 2017				December 31, 2016			
	Nominal	- 1 yr	1 to 5 yrs	+ 5 yrs	Nominal	- 1 yr	1 to 5 yrs	+ 5 yrs
Currency swaps – purchases	3,852	1,207	2,645	-	3,758	2,555	1,203	-
Currency swaps – sales	3,914	1,234	2,680	-	3,903	2,593	1,310	-
Forward purchases	19,088	18,293	795	-	28,296	27,204	1,092	-
Forward sales	19,086	18,291	795	-	28,292	27,200	1,092	-

B3 – Interest rate risks

- Management of interest rate risks

The Renault Group's exposure to interest rate risks mainly concerns **Sales Financing** segment's activity exercised by RCI Banque and its subsidiaries. The overall interest rate risk represents the impact of fluctuating rates on the future gross financial margin. The Sales Financing segment's aim is to limit these risks as far as possible in order to protect its margin on sales. To take account of the difficulty of precisely matching the structure of borrowings with the structure of loans, a limited amount of flexibility is allowed in each subsidiary's interest rate hedging. This flexibility is reflected in a sensitivity limit assigned to each subsidiary and validated by the finance committee, in an individual adaptation of part of the limit Renault assigns to the Sales Financing segment.

Sensitivity is calculated daily for each currency and each management entity (central refinancing office, French and foreign sales financing subsidiaries), for overall management of interest rate risks across the consolidated scope of the Sales Financing segment.

Each entity's position with regard to its limit is checked daily, and immediate hedging directives are issued to the subsidiaries if circumstances require. The results of the checks are reported monthly to the Sales Financing segment's Finance Committee, which checks that the positions comply with the Group's financial strategy and current procedural instructions.

Analysis of the Sales Financing segment's structural interest rate risk shows the following:

Virtually all loans to customers by sales financing subsidiaries bear interest at a fixed rate and have terms of one to seventy-two months. These loans are hedged by fixed-rate resources with the same structure. They are covered by macro-hedging and only generate a residual interest rate risk. In subsidiaries where the financing bears interest at a floating rate, the interest rate risk is hedged by macro-hedging using interest rate swaps.

The main activity of the Sales Financing segment's central refinancing department is refinancing the segment's commercial subsidiaries. The outstanding credit issued by sale financing subsidiaries is backed by fixed-interest resources, some of which are micro-hedged by interest rate swaps, and floating-rate resources. Macro-hedging transactions in the form of interest rate swaps keep the sensitivity of the refinancing holding company below the defined limit.

The **Automotive (excluding AVTOVAZ)** segment's interest rate risk management policy applies two principles: long-term investments generally use fixed-rate financing, and investments for cash reserves generally use floating-rate financing. Fixed-rate borrowings remain at fixed rates as long as the rate curve is close to zero and the hedging ratio of floating-rate assets by floating-rate liabilities remains stable.

The financing in yen undertaken as part of the partial hedge of Nissan equity is fixed-rate.

The Automotive (excluding AVTOVAZ) segment's available cash is managed centrally by Renault SA as far as possible, and invested in short-term bank deposits by Renault Finance.

Finally, Renault Finance carries out interest rate transactions on its own behalf, within strictly defined risk limits, and positions are monitored and valued in real time. The risk associated with this arbitrage activity is very limited, and has no significant impact on the Group's consolidated net income.

The Automotive (excluding AVTOVAZ) and Sales Financing segments made no major changes to its interest rate risk management policy in 2017.

- Analysis of financial instruments' sensitivity to interest rate risks

The Automotive (excluding AVTOVAZ) and Sales Financing segments are exposed to the following interest rate risks:

- variations in the interest flows on floating-rate financial instruments stated at amortized cost (including fixed-rate instruments swapped to floating rate, and structured products);
- variations in the fair value of the fixed-rate financial instruments stated at fair value;
- variations in the fair value of derivatives.

Impacts are estimated by applying a 100 base point rise in interest rates over a one-year period to financial instruments reported in the closing statement of financial position.

The impact on shareholders' equity corresponds to the change in fair value before reclassification in profit or loss (section 4.2.2) of available-for-sale fixed-rate financial assets and cash flow hedges after a 100 base point rise in interest rates. All other impacts affect net income.

Calculation of the individual segments' sensitivity to interest rates includes intersegment loans and borrowings.

For the Automotive (excluding AVTOVAZ) segment, the impact on net income and shareholders' equity (before taxes) of a 100 base point rise in interest rates applied to financial instruments exposed to interest rate risks would be a positive €102 million and €2 million respectively at December 31, 2017.

For the Sales Financing segment, the overall sensitivity to interest rate risks in 2017 remained below the limit set by the RCI Banque group (€50 million at December 31).

At December 31, 2017, a 100 point base point rise in interest rates would have the following impacts on net income and shareholders' equity (before taxes):

- +€4.7 million for items denominated in Euros.
- €(0.4) million for items denominated in Brazilian real.
- €(0.7) million for items denominated in Swiss francs.
- €(2.9) million for items denominated in pounds sterling.
- +€0.4 million for items denominated in Korean won.
- +€0.2 million for items denominated in Moroccan dirham.
- €(0.2) million for items denominated in Polish zloty.

The sum of the absolute sensitivities in each currency amounts to €10.1 million.

- Fixed rate/floating rate breakdown of financial liabilities and sales financing debts of the Group (excluding AVTOVAZ), after the effect of derivatives

(€ million)	December 31, 2017	December 31, 2016
Financial liabilities before hedging: fixed rate (a)	25,887	23,850
Financial liabilities before hedging: floating rate (a')	22,231	19,427
Financial liabilities before hedging (without redeemable shares) of the Group (excluding AVTOVAZ)	48,118	43,277
Hedges: floating rate / fixed (b)	8,743	7,525
Hedges: fixed rate / floating (b')	7,987	7,340
Hedges	16,730	14,865
Financial liabilities after hedging: fixed rate (a+b-b')	26,643	24,035
Financial liabilities after hedging: floating rate (a'+b'-b)	21,475	19,242
Financial liabilities after hedging (without redeemable shares) of the Group (excluding AVTOVAZ)	48,118	43,277

- Interest rate derivatives

(€ million)	December 31, 2017				December 31, 2016			
	Nominal	- 1 yr	1 to 5 yrs	+ 5 yrs	Nominal	- 1 yr	1 to 5 yrs	+ 5 yrs
Interest rate swaps	22,838	7,583	12,905	2,350	18,293	5,975	10,668	1,650
Other interest rate hedging instruments	1	1	-	-	-	-	-	-

B4 – Equity risks

- Management of equity risks

The exposure of the Automotive (excluding AVTOVAZ) segment and the Sales Financing segment to equity risks essentially concerns the Daimler shares acquired in connection with the cooperation agreements, and marketable securities indexed to share prices. These two segments do not use equity derivatives to hedge these risks.

The Automotive (excluding AVTOVAZ) segment and the Sales Financing segment made no major changes to their equity risk management policy in 2017.

- Analysis of financial instruments' sensitivity to equity risks

The sensitivity to equity risks resulting from application of a 10% decrease in share prices to the financial assets concerned at the year-end would have an unfavourable impact of €132 million on shareholders' equity. The impact on net income is not significant at December 31, 2017.

B5 – Commodity risks

- Management of commodity risks

Commodity purchase prices can change suddenly and significantly, and cannot necessarily be passed on through vehicle sale prices. This may lead Renault's Purchases department to hedge part of its commodity risks using financial instruments. These hedges are subject to volume, duration and price limits.

In 2017 Renault undertook hedging operations for a maximum of 27% of monthly quantities on aluminium, lead, copper, palladium, platinum, nickel and Brent oil, whenever prices on the financial markets fall below thresholds validated by the CEO.

The operations in progress at December 31, 2017 are classified for accounting purposes as cash flow hedges, and accordingly changes in their fair value are included in shareholders' equity for the effective portion of the hedges.

- Analysis of financial instruments' sensitivity to commodity risks

Financial instruments' accounting sensitivity to commodity risks results from derivatives used to hedge the Group's economic exposure to these risks.

A 10% increase in commodity prices for derivatives classified as hedging derivatives would have a positive impact of €12 million on shareholders' equity at December 31, 2017.

- Commodity derivatives

(€ million)	December 31, 2017				December 31, 2016			
	Nominal	- 1 yr	1 to 5 yrs	+ 5 yrs	Nominal	- 1 yr	1 to 5 yrs	+ 5 yrs
swaps	94	94	-	-	142	142	-	-
Zero-premium collars (option)	65	65	-	-	-	-	-	-

B6 – Counterparty risk

All entities of the Automotive (excluding AVTOVAZ) segment and the Sales Financing segment use a fully-coordinated counterparty risk management procedure involving a scoring system, based principally on the counterparties' long-term credit rating and equity level. For each of these entities with significant exposure, compliance with authorized limits is monitored on a daily basis under strict internal control procedures.

The Group (excluding AVTOVAZ) produces a consolidated monthly report covering all its bank counterparties, organized by credit rating. This report provides a detailed analysis of compliance with limits in terms of amount, term and type, as well as a list of the main exposures.

Most deposits are with large network banks and generally have terms shorter than 90 days, as this allows a good spread of the risk and lowers the systemic risk.

The Group (excluding AVTOVAZ) is not subject to any significant risk concentration for its operations on the financial and banking markets.

No losses due to default by a banking counterparty were recorded in 2017.

C – Management of AVTOVAZ Group financial risks

The AVTOVAZ Group's principal financial liabilities comprise bank loans, finance leases, trade payables and loans received. The main purpose of these financial liabilities is to raise finance for AVTOVAZ Group's operations. It has various financial assets such as trade receivables, cash, short-term deposits and loans issued, which arise directly from its operations. In accordance with the Group's policy no trading in derivatives was undertaken in 2017 or 2016. The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and credit risk.

C1 – Foreign exchange risks

The AVTOVAZ Group carries out sales both within and outside the Russian Federation. As a result, the AVTOVAZ Group has currency exposures. Such exposure arises from sales in currencies other than AVTOVAZ's functional currency, i.e. the Russian rouble. Almost 98% of sales are denominated in Russian roubles, whilst approximately 6% of costs are denominated in currencies other than Russian roubles.

At December 31, 2017 the AVTOVAZ Group had €3 million of cash and cash equivalents, €7 million of trade and other receivables, €100 million of loans and borrowings and €89 million of trade and other payables denominated in currencies other than the Russian rouble. Risk management is carried out by PJSC AVTOVAZ Finance Department, which identifies, evaluates and manages foreign exchange risks by analysing the net position in each foreign currency. The AVTOVAZ Group is not exposed to equity securities price risk. It has not entered into any hedging arrangements in respect of its foreign currency.

The following table demonstrates the sensitivity to a change in the US dollar, Euro, Japanese Yen, exchange rates of AVTOVAZ Group's profit before tax.

<i>(€ million)</i>	<i>Increase/(decrease) in exchange rate %</i>	<i>Effect on profit before tax</i>
2017		
EUR/RUB	12.8	(22)
JPY/RUB	13.5	(3)
USD/RUB	10.0	(1)
EUR/RUB	(12.8)	22
JPY/RUB	(13.5)	3
USD/RUB	(10.0)	1

C2 – Credit risk

At December 31, 2017, AVTOVAZ Group has €128 million in cash and cash equivalents and €352 million of trade receivables and other current assets subject to potential credit risk. Credit risk on these financial assets arises from default of the counterparty, with maximum exposure equal to the carrying amount.

AVTOVAZ Group trades only with recognised, creditworthy third parties. It is AVTOVAZ Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, and as a result, AVTOVAZ Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount.

There are no significant concentrations of credit risk within AVTOVAZ Group.

C3 – Liquidity risks

AVTOVAZ Group monitors its risk to a shortage of funds using a liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from its operations.

AVTOVAZ Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and borrowings.

The table below summarizes the maturity of the AVTOVAZ Group's financial liabilities at December 31, 2017 based on contractual undiscounted payments.

(€ million)	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
December 31, 2017					
Borrowings	137	489	626	974	2,226
<i>including Renault Group</i>	38			129	167
Trade and other payables	977	1	2	-	980
<i>including Renault Group</i>	386				386
Loans with breached covenants	-	-	-	-	-

C4 – Cash flow and Interest rate risk

The AVTOVAZ Group's interest rate risk arises from borrowings. The majority of interest rates on borrowings are fixed. Existing interest rates can be changed subject to agreement by the third parties. Financial assets are either non-interest bearing or bear interest at fixed rates; AVTOVAZ Group's income and operating cash flows are substantially independent of changes in market interest rates. It has not entered into any hedging arrangements in respect of its interest rate exposures.

At December 31, 2017, AVTOVAZ Group had €193 million of bank loans with floating interest rate (note 23-D).

4.2.6.6 Cash flows and other information

NOTE 26 – CASH FLOWS

A – Other income and expenses with no impact on cash

<i>(€ million)</i>	2017	2016
Net allocation to provisions	(201)	605
Net effects of sales financing credit losses	(29)	(8)
Net (gain) loss on asset disposals	(93)	(655)
Change in fair value of redeemable shares	120	3
Change in fair value of other financial instruments	(5)	3
Net financial indebtedness	369	284
Deferred taxes	257	327
Current taxes	634	728
Other	78	118
Other income and expenses with no impact on cash before interest and tax	1,130	1,405

B – Change in working capital

<i>(€ million)</i>	2017	2016
Decrease (increase) in net inventories	(691)	(1,233)
Decrease (increase) in Automotive net receivables	78	(513)
Decrease (increase) in other assets	(795)	(696)
Increase (decrease) in trade payables	591	894
Increase (decrease) in other liabilities	705	1,309
Increase (decrease) in working capital before tax	(112)	(239)

C – Capital expenditure

<i>(€ million)</i>	2017	2016
Purchases of intangible assets	(1,310)	(1,058)
Purchases of property, plant and equipment (other than assets leased to customers)	(2,420)	(2,216)
Total purchases for the period	(3,730)	(3,274)
Deferred payments	129	177
Total capital expenditure	(3,601)	(3,097)

NOTE 27 – RELATED PARTIES

A – Remuneration of Directors and Executives and Executive Committee members

The table below reports the compensation of the Chairman and CEO and Group Executive Committee members accounted for in expenses in 2017 and 2016. Amounts are allocated pro rata to the periods in which the functions were occupied.

(€ million)	2017	2016
Basic salary	6.1	5.9
Retirement indemnities	-	-
Performance-related salary	7.8	7.5
Employer's social security charges ⁽¹⁾	9.0	7.5
Complementary pension	8.0	5.2
Other components of remuneration	2.7	1.5
Total remuneration excluding stock options and performance shares	33.6	27.6
Stock options and performance shares	15.3	12.0
Total stock options and performance shares	15.3	12.0
Chairman and Chief Executive Officer and Group Executive Committee members	48.9	39.6

(1) The remuneration awarded comprises the portion paid in cash and the accounting value of the deferred salary to be paid in shares.

Directors' fees amounted to €1.2 million in 2017 (€1.1 million in 2016), including the fees for the Chairman's functions.

Details of the remuneration paid to the Chairman and CEO and Executive Committee members are provided in the 2017 Registration Document, in sections 3.1.2 Principles and rules adopted by the Board of Directors for the compensation of the Chief Executive officer, and 3.3 Compensation of Senior Executives.

B – Renault's investments in associates

Details of Renault's investments in Nissan are provided in notes 12.

C – Transactions with the French State and public companies

In the course of its business the Group undertakes transactions with the State and public companies such as UGAP, EDF, and La Poste. These transactions, which take place under normal market conditions, represent sales of €192 million in 2017, an automotive receivable of €107 million, a sales financing receivable of €406 million and a financing commitment of €21 million at December 31, 2017.

NOTE 28 – OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

In the course of its business, Renault enters into a certain number of commitments, and is involved in litigations or subject to investigations by competition and automobile regulation authorities. Any liabilities resulting from these situations (e.g. pensions and other employee benefits, litigation costs, etc) are covered by provisions. Details of other commitments that constitute off-balance sheet commitments and contingent liabilities are provided below (note 28-A).

Renault also receives commitments from customers (deposits, mortgages, etc) and may benefit from credit lines with credit institutions (note 28-B).

A – Off-balance sheet commitments given and contingent liabilities

A1 – Ordinary operations

The Group is committed for the following amounts:

(€ million)	December 31, 2017	December 31, 2016
Financing commitments in favour of customers ⁽¹⁾	2,315	2,082
Firm investment orders ⁽²⁾	952	655
Lease commitments ⁽³⁾	546	434
Assets pledged, provided as guarantees or mortgaged ⁽⁴⁾	187	277
Sureties, endorsements and guarantees given and other commitments	187	154

(1) Commitments in favour of customers by the Sales Financing segment will lead to outflows of liquidities during the three months following the year-end in the maximum amount of €2,250 million at December 31, 2017 (€1,998 million at December 31, 2016).

(2) Firm investment orders at AVTOVAZ amount to €68 million at December 31, 2017 (€63 million at December 31, 2016).

(3) Largely as a result of specificities in French lease contracts that allow penalty-free early termination, the irrevocable lease commitments reported here are not fully representative of the financial liability to be recognized in application of IFRS 16. The negative impact of future application of this standard on the financial liability is currently being analysed (note 2-A). The lease commitments made by AVTOVAZ amount to €56 million at December 31, 2017 (€43 million at December 31, 2016).

(4) At December 31, 2017, assets pledged, provided as guarantees or mortgaged include commitments given by AVTOVAZ amounting to €183 million (€277 million at December 31, 2016) corresponding to fixed assets, inventories of finished goods and securities guaranteeing financial liabilities (note 23-D).

Assets pledged as guarantees by the Sales Financing segment for management of the liquidity reserve are presented in note 15-B.

Operating lease commitments correspond to rent from non-cancellable leases. The breakdown is as follows:

(€ million)	December 31, 2017	December 31, 2016
Less than 1 year	101	85
Between 1 and 5 years	296	212
More than 5 years	149	137
TOTAL ⁽¹⁾	546	434

(1) Lease commitments by AVTOVAZ amount to €56 million at December 31, 2017 (€43 million at December 31, 2016) and mostly mature in more than 5 years (€49 million at December 31, 2017 and €37 million at December 31, 2016).

A2 – Contingent liabilities

Under a customs agreement between Brazil and Argentina for the automotive industry, which was introduced in 2008 and amended in June 2016, imports of vehicles and spare parts for the Argentinean automotive sector are exempt from customs duties as long as the average ratio of imports to exports with Brazil is below 1.5 over the period July 2015 to June 2020 (this ratio may be raised to 1.7 from June 30, 2019). The amount of customs duties potentially due retroactively may be up to 75% of the customs duties on cars and 70% of the customs duties on spare parts in excess of the ratio, using a calculation covering the entire automotive sector.

The ratio for the sector as a whole was above 1.5 for the period July 1, 2015 to June 30, 2017, and Renault contributes to this situation. Only automakers which do not respect their own individual ratio over the period concerned are liable for penalties. The applicable rules, which have changed slightly since two new regulations were issued in January 2018, explicitly allow purchases of credits from other automakers concerned to avoid paying the penalties due. This customs agreement creates a contingent obligation for Renault that will only be confirmed by the occurrence of uncertain future events that are partly within its control (compliance with the individual ratio) and partly beyond its control, since the ratio to be respected concerns the entire automotive sector. Reliable estimation of the potential risk at the reporting date is difficult, mainly because of uncertainties as to developments in the Argentinean and Brazilian automotive markets between now and 2020. Consequently, no provision has been recognized by the Group.

Since the introduction of regulation 21-E of January 23, 2018, a guarantee of USD 86 million would be provided for the provisional penalties calculated in respect of the first 24 months of application of the amended agreement of June 2016. This cannot be

considered as an indication of the final amount that may be due at the end of period concerned by the agreement, which ends on June 30, 2020.

Disposals of subsidiaries or businesses by the Group generally include representations and warranties in the buyer's favour. At December 31, 2017, the Group had not identified any significant risk in connection with these operations.

Following partial sales of subsidiaries in previous years, Renault holds put options covering some or all of the residual investment retained. The exercise of these options would not have a significant impact on the Group's consolidated financial statements.

Group companies are periodically subject to tax inspections in the countries in which they operate. Accepted tax adjustments are recorded as provisions in the financial statements. Contested tax adjustments are recognized on a case-by-case basis, taking into account the risk that the proceedings or appeals undertaken may be unsuccessful.

Group companies are periodically subject to investigations by the authorities in the countries in which they operate. When the resulting financial consequences are accepted, they are recognized in the financial statements via provisions. When they are contested, they are recognized on a case-by-case basis, based on estimates that take into account the risk that the proceedings or appeals undertaken may be unsuccessful.

The main investigations by the competition and automotive regulations authorities in progress at December 31, 2017 concern the level of vehicle emissions in Europe.

In the ongoing "emissions" affair in France, Renault notes that a formal legal investigation has been opened. This new stage in the procedure is seen as an indication that the French prosecution office wishes to pursue this matter. No provision was recognized at December 31, 2017 or December 31, 2016.

In March 2016 Renault decided to roll out a plan to reduce nitrogen oxide (NOx) emissions by its Euro 6b vehicles by applying new factory calibrations for vehicle production, and a corresponding €20 million provision was recognized for vehicles manufactured before this decision. A step-up in this plan was decided in October 2017, leading to recognition of an additional €24 million provision. At December 31, 2017 the balance of the provision is €44 million (compared to €20 million at December 31, 2016).

Group companies are subject to the applicable regulations regarding pollution, notably of soil and ground water. These regulations vary depending on the country of location. Some of the associated environmental liabilities are potential and will only be recognized in the accounts if the activity is discontinued or the site closed. It is also sometimes difficult to determine the amount of the obligation reliably. Provisions are only established for liabilities that correspond to a legal or constructive obligation at the closing date, and can be estimated with reasonable reliability. Details of significant provisions are given in note 20.

B – Off-balance sheet commitments received and contingent assets

(€ million)	December 31, 2017	December 31, 2016
Sureties, endorsements and guarantees received	2,929	2,295
Assets pledged or mortgaged ⁽¹⁾	3,162	3,138
Buy-back commitments ⁽²⁾	3,231	2,274
Other commitments	29	33

(1) The Sales Financing segment receives guarantees from its customers in the course of sales financing for new or used vehicles. Guarantees received from customers amount to €2,796 million at December 31, 2017 (€2,757 million at December 31, 2016). In addition, AVTOVAZ received €12 million in real estate property rights and ownership rights as guarantees of loans, and €79 million in rights to vehicles as guarantees of customer receivables (€13 million and €93 million respectively at December 31, 2016).

(2) Commitments received by the Sales Financing segment for sale to a third party of rental vehicles at the end of the rental contract.

Off-balance sheet commitments received concerning confirmed opened credit lines are presented in note 23.

NOTE 29 – FEES PAID TO STATUTORY AUDITORS AND THEIR NETWORK

The fees paid to the Group's Statutory Auditors and their networks are reported in section 6.3.3 of the 2017 Registration Document.

NOTE 30 – SUBSEQUENT EVENTS

No significant events have occurred since December 31, 2017.

NOTE 31 – CONSOLIDATED COMPANIES

A – Fully consolidated companies (subsidiaries)

Renault Group's interest (%)	Country	December 31, 2017	December 31, 2016
Renault SA	France	Consolidating company	Consolidating company
AUTOMOTIVE (EXCLUDING AVTOVAZ)			
FRANCE			
Renault s.a.s	France	100	100
Auto Châssis International (ACI) Le Mans	France	100	100
Auto Châssis International (ACI) Villeurbanne	France	100	100
Fonderie de Bretagne	France	100	100
IDVU	France	100	100
IDVE	France	100	100
Maubeuge Construction Automobile (MCA)	France	100	100
Renault Environnement	France	100	100
Renault Retail Group and subsidiaries	France	100	100
Renault Samara	France	100	100
RDREAM	France	100	100
Renault Sport Racing s.a.s.	France	100	100
SCI Plateau de Guyancourt	France	100	100
SNC Renault Cléon	France	100	100
SNC Renault Douai	France	100	100
SNC Renault Flins	France	100	100
SNC Renault Sandouville	France	100	100
Société des Automobiles Alpine Caterham	France	100	100
Sofrastock International	France	100	100
Société de Transmissions Automatiques	France	100	100
Société de Véhicules Automobiles de Batilly (SOVAB)	France	100	100
Société Immobilière de Construction Française pour l'Automobile et la Mécanique (SICOFRAM)	France	100	100
Société Immobilière Renault Habitation (SIRHA)	France	100	100
Société Immobilière d'Epone	France	100	100
Société Immobilière pour l'Automobile (SCIA)	France	100	100
SODICAM 2	France	100	100
Technologie et Exploitation Informatique (TEI)	France	100	100
EUROPE			
Renault Deutschland AG and subsidiaries	Germany	100	100
Renault Österreich	Austria	100	100
Renault Belgique Luxembourg and subsidiary	Belgium	100	100
Renault Industrie Belgique (RIB)	Belgium	100	100
Renault Croatia	Croatia	100	100
Renault Espana Comercial SA (RECSA) and subsidiaries	Spain	100	100
Renault Espana SA	Spain	100	100
Renault Hungaria	Hungary	100	100
Renault Irlande	Ireland	100	100
Renault Italia and subsidiary	Italy	100	100
Motor Reinsurance Company	Luxembourg	100	100

Renault Group's interest (%)	Country	December 31, 2017	December 31, 2016
Renault Group B.V.	Netherlands	100	100
Renault Nederland	Netherlands	100	100
Renault Polska	Poland	100	100
Cacia	Portugal	100	100
Renault Portuguesa and subsidiary	Portugal	100	100
Renault Ceska Republika	Czech Republic	100	100
Grigny Ltd.	United Kingdom	100	100
Renault Retail Group U.K.	United Kingdom	100	100
Renault Sport Racing Limited	United Kingdom	100	100
Renault U.K.	United Kingdom	100	100
Renault Slovakia	Slovakia	100	100
Renault Nissan Slovenija d.o.o.	Slovenia	100	100
Revoz	Slovenia	100	100
Renault Nordic	Sweden	100	100
Renault Développement Industriel et Commercial (RDIC)	Switzerland	100	100
Renault Finance	Switzerland	100	100
Renault Suisse SA	Switzerland	100	100
AMÉRICAS			
Groupe Renault Argentina	Argentina	100	100
Renault do Brasil LTDA	Brazil	100	100
Renault do Brasil SA	Brazil	100	100
Sociedad de Fabricacion de Automotores (SOFASA) and subsidiary	Colombia	100	100
Renault Corporativo SA de C.V.	Mexico	100	100
Renault Mexico	Mexico	100	100
ASIA- PACIFIC			
Vehicle Distributors Australia	Australia	100	100
Renault Beijing Automotive Company	China	100	100
Renault Samsung Motors	South Korea	80	80
Renault Treasury Services PTE LTD	Singapore	100	-
AFRICA – MIDDLE EAST – INDIA			
Renault Algérie	Algeria	100	100
Renault India Private Ltd	India	100	100
Renault Maroc	Morocco	80	80
Renault Maroc Service	Morocco	100	100
Renault Tanger Exploitation	Morocco	100	100
Renault Tanger Méditerranée	Morocco	100	100
Société Marocaine de Construction Automobile (SOMACA)	Morocco	77	77
EURASIA			
Renault Nissan Bulgaria	Bulgaria	100	100
Dacia	Romania	99	99
Renault Mécanique Romania	Romania	100	100
Renault Commercial Romania	Romania	100	100
Renault Technologie Romania	Romania	100	100
CJSC Renault Russia	Russia	100	100
Oyak-Renault Otomobil Fabrikalari	Turkey	52	52
Renault Ukraine	Ukraine	100	100

Renault Group's interest (%)	Country	December 31, 2017	December 31, 2016
SALES FINANCING			
FRANCE			
Diac	France	100	100
Diac Location	France	100	100
RCI Banque and subsidiaries	France	100	100
EUROPE			
RCI Versicherungs Services GmbH	Germany	100	100
RCI Financial Services S.A.	Belgium	100	100
Renault AutoFin S.A.	Belgium	100	100
Overlease	Spain	100	100
RCI zrt Hongrie	Hungary	100	100
ES Mobility SRL	Italy	100	100
RCI Insurance Ltd	Malta	100	100
RCI Life Ltd	Malta	100	100
RCI Services Ltd	Malta	100	100
RCI Financial Services B.V.	Netherlands	100	100
Renault Leasing Polska Sp. z.o.o.	Poland	100	100
RCICOM, SA	Portugal	100	100
RCI Gest Seguros – Mediadores de Seguros	Portugal	100	100
RCI Finance CZ s.r.o.	Czech Republic	100	100
RCI Financial Services s.r.o.	Czech Republic	50	50
RCI Financial Services Ltd	United Kingdom	100	100
RCI Finance S.A.	Switzerland	100	100
AMÉRICAS			
Courtage S.A.	Argentina	100	100
Rombo Compania Financiera	Argentina	60	60
RCI Brasil S.A. (ex Companhia de Arrendamento Mercantil RCI do Brasil)	Brazil	60	60
Administradora de Consorcio Renault do Brasil	Brazil	100	100
Corretora de Seguros RCI do Brasil	Brazil	100	100
RCI Colombia S.A. Compania de Financiamiento ⁽¹⁾	Colombia	51	-
ASIA – PACIFIC			
RCI Financial Services Korea	South Korea	100	100
AFRICA – MIDDLE EAST – INDIA			
RCI Finance Maroc	Morocco	100	100
RDFM	Morocco	100	100
EURASIA			
RCI Broker De Asigurare	Romania	100	100
RCI Finantare Romania	Romania	100	100
RCI Leasing Romania IFN	Romania	100	100
OOO RN FINANCE RUS	Russia	100	100

Renault Group's interest (%)	Country	December 31, 2017	December 31, 2016
AVTOVAZ ⁽²⁾			
EUROPE			
LADA International Ltd	Cyprus	74	65
Alliance Rostec Auto B.V.	Netherlands	82	73 ⁽²⁾
EURASIA			
SOAO Minsk-Lada	Belarus	41	37
PAO AVTOVAZ	Russia	74	65 ⁽²⁾
AO Avtosentr-Togliatti-VAZ	Russia	38	33
AO Bryansk Lada	Russia	56	50
AO Cheboksary-Lada	Russia	69	60
AO ChitaServisLada	Russia	57	50
OAO Izh-Lada	Russia	37	33
AO JarLadaservis	Russia	70	61
AO Kostroma-Lada-Servis	Russia	47	41
AO Kursk-Lada	Russia	54	47
AO Lada-Servis	Russia	74	65
AO Lipetsk-Lada	Russia	49	43
AO Oka-Lada	Russia	64	57
AO Piter-Lada	Russia	66	59
AO Samara-Lada	Russia	52	46
AO Saransk-Lada	Russia	67	59
AO Saratov-Lada	Russia	63	55
AO Smolensk-Lada	Russia	45	39
AO Tyumen-Lada	Russia	74	64
AO Yakhroma-Lada	Russia	64	57
AO ZAK	Russia	74	65
OOO LADA Sport	Russia	74	65
OOO LIN	Russia	74	65
OOO PPPO	Russia	74	65
AO PSA VIS-AVTO	Russia	74	65
OOO Sockultbit-AVTOVAZ	Russia	74	65
OOO VMZ ⁽³⁾	Russia	-	65
LLC LADA IZHEVSK	Russia	73	65
AO Lada-Imidzh	Russia	74	65
AO STO Komsomolskaya	Russia	58	51
AO Tsentralnaya STO	Russia	74	65
Autres filiales d' AVTOVAZ	Russia	74	65

B – Companies consolidated based on the percentage interest in each balance sheet and income statement item (joint operations)

Renault Group's interest (%)	Country	December 31, 2017	December 31, 2016
AUTOMOTIVE EXCLUDING AVTOVAZ			
Renault Nissan Technology and Business Centre India Private Limited (RNTBCI)	India	67	67

C – Companies accounted for by the equity method (associates and joint ventures)

Renault Group's interest (%)	Country	December 31, 2017	December 31, 2016
AUTOMOTIVE EXCLUDING AVTOVAZ			
Boone Comenor	France	33	33
Indra Investissements	France	50	50
Renault South Africa	South Africa	40	40
Renault Algérie Production	Algeria	49	49
Dongfeng Renault Automotive Company	China	50	50
Renault Nissan Automotive India Private Limited	India	30	30
Nissan Group	Japan	44	44
Motorlu Araclar Imal ve Satis A.S	Turkey	49	49
SALES FINANCING			
Renault Crédit Car	Belgium	50	50
Nissan Renault Financial Services India Private Limited	India	30	30
RN SF B.V.	Netherlands	50	50
BARN B.V.	Netherlands	30	30
RN Bank	Russia	30	30
Orfin Finansman Anonim Sirketi	Turkey	50	50
AVTOVAZ ⁽²⁾			
Ferro VAZ GmbH	Germany	37	33
ZAO GM-AVTOVAZ	Russia	37	33
CSC ARMENIA-LADA	Armenia	37	33

(1) RCI Colombia S.A. Compania de Financiamiento, formed by the Group in partnership with BBVA, is fully consolidated from 2017.

(2) Alliance Rostec Auto B.V. and the AVTOVAZ Group are fully consolidated from December 31, 2016 following the acquisition of control as defined by IFRS 10, at the end of the year. They were accounted for under the equity method during 2016 until the Group acquired control (note 3-B).

(3) Subsidiaries absorbed in 2017 by fully consolidated companies.

In application of regulation 2016-09 of December 2, 2016 issued by the French Accounting Standards Authority (*Autorité des Normes Comptables*), the Group is obliged to make the following information available to third parties:

- A full list of consolidated companies.
- A list of companies classified as “unconsolidated investments”, namely:
 - o investments in companies not controlled exclusively by Renault, included in non-current financial assets (note 22).
 - o investments in companies that are controlled exclusively by Renault and not consolidated, classified as other current assets (note 17).

This information is available from the Group’s website, on the “Documents & Presentations” section of the “Finance” pages ⁽¹⁾.

(1) After publication of the 2017 Registration document.