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Membre de la compagnie régionale de Versailles

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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, 2019
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 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 management report and other documents provided to shareholders.
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, 2019

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, 2019.

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, 2019 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 Compliance 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, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5, paragraph of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Observation

Without qualifying our opinion expressed above, we draw your attention to the notes 2-A2 and 2-A3 to the notes to the consolidated financial statements which describe the changes resulting from the first application of IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments".

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 intangible and tangible vehicle-specific assets of the Automotive sector (excl. AVTOVAZ)

Risk identified	Intangible and tangible assets and goodwill, of the operating segment "Automotive (excluding AVTOVAZ)" amount to 21 701 million euros. The Group carries out impairment tests at the level of intangible and tangible vehicle-specific assets related to specific vehicle models as soon as an impairment risk indicator has been identified, under the approach described in note 2-M of the consolidated financial statements. The test consists in comparing the net book value of the intangible and tangible assets related to specific vehicle models 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 vehicle-specific assets is a key audit matter because of their significance to the financial statements and because of the estimates and judgments required from Management to prepare these tests.

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 specific vehicle models presenting impairment indicators.
	- For the vehicle models tested:
	  - Reconciling the net book value of vehicle-specific assets to the consolidated financial statements.
	  - Assessing the consistency of the forecast volumes and margins assumptions used in the tests with the latest Management assumptions.
	  - 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.
	  - 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.

Consolidation method and recoverable value of the equity investment in Nissan

Risk identified	As at December 31, 2019, the Renault equity investment in Nissan amounts to 20,622 million euros, and Nissan contributes for 242 million euros to Renault 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 according to group Renault standards for consolidation purposes. In accordance with the approach described in the accounting policies (note 2-M), an impairment test of the investment in Nissan was carried out at December 31, 2019. We have considered that the consolidation method and recoverable value of the equity investment in Nissan is a key audit matter given its magnitude to Renault's consolidated financial statements, and given the following areas of attention: (1) the judgment of management to assess the Alliance governance structure as well as facts and circumstances underlying Renault's significant influence over Nissan, (2) the completeness of 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. - 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. - Examining the relevance of the main assumptions used by Renault in the impairment test performed to assess 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.

Recoverability of the deferred tax assets of the French tax group

Risk identified	As indicated in note 8-A of the notes to the consolidated financial statements, the deferred tax charge for 2019 takes into account the discontinuation of the recognition of deferred tax assets on tax losses carryforwards under the French tax consolidation group for an amount of -753 million euros. The recognition of a 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 termination of the recognition of deferred tax assets on tax loss carryforwards of the French tax consolidation group as of December 31, 2019 is a key audit matter given the level of judgment required from Management, with regards specifically to the ability to reliably estimate future taxable results over the historical timeframe.
Our audit response	Our audit response to the risks identified mainly consisted in: - Assessing the consistency of the expected financial results for the French tax group with the main assumptions underlying the revised group mid term plan Drive the Future, which is currently being updated by Management and is expected to be issued in the first half of the year. - Comparing budgeted and actual results in prior periods to assess the reliability of the budgeting processes.

- In respect of the deferred tax assets no longer recognized, assessing the nature and extent of the positive and negative evidence considered by Management to conclude that the availability of future taxable profits was not sufficiently probable at the balance sheet date.

Recoverable value of Sales Financing Receivables (RCI)

Risk identified

The sales financing activity is managed by RCI Banque with dedicated offers for individuals and companies as well as the financing of dealer networks.

RCI Banque sets aside provisions to cover the risk of losses resulting from the inability of its clients to meet their financial commitments. Since January 1, 2018, RCI Banque applies IFRS 9 "Financial Instruments", which defines in particular a new methodology for estimating provisions based on a prospective model, moving from a provisioning of ascertained credit losses to a provisioning model for expected losses based on a 3-bucket approach: loans without signs of impairment (bucket 1), loans that have signs of impairment (bucket 2) and loans with serious credit impairment or arreage (bucket 3).

We consider the amount of credit loss provisioning as a key point of the audit, due to the size of the amount of customer and network loans in the assets of the Group's balance sheet, the use of numerous parameters and assumptions in the calculation models and the use of judgment made by management in estimating expected credit losses.

The provisions related to IFRS 9 are detailed in Note 15 to the consolidated financial statements and amounts to 848 M€ for an outstanding amount of 46 222 M€.

Our audit response

Our procedures mainly consisted in:

- Assessing the methodological principles followed for the construction of the models, in order to check their compliance, in their significant aspects, with the principles of IFRS 9;
- Assessing the governance established in terms of validation of the key parameters and assumptions applied in these models or included in the ex post review of actual losses over the past financial year (back-testing);
- Evaluating key controls over processes, IT applications, management accounting data transfers from the customer and dealer network loan portfolio and its breakdown by category, and interfaces between applications involved in calculating expected credit losses. In this objective, our audit teams have integrated members with specific skills in auditing information systems and modelling credit risk;
- *On the retail customer credit perimeter:*
  - Testing, and assessing on the basis of a representative sample of customer credit agreements, the appropriateness of the "Probability of Default" and "Loss in the event of Default" parameters with the corresponding agreements;

Recoverable value of Sales Financing Receivables (RCI)

- *On the dealer network credit perimeter:*
  - Calculating the « Expected losses » on Germany, Brazil, Spain, France, Italy and Great Britain as at December 31st, 2019, based on the determined parameters and loss given default exposure at in the event of default;
- Assessing the methodology applied to determine the prospective component of ECL (forward looking) estimation, in particular on the assumptions used in the establishment of the scenarios macro-economic factors, the weighting of these scenarios and their impact on risk parameters;
- Carrying out analytical procedures on the evolution of outstanding retail customer and dealer network loans and credit risk impairment;
- Assessing the appropriateness of the information presented in Notes 2-G and 15 to the consolidated financial statements.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report of the Board of Directors.

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

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (Code de commerce), is included in the Group's management report, it being specified that, in accordance with the provisions of Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein.

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 S.A. and on by Order from the Ministry of the Economy of March 27, 1979 for Ernst & Young Audit.

As at December 31, 2019, KPMG S.A. was in the sixth year of total uninterrupted engagement and Ernst & Young Audit was in the forty first year of total uniterrupted engagement, of which twenty-six year 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, Riks and Compliance 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 Compliance Committee

We submit to the Audit, Risks and Compliance Committee *a report* 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 Compliance 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 report.

We also provide the Audit, Risks and Compliance 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 Compliance Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, February 20, 2020

The statutory auditors
French original signed by

KPMG Audit
A department of KPMG S.A.

Laurent des Places

ERNST & YOUNG Audit

Aymeric de La Morandière

Philippe Berteaux