

Renault Estimates Raised with Improving Efficiencies and Reduced Costs

Robert M. Sigler 212-756-1978

CCC March 3, 1998

Stock	Prices as of:	3/3/98 Price	SCB Rating	YTD Perf.	YTD Rel. Perf.	EPS			P/E		Yield
						1997E	1998E	1999E	1998E	1999E	
F	Fiat	Itl 6,438	M	25%	6%	412	350	372	18.4 x	17.3 x	1.7%
UG	PSA	FFr 849	M	12%	-2%	(15)	38	53	22.3 x	16.0 x	0.6%
RNO	Renault	FFr 201	O	19%	5%	8	20	30	10.3 x	6.7 x	0.0%
	RNO- old					5	19				
VOW	Volkswagen	DM 1,219	O	20%	8%	68	82	123	14.9 x	9.9 x	1.0%
VOLVB	Volvo	SEK 221	O	4%	-11%	14.8*	16	23	13.8 x	9.6 x	2.3%

O - Outperform, M - Marketperform, U - Underperform

* Earnings adjusted for extraordinary gains.

Summary

- 1997 and 1998 earnings estimates increase for Renault (FFr5 to FFr8 for 1997 and FFr19 to FFr20 for 1998) as earnings improve with greater capacity utilizations and faster achievement of cost reduction targets in 4Q97. We see a 1997 operating income for the car business in the black at about FFr800m versus a steadily rising consensus of about FFr 500-600m . The 1997 reported EPS will be much higher than our adjusted number thanks to the sale of stakes in Volvo and Elf Aquitaine and reduced taxes from loss carry-forwards.
- After closing and reorganizing car plants in 1997, Renault continued to improve leverage and efficiency as hot selling Meganas and Clios in an improving economy led the company to add 3rd shifts to a number of plants in 4Q97. Moreover, improved logistics from the concentration of model production in fewer sites and new purchasing agreements helped the company achieve and estimated FFr3850 savings per vehicle versus the 1997 target of FFr3000 (See Exhibits 2 & 3).
- We have raised our earnings estimates in 1998 as the momentum of capacity utilizations carries over into the current year. We see the new Clio sales delivering a great deal of impact beginning in March and April. If sales accelerate as anticipated, we expect a third shift to be added to the Valladolid plant by April and utilizations and profits continuing to rise - our estimates could be conservative.
- Good news for French stocks reported. Economic reports highlight 3 important points for 4Q97: 1) Economic growth exceeded expectations. This variable, like European earnings estimates, is a serially correlated variable with further revisions upward in GDP expected going forward. Our research has shown that automotive demand is highly correlated to GDP with a 1% growth in GDP corresponding to a 4% growth in automotive demand over time. (See Exhibits 4 & 5) (see 9/19/97 note: Renault Takes Traction on Road to Recovery: Upgrade to Outperform). 2) Unemployment fell. 3) Budget deficit hit target required for joining common European currency
- Renault's volumes and market share improve - higher utilizations, good product mix, and cost restructuring expand margins. Earnings revisions continue and Renault stock sees strong outperformance. Renault, Volvo and VW are rated outperform with a market perform rating on PSA and Fiat.

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- Renault's volumes and market share improve - higher utilizations, good product mix, and cost restructuring expand margins. Earnings revisions continue and Renault stock sees strong outperformance. Renault, Volvo and VW are rated outperform with a market perform rating on PSA and Fiat.

Exhibit 1 Renault Passenger Cars in Western Europe

Key Models (000) (introduced)	1996 Volumes 1295	1997 Volumes 1294	1998E 1640	Comments
Clio (1998)	375	335	450	New model for 1998. Historically among the top three sellers in Europe.
Megane (new breaks 96-98)	380	470	575	1997 Car of the Year in Europe. Popular versions include a coup and MPV.
Twingo (1996)	220	201	225	10% demand increase has pushed up production volumes.

Exhibit 2 Renault Industrial Scheme

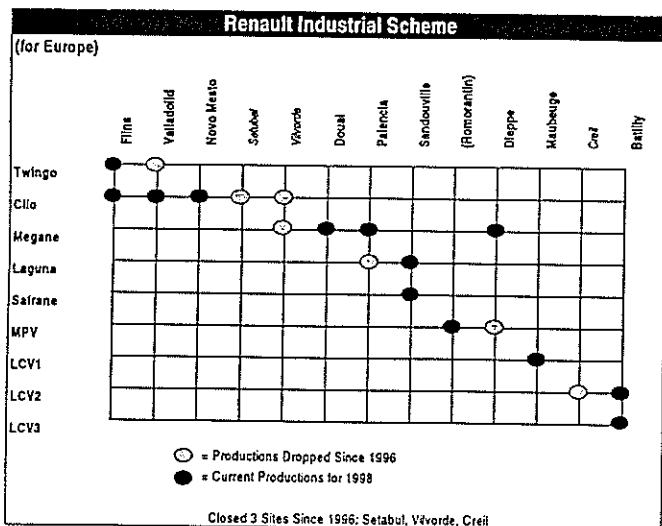
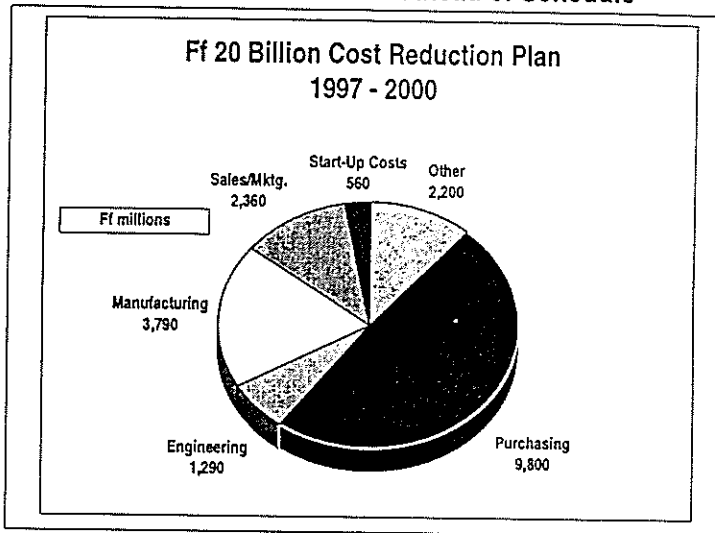
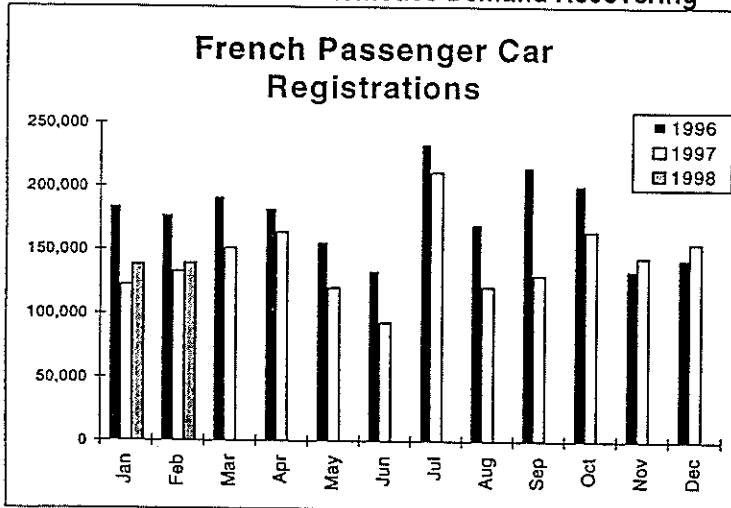


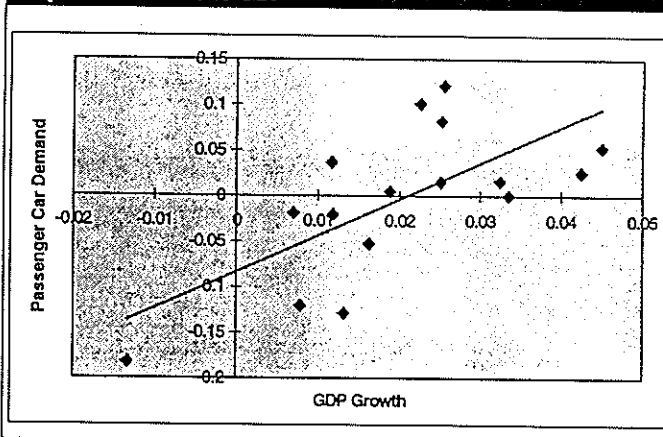
Exhibit 3 Cost Reduction Plan Ahead of Schedule



Exhibits 4 & 5 French Automotive Demand Recovering



French Automotive Demand is the Most Correlated of Core European Countries to GDP



Risks

The primary risk to the French stocks would come with a slowing of the French economy or with a reversal of the very favorable exchange rates with the British pound. The successful launch of Renault's high volume Clio model this year is also a key factor in the company's ability to lever cost restructuring and deliver strong earnings growth.

Investment Conclusion

Renault continues very strong progress on its road to recovery. We see operating earnings recovering to Ffr 6bn in 1998 and to FFfr9bn in 1999 and earnings delivering 20FFfr per share in the current year and 30FFfr in 1999. We see upward earnings revisions continuing to drive the share price forward. At the current P/E of 10 times 1998 earnings and 7 times 1999 earnings, this stock is at a

Renault: Positioned to Ride French Demand Recovery- (revised)

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October 8, 1997

Stock	Prices as of:	10/8/97 Price	SCB Rating	YTD Perf.	YTD Rel. Perf.	EPS			P/E		Yield
						1996	1997E	1998E	1997E	1998E	
VOW	Volkswagen	1,270	O	99%	50%	55	72	90	17.6 x	14.1 x	1.0%
FIA	Fiat	6,057	M	45%	(2)%	481	300	350	20.2 x	17.3 x	1.7%
UG	PSA	810	M	38%	6%	15	18	38	45.0 x	21.3 x	0.6%
RNO	Renault	183	O	63%	31%	(22)	5	16	36.6 x	11.4 x	0.0%

O – Outperform, M – Marketperform, U – Underperform

- September sales of French passenger cars dropped a record 40% due to the very difficult comparison to September 1996 - the month that government cash incentives ended.
- This decline is in line with our expectations and we also expect that the worst is over with improving comparisons going forward.
- The now nearly exhausted pull-forward combined with improving GDP estimates set ground for a French rebound in 1998 passenger car demand of 10%-15%
- Superior products of Renault and Volkswagen will deliver better volumes over improving cost positions.
- We rate Renault and Volkswagen outperform as analysts continue to move earnings revisions upward

Details

September's dramatic pull back of 40% brought year-to-date sales down to 24.4% . With most of the pull-forward in French trend demand now exhausted and the worst comparables behind - we see demand improving into 1998. We expect 1997 to finish down about 18% and a rebound of 10-15% due in 1998 (Exhibit 1). Incentive distortions took 1996 demand up about 4% over the 7 year average of about 2.1m passenger cars. The hangover has left demand down about 24% year-to-date on a year-over year comparison and down about 18% to the average. If the year were to finish on the current year average decline of 18% for the final quarter, the full year would be down over 21%. This downside scenario is unlikely given that the September, clearly the worst comparable month, was down only about 5% from the 7 year average. Incentives drove last year's sales up dramatically in September (with some carry over registrations in October)(Exhibit 2).

This represents the turning point in the tough comparisons for French passenger car demand. Assuming 5% negative year over year comparables in the remaining quarter leaves year end demand down about 18% with passenger car sales approaching 1.8m. On this base, we see demand rebounding over 10-15% as passenger car sales begin to return to a trend of about 2m vehicles. (Exhibit 3) We see the combination of the exhaustive current year demand pull-back and export-led GDP growth acceleration creating more potential upside in 1998.

On the downside for 1998, if the economy were to weaken and passenger car demand were to fall 5% below our trend estimate of about 1.5m units, earnings would be 20% lower for Renault and 35% for PSA.

While Renault, like its counterpart PSA, suffers and savors the swings in French demand (35-40% of company unit sales), Renault is well positioned to unleash the most value with a superior product intensity and key model launches timed perfectly for a rebound in 1998. Renault has already begun gaining market share with the more profitable Megane line and will launch the key volume model Clio over a reduced cost basis next year (Exhibit 3).

Exhibit 1

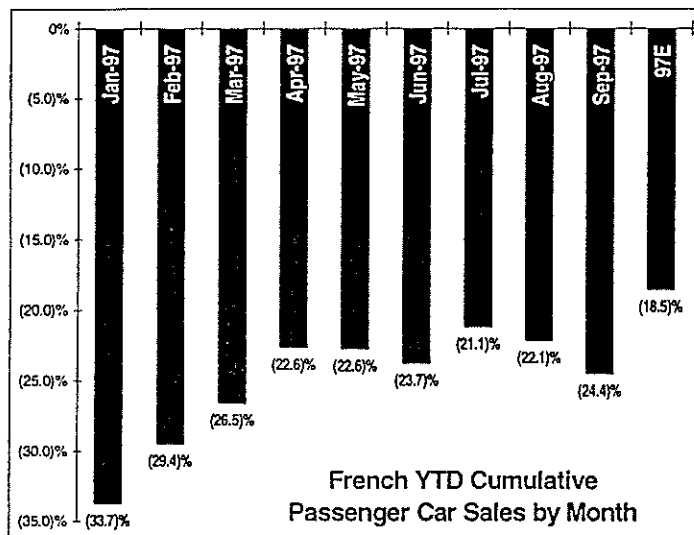


Exhibit 2

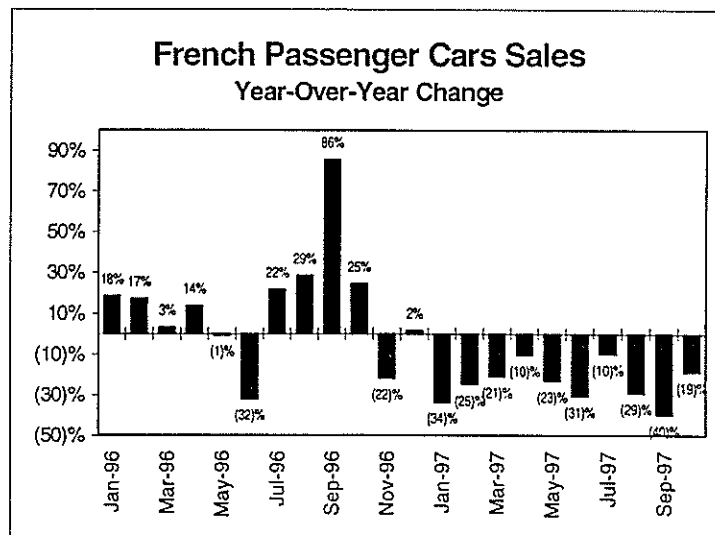
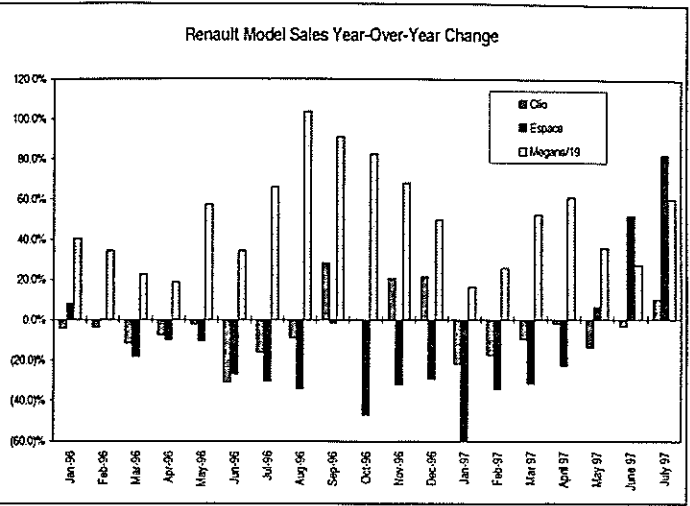
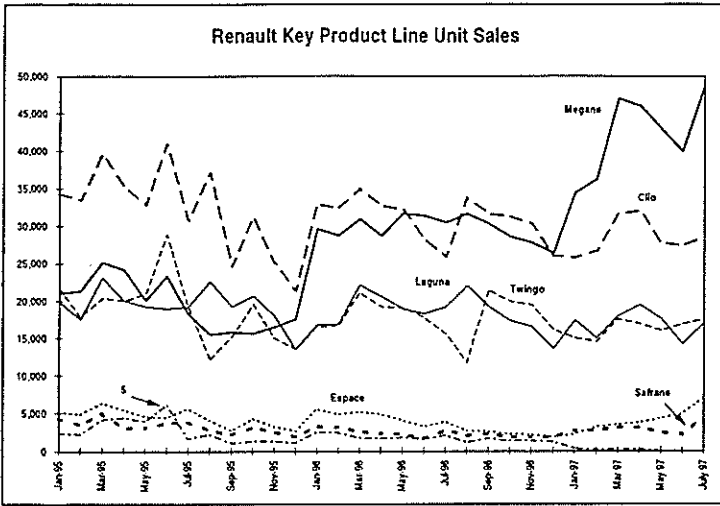


Exhibit 3

Analysis of French Passenger Car Demand

	Average 1989-1995	1996 Units	1997- 1997E units	1996 Vs Avg	1997 Vs Avg	1997E Vs 1996	1998E@ Avg
Jan	170,594	184,541	122,300	8.2%	-28.3%	-33.7%	39.5%
Feb	155,873	177,400	133,100	13.8%	-14.6%	-25.0%	17.1%
Mar	190,586	191,900	151,400	0.7%	-20.6%	-21.1%	25.9%
Apr	181,197	183,200	164,000	1.1%	-9.5%	-10.5%	10.5%
May	162,394	156,600	120,500	-3.6%	-25.8%	-23.1%	34.8%
June	148,820	134,500	93,200	-9.6%	-37.4%	-30.7%	59.7%
July	213,359	234,500	211,600	9.9%	-0.8%	-9.8%	0.8%
Aug	151,541	171,300	121,500	13.0%	-19.8%	-29.1%	24.7%
Sep	136,991	216,500	129,900	58.0%	-5.2%	-40.0%	5.5%
Oct	190,090	202,200	180,585	6.4%	-5.0%	-10.7%	5.3%
Nov	181,453	135,100	172,380	-25.5%	-5.0%	27.6%	5.3%
Dec	167,423	144,400	159,052	-13.8%	-5.0%	10.1%	5.3%
	2,050,319	2,132,141	1,759,517	4.0%	-14.2%	-17.5%	16.5%
Average '89-'95	2,050,319						
1996	2,132,141						
1997E	1,759,517						
1998E	1,950,000	10.8%					
1998E @ Avg	2,050,319	16.5%					

Exhibit 4



Risks

A key risk for this company would come with a deterioration in the French economy. A reversal of currency winds could take away the export advantage that has been catalyzing growth in the economy. A worsening economy, GDP revisions downward and a fall of automotive demand in France could be particularly damaging moving into 1999 as the external crutch of Italian incentive demand disappears. Both Renault and PSA have taken full advantage of the explosive demand in Italy to offset the severe current year fall off at home. In terms of product, the Clio launch in 1998 will be key to the maintaining the company's volume momentum and will need to be evaluated carefully relative competitive products. This car, like the Volkswagen Golf, has traditionally been a core stable product and is expected to hit the mark for value driven consumers..

Investment Conclusion

Renault has made demonstrable progress on its road to recovery. We believe that the fundamentals are in order to move this stock beyond the view of a speculative play and into the portfolio as sound investment. Until the market comes to embrace price to average earnings power and price to relative earnings, we believe the most important measures are earnings revisions and relative price to sales (Exhibit 5). Earnings revisions will be strong for Renault and we believe the price to sales ratio can reach about .25, resulting in a price target of 200-220 over the next 12-18 months. We see operating earnings recovering to Ffr 3bn in 1997 to Ffr4.6bn in 1997 and earnings delivering 5fr per share in the current year and 16Ffr in 1998. At the current P/E of 11 times 1998 earnings, this stock is at a discount to all of it's European peers. **We continue to rate the stock an outperform.**

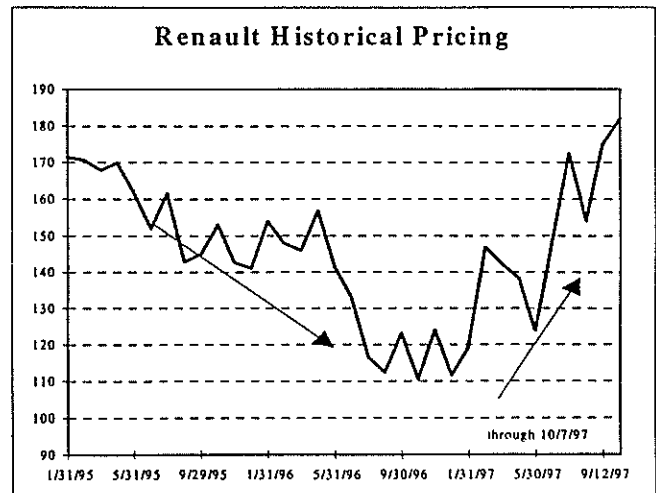
Exhibit 5

Analysts' Earnings Revisions Continue Upward

	1998						Revisions Upward	Revisions Downward
	MEAN		HIGH		LOW			
	1997E	1998E	1997E	1998E	1997E	1998E		
Current	2.65	10.69	7.82	18.50	(4.20)	1.00	20	1
9/97	1.75	10.10	7.82	18.50	(4.20)	1.00	11	2
8/97	0.54	9.55	6.30	17.47	(4.20)	1.00	9	1
7/97	(1.13)	8.02	4.80	16.39	(9.70)	(2.70)	4	3
6/97	(1.60)	7.71	3.30	16.44	(9.70)	(2.70)	7	2
5/97	(1.62)	7.87	4.60	16.44	(7.70)	0.20	5	0
4/97	(2.01)	7.48	4.60	16.44	(9.80)	(0.40)	8	6
3/97	(9.70)	(1.13)	(1.00)	5.27	(19.70)	(9.80)	3	15
2/97	(4.18)	0.31	(0.80)	5.27	(9.00)	(10.00)	1	18
1/97	(2.71)	2.27	(0.80)	6.50	(5.00)	(3.20)	1	4
12/96	(2.47)	2.45	(0.80)	6.50	(5.00)	(3.20)	1	16
11/96	(1.17)	4.18	5.10	11.50	(8.00)	(1.30)	0	7
10/96	(0.17)	4.83	5.10	12.10	(3.70)	(1.30)	0	12
9/96	1.94	7.13	7.15	13.10	(3.30)	(1.30)	1	18
8/96	4.63	9.85	9.00	14.60	0.00	4.70	1	10
7/96	6.15	11.37	13.10	21.00	0.00	6.50	1	5
6/96	6.88	12.21	13.10	21.00	0.00	6.50	2	11
5/96	9.12	14.14	13.10	21.00	5.00	7.70	2	7
4/96	9.92	15.15	13.40	21.00	5.10	9.43	2	12
3/96	10.91	14.95	16.60	28.90	8.20	9.00	0	10
2/96	11.10	15.60	16.60	28.90	8.20	9.20	1	13
1/96	11.74	16.76	16.60	28.90	6.90	11.90	0	13

SCB 5 16

18/E/S Estimates based on an average of 35-40 analysts.



Renault Takes Traction on Road to Recovery — Upgrade to Outperform*Robert M. Sigler*

10-15% gain in France's auto market, as incentive overhang exhausted rapidly while currency spurs GDP

Renault positioned with products and more efficient operations; EPS revisions trigger outperformance

Our rating codes are:

O = Outperform

M = Market-Perform

U = Underperform

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Renault Takes Traction on Road to Recovery — Upgrade to Outperform

Stock	9/18 Price	SCB Rating	YTD Rel. Perf.	52-Week Range	EPS			P/E		Current Yield
					1996	1997E	1998E	1997E	1998E	
Renault (FFr)	176	O	30%	103 - 187	(22)	5	16	35.2x	11.0x	-

Overview

We recently upgraded our rating on Renault to outperform, based on the company's trends in cost reduction and product intensity within the context of a better-than-expected demand opportunity in France in 1998. Renault is making progress toward new levels of performance. A substantial improvement in operating income in first-half 1997 (to FFr364 million versus FFr225) million in first-half 1996) exceeded consensus estimates, reflecting mix-enhancing market share gains by the Megane and Espace lines, cost-cutting efforts, improving truck operations, and material currency gains on auto sales in the U.K. and heavy truck sales in the U.S. We recently raised our 1997 EPS estimates from breakeven to FFr5 and our 1998 estimates from FFr8 to FFr16. Marked improvements in both car and truck operations represent the bulk of the revisions.

Moreover, we see above-consensus growth of 10-15% in the French market next year, reflecting the combination of this year's sharp demand pull-back that has exhausted the overhang from the incentive program plus an anomalous, currency-catalyzed acceleration in GDP growth. Both Renault and PSA suffer and savor the swings in French demand (35-40% of company unit sales), but Renault is better positioned to unleash the most value, with its superior product intensity and key model launches timed perfectly for a rebound in 1998. The company also has several catalysts for earnings surprise: restructuring of truck business and an expected recovery in truck demand, increasing capacity utilization on a reorganized production platform, new internal cost measurement and P&L accountability, and ongoing efforts to spin off or joint venture noncore businesses.

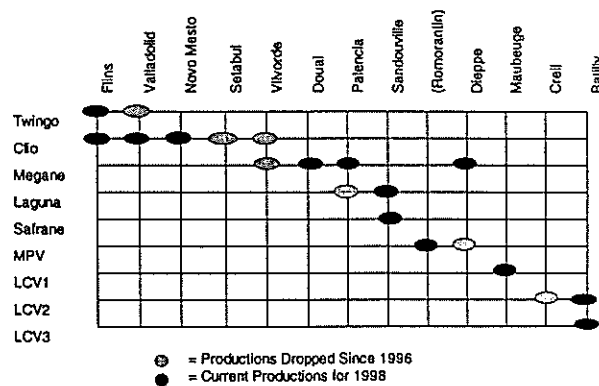
Costs: Renault puts bite in its bark

At the end of 1996, Renault ranked as the most disadvantaged European manufacturer in terms of fixed costs. In addition, Renault's newly privatized board

was challenged with a market plagued with overcapacity and threatened with even more crowding ahead, a severe post-incentive period of falling auto demand, and depressed markets for heavy trucks. In the face of this combination of negative forces, the company announced the bold closing of the Vilvorde plant and a focus on dramatic cost-saving measures. Acknowledging that most companies in this competitive environment announce such efforts with good intentions, we were skeptical of Renault's ability to drive change to the bottom line without evidence. However, the significantly improved operating performance at mid-year indicates there is bite in the company's announced efforts to reorganize internal manufacturing and create the reporting structures needed to drive down costs and drive up shareholder value.

The closing of the plant at Vilvorde and the reorganizing of the production matrix within the remaining plants is triggering key improvements in utilization rates and operational efficiencies (see Exhibit 1). The 10% of Renault's production that was located at Vilvorde has been completely integrated

Exhibit 1 Renault Industrial Scheme for Europe¹



¹ Closed three sites since 1996: Setabul, Vilvorde, and Creil.
Source: Corporate reports.

into the new matrix for the remaining quarter of 1997 and beyond. With the costs of closure now behind the auto division, we see fixed cost savings amounting to about FF900 million per year going forward. The new production matrix reduces production costs by concentrating the production of each model type across fewer plants (for example, the Clio will now be produced in three plants rather than five).

The new director of manufacturing, purchasing and R&D, Carlos Ghosn, appears to be effectively implementing comprehensive cost-cutting objectives, and evidence came with mid-year operating earnings of FF364 million versus FF225 million in the same period last year. We and the consensus were forecasting that operating earnings would remain negative into 1998.

French demand: Famine in 1997, feast in 1998

A series of variables should drive 1998 French auto demand growth to an above-consensus rate of 10-15%. Our research has shown that within the core European markets, French auto demand has the most significant correlation to GDP. The relationship tells us to expect a 4% improvement in auto demand for every percentage point increase in GDP growth above trend.

Although wavering consumer confidence and high unemployment are currently weighing on consumer demand, we note that the dramatic weakening of the French franc has been catalyzing the country's overall production base. As production has geared for export, GDP consensus estimates have been moving upward, most recently from 2.5% in May to 2.8% in August. That move alone added about FF2 to our 1998 EPS estimate for Renault; a full percentage point move in GDP could add about FF5.

Exhibit 2 reconciles the impact of demand distortions and GDP around the normal French demand of around 2 million passenger cars. Noting that in 1991 trend and actual demand for passenger cars were roughly balanced, we use this as a starting point to derive a normalized GDP-correlated auto demand. We then reconcile this with the actual demand that has been distorted due to government incentives and with the normalized trend demand. Our analysis suggests that incentives caused about 250,000 passenger cars to be pulled forward and fed to the consumer by the end of 1996.

Our former earnings estimates included a relatively rapid giveback of this demand in France, with 75% exhausted in the current year and the remainder in 1998. As consumers have pushed even farther away from the table and tough comparables remain, we are again more skeptical than consensus and are allocating an 85% deployment to the current year (with a negative adjustment to earnings). This leaves French demand down 18-19% for 1997. A possible decline in the French market to 20% would indicate a complete exhaustion — or return to trend — by year-end.

The dramatic and exhaustive pull-back in the current year, combined with the rapid acceleration of GDP, creates an opportunity for the base to rebound in 1998. Our estimates are above the consensus, looking for at least a 10-11% recovery to occur under current conditions (adding FF3-FF4 to our Renault 1998 earnings estimate) and a 15% recovery on a poorer-than-expected finish this year.

Renault's products are perfectly positioned

Renault's determined belt-tightening during the French demand trough will set the course for marked

Exhibit 2 Reconciling Distorted Demand in France (000 units)											
	1991	1992	1993	1994	1995	1996	1997E	1998E	1999E	2000E	2001E
Passenger Demand	2,031	2,106	1,721	1,973	1,931	2,132	1,737	1,927	1,923	1,949	1,999
Vehicle Sales Growth	(12.0)%	3.7%	(18.3)%	14.6%	(2.1)%	10.4%	(18.5)%	10.9%	(0.2)%	1.3%	2.6%
GDP Growth	0.8%	1.2%	(1.3)%	2.8%	2.2%	1.5%	2.2%	2.8%	2.4%	2.4%	2.4%
GDP Correlated Growth	(5.2)	(3.7)	(13.6)	2.9	0.5	(2.4)	0.4	2.8	1.2	1.2	1.2
Trend Demand	2,035	2,060	2,051	2,030	1,968	1,965	1,935	1,910	1,900	1,925	1,975
GDP correlated trend demand											
GDP Predicted Demand	2,000	1,926	1,663	1,712	1,720	1,680					
Demand vs. Actual		(180)	(58)	(261)	(211)	(452)	Trend demand adjusted for pull-ahead units and grown with GDP correlated growth rate				
Demand vs. Trend		(134)	(388)	(318)	(248)	(285)					
Actual vs. Trend		(46)	330	57	37	(167)					
Cumulative Pent-Up Demand of Actual Off Trend		(46)	284	341	377	210	75% = (17.7)% in 1997 and 8.4% in 1998 growth 85% = (18.8)% in 1997 and 11.3% in 1998 growth 100% = (20.5)% in 1997 and 15.9% in 1998 growth				
GDP Adjusted Pent-Up (Pull-Forward) Demand			226	80	167	(242)					
Full-Fwd Dmnd Exhausted/Applied							(206)	(36)			
							85%	15%			

Source: Bernstein estimates.

earnings recovery going forward — but product drives the market share volumes that also unleash earnings strength. Renault is currently approaching peak intensity, having renewed over 50% of model volume in the last 18 months. The new Megane and Espace have been taking market share (while materially impacting Renault's mix). Moreover, Renault will launch an all new, high-volume Clio model into the "competitive zone" next year (see Exhibit 3). The company's stated intentions of keeping product fresh are evident when measuring relative age of model design against the competition in the coming years. Renault is already leading the pack of European manufacturers with a current average design age of 1.6 years (with Volkswagen an impressive second at 2.2 years on a much broader product line). This lead will be further extended on the Clio launch next year.

The fresh Megane line — a new product effort with multiple product extensions — is not only turning over higher-than-anticipated volumes, on track for sales of 500,000-700,000 units annually, but is also a key mix sweetener. In 1996, the average realization for Renault's roughly 1.5 million passenger car sales was about FFfr100,000. The average price of the Megane line is more like FFfr125,000, delivering 25% more revenues and a variable margin of about FFfr50,000 per unit to operating income. At mid-year 1997, Renault already enjoyed a FFfr2.5 billion revenue mix enhancement. This trend, along with advancing market share (and with improving commercial vehicle orders), has led us to increase our top-line estimate for Renault to FFfr195 billion for 1997 and to FFfr206 billion for 1998.

More catalysts

When Ghosn was hired, he was given the challenging mandate to change the direction of the company —

which meant changing the internal culture of a formerly government-owned and -operated business in a socialist nation. The massive and expensive restructuring to achieve a more efficient production matrix has immediately impacted the operating line. The bold and harshly contested strokes of shutting down costly auto plants in Setabul, Creil and then a key plant in Vilvorde set the stage for internal revolution. In a meeting with analysts in early September, Ghosn affirmed that some of the greatest cost advances are still ahead, as internal benchmarks and measurement systems as well as pay-for-performance strategies are implemented. Renault has already separated the dealer network into an independent P&L center, and negotiated a redefinition of employees from the manufacturing union in order to apply work rules more appropriate for a service business.

This value-releasing restructuring is also evident in the truck division. In a plan to focus on the core business, Renault has spun off the exhaust systems and wiring operations, and has separated the transmission business into a joint venture. We expect much more value to be unlocked from this cost-burdened truck maker as its once totally vertically integrated operations are further streamlined.

If Renault decides to keep the truck division in the face of a fiercely competitive and consolidating global commercial vehicle industry, it will have to continue its cost and product focus. A product line that was renewed in 1996 is helping to accelerate a recovery in this division. A better-than-expected improvement in the North American truck market and product lead market share gains for Renault V.I. have added just under FFfr1 per share to current year estimates and over FFfr1 to 1998 estimates.

Another opportunity to add value comes with the reopening of negotiations with the French gov-

Exhibit 3 Key Volume Models (Greater than 5% of Volume) by Segment

	Total Volume in B/C Segment	Zone of Competition									
		A		B			C			D	
		Model	Percent of 1997 Volume	Model	Percent of 1997 Volume	Year of Change (n=new/redesign)	Model	Percent of 1997E Volume	Year of Change (n=new/redesign)	Model	Percent of 1997E Volume
Renault	78%	Twingo	15%	Megane Clio	37% 25	n1996 1996,n98	Laguna	15%		405/6	14%
PSA	47%	106	20%	Saxo	18%	1996, n97	306 ZX	19% 10	1997 1997	Xantia	9%
Fiat	54%	Cinq./Seic.	10%	Punto	38%	n1999	Bravo/a	16%	n95,n01		
VW	73%	A3	5%	Polo Ibiza Passat A4	21% 7 9 11	n2000 n2001 n1997 n2000	Golf	25%	n1997		

Source: Corporate reports and Bernstein estimates.

ernment to restructure the labor force at both Renault and PSA. The plan could allow Renault to replace 20,000 of the aging current workforce with about 7,000 younger employees — at half the wage rate. We estimate that this could save the company about FF5 billion in labor costs (FFr10-FFr15 per share).

Risks

A key risk for Renault would be a deterioration in the French economy. A reversal of currency winds could take away the export advantage that has been catalyzing growth in the economy. Downward revisions in GDP and a fall of automotive demand in France could be particularly damaging moving into 1999, as the external crutch of Italian incentive demand dis-

appears. Both Renault and PSA have taken full advantage of the explosive demand in Italy to offset the severe current year fall-off at home.

In terms of product, the Clio launch in 1998 will be key to maintaining the company's volume momentum and will need to be evaluated carefully relative to competitive products. This car, like the Volkswagen Golf, has traditionally been a core, stable product and is expected to hit the mark for value-driven consumers.

Investment Conclusion

Renault has made demonstrable progress on the road to recovery. We believe that the fundamentals are now in place to move this stock beyond the view of a speculative play and into a portfolio as a sound investment. Until the market comes to embrace price to average earnings power and price to relative earnings, we believe the most important measures are earnings revisions (see Exhibit 4) and relative price to sales (see Exhibit 5). Earnings revisions will be strong for Renault, and we believe the price to sales ratio can reach about 0.25, resulting in a price target of FF200-FF220 over the next 12-18 months. We see operating earnings recovering from FF1.3 billion in 1997 to FF4.6 billion in 1998 (see Exhibit 6). We also see earnings delivering FF5 per share in the current year and FF16 in 1998, which is above the consensus estimates of FF1 in 1997 and FF10 in 1998. Selling at a P/E of 11x 1998 earnings, this stock is at a discount to all of its European peers. We rate Renault outperform.

Robert M. Sigler

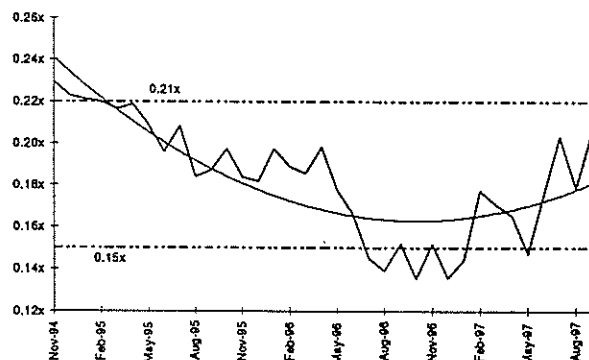
(212) 756-1978

Exhibit 4 Analysts Earnings Revisions Continue Upward for Renault

	1998		Renault Price (FFr)
	Revisions Upward	Revisions Downward	
Current	7	2	175
8/97	9	1	152
7/97	4	3	172
6/97	7	2	149
5/97	5	0	124
4/97	8	6	138
3/97	3	15	142
2/97	1	16	147
1/97	1	4	119
12/96	1	16	112
11/96	0	7	124
10/96	0	12	110
9/96	1	18	123
8/96	1	10	112
7/96	1	5	117
6/96	2	11	133
5/96	2	7	141
4/96	2	12	157
3/96	0	10	146
2/96	1	13	148
1/96	0	13	154

Source: I/B/E/S estimates based on an average of 35-40 analysts.

Exhibit 5 Renault: Price/Sales



Source: FactSet.

Exhibit 6 Renault: Line of Business Analysis (FFr million)

	1991	1996	1997E	1998E	2001E
European Auto Sales ¹	122,627	129,033	137,173	145,741	156,548
Non-Euro Auto Sales ¹	6,078	10,615	12,194	13,629	18,163
Industrial & Other ¹	5,267	6,314	6,725	6,994	7,867
Commercial	26,507	30,007	30,750	31,250	33,500
Financial	11,023	8,109	8,087	8,349	9,251
Consolidated Sales	171,502	184,078	194,928	205,962	225,330
European Auto Oper. Inc. ¹	3,610	(3,373)	(686)	2,303	4,853
Non-European Auto ¹	109	221	261	316	459
Industrial & Other ¹	425	706	766	859	1,215
Commercial	(333)	(598)	(364)	(169)	401
Financial	1,002	1,275	1,303	1,311	1,528
All Other Operating Income	1,094	1,383	1,705	2,001	3,143
Consolidated Operating Income	4,813	(1,770)	1,280	4,619	8,456

¹ Industrial Group consolidated to Auto in 1996. Maintained as separate entity in this table.

Source: Corporate reports and Bernstein estimates.

Renault Takes Traction On Road to Recovery - Upgrade to Outperform

 Robert M. Sigler 212-756-1978 rsigler@bernstein.com


September 15, 1997

Stock	Prices as of:	9/12/97 Price	SCB Rating	YTD Perf.	YTD Rel. Perf.	EPS			P/E		Yield
						1996	1997E	1998E	1997E	1998E	
VOW	Volkswagen	1,167	O	82%	49%	55	72	90	16.2 x	13.0 x	1.0%
FIA	Fiat	5,527	M	32%	(5)%	481	300	350	18.4 x	15.8 x	1.7%
UG	PSA	764	M	31%	8%	15	5	32	144.9 x	24.0 x	0.6%
RNO	Renault	175	O	58%	35%	(22)	5	16	35.2 x	11.0 x	0.0%
	RNO - previous		M				0	8			

O – Outperform, M – Marketperform, U – Underperform

- We are upgrading Renault to an outperform rating as the company demonstrates that efforts by the new shareholder conscious board to restructure operations are beginning to take hold at the mid-year. We are raising our 1997 estimates from break-even to Ffr5 and 1998 estimates from Ffr8 per share to Ffr16 per share.
- Moreover, we see the combination of the exhaustive current year demand pull-back and an anomalistic, currency catalyzed acceleration in GDP growth setting the stage for an above consensus 10-15% growth in the French market next year.
- Both Renault and PSA suffer and savor the swings in French demand (35-40% of company unit sales) but Renault now best positioned to unleash the most value with a superior product intensity and key model launches timed perfectly for a rebound in 1998.
- Renault also has more catalysts for earnings surprise: restructuring of truck business and an expected recovery in truck demand, increasing capacity utilization on a reorganized production platform, new internal cost measurement and P&L accountability, and ongoing efforts to spin-off or joint venture non-core businesses.

Details

In a meetings with analysts at the Frankfurt auto show, Renault outlined progress and plans of a drive to take the company to new levels of performance. Material improvements in operating income at the mid-year (Ffr364m Vs a loss of Ffr225 in 1H96) exceeded consensus estimates thanks to mix-enhancing market share gains by the Megane and Espace lines, definitive progress in cost cutting efforts, improving truck operations, and material currency gains on autos sales in the UK and heavy truck sales in the US market. Marked improvements in both car and truck operations represent 4 of the 5 French franc increase in our 1997 earnings estimate. In 1998, we are increasing our estimate from Ffr8 to Ffr16 with the auto division adding Ffr5 (Ffr3-Ffr4 thanks to recovery in French demand), truck division adding Fr2 and the remaining increment from the financing division.

Our upgrade to outperformance of this stock is based on Renault's trends in cost reduction and product intensity within the context of a probable better than expected demand opportunity in France in 1998. Our analysis follows.

Costs: Renault puts bite behind the bark

At the end of 1996 Renault ranked as the most disadvantaged European manufacturer in terms of fixed costs (Exhibit 1). In addition, Renault's newly privatized board was challenged with a market plagued with over capacity and threatened with even more crowding ahead, a severe post incentive period of auto demand fall off, and depressed markets for heavy trucks. In the face of this terminal combination of forces, the company announced the bold closing of the Vilvorde plant and a focus on dramatic cost savings measures. The significantly improved operating performance at the mid-year indicates there is bite in the companies announced efforts to reorganize internal manufacturing and reporting structures needed to drive down costs and drive up shareholder value.

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Exhibit 1

European Auto Operations: Per-Unit Comparative Cost Analysis - \$ 000s								
	VW	VW 1998E	Fiat	PSA	Renault	Renault 1998E	GM	Ford
1996								
Realization	\$16.4	\$16.8	\$13.1	\$16.9	\$16.8	\$17.1	\$17.2	\$15.9
Variable Costs	9.0	9.2	7.9	9.9	9.6	9.7	10.0	9.5
Fixed Costs	7.3	7.0	5.4	6.8	7.6	7.3	6.6	6.6
Operating Profit	\$0.1	\$0.6	(\$0.2)	\$0.1	(\$0.4)	\$0.1	\$0.6	(\$0.1)

The closing of the plant at Vilvorde and reorganizing the production matrix within the remaining plants is triggering key improvements in utilization rates and operational efficiencies (Exhibit 2). The 10% of Renault's production that was located at Vilvorde will have been completely integrated into the new matrix for the remaining quarter of 1997 and beyond. With the costs of closure now behind the auto division, we see a fixed cost savings going forward of about Ffr 900mn per year. The new production matrix reduces production costs by concentrating the production of each model type across fewer plants (i.e. the Clio will now be produced in 3 plants rather than 5).

The new director of manufacturing, purchasing and R&D, Carlos Ghosn, appears to be effectively implementing a comprehensive cost cutting objectives as well (Exhibit 2). Evidence of the 'Synergy 500' supplier reorganization to cut purchase costs came with a mid-year operating earnings of Ffr364m versus negative Ffr225 in the same period last year. This is a faster than expected recovery as we agreed with consensus that operating earnings could remain negative into next year.

Exhibit 2

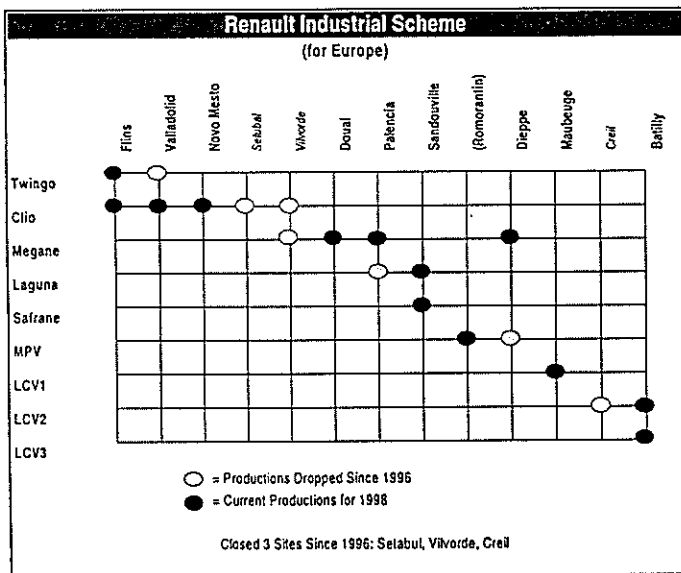
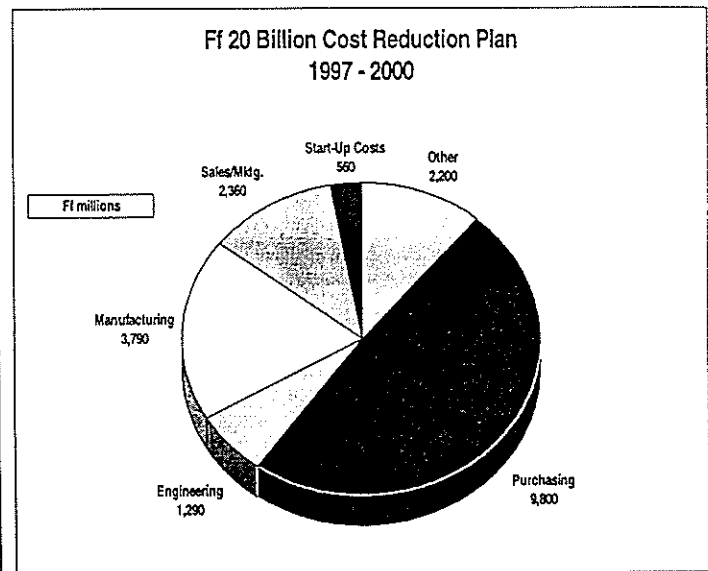


Exhibit 3

French Demand: Famine in 1997 - Feast in 1998

In terms of French demand, we see a series of variables that may drive 1998 French auto demand growth to an above consensus 10%-15%. Our research has shown that within the core European markets, French auto demand has the most significant correlation to GDP (Exhibit 4). The relationship tells us to expect a 4% improvement in auto demand for every percentage increase in GDP growth. Although wavering consumer confidence and high unemployment is currently weighing on consumer demand, we note that the dramatic weakening of the French franc has been catalyzing the country's overall production base. As production has geared for export, GDP consensus estimates have been rapidly moving upward.

Considering the upward trend from a 1998 GDP estimate of 2.5% in May to 2.8% in August can reveal insights on auto demand when viewed together with other factors. Exhibit 6 reconciles the impact of demand distortions and GDP around the normal French demand of around 2 million passenger cars. Noting that in 1991 trend and actual demand for passenger cars were roughly balanced, we use this as a starting point to derive a normalized GDP correlated demand. We then reconcile this with the actual demand that has been

Exhibit 4

French Automotive Demand is the Most Correlated of Core European Countries to GDP

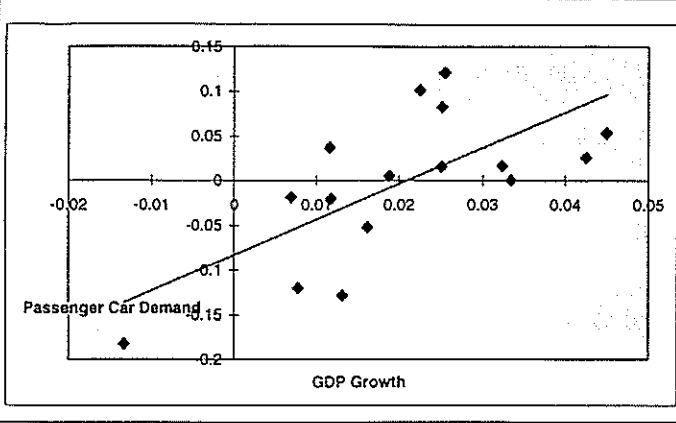
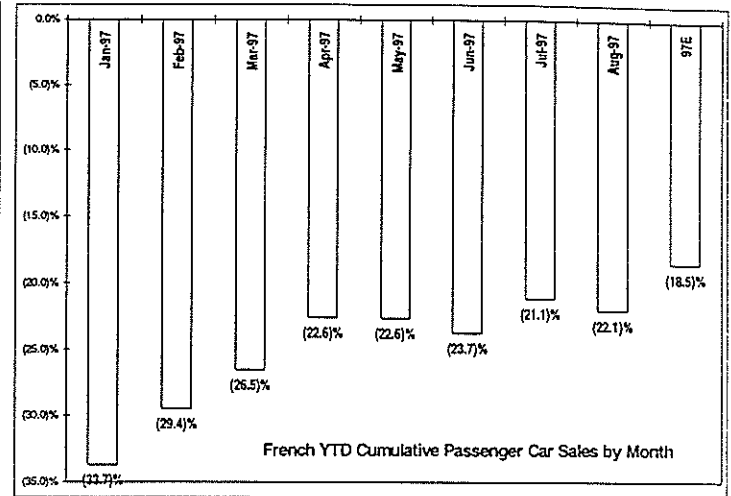


Exhibit 5



distorted due to government incentives and with the normalized trend demand. This suggests that about a quarter of a million passenger cars had been pulled forward and fed to the consumer by the end of 1996. Our former earnings estimates included a relatively rapid deployment of this demand in France with 75% exhausted in the current year and the remainder in 1998. As consumers have pushed even farther away from the table (Exhibit 5) and tough comparables remain, we are once again more skeptical than consensus and are allocating 85% to the current year (with a negative adjustment to earnings). This leaves French Demand down 18-19% for the year. A possible decline in the French market to 20% would indicate a complete exhaustion - or return to trend by year end. Importantly, the dramatic and exhaustive pull back in the current year, combined with the rapid acceleration of GDP sets the base for a real opportunity for rebound in 1998. We estimate above consensus that at least a 10%-11% recovery will occur under current conditions (adding Ffr3-Ffr4 to our Renault 1998 earnings estimate) and a 15% recovery on a poorer than expected finish this year. The move in GDP estimates from 2.5 to 2.8 alone added about 2Ffr to our 1998 estimate - a full percentage move in GDP could add about Ffr5. . Add any improvements in other economic fundamentals and the growth could be even better.

Exhibit 6

Reconciling Distorted Demand in France											
	1991	1992	1993	1994	1995	1996	1997E	1998E	1999E	2000E	2001E
Passenger Demand	2031	2106	1721	1973	1931	2132	1737	1927	1923	1949	1999
Vehicle Sales Growth	-12.0%	3.7%	-18.3%	14.6%	-2.1%	10.4%	-18.5%	10.9%	-0.2%	1.3%	2.6%
GDP Growth	0.8%	1.2%	-1.3%	2.8%	2.2%	1.5%	2.2%	2.8%	2.4%	2.4%	2.4%
GDP Correlated Growth	-5.2%	-3.7%	-13.6%	2.9%	0.5%	-2.4%	0.4%	2.8%	1.2%	1.2%	1.2%
Trend Demand	2,035	2,060	2,051	2,030	1,968	1,965	1,935	1,910	1,900	1,925	1,975
GDP Correlated Demand on 15 year trend of 2 million cars.	2,000	1,926	1,663	1,712	1,720	1,680					
GDP Correlated Demand Vs Actual		(180)	(58)	(261)	(211)	(452)					
GDP Correlated Demand Vs Trend		(134)	(388)	(318)	(248)	(285)					
Actual Vs Trend		(46)	330	57	37	(167)					
Cumulative Pent-Up Demand of Actual off Trend		(46)	284	341	377	210					
GDP Adjusted Pent-Up (Pull-Forward) Demand*			226	80	167	(242)					
Pull-fwd Dmnd Exhausted/Applied							(206) 85%	(36) 15%			

Renault Perfectly Positioned - Products

Renault's determined belt-tightening during the French demand trough will set the course for marked earnings recovery going forward but in the auto industry product, product, product drives the market share volumes necessary to unleash real value. Renault is currently approaching peak intensity (Exhibit 7) having renewed over 50% of model volume in the last 18 months. The new Megane and Espace have been taking market share (while materially impacting Renault's mix). Moreover, the Renault will launch an all new,

Exhibit 7

Europe's Top Six Manufacturer's Passenger Car Product Plan Intensity: Redesigned Vehicles and New Product Introductions									
1996 W.Eur. Vol.		Model Year						1996-2001E	
		1996	1997E	1998E	1999E	2000E	2001E	Total W. Europe	Average
2,199,431	VW Group (Includes SEAT, Skoda & Audi)								
	1996 volume of Vehicle(s) Replaced	201,096	923,901	139,548	527,602	157,931	258,990	2,209,068	368,178
	As % of Total 1996 -- CY Volume	9.1%	42.0%	6.3%	24.0%	7.2%	11.8%	100.4%	16.7%
	Memo: New Model Introductions	2	5	5	3	2	4	21	
1,528,526	PSA Citroen Peugeot								
	1996 volume of Vehicle(s) Replaced	60,369	374,634	189,344	173,494	393,451	6,188	1,197,480	199,580
	As % of Total 1996 -- CY Volume	3.9%	24.5%	12.4%	11.4%	25.7%	0.4%	78.3%	13.1%
	Memo: New Model Introductions	-	2	1	2	2	1	8	
1,434,264	Fiat Group (Excludes Ferrari & Innocenti)								
	1996 volume of Vehicle(s) Replaced	50,706	180,739	172,896	552,445	74,072	228,028	1,258,886	209,814
	As % of Total 1996 -- CY Volume	3.5%	12.6%	12.1%	38.5%	5.2%	15.9%	87.8%	14.6%
	Memo: New Model Introductions	2	1	3	1	1	4	12	
1,290,619	Renault								
	1996 volume of Vehicle(s) Replaced	426,016	95,075	383,458	207,874	219,507	93,840	1,425,770	237,628
	As % of Total 1996 -- CY Volume	33.0%	7.4%	29.7%	16.1%	17.0%	7.3%	110.5%	18.4%
	Memo: New Model Introductions	2	1	1	1	1	1	7	
6,452,840	Total Top Four								
	1996 volume of Vehicle(s) Replaced	738,186	1,574,350	885,246	1,461,415	844,961	587,046	6,091,204	1,015,201
	As % of Total 1996 -- CY Volume	11.4%	24.4%	13.7%	22.6%	13.1%	9.1%	94.4%	15.7%
	Memo: Average New Model Introductions	1.2	1.8	2.0	1.4	1.2	2.0	10	

Source: European Auto News, The Economist Intelligence Unit, Corporate Reports and Bernstein Estimates.

Exhibit 8

Key Volume Models (Greater than 5% of Volume) for Manufacturers by Segment										
Total Volume in E/C Segment	Zone of Competition									
	A	Percent of 1997 Volume	B	Percent of 1997 Volume	Year of Change (n=new/ redesign)	C	Percent of 1997 Volume	Year of Change (n=new/ redesign)	D/E	Percent of 1997 Volume
Renault	78%	Twingo	15%	Megane Clio	37% 25%	n1996 1996,n98	Laguna	15%	1994	
PSA	47%	106	20%	Saxo	18%	1996, n1997	306 ZX	19% 10%	1997 1997	Xantia 9%
Fiat	54%	Cinq/Seic.	10%	Punto	38%	n1999	Bravo/a	16%	n95,n01	
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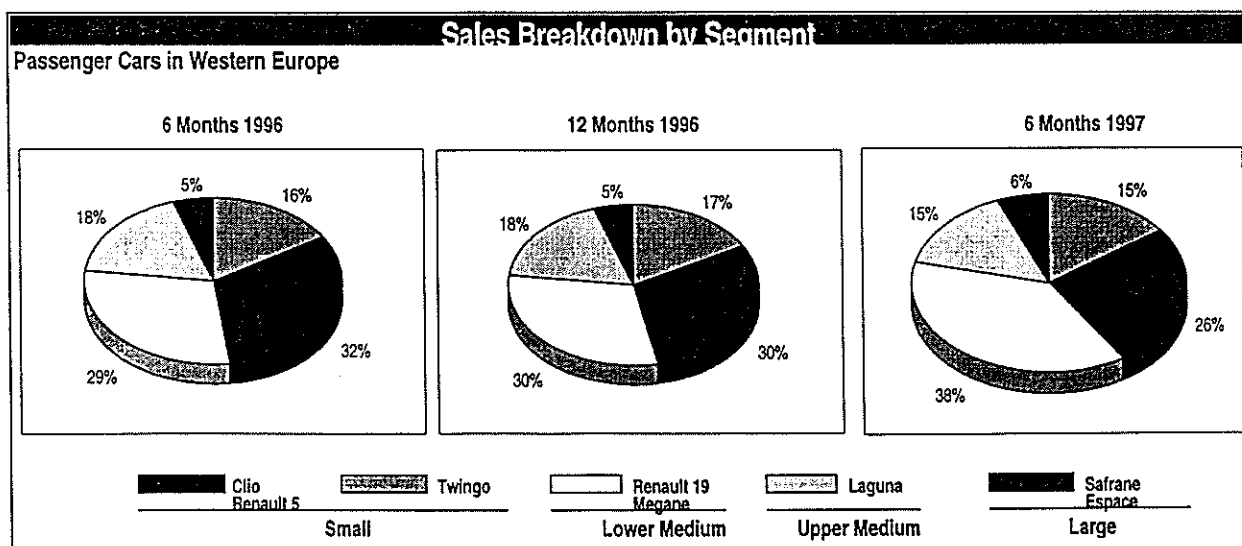
high volume Clio model into the Competitive Zone (Exhibit 8) next year. Renault's stated intentions of keeping production fresh are evident when measuring relative age of model design against the competition in the coming years (Exhibit 9). Renault is already leading the pack of European manufacturers with 1 current average design age of 1.6 years (with Volkswagen an impressive second at 2.2 years on a much broader product line). This lead will be further extended on the Clio launch next year.

The fresh Megane line (a new product effort with multiple product extensions) is not only turning over higher than anticipated volumes, on track for sales of 500,000-700,00 units annually, but is also a key mix sweetener (Exhibit 10). In 1996 the average realization for Renault's roughly 1.5 million passenger car sales was about Ffr100,000. The average price of the Megane line is more like Ffr125,000 - delivering 25% more revenues and a variable margin of about Ffr50,000 per unit to operating income. At the mid-year Renault has already enjoyed a Ffr2.5bn revenue mix enhancement. This trend, along with advancing market share (and with improving commercial vehicle orders) has led us to increase our top-line estimate for Renault to Ffr195bn for 1997 and to Ffr 206bn for 1998. At the operating level

Exhibit 9

Average Age of Design for Four European Volume Manufacturers												
RENAULT				PSA PEUGEOT CITROEN								
Model	1996	1997	2001	Model	1996	1997	2001					
Twingo	1993	1993	2000	New Model (A)								
Megane	1996	1997	1999	106			2000					
Clio	1996	1996	2001	205	1983	1983	1998					
Laguna/21	1995	1994	1999	New Model (Sub B)								
Safrane	1996	1996	2001	306	1993	1997	2000					
Sport Spider-new	1996	1996	1996	405/406	1995	1997	1999					
Espace	1996	1996	1998	605	1994	1994	1999					
	0.6 Years	1.6 Years	1.9 Years	806	1994	1994	1994					
FIAT				VOLKSWAGEN								
Model	1996	1997	2001	Model	1996	1997	2001					
Panda (excluded)	1980	1980	1980	Seat Arosa		1997	1997					
Palio	1996	1997	1997	Luppo			1998					
Epsilon	1995	1995	2001	Polo	1995	1997	2000					
Cinquecento/Seicento	1992	1992	1998	Passat / Wagon	1996	1997	2001					
Punto	1993	1997	1999	Beetle			1998					
Bravo/Brava	1995	1995	2001	Seat Ibiza	1993	1993	2001					
145	1994	1994	2000	Skoda Felicia	1994	1994	1999					
146	1994	1994	2000	Golf iv	1991	1997	1999					
Lancia Delta	1993	1993	1993	Jetta/Vento	1992	1992	1999					
Lancia Kappa	1996	1997	2001	Seat Cordoba	1993	1993	1998					
Marea (Tempra & Cromia)	1996	1996	1996	Octavia		1997	1997					
Alfa Romeo 156/155	1992	1997	1997	Seat Toledo	1993	1993	1999					
Lancia Dedra	1989	1989	1998	V8 Sedan			1999					
166/164	1988	1988	1998	Caravella / Kombi/ T4	1991	1991	2000					
Barchetta	1995	1995	2001	Sharan / Seat Alhambra (M	1995	1995	1999					
Fiat Coupe	1994	1997	1997	A3	1996	1996	2001					
Alpha GTV	1995	1995	1995	A4	1994	1994	2000					
Alpha Spider	1995	1997	1997	A6	1994	1997	1997					
Ulysse	1994	1994	2001	A8	1994	1994	2001					
Lancia Zeta	1994	1994	2001	TT/TTS Roadster			1998					
Fiorino			2000	Cabriolet	1995	1995	1995					
Multipla	1994	1994	1998		3.8 Years	3.5 Years	2.8 Years					
	2.3 Years	2.5 Years	2.5 Years		2.3 Years	2.2 Years	2.1 Years					

Exhibit 10

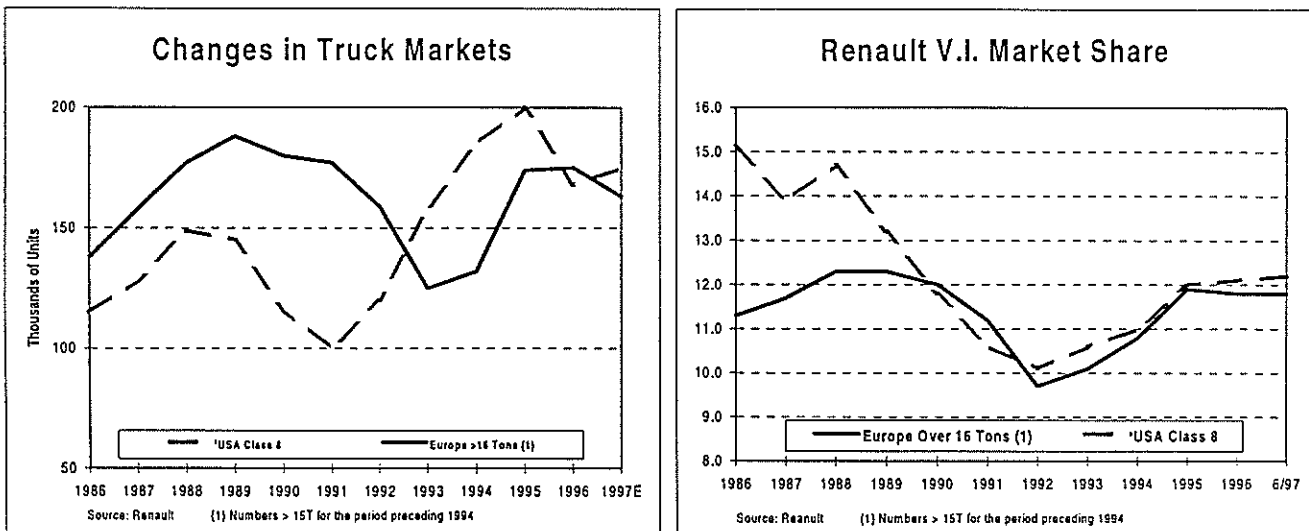


More Catalysts

When Ghosn was hired he was given the challenging mandate to change the direction of the company - which meant changing the internal culture of a formerly government owned and operated business in a socialist nation. The massive and costly restructuring for a more efficient production matrix has immediately impacted the operating line. The bold, and harshly contested, strokes of shutting down costly auto plants in Setabul, Creil and then a key plant in Vilvorde set the stage for internal revolution as well.. In a meeting with analysts last week, Ghosn affirmed that some of the greatest cost advances are still ahead as internal benchmarks and measurement systems, and pay for performance strategies are implemented. Renault has already separated the dealer network into an independent P&L center and negotiated a redefinition of employees from the manufacturing union in an order apply work rules more appropriate for a service business. This value releasing restructuring has also evident in the truck division. In a plan to focus on the core business, Renault has spun off the exhaust systems and wiring operations and has separated the transmission business into a joint venture. We expect much more value to be unlocked from this cost burdened truck maker as it's once totally vertically integrated operations are further streamlined.

If Renault decides to keep the truck division in the face of a fiercely competitive and consolidating global commercial vehicle industry, it will have to continue its cost and product focus. A product line that was renewed in 1996 is helping to accelerate a recovery in this division. A better-than expected improvement in the North American truck market and product lead market share gains for Renault V.I. have added just under a French franc to current year estimates and over a franc to 1998 estimates (Exhibit 11)

Exhibit 11



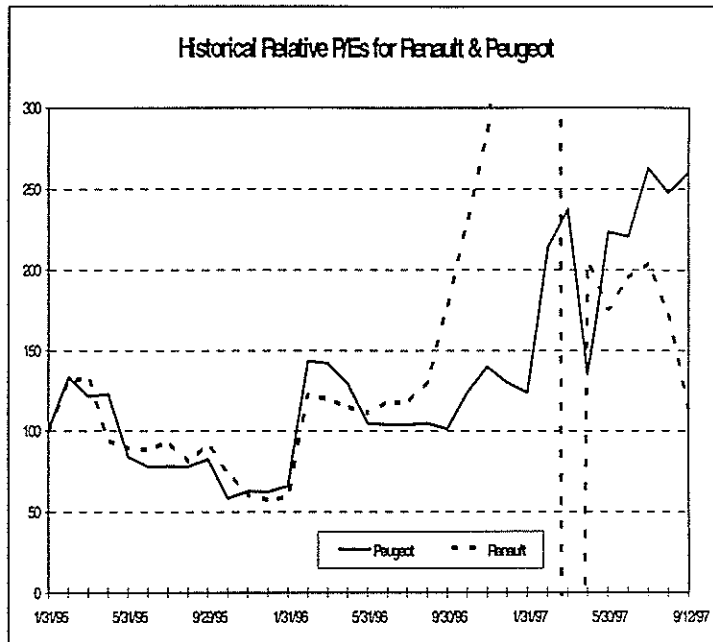
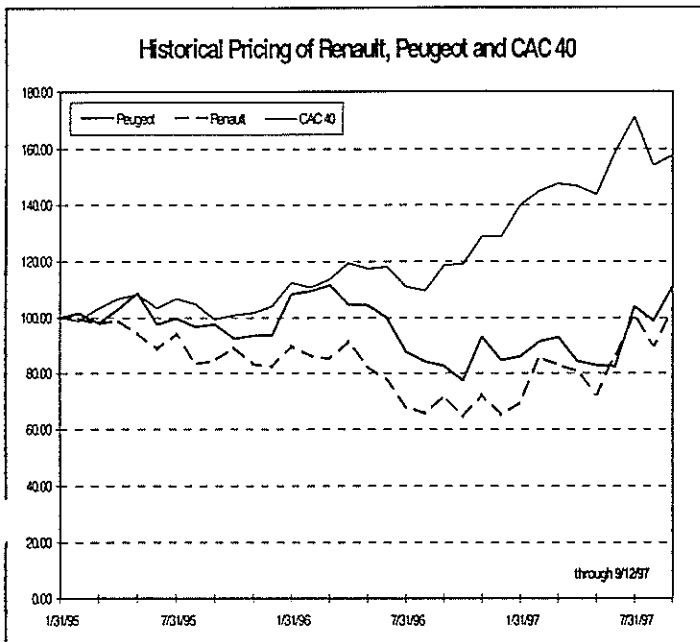
Another opportunity to add value comes with the reopening of negotiations with the French government to restructure the labor force at both Renault and PSA. The plan could allow Renault to replace 20,000 of the aging current workforce with about 7,000 younger employees - at half the wage rate. We estimate that this could save the company about Ffr5bn in labor costs or an impressive Ffr10 to Ffr15 per share.

Risks

A key risk for this company would come with a deterioration in the French economy. A reversal of currency winds could take away the export advantage that has been catalyzing growth in the economy. GDP revisions downward and a fall of automotive demand in France could be particularly damaging moving into 1999 as the external crutch of Italian incentive demand disappears. Both Renault and PSA have taken full advantage of the explosive demand in Italy to offset the severe current year fall off at home. In terms of product, the Clio launch in 1998 will be key to the maintaining the company's volume momentum and will need to be evaluated carefully relative competitive products. This car, like the Volkswagen Golf, has traditionally been a core stable product and is expected to hit the mark for value driven consumers..

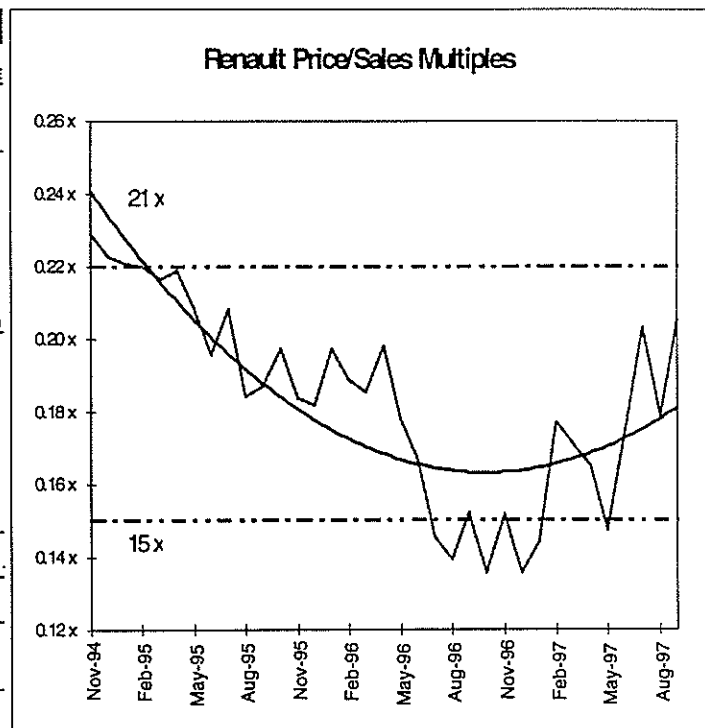
Investment Conclusion

Our analysis suggests that Renault has now made demonstrable progress on the road to recovery. We believe that the fundamentals are now in order to move this stock beyond the view of a speculative play and into the portfolio as sound investment. Until the market comes to embrace price to average earnings power and price to relative earnings, we believe the most important measures are earnings revisions and relative price to sales. Earnings revisions will be strong for Renault and we believe the price to sales ratio can reach about .25, resulting in a price target of 200-220 over the next 12-18 months. We see operating earnings recovering to Ffr 3bn in 1997 to Ffr4.6bn in 1997. We see earnings delivering 5fr per share in the current year and 16Ffr in 1998. Consensus is for Ffr1 in 1997 and Ffr10 in 1998. At the current P/E of 11 times 1998 earnings, this stock is at a discount to all of it's European peers. **We rate the stock an outperform**



Renault Group: Income Statement (French franc million)

	1991	1995	1996	1997E	1998E	1999E	2000E	2001E
Revenues								
Goods & Services	160,541	175,536	176,023	186,841	197,614	204,621	210,351	216,079
Financial	10,951	8,469	8,055	8,087	8,349	8,725	9,008	9,251
Total Revenue	171,502	184,005	184,078	194,928	205,962	213,346	219,359	225,330
Costs								
Cost of Goods Sold	128,407	144,959	147,036	151,792	158,634	163,784	168,207	172,491
Costs of Sales Financing	8,180	5,000	4,716	4,766	4,920	5,142	5,309	5,453
SG&A	22,103	23,406	25,002	26,730	27,228	27,744	28,233	28,620
R&D	8,509	9,220	9,125	9,813	10,090	10,394	10,666	10,995
Eliminations and Other Costs (Income)	(510)	221	689	546	471	67	(303)	(694)
Total Operating Costs	166,689	182,806	186,569	193,648	201,343	207,121	212,132	216,874
Operating Income before Restructuring								
Restructuring	4,813	1,259	(1,716)	1,280	4,619	6,225	7,227	8,456
Extraordinary Restructuring Costs			(4,217)					
Total Operating Income			(5,933)	1,280	4,619	6,225	7,227	8,456
Interest Income (Expense)	(657)	654	324	375	600	660	660	660
Other Income (Expense)	(157)	63	18	103	152	256	264	272
Income from Disposals				1,440				
Pre-Tax Income	3,969	1,976	(5,591)	3,198	5,371	7,131	8,141	9,377
Income Taxes	788	(305)	(379)	(1,800)	1,611	2,466	2,849	3,282
Income Before Minority Interest	3,181	2,281	(5,212)	4,698	3,760	4,635	5,291	6,095
Minority Interest	(103)	142	(18)	125	25	31	35	41
Net Income	3,284	2,139	(5,194)	4,573	3,735	4,604	5,256	6,055
Adjusted Net Income			(977)	1,143				
Shares Outstanding (MM)	226	237	237	237	237	237	237	237
Earnings Per Share	14.54	9.01	(21.89)	19.27	15.74	19.40	22.15	25.52
Adjusted Earnings Per Share			(4.12)	4.82				



Analysts' Earnings Revisions Continue Upward (Volkswagen)

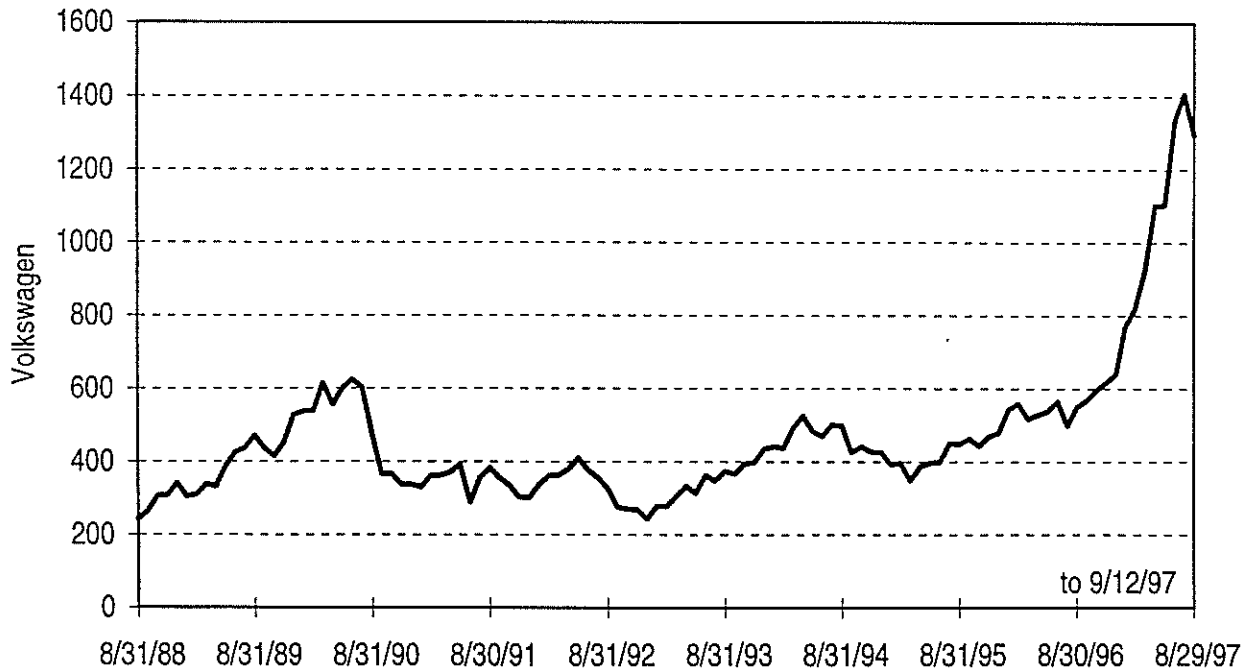
	MEAN		HIGH		LOW		1998	
	1997E	1998E	1997E	1998E	1997E	1998E	Revisions Upward	Revisions Downward
	Current	69.0	89.7	81.7	110.9	55.0	65.0	5
8/97	68.6	89.1	79.9	107.1	58.0	75.0	3	0
7/97	68.4	88.8	79.9	107.1	58.0	75.0	3	0
6/97	68.3	88.3	79.9	107.1	60.0	75.0	9	0
5/97	67.5	87.9	79.9	107.1	60.0	75.0	11	1
4/97	66.3	87.9	79.9	107.1	57.0	80.0	22	2
3/97	49.0	67.4	70.0	96.8	35.0	41.9	7	7

SCB

72	90
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1/B/E/S Estimates based on an average of 35-40 analysts.

Volkswagen Historical Pricing

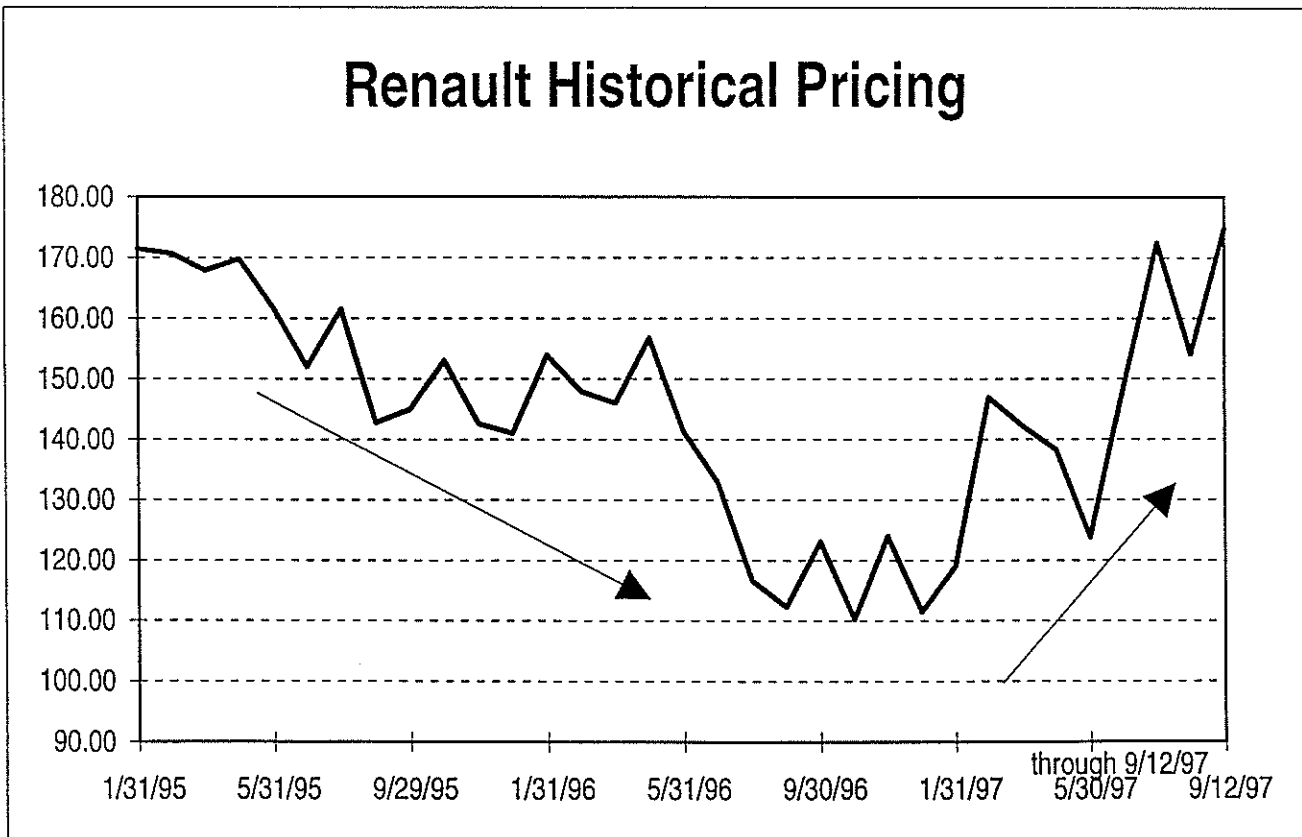


Analysts' Earnings Revisions Continue Upward (Renault)

	MEAN		HIGH		LOW		1998	
	1997E	1998E	1997E	1998E	1997E	1998E	Revisions Upward	Revisions Downward
	Current	0.52	9.55	5.40	17.47	-4.20	1.00	7
8/97	0.54	9.55	6.30	17.47	-4.20	1.00	9	1
7/97	-1.13	8.02	4.80	16.39	-9.70	-2.70	4	3
6/97	-1.60	7.71	3.30	16.44	-9.70	-2.70	7	2
5/97	-1.62	7.87	4.60	16.44	-7.70	0.20	5	0
4/97	-2.01	7.48	4.60	16.44	-9.80	-0.40	8	6
3/97	-9.70	-1.13	-1.00	5.27	-19.70	-9.80	3	15
2/97	-4.18	0.31	-0.80	5.27	-9.00	-10.00	1	16
1/97	-2.71	2.27	-0.80	6.50	-5.00	-3.20	1	4
12/96	-2.47	2.45	-0.80	6.50	-5.00	-3.20	1	16
11/96	-1.17	4.18	5.10	11.50	-8.00	-1.30	0	7
10/96	-0.17	4.93	5.10	12.10	-3.70	-1.30	0	12
9/96	1.94	7.13	7.15	13.10	-3.30	-1.30	1	18
8/96	4.63	9.85	9.00	14.60	0.00	4.70	1	10
7/96	6.15	11.37	13.10	21.00	0.00	6.50	1	5
6/96	6.88	12.21	13.10	21.00	0.00	6.50	2	11
5/96	9.12	14.14	13.10	21.00	5.00	7.70	2	7
4/96	9.92	15.15	13.40	21.00	5.10	9.43	2	12
3/96	10.91	14.95	16.60	28.90	8.20	9.00	0	10
2/96	11.10	15.60	16.60	28.90	8.20	9.20	1	13
1/96	11.74	16.76	16.60	28.90	6.90	11.90	0	13
SCB	5	16						

I/B/E/S Estimates based on an average of 35-40 analysts.

Renault Historical Pricing



Renault: Line of Business Analysis

RENAULT (French franc millions)	1991	1995	1996	1997E	1998E	1999E	2000E	2001E
European Auto Sales*	122,627	125,572	129,033	137,173	145,741	150,316	153,527	156,548
Non-Euro Auto Sales*	6,078	10,872	10,615	12,194	13,629	15,032	16,509	18,163
Industrial & Other*	5,267	6,170	6,314	6,725	6,994	7,274	7,564	7,867
Commercial	26,507	32,926	30,007	30,750	31,250	32,000	32,750	33,500
Financial	11,023	8,525	8,109	8,087	8,349	8,725	9,008	9,251
Consolidated Sales	171,502	184,065	184,078	194,928	205,962	213,346	219,359	225,330
European Auto Operating Income*	3,610	(1,924)	(3,373)	(686)	2,303	3,382	3,992	4,853
Non-European Auto*	109	218	221	261	316	370	420	459
Industrial & Other*	425	715	706	766	859	973	1,091	1,215
Commercial	(333)	975	(598)	(364)	(169)	84	243	401
Financial	1,002	1,275	1,275	1,303	1,311	1,416	1,481	1,528
Consolidated Operating Income	4,813	1,259	(1,770)	1,280	4,619	6,225	7,227	8,456
1996 Consolidated Operating Income Including Restructuring			(5,987)					
				1,280	4,619	6,225	7,227	8,456
Memo A: Auto Units and Sales								
Total Vehicle Unit Sales	1,876	1,744	1,788	1,838	1,933	1,980	2,010	2,037
European Vehicle Unit Sales	1,619	1,490	1,503	1,523	1,591	1,614	1,620	1,620
Rest of World Vehicle Unit Sales	256	254	285	315	342	366	390	417
Memo B: Operating Margins								
European Auto Operating Income*	2.9%	-1.5%	-2.6%	-0.5%	1.6%	2.3%	2.6%	3.1%
Non-European Auto*	1.8%	2.0%	2.1%	2.1%	2.3%	2.5%	2.5%	2.5%
Consolidated Auto Including Industrials	3.1%	-0.7%	-1.6%	0.2%	2.1%	2.7%	3.1%	3.6%
Industrial & Other*	8.1%	11.6%	11.2%	11.4%	12.3%	13.4%	14.4%	15.4%
Commercial	-1.3%	3.0%	-2.0%	-1.2%	-0.5%	0.3%	0.7%	1.2%
Total	2.8%	0.7%	-1.0%	0.7%	2.2%	2.9%	3.3%	3.8%
Memo C: Financial Subsidiary								
Assets (French Franc Billions)	110.3	111.2	116.7	124.8	133.2	138.2	142.1	146.0
Return on Assets (after tax)	0.7%	1.0%	0.9%	0.9%	0.8%	0.9%	0.9%	0.9%