

Renault Decided to Withdraw from Russia — No Immediate Rating Impact, But Will Have Moderate Downward Pressure on Financial Structure and Final Profit

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on Renault's decision to withdraw Russian business.

- (1) On May 16, Renault, a major European automaker, decided to withdraw entirely from Russia after signing an agreement to sell 100% of its Renault Russia shares to Moscow City entity and its 67.69% stake in AVTOVAZ to NAMI (the Central Research and Development Automobile and Engine Institute).
- (2) Although insulated from the direct risks arising from its Russian operations, Renault is likely to incur significant non cash impairment losses in excess of EUR 2 billion and loose moderate operating incomes generated from Russian business. JCR considers that it has no immediate impact on the rating, but will have moderate downward pressure on the company's financial structure and final profit.
- (3) On the other hand, Renault's sales volume in Europe, its main market, is likely to be lower than JCR's projection in 2022 due mainly to the economic impact of the Russian invasion of Ukraine and supply constraints. In the first quarter of 2022, Renault's global sales volume slumped by 17.1% to 551,733 units and group sales also decreased by 2.7% to EUR 9.7 billion due to the global semiconductor shortage and the impact of Russia's invasion of Ukraine. JCR will closely monitor the impacts on earnings, along with trends in the European auto market, and will reflect the impact on the rating.

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<Reference>

Issuer: Renault

Foreign Currency Long-term Issuer Rating: A- Outlook: Stable

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