



## **2012 Financial results, February 14th, 2013**

Thank you Mr. Thormann.

Good morning everyone.

As Dominique Thormann just showed you, Renault's financial situation is sound. However, our rapid international development has only partly made up for the very challenging economic conditions in Europe.

These results were obtained through the rigorous execution of our business plan, "Renault – Drive the Change."

### **[1- 2012: A YEAR OF CONTRASTS]**

2012 was a record-breaking year for the global automotive market, with almost 80 million units sold, or a 6-percent increase over the previous year.

#### **Direction de la Communication**

13/15 quai Alphonse Le Gallo – 92109 Boulogne Billancourt Cedex

Tél. : + 33 1 76 84 63 36

Sites : [www.renault.com](http://www.renault.com) & [www.media.renault.com](http://www.media.renault.com)

However, this record came with very different situations in Europe compared with the rest of the world.

In Europe, TIV declined by 8.6 percent, sinking to its lowest level since 1993. This decrease was much worse than our initial forecast of a 3- to 4-percent drop, which we subsequently revised downward as the year unfolded.

Outside of Europe, growth continued, fueled by the recovery in the U.S. and Japanese markets and strong growth in the BRICS.

In this environment, our non-European sales increased significantly, reaching a new milestone of almost 1.3 million units, up 9.1 percent over last year.

However, this strong performance was not enough to offset the decline in our European sales, with the result that our overall sales fell by 6.3 percent to 2.5 million units.

## **[2- 2012 COMMERCIAL OVERVIEW]**

Thanks to our international growth strategy based on products well-adapted to the various markets and sourced and assembled locally, Renault sold more than one vehicle out of two outside of Europe.

Three emerging countries are now among our top five markets: Brazil, Russia, and Argentina, respectively second, third and fifth.

In Europe, on the other hand, while Dacia succeeded in maintaining its market share, sales of the Renault brand declined by 18 percent, or by 280,000 units. What was the reason for this?

First, in addition to the decrease in TIV, we suffered from an unfavorable country mix. The decline was especially sharp in our main market, France, which represents 22 percent of our total sales, as well as in Spain and Italy, where we also have large market shares. This accounted for two-third of our decline in 2012.

The remaining one-third came from the underperformance of our ageing product line-up and from our commercial strategy in the UK.

Concerning our product line-up, 2012 was a transition year, with the majority of our product launches coming at the end of the year. On the French market, A-segment cars suffered the most – and Twingo in particular – because of our refusal to get involved in a price war that is unsustainable over the medium term and damaging to the brand.

In the UK, we reduced our product offering and decided to halt consistently unprofitable sales. This led us to reduce the size of our dealer network.

**[3- FCF TARGET ACHIEVED]**

Even though we did not reach our sales objective for the reasons I just pointed out, we managed to achieve our main target, which was positive automotive operational free cash flow for 2012.

We chose free cash flow as the main key performance indicator for two reasons:

First, to demonstrate that Renault is able to create value on its own, and in so doing, obtain a better valuation for its business.

Second, because we need to generate free cash flow to ensure the complete deployment of our strategy.

We are going to continue to invest in four areas:

- Modernization and adaptation of our industrial base in France
- International expansion, particularly in China
- Our technological innovation policy with our range of electric vehicles
- Renewal and expansion of our product line: Clio IV, Captur, New Logan and New Sandero are some concrete examples

#### **[4. 2012: WE STAYED THE COURSE]**

We intend to secure sustainable growth for Renault using five main levers:

- Renewal and expansion of our product range
- Expansion in emerging markets

- Synergies from the Alliance and our other strategic partnerships
- Investments in technological developments
- Quality and customer satisfaction

We reached important milestones in all these areas in 2012.

**Regarding product renewal**, Clio IV was launched in September, marking a breakthrough in Renault's design and brand identity.

The successful launch of the New Sandero in Europe gave additional support to our product offensive.

**Regarding our expansion outside of Europe**, we achieved several key milestones, with the start of production at the Tangier plant, sales growth in India, and the new partnership with AVTOVAZ.

A new production line was inaugurated in Togliatti for three brands, Lada, Renault and Nissan, with Renault vehicles going into production in the second half of 2013.

We also signed an agreement for the construction of a plant in Algeria, a market where we sold more than 100,000 units last year and where we are the leader, with a 26% market share.

**Regarding our partnership development**, we accelerated the synergies with the Alliance, which amounted to over 2.3 billion euros last year, of which 1.05 billion benefited Renault.

But the Alliance's contribution to Renault does not begin and end with a mutual reduction of costs or the payment of dividends to Renault shareholders.

It also contributes to employment in France and to the use of our industrial capacities. I would note that 40 percent of the engines manufactured at Cléon are intended for Nissan and that we are already producing a Nissan light commercial vehicle at Batilly.

From an international perspective, I will take the example of India, where Renault is benefiting from the Nissan plant at Chennai, where we are building our Duster.

In addition, we entered an operational phase with Daimler, with whom we have produced the first Mercedes-badged LCV, called Citan, at Maubeuge.

This partnership is gaining momentum, with more than 10 active projects now under way, including production of Smart and Twingo on a common platform.

Regarding **innovation**, we are regularly cited for the ecological performance of our engines. With the launch this year of our new Energy TCe 130 gasoline engine, we will have a range of nine engines with low CO2 emissions. Twelve vehicle models will be equipped with these engines.

As a result, our European range will emit less than 120g of CO2 per kilometer, thus meeting our commitment.

Last, by revamping and optimizing our **quality** processes, we earned excellent ratings in 2012: in Germany, in the ADAC rankings; in France, in the latest Automobile Magazine surveys; and in the most recent SOFRES “New European Vehicle Quality Survey.”

And last, Clio IV was named one of the safest cars in its category in the Euro NCAP rankings.

## **[5 – 2013 TIV OUTLOOK]**

I will now turn to the outlook for 2013.

Our forecast is that global TIV will grow by 3 percent, with record sales of more than 81 million vehicles. As you can see on this slide, growth will be driven by regions outside of Europe.

In Europe, we are expecting a decrease in TIV of at least 3 percent, with the French market down 3 to 5 percent. Overall, the European auto market is likely to be at its lowest point since 1993, and in countries like Italy and Spain, at its lowest point in 30 years.

Outside of Europe, Eurasia should continue to benefit from the positive momentum in Russia, where we expect 5-percent growth.

The Euromed-Africa region should have a growth rate of around 7 percent, but with more modest gains in our two main markets, Algeria and Turkey.

In Latin America, growth of 3 percent is expected. Brazil, our largest market, should see slightly slower growth of about 2 percent.

Growth in the Asia-Pacific region is expected to be 3 percent, but with China up 9 percent and India 11 percent.

Based on these forecasts, we expect to register higher unit sales this year and to gain market share in all regions, including Europe.

I will now turn to our main growth and profit opportunities for 2013.

#### **[6-A - 2013 OPPORTUNITIES: INTERNATIONAL DEVELOPMENT]**

In **Brazil**, we set a new record last year with a 24-percent increase in sales and a 1-point gain in market share. To reinforce our potential in this market, we increased production capacity by 100,000 vehicles per year in our Curitiba plant, bringing total capacity to 380,000 vehicles.

After the success of the Renault Duster, we will benefit from the launch of the new phase of Clio 2, called Novo Clio, which will round out our offer in the largest segment of the Brazilian market. The Master will reinforce Renault's presence on the LCV market. We are also going to introduce the new Renault Logan.

To increase our capacity, we had to halt production for two months, which will have a negative impact on our first-half sales. With

production having just resumed at the plant, we are expecting an upturn in sales in the second part of the year.

In **Russia**, Renault also set a new sales record in 2012: an increase of 22.7 percent, with a market share of 6.5 percent. Russia is now Renault's third-largest market, and Renault Duster, launched in March 2012, has been the top-selling SUV in Russia for more than three months.

We increased the Moscow plant's capacity to 185,000 vehicles per year by introducing a new organization modeled on Nissan best practices in Mexico.

As we announced last December, the Renault-Nissan Alliance and Russian Technologies have created a joint venture that controls AVTOVAZ. Renault will become the majority shareholder in the joint venture in 2014.

This new structure will allow us to accelerate Russian product launches and fully leverage the potential of Europe's fastest-growing auto market.

Renault-Nissan and AVTOVAZ will have production capacity of 1.7 million cars a year in Russia starting in 2016, which should allow us to reach a 40-percent market share.

In **India**, we managed a strong turnaround of our business by leveraging the Alliance with Nissan. Thanks to a product line-up expansion and the big success of the Renault Duster, voted "car of

the year 2013”, we were able to earn a one-percent share of the Indian market in a few months, after many unsuccessful years in this country.

We will accelerate the pace of growth in 2013 by expanding our dealer network from 90 to 130 franchises, allowing Renault to cover geographically more than 90 percent of the Indian market, though only in a very small number of segments.

In addition, we are using the Alliance plant in Chennai not only for domestic production, but also to supply Duster to markets like the UK and Ireland.

In **Korea**, we launched our Revival Plan in January 2012. After reducing our headcount, we will improve the attractiveness of our line-up and the localization of our supplier base. We moved from 60% localization in 2011 to 70% in 2012, and we should reach 80% by the end of the year.

The positive feedback we have had on our SM3 and SM5 models, launched at the end of 2012, is very encouraging. And before the end of 2013, we will introduce Captur and SM3 Z.E.

The next milestone in Korea will be the production of 80,000 Nissan Rogues for export starting in 2014.

To conclude, a few words concerning **China**, our next frontier. We sold 30,000 cars in China last year on a market of more than 18 million units.

We are now going to set up a plant there, drawing on Nissan's successful experience and on a network of local suppliers. We also plan to offer a wider range of products. We hope to get the approval from the Chinese government in 2013.

## **[6B – 2013 OPPORTUNITIES: IMPROVING PROFITABILITY IN EUROPE]**

Even though growth in the future will continue to be driven by emerging markets, Europe remains a key market for Renault, offering significant potential for improving our performance.

We are facing a difficult situation in the European market, notably in southern Europe. However, we think it is possible to do better in this market in 2013 through our product offensive.

First, we will benefit from the sales of vehicles launched at the end of 2012, which are already promising to be very strong.

For the Renault brand, Clio IV has already proven its popularity, with more than 95,000 orders so far.

And with Zoe, we are offering the first truly all-electric vehicle. It rounds out an already-strong Zero Emission range with three other vehicles: Twizy, Fluence Z.E. and Kangoo Z.E.

Our product offensive will continue this year with the launch of Clio Renault Sport and Clio Estate.

The urban crossover Captur, to be launched in March at the Geneva Motor Show, and which you saw at the entrance, will allow us to compete in a fast-growing segment that should represent 340,000 units this year in Europe.

We will also continue our styling renewal with new front-ends for Kangoo and Scenic and the introduction of a crossover-inspired Scenic.

Also, New Logan and New Sandero will continue to fuel the success of our European entry range in addition to the positive impact of Lodgy and Dokker, launched last year.

Our goal is to get back to growth in Europe and to position Renault as the number-two brand in the market in a sustainable manner.

Achieving this objective will involve renewing and expanding our range as well as improving the efficiency of our marketing and sales operations.

## **[7- 2013 : INCREASED COMPETITIVENESS]**

Because of current market conditions in Europe, we must improve the competitiveness of our European industrial base.

In Spain, we signed an agreement in November 2012 that will help us to do this.

In France, competitiveness is a national issue. The government has taken positive steps to deal with it, but we must also act at the level of our company.

This is the aim of negotiations that began three months ago. I am very hopeful that we will soon be able to sign an agreement that will increase the workload at our French plants.

Despite the difficult economic conditions, we have maintained our investment policy. We did not cancel any project of note in 2012.

For example, we are developing a common platform with Nissan, called CMF1, which will be ready at the end of the year. In the future, will produce New Laguna, Espace and Megane on this new platform.

## **[8- 2013 OUTLOOK]**

Provided that the 3-percent decline forecast for the European market and the 3- to 5-percent decline forecast for the French market are not significantly exceeded, Renault's targets for 2013 are the following:

- An increase in sales volumes
- A positive automotive operating margin
- A positive operational free cash flow

This should enable us to achieve, as planned, our objective of a cumulative free cash flow of 2 billion euros for the period 2011-2013.

## **[CONCLUSION]**

The sharp contraction of the European market prevented us from achieving our sales target in 2012. However, we stayed the course and exceeded our free cash flow objective.

Renault is emerging stronger from the very turbulent period that began with the financial crisis in 2008:

- We have stabilized our presence in all our markets in terms of volumes and profits, and we have laid the foundations of our recovery in Europe.
- We have deleveraged the balance sheet and now have a net cash position for the first time in almost 15 years.

We have accomplished all this thanks to a strong and well-adapted strategy that we have executed consistently and rigorously.

With this strategy, with the Alliance, and with our new product line-up, Renault has all it needs to confront the many and difficult challenges that lie ahead for the automotive industry.

I would like to note here that our strategy is both pragmatic and unique.

It is pragmatic because, like all carmakers, we focus on five key factors of survival:

- Quality products and services
- Design
- Competitive costs
- Standardization and common components
- Development in emerging countries

It is unique because we are the only one to have formed a successful Alliance and to have very productive strategic partnerships.

We are the only one to have developed a highly profitable entry range by adopting an innovative business model.

The only one to develop a sub-entry range, which allows us to offer a low-cost vehicle in emerging countries.

And last, the only one to offer a complete range of Zero Emission vehicles.

The recession in the European market in 2012 widened the gap between carmakers.

Some have emerged from it considerably weaker, and some stronger.

Today, Renault is at a crossroads.

Our objective is to get back among the leaders.

Our strategy is forceful, clear, and well focused; and we can count on our employees' commitment to excellence in their jobs.

In 2013 the focus will be on growth and performance.

Thank you for your attention. I will now be pleased to answer your questions.