



Transcript chat Sales Results Half Year 2013

Hello everybody! Welcome on the chat with Jérôme Stoll.

Good morning. Thank you for joining us on this chat on the Renault Group's S1 sales results. The press release and illustrated presentation of the results was published one hour ago. You must have noticed that our international sales have increased and include remarkable performances on key markets such as Russia or India. In Europe, we have done more than resist with increasing market shares in France and in the rest of the region. Our performance in Q2 is globally better than Q1, which places us in a positive dynamic for the second part of the year. I am now available to answer your questions and delve into these results and our future prospects.

Gilles Guillaume / Reuters: Do you confirm the annual Group goals (at least for the sales and also maybe margin and free cash flow)? Can you refresh your market forecasts (-5% in France and Europe, +3% in the world)?

Yes, we confirm our sales objectives for 2013. Remember that we talked about increasing sales compared with 2012 and an increase in market shares in Europe.

Given the new product range and the success of these products, given the international dynamic, we therefore confirm the objectives we had set (as long as the markets don't deteriorate more significantly than today).

With regard to these markets, we have integrated in these forecasts a decreasing European market (- 5%) and a decreasing French market (-8%).

Florence Lagarde / Autoactu.com : Do you think you will be able to maintain your market share in Europe throughout the whole year and can you confirm the growth objectives in volumes in 2013?

We confirm our growth objective for market shares in Europe. This relies on the renewal of our range in Europe, the success of Clio 4 (leader in France), on Captur, whose success is beyond expectations, and on Sandero and more generally on the Dacia range which continues to superperform.

The Dacia brand is actually the brand which has most progressed in Europe over the first semester.

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Mathieu Rosemain / Bloomberg News: Do you see a potential of an extra drop of the French market, compared to other countries such as Spain or Italy?

We must keep in mind that the reference of our 2nd semester 2012 was already low.

We consider that the French market should not deteriorate more than 8% throughout 2013.

David Pearson / Dow Jones / Wall Street Journal: Can you expand a little on why you are revising downward your growth forecast for the world market to 2% from 3%?

China has downsized its first semester market. Furthermore, we have noticed a deceleration in some emerging countries such as Russia or India, but this hasn't affected our remarkable sales performances in these countries.

Kostas Bitsikokos / Newsauto.gr - Proto Thema Newspaper: Mr. Stoll, do you believe that more crossovers in your line-up, bigger than Captur, will increase your sales in the years to come?

We already have a SUV / Crossover called Duster, which is a genuine cornerstone of our commercial development.

It is now the car which is most sold throughout the world (189,000).

We have Koleos, which is now a much appreciated vehicle, notably on the Chinese market.

We have just launched a Crossover in the B Segment, called Captur, which has turned out to be a huge commercial success.

Actually, this vehicle is leader in France in its segment since it was launched.

It is clear that customers are looking for this type of product and we have integrated this market trend in our product plan.

Florence Lagarde / Autoactu.com : How is the launching of Captur going on ? How many orders since then and are they in line with our objectives?

Captur is commercialized in France and started being commercialized in the rest of Europe in spring.

We already have 20,400 registrations in Europe, and our order book is now way above our objectives, which shows the remarkable success of this product.

Another satisfaction is the mix of versions which is, here again, above our objectives with a stronger request for the higher versions.

We shall continue deploying internationally, firstly in the Euromed region and then in the rest of the world, notably with the QM3 (version derived from Captur) in Korea.

Ali Hammami / www.7pm-auto.fr: Does the decision to transfer 200 employees from Palencia to Valladolid means the end of such type of cars as Mégane (production stopped in Colombia since 2009)? Do you think this segment has a future?

The rebalancing of our production employees between these two plants, which are very close from a geographical point of view, shows the success of Captur, as soon as it was launched.

Of course, the Mégane remains at the heart of our commercial range.

Cyrille Pluyette / Le Figaro: Can you give the sales of the entry range in the first half, and their progression. What is your prediction for this range for the whole year?

The M0 range represents 40% of the Renault Group's volumes for S1 2013.

The Renault brand makes 30% of its sales with the M0 range over the same period. With the same platform, Dacia now represents 16% of the Group's sales.

These figures show that the M0 range is a genuine asset for the Group's international expectations.

Please remember that the M0 range includes 7 models.

Michael Knae / Automobilwoche : Bonjour, what are your plans for Dacia in Europe? Will the role of the brand for the Renault Group even rise or shall it stay at the actual level? And in terms of earnings, can you tell us what is the share that Dacia takes in your overall operating income actually and in the future?

On July 26th, the Group shall communicate in details on the financial results. I would suggest you address all your questions which relate to finances on this occasion.

Now, concerning Dacia in Europe: I told you a few months ago that our objective for Dacia was to reach 2% of the European market and we have now reached this level.

And success is still here as we can see from the very strong demand for products, such as Sandero.

These figures show how right we were with regard to the product offer which perfectly answers requests for a "smart purchase" to which more and more customers relate to.

As an example, I will mention the pic-nic organized several days ago near Paris which 15,000 fans attended, fans that are proud of their car and their belonging to this smart purchase community!

With regard to the development of the Dacia Brand, it focuses on two regions: Europe and Euromed.

Jean-Pierre Genet / L'Argus de l'Automobile : In what extent is Renault affected by the tightening of sales conditions in Iran? Which sales volume do you plan in this country in 2013?

We sold 53,000 vehicles over the first semester 2012. We sold 28,000 vehicles over the first semester 2013.

This drop is mainly related to the political environment of this country and not at all to the commercial success of our vehicles.

Since June, the American government has reinforced the embargo on this country and has extended it to the car industry.

It is clear that this measure will have an impact on our commercial performance in this country. While obviously complying with international law, we are looking how we can adapt to these measures.

Arielle Goncalves / Les Echos : What about your Chinese projects? Do you think you will have the green light from the government before July 31?

The Chinese market remains at the heart of our international development strategy. We are currently only a player on the built-up market.

Our strategy therefore depends on an industrial implanting, which will be made through our partner Nissan (Dongfeng), with whom we are finalizing an agreement.

We are now awaiting final authorizations from the Chinese Authorities.

Barkat / Compétition : What represents for you the Algerian market. And in what way do you think that it will evolve in the future? Thank you.

The Algerian market is our 6th market in size, which shows how important it is to us. It represents 26.5% of market shares, ie. 67,000 vehicles.

Logan is the vehicle most sold on the market and Clio 4 comes third.

We now have an industrial project.

It is in this context that we signed a Joint Venture in December with the Algerian administration for a local production as of mid-2014.

Globally, the Algerian market has increased by 13.4%, but it is showing a few signs of loss of impetus.

Florence Lagarde / Autoactu.com : A few months after the launching of ZOE, what is the first analysis you can do on the challenges of this market segment and its development?

We have 4,770 registrations with ZOE, which represents 29% of the European Electric

segment market.

The development of the electric market is clearly slower than expected due to public infrastructures which are still scarce.

It is too early to take stock of the situation as ZOE was launched not so long ago.

But the feedback we received from our first customers show that they are very satisfied with this vehicle (road behaviour, driving enjoyment and more globally vehicle design). Beyond these 'early adopters', we hope that ZOE will help us convince a second group of customers who feel concerned by protecting the environment, are sensitive to the absence of noise, to low costs of use and more globally to the serenity felt whilst driving.

Electric vehicles are a different way of answering mobility needs which integrate these new practices for clients.

It is our job to demonstrate all the advantages that the customer will discover.

David Pearson / Dow Jones / Wall Street Journal: Is pricing pressure in the industry easing or intensifying in Europe? How are you dealing with it?

In a market in recession, it is rare that the pressure on prices decreases.

However, with the renewal of our range and the attractiveness of Clio and Captur, we have noticed an improvement on our price positioning, which shows our will to sell our products at their fair value.

Thank you very much Jérôme Stoll, a word to conclude?

Thank you for the quality and variety of your questions. We promise to answer all the questions that were not addressed during this chat as soon as possible. As you understood, we have now largely started to renew our range of products. The first months have been very successful. We have sized up our international industrial tool. We are therefore confident that in 2013, we will go beyond our 2012 international sales and win back market shares in Europe.

QUESTIONS NOT ASKED DURING THE CHAT

Gilles Guillaume / Reuters: What are the market-share figures for Europe for the first and second quarters?

Our PC/LCV market share in Europe in the first half was 9.2%, practically stable on the same period last year (-0.1 points). There was nevertheless a significant improvement in our sales performance in the region in the second quarter, with market share of 9.4%,

up from 8.9% at the end of the first quarter. This can be attributed in particular to the first benefits of the renewal of our Renault and Dacia product ranges and the success of our recently launched models, in particular New Clio and New Sandero.

Romain Fongsegrives / AFP: Your forecast for 2013 is the same as in January, i.e. an increase in worldwide sales on 2012. Do you have an actual figure?

We are not releasing any figures for this forecast.

Jean-Pierre Genet / L'Argus de l'Automobile: Aren't you afraid that a slowdown in growth outside Europe could jeopardize your worldwide targets?

We have just shown that in falling markets, particularly Russia and India, the appeal and suitability of our product range, combined with the right-sized manufacturing capacity, have enabled us to increase volumes and market share. Our international strategy, with strong positioning in several countries around the world (Brazil, Russia, India, North Africa, South America, etc.), makes us less dependent on the growth trend in any one country. We are now well equipped to handle fluctuations in growth in the global automotive market.

Laurence Frost / Reuters: Do you expect the French market to decline further in 2014? By how much?

It is still a little early to forecast the level of the French market next year. Especially as upcoming tax measures could have an impact on that market. We will release our estimates for the French market in 2014 when we deliver our annual sales report in early January.

Cyrille Pluyette / Le Figaro: To what do you attribute the slowdown in growth outside Europe? Is it only because of Brazil? What is your estimate for Brazil for the year as a whole?

We can observe a slowdown in global growth in the first half, not only in Brazil but in various other markets too, particularly China and some emerging countries like Russia and India. In Brazil the slowdown is more recent. We want Renault to take a higher market share in Brazil in 2013 than in 2012, despite the decline in volumes due to the closure of the Curitiba plant for building work.

Cyrille Pluyette / Le Figaro: In which emerging markets are you expecting the biggest slowdown? What are your estimates for Brazil, Russia, India, China and Turkey?

Growth outside Europe will definitely slow (the global market is expected to grow by 2%). We are expecting the Indian and Russian markets to contract by -6% and -5% respectively. Conversely, we expect the Brazilian market to grow by 2%. And the Chinese market should expand by around 12%. Despite the slowdown in growth in these markets, we expect to do more than remain steady, by growing our worldwide

sales volumes on the basis of our range of attractive products that meet the needs of our international customers.

Gilles Guillaume / Reuters: How many sales did the Entry range generate in Q1, Q2 and H1? What is your estimate for the share of international sales in total sales at year-end?

The M0 (or Entry) range is a real success and is particularly suited to our international customers. It accounted for 40.2% of the Group's volumes in the first half, and was higher in the second quarter (41%) compared with the first quarter (39.4%). International sales accounted for 49.6% of our total sales in the first half of 2013, up 2.9 points on the first half of 2012. With the increase in growth, international sales should account for slightly more than 50% of total sales for the full year.

Jean-Pierre Genet / L'Argus de l'Automobile: What was the sales volume of the Entry range (Dacia + Renault) in the first half?

Our Entry range sold 524,345 units in the first half of 2013, compared with 456,497 units in the same period last year (+14.9%).

Laurence Frost / Reuters: To ask Cyrille's question again: Could you give us the sales *figure* for the Entry range in the first half of 2013 and the first half of 2012? (rather than a rounded-off percentage)?

As indicated in the answer to Jean-Pierre Genet's question, our Entry range generated sales of 524,345 units in the first half of 2013, compared with 456,497 units in the same period last year (+14.9%).

Gilles Guillaume / Reuters: Can you give up comparisons for the Entry range with 2012?

The Entry range generated 953,570 sales in 2012, which was 37.4% of total Group sales.

Florence Lagarde / Autoactu.com: Has your policy of maintaining price levels and preserving margins led to trade-offs that are hurting volumes in Europe? If so, in which countries and customer segments?

Our pricing policy is part of an overall strategy to make the Renault brand more attractive. It is underpinned by:

- Levels of quality and reliability now recognized by independent bodies such as ADAC in Germany.
- Design that is attractive again, which can be seen in our customers' excellent response to New Clio, Captur and ZOE, and in the 2012 Golden Steering Wheel awarded to New Clio by German magazines *Bild Am Sonntag* and *Autobild*.
- Fuel engines of the highest standard in the industry in terms of reliability, fuel consumption/CO₂ emissions

- Innovations that benefit everyone. I am thinking, for example, of our Zero Emissions range, and our embedded multimedia systems like R-Link and Medianav.

At the same time, we have chosen to focus on the most virtuous sales channels. We have increased our market share by 0.4 points in sales to retail customers (France, Germany, Nederland, Belgium + Luxemburg at end-May) and by 0.3 points in sales to fleets. Conversely, we have left aside the short-term car hire channel (-2.3 points).

This is therefore a medium and long-term strategy for the brand. We will not deviate from this course. With European sales in the second half significantly higher than in the first half, you can see that the renewal of our range and the revitalization of the Renault brand are paying off.

Jean-Pierre Genet / L'Argus de l'Automobile: With tougher US sanctions, do you expect your sales volumes in Iran to go down in the second half?

We sold 53,000 vehicles in Iran in the first half of 2012 and 28,000 in the first half of 2013. The decline is mainly due to the political environment in Iran and has nothing to do with the commercial success of our vehicles. In June of this year, the US government tightened the embargo against Iran by extending it to the automotive sector. This measure will clearly have a negative impact on our sales performance in Iran. While complying with international regulations, of course, we are nevertheless looking to see how we can adapt to those measures.

Arielle Goncalves / Les Echos: What impact will tighter international sanctions against Iran have on your business? Is there a possibility you will suspend deliveries?

We sold 53,000 vehicles in Iran in the first half of 2012 and 28,000 in the first half of 2013. The decline is mainly due to the political environment in Iran and has nothing to do with the commercial success of our vehicles. In June of this year, the US government tightened the embargo against Iran by extending it to the automotive sector. This measure will clearly have a negative impact on our sales performance in Iran. While complying with international regulations, of course, we are nevertheless looking to see how we can adapt to those measures.

Moncef Ben Hayoun / Le Matin: Can you give us the worldwide sales figures for the vehicles manufactured in Morocco (particularly those made at your plant in Tangiers-Med) in the first half?

Tangiers is the only site where we manufacture three Entry range vehicles designed for the world market: Lodgy, Dokker and Dokker Van. These models are gradually being released in regional markets and Europe.

Lodgy was released in France in April 2012. Sold in around 40 countries, it has generated 29,500 registrations since January 2013, mainly in Europe. In Turkey, and in the Euromed-Africa Region as a whole, Lodgy is the top-selling MPV.

Dokker and the LCV version Dokker Van were launched in June 2012 and are now marketed in 28 European countries and Morocco. A total of 21,100 Dokkers (11,100 PCs and 10,000 LCVs) had been sold at end-June.

Moncef Ben Hayoun / Le Matin: What are the main markets for the vehicles you manufacture in Morocco?

There is a difference between the vehicles that are manufactured exclusively in Morocco, i.e. Lodgy and Dokker, and the vehicles that produced in Morocco as well as in other Group plants around the world. As indicated in the previous answer, Tangiers is the only site where Lodgy and Dokker are manufactured for regional markets and Europe. Kangoo, Sandero and Logan, which are manufactured at the Somaca plant in Casablanca and at other sites around the world, are designed for Morocco and other markets in the Euromed-Africa Region.

Ali Hammami / www.7pm-auto.fr: ZOE: 3,582 units sold in France, 1,188 in other countries, 2.4% of Renault orders in France. Is this satisfactory?

We sold more than 10,000 electric vehicles worldwide in the first half of 2013, including 4,770 ZOE. Our volumes are rising steadily, despite slower-than-expected installation of public recharging infrastructure. The European market has not grown as fast as expected (roughly 30% to 40% below estimates), also because the offering is still small and uncompetitive. But the EV offensive has taken a new turn with ZOE, which has been widely sold since March 2013. ZOE is the first electric vehicle sold by Renault in a mass-market segment with an adapted concept, a competitive price (and in some cases, even highly competitive because of tax breaks) and a very successful design. We will therefore have a much clearer picture of the potential of the French and European electric vehicle markets at end-2013 after an initial evaluation of ZOE.

Julio Andrés González Pérez / El Norte Castillan: What is the sales trend for Captur since it was launched and how are Twizy sales going this year?

Captur is Renault's first city crossover. The network and your colleagues have been enthusiastic. Captur was released across Europe in the spring and is now starting its international rollout. It is also keenly awaited in South Korea, where it will be released at the end of the year under the Renault Samsung Motors badge.

At end-June, Captur sold 20,400 units, of which 11,300 in France. That is an excellent performance, well above our sales targets. The initial results for France are also significant because Captur has been No.1 in B-segment crossovers since it was launched.

Twizy is still seen as a vehicle with a highly innovative design, a concept car image. It sold 1,650 units in the first half, compared with 6,000 last year. I see two reasons for the downturn:

- Twizy enjoyed maximum media coverage when it was launched in early 2012 and the novelty effect generated strong sales, especially among early adopters or trendsetters, marketing terms for customers who are the first to purchase innovation/originality and adopt novelty in any sector.
- The economic environment in 2013, combined with cold, wet weather in France in the first half, did not help the model, whose features make it sensitive to the season. For the sake of comparison, the motorcycle market in France declined by 17.8% in H1 2013 compared with H1 2012.

Now Twizy has reached a cruising speed that is consistent with a niche model for a specific type of use. It has the youngest, most affluent customer base of the Renault range and enjoys a very 94% high recommendation rate among users.

Ali Hammami / www.7pm-auto.fr: Is the Prêt à Partir (Ready to Go) sale in French dealerships, with discounts of up to 35% on a new Scénic for example, at the expense of Renault's operating margin? Or the network? Will the manufacturing pace of these "hard to shift" models be revised down?

Our dealerships are free to apply the discounts they wish. However, to our knowledge, there is no offer on a new Scénic that includes a discount of as high as 35% on our official network. We take no responsibility for offers made outside the Renault network on vehicles of unknown provenance. The current publicized offer of a Scénic Limited dCi 95 for €19,990 consists of a discount of €2,210 (8%) plus a trade-in bonus of €3,400 (13%) on a vehicle that is more than eight years old, on the tag price of €25,600. In that offer, as in all our publicized offers, we protect our network's margin at a level agreed with the Renault Dealers Group.

On a selection of vehicles in stock, we provide a sales subsidy to speed rotation and reduce the age of our network's stock.

Michael Knae / Automobilwoche: What is the actual output and the planned output of your plant in Tangiers/Morocco? Will cars from Tangier come to Western Europe?

Tangiers is the only site where we manufacture three Entry range vehicles designed for the world market: Lodgy, Dokker and Dokker Van. Those models are sold in regional markets and in Europe.

In the future, a second production line will assemble New Sandero. There is strong demand for the model in Europe, which shows no sign of diminishing. The Tangiers plant will therefore support the plant at Pitesti in Romania, and will enable us to reduce the delivery time to customers, which is currently five months for this model in Europe.

Christoph Baeuchle / Vogel Business Media: In Germany the Renault sales figures for the first half are behind the market development. Are you satisfied with the result? What do you have to change for the second half?

Our market share in Germany is 5.1%, the same as in 2012. We sold 81,000 vehicles in the first half. We think the second half will be better in terms of market share, with the full impact of Sandero and especially Captur, which was launched right at the end of the first half. In Germany too, we are focusing on the most profitable sales channels. Consequently, sales to retail customers and fleets accounted for 67% of the total, compared with a market average of 60%.

Kostas Bitsikokos / Newsauto.gr - Proto Thema Newspaper: Today there is the official presentation of the new importer in Greece, TEOREN SA. The importer also represents Nissan in Greece. Do you think that this change will help Renault's presence in our country?

The Greek market contracted by a further 6% in the first half. In this difficult environment, we were looking for the best partner possible to improve our market share, which is just under 2%. Naturally the fact that the importer already works with Nissan will greatly facilitate our business relationship.