



## **Presentation of the second part of the Plan**

### **February 13, 2014**

Ladies and Gentlemen,

We have now arrived at the mid-way point of our Plan, Renault Drive the Change.

In addition to the financial results presented to you by Dominique Thormann, I would like to take this opportunity to have a look back over the last three years and then talk to you about our objectives and action plans in the second part of the Plan.

#### ***[Three years of significant transformations]***

In 2011 we set ourselves two priorities: to return to sales growth while generating positive free cash flow.

These objectives corresponded to the priorities of selling three million vehicles in 2013 and achieving cumulative free cash flow of €2 billion between 2011 and 2013.

To meet those goals, Renault had to make considerable changes.

Renault, an essentially European carmaker in 2010, has increased its share of sales outside Europe from 37% to 50% today. At the same time, in Europe, we have held up well against the crisis thanks to attractive new products.

### ***[Renault's new design]***

The first of these is Clio IV, which embodies our design renewal. It features the best of our latest innovations, in terms of the environment, with Clio emitting the lowest amount of CO2 in its category, and in terms of new connected technologies, with our R-Link multimedia system, acknowledged as the best on the market.

### ***[Captur: the successful renewal of the B segment]***

Our second key product is Captur, whose success demonstrates our ability to find new growth opportunities, including in traditional segments such as the B segment.

Captur today is the best-selling crossover in France and number one in its segment in Europe.

### ***[ZOE, the leading electric vehicle]***

Last year we launched ZOE, the spearhead of our zero-emission range. While sales are not as we expected, ZOE today is the top-selling electric

vehicle in Europe and has a record 98% satisfaction rate with our customers.

***[The B segment at the heart of our renewal in Europe]***

The renewal of our models has contributed substantially to our improved performance in Europe, where Renault has regained the lead in the B segment.

***[M0 range out to conquer the world market]***

We also continue to extend our M0 range, which now includes six vehicles, and have begun to renew it with new Logan and Sandero. We sold one million M0 platform vehicles in 111 countries in 2013. The range is now produced at eight production sites.

***[Duster, a global car]***

With Duster, we have developed a global product, able to meet expectations as different as those of European Brazilian, Indian and Russian customers.

The number-one SUV in Russia, and number two in India, Brazil and Argentina, Duster is now the Group's best-selling model.

***[New Master confirms our LCV leadership]***

Our range of light commercial vehicles has been enhanced with the arrival of new Master and Kangoo Zero Emission, both of them best-sellers in their categories and both produced in France.

Lastly, as part of our partnership with Daimler, we have also started manufacturing Mercedes' Citan at our Maubeuge plant.

### ***[Renault, a more global competitor]***

The wide-ranging renewal of our range has made Renault an increasingly global competitor.

Five emerging countries figure in our top-ten markets, including Brazil in second place and Russia in third.

Apart from Algeria, where we already account for one in four vehicle sales, we have increased our market share in all the emerging countries in which we are present.

We have made significant progress in India, achieving a 2% share of the market two years after re-launching our brand there.

### ***[Drive The Change: a new phase of acceleration]***

When preparing this product offensive, we did not expect the European market to continue to fall. We forecasted a 6% rise in the European automotive market for the first part of the plan (2011-2013), following an

8% decrease between 2008 and 2010. But in reality, the market continued to fall, losing a further 10% in what is a low point of the last 20 years. This 16-point difference compared with our forecasts, added to the practical disappearance of the Iranian market, did not allow us to reach our sales objective of three million vehicles in 2013, despite our constant progress in emerging markets.

Nevertheless, thanks to the efforts of the entire company, we have maintained strict financial discipline and exceeded our objective of delivering €2 billion in cumulative free cash flow for the first three years of the Plan.

Today, with these strong assets, Renault is looking to the future with confidence.

The strategy that we set out in Drive the Change in 2011 has produced results.

Now it is time to enter a new phase of acceleration.

## ***[1. Strengthening our economies of scale and competitiveness]***

To strengthen our economies of scale and our competitiveness, we are going to accelerate the rollout of our CMF common module families as part of the Alliance. This will generate savings that we could not have achieved alone, enabling us to maintain our investment and R&D expenditure rate at below 9%.

Two platforms shared by the Alliance, the CMF C-D and CMF B, will each be used to produce three million vehicles, placing them in the top five worldwide.

For Renault, 80% of our future vehicles will be produced on a common platform.

The platforms will save at least 30% on the development cost of our vehicles and reduce purchasing costs by 20% to 30%. In addition, the development of standard modules will allow us to cover two-thirds of the value of future vehicles, compared with one-third today.

## ***[2. Reducing vehicle costs]***

In line with our international development, wherever we produce vehicles we are aiming for a local sourcing rate of 80%.

Local sourcing is vital to keeping our products competitive and, in particular, to reducing our exposure to exchange rate variations.

In Europe, through our partnerships and through the implementation of our Competitiveness Plans, we will be able to make better use of our production capacities.

In France, for example, we were able to commit to a production volume of 700,000 vehicles in 2017, of which at least 82,000 Micras for our partner Nissan.

I would like to take advantage of this opportunity to confirm that the next Nissan Executive Committee meeting will be deciding on increasing this amount to 132,000, which obviously would be excellent news for our Flins plant.

### ***[3. Continuing our pricing policy]***

A robust product plan requires a suitable pricing policy. We have paid particular attention to this point in the last three years.

In Europe in particular, we have increased the value of our products, both compared with the leader and with the average of our competitors.

This is an essential priority that we will continue to pursue.

### ***[4. Continuing the renewal of our range]***

In the automotive sector, there is no problem that a good product cannot solve.

In the coming years, our product plan will remain the key to our growth and profitability.

It is with attractive and competitive products that we will prosper. This is why we are going to step up our offensive in the second part of the plan, both by renewing key models and by extending our range and its geographical coverage.

### ***[A-Entry]***

Galvanized by the success of the M0 range, in 2015 we will launch a further entry-level vehicle to extend our coverage in emerging markets.

Our aim is to bring customers a modern car for less than €5,000, in India and then in South America. It will be based on a common CMF-A Alliance platform at Chennai in India.

### ***[Twingo]***

In the European A segment, we will be launching new Twingo in the second half of the year. Pictures of the new model will be available this evening in the social networks. New Twingo will be produced on the innovative new platform developed with our partner Daimler.

### ***[Renewed C and D ranges]***

Starting in 2015, the C- and D-range vehicles will be entirely renewed using an Alliance CMF platform. In Europe, they will be produced at our Douai and Palencia plants.

This approach will enable us to develop next-generation Mégane on a three-million-unit platform, compared with the current platform's 700,000. A new D-segment vehicle will also be developed on this three-million-unit platform, compared with today's 160,000 units for Laguna.

We will thus successively launch the Espace, Mégane and Scénic replacements and a new D-segment vehicle.

### ***[A complete range of crossovers]***

In crossovers, following the success of Captur we are going to extend our line-up to the C and D segments.

### ***[Light commercial vehicles]***

Lastly, we are going to expand our range of light commercial vehicles with two new pick-ups, the aim being to improve our coverage of what is a core segment in a number of emerging countries.

In Europe, we will be launching new Trafic in September, produced at our Sandouville plant.

### ***[Objective 1: Growth in revenues]***

How does all this translate into objectives for the company?

Our strategy is focused entirely on ensuring profitable and lasting growth for Renault. This is why we have set a growth objective and a profitability objective.

Our growth will be measured in revenues.

By doing so, we will be able to take better account of all the Group's businesses: the sale of vehicles, parts and accessories, the corresponding services, and sales to our partners.

This indicator also reflects our determination to increase our unit revenues, by adding more value to our products and brands.

At the end of the complete rollout of the Plan, Renault is aiming for Group revenues of €50 billion, on a like-for-like basis and in line with the exchange rates forecast by banks in early 2014, measured in 2017.

This growth will be boosted by an increase in our sales volumes, which are expected to reach 3.3 million units in 2017.

The strengthening of our brand also remains a priority. We will do so through our product plan, our innovations and an improvement in quality and customer satisfaction.

We want to improve the appeal and the competitiveness of our cars by fitting them with useful, desirable and broadly affordable innovations.

In this area, connected and autonomous vehicles stand as a major development opportunity between now and 2020. These vehicles will arrive on the market in successive phases, R-Link being a concrete example of the first phase.

Regarding our environmental responsibility, we intend to maintain our commitments. We will continue to develop our electric vehicles and reduce the CO2 emissions of our internal-combustion-engine vehicles.

All of this will serve to improve customer satisfaction, which in the end remains the key factor to our success.

All our teams, particularly Sales and Marketing, are working hard to achieve three objectives:

- Confirm Renault's status as the leading French automotive brand worldwide
- Position Renault on a lasting basis as the number-two brand in Europe
- Confirm Dacia's position as the leading brand in its category

***[Objective 2: Operating margin of over 5%]***

As you know, our objective is profitable growth.

In the last three years we have concentrated on free cash flow to steer our business, which turns out to have been a wise choice in a context of European crisis.

Now that we have cleaned up our balance sheet, in the second part of the plan we will focus on operating profitability.

At the end of the full effect of the plan, Renault is aiming for Group operating margin of at least 5% of revenues.

At the same time, and to maintain the greatest financial discipline at the company, we will make the commitment to generating positive Automotive free cash flow every year.

To meet this objective, we will rely on two major levers: growth in revenues and the reduction of our costs.

### ***[Pushing back our limits]***

In the second part of our Plan, we will fully focus on meeting our objectives on growth and profitability.

But we will obviously also prepare for the future, by setting to work now on the products, technologies and new markets that we will develop after 2016.

Setting up business in China, the new frontier, is another major objective for Renault.

Last December, we formalized the creation of a joint venture with our partner Dongfeng and began the construction of a plant with an initial 150,000-vehicle capacity.

We will launch our first models, C- and D-segment crossovers, starting in 2016.

### ***[Accelerating synergies with the Alliance]***

Two weeks ago we announced a project to strengthen synergies between Renault and Nissan. The project is aimed at introducing joint management in four areas: purchasing, engineering, manufacturing and logistics, and human resources.

In an increasingly competitive environment, this will optimize our overall investment capacity and strengthen the performance of both companies.

Thanks to the Alliance, Renault is a company that produced 2.6 million vehicles in 2013 but one that benefits from the economies of scale of up to 8.3 million vehicles.

Our objective for 2016 is to unlock €4.3 billion in synergies. These synergies will contribute to the success of the Renault Plan.

### ***[Conclusion]***

In the last three years, through a clear and unwavering strategy and the hard work of everyone involved, we have held up successfully in a particularly difficult environment and shown our capacity to adapt while maintaining our priorities.

Today we can rely on robust bases:

- We have a healthy financial situation
- We have initiated the thorough renewal of our product range
- Our geographical mix is better balanced
- And last of all, the Alliance and our partnership are undeniable and undisputed strengths.

With all of these assets, the Group has what it takes to address the objectives of the second part of the Plan.

Our objectives are ambitious. But they are also realistic.

They are ambitious in that they call for company-wide alignment, discipline in execution, and complete commitment.

Ambitious also in that we have never done anything comparable in the past.

They are realistic because all the decisions and investments underpinning the second part of the plan have already been made and many of the action plans are already in place.

We have taken advantage of these last few years to strengthen our company and patiently prepare our future. We are coming out of the crisis stronger than when we entered it.

With our partner Nissan we now have all it takes to enter tomorrow's top three automotive manufacturers on a lasting basis.

Thank you.