RENAULT IN RUSSIA: CURRENT SITUATION & STRATEGY

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AUTOMOTIVE MARKET IN RUSSIA
VIDEO « WHAT IS RUSSIA »
RUSSIAN ECONOMIC INDICATORS

- Federal budget deficit / profit
  - 2012: -0.1 %
  - Forecast 2013: -0.7 %
  - Budget 2014: -0.5 %
- Debt / GDP: 10 % in 2012

- Unemployment: 5.2 % of economically active population  
  (January-August 2013)
- Oil: 33.5 % of export  
  (Jan/July 2013)
RUSSIAN CAR MARKET: SALES 2003-2012, RANKING IN THE WORLD

- 2012: # 7 in the world, # 2 in Europe
- Potential to be ahead of Germany in the midterm perspective
- Main growth expected in B & C segments (especially SUV)

### TOP10 AUTOMOTIVE MARKETS JANUARY - SEPTEMBER 2013

<table>
<thead>
<tr>
<th>#</th>
<th>Country</th>
<th>Sales (k units)</th>
<th>vs. YTD 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CHINA</td>
<td>15 425</td>
<td>+14,5%</td>
</tr>
<tr>
<td>2</td>
<td>USA</td>
<td>11 773</td>
<td>+8,0%</td>
</tr>
<tr>
<td>3</td>
<td>JAPAN</td>
<td>3 987</td>
<td>-5,4%</td>
</tr>
<tr>
<td>4</td>
<td>BRAZIL</td>
<td>2 638</td>
<td>-1,1%</td>
</tr>
<tr>
<td>5</td>
<td>GERMANY</td>
<td>2 372</td>
<td>-6,0%</td>
</tr>
<tr>
<td>6</td>
<td>INDIA</td>
<td>2 240</td>
<td>-7,0%</td>
</tr>
<tr>
<td>7</td>
<td>RUSSIA</td>
<td>2 047</td>
<td>-6,5%</td>
</tr>
<tr>
<td>8</td>
<td>UNITED KINGDOM</td>
<td>2 006</td>
<td>+10,5%</td>
</tr>
<tr>
<td>9</td>
<td>FRANCE</td>
<td>1 577</td>
<td>-8,3%</td>
</tr>
<tr>
<td>10</td>
<td>CANADA</td>
<td>1 384</td>
<td>+6,0%</td>
</tr>
</tbody>
</table>
RUSSIAN AUTOMOTIVE FOOTPRINT: MAJOR CLUSTERS

- KALININGRAD
- ST. PETERSBURG
- MOSCOW / KALUGA
- VOLGA RIVER
- VLADIVOSTOK
RUSSIAN AUTOMOTIVE FOOTPRINT: HIGHLY COMPETITIVE MARKET

<table>
<thead>
<tr>
<th>SAINT-PETERSBURG</th>
<th>MOSCOW / KALUGA</th>
<th>VOLGA RIVER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ford</td>
<td>Renault</td>
<td>ABTOBAZ</td>
</tr>
<tr>
<td>Sollers</td>
<td>VW</td>
<td>GM-AVTOVAZ</td>
</tr>
<tr>
<td>GM</td>
<td>Toyota</td>
<td></td>
</tr>
<tr>
<td>Toyota</td>
<td>PSA Peugeot Citroën</td>
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<tr>
<td>Mazda</td>
<td>MITSUBISHI</td>
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</tr>
<tr>
<td>Hyundai</td>
<td>Kia</td>
<td>Ssang Yong</td>
</tr>
<tr>
<td>Chevrolet</td>
<td>Opel</td>
<td>Toyota</td>
</tr>
<tr>
<td>Cadillac</td>
<td>Cadillac</td>
<td>Mazda</td>
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<tr>
<td>BMW</td>
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<tr>
<td>NISSAN MOTOR COMPANY</td>
<td></td>
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</tr>
</tbody>
</table>

KALININGRAD

- Kia / Hyundai
- Chevrolet
- Opel
- Cadillac
- BMW

VLADIVOSTOK

- Ssang Yong
- Toyota

All major global car manufacturers built plants in Russia in 2000s
RUSSIA: A HIGHLY PROTECTED MARKET

- Dedicated investment program for OEM (Decree 166)
  - Feasible commitments (300 ku of new or 350 ku of modernized capacity, local production of Powertrain, localization up to 60 %)
  - Significant benefits valid for 8 years (0 - 5 % on imported parts, possibility to act as a consortium...)

- Incentives for local manufacturers (credits at 2/3 of refinancing rate)
- Customs Union Russia / Belarus / Kazakhstan: common duties (since 2010)
- Prohibitive duties for used cars (25 % and higher)
- Membership in World Trade Organization (since September 2012)
- Special tax for “End-of-life” vehicles:
  - Law voted by the Parliament in October 2013
  - Applied from January 2014
- 37 mln. passenger cars on Russian roads (by 01/01/2013)
- Car park still largely dominated by Russian / Soviet brands
- Important “grey” imports in 2000s before protective customs duties
In average, Russians have been owning a car for 4.5 years

Around 20% of customers hesitate between new and used cars

Sales of used cars outnumber the sales of the new ones
CAR IN RUSSIA: A CHERISHED PURCHASE FOR DEMANDING CLIENTS

- Russians are ready to over-invest in cars
  - “Comfort & Freedom” option (compared to public transport)
  - Status and self-expression (very few SMALL cars)
  - Readiness to spend a yearly household income

- Russians are
  - Well informed
  - Well connected (social networks, blogs)
  - Demanding more features for less money

- Russia has got challenging conditions
  - Multitask usage of cars
  - Quality of road infrastructure
  - Climate
COMPUTATION IN RUSSIA: TOP10 BY BRANDS / JANUARY–SEPTEMBER 2013

- Renault in TOP3 of foreign brands since 2010
- YTD 2013: #1 foreign brand with a record market share
COMPETITION IN RUSSIA: TOP 10 OF MODELS / JANUARY–SEPTEMBER 2013

- All these cars are manufactured in Russia
- Duster: # 3 foreign model and # 1 SUV since one year

<table>
<thead>
<tr>
<th>Rank vs 2012</th>
<th>GRANTA</th>
<th>SOLARIS</th>
<th>RIO</th>
<th>DUSTER</th>
<th>GAZELLE</th>
<th>POLO</th>
<th>FOCUS</th>
<th>KALINA</th>
<th>PRIORA</th>
<th>CRUZE</th>
<th>LOGAN+SANDERO</th>
</tr>
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<tbody>
<tr>
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<td>↑ 1</td>
<td>↑ 3</td>
<td>↑ 16</td>
<td>↑ 2</td>
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<td>↑ 1</td>
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</table>

<table>
<thead>
<tr>
<th>Models</th>
<th>k veh</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRANTA</td>
<td>128,5</td>
</tr>
<tr>
<td>SOLARIS</td>
<td>85,8</td>
</tr>
<tr>
<td>RIO</td>
<td>67,7</td>
</tr>
<tr>
<td>DUSTER</td>
<td>60,4</td>
</tr>
<tr>
<td>GAZELLE</td>
<td>57,1</td>
</tr>
<tr>
<td>POLO</td>
<td>53,4</td>
</tr>
<tr>
<td>FOCUS</td>
<td>50,4</td>
</tr>
<tr>
<td>KALINA</td>
<td>49,1</td>
</tr>
<tr>
<td>PRIORA</td>
<td>44,6</td>
</tr>
<tr>
<td>CRUZE</td>
<td>42,7</td>
</tr>
<tr>
<td>LOGAN+SANDERO</td>
<td>70,8</td>
</tr>
</tbody>
</table>
MAIN CHALLENGES FOR CARMAKERS

- Have enough capacity to meet the demand of a growing market
- Localize the production of vehicles and parts
- Maximize scale effects in terms of platforms and usage of parts
RENAULT IN RUSSIA: CURRENT SITUATION
April 2005: start of production (CKD)
- 500,000th Logan, 100,000th Sandero and Duster already produced
- Capacity investments: ~ 500 M€
- One model ➔ Multi-segment diversity
- Customs post on the territory of the Plant

33 cars / hour on 2 platforms

2 cars / hour (DKD mode)
WORKING SCHEDULE SINCE AUTUMN 2012
CAPACITY WENT 17 % UP WITHOUT ANY INVESTMENT

<table>
<thead>
<tr>
<th></th>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
<th>Sat</th>
<th>Sun</th>
<th>Mon</th>
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<th>Thu</th>
<th>Fri</th>
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<tbody>
<tr>
<td><strong>DAY</strong></td>
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<tr>
<td>7:00 a.m. – 6.30 p.m.</td>
<td>A</td>
<td>A</td>
<td>B</td>
<td>B</td>
<td>B</td>
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<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td><strong>NIGHT</strong></td>
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<td></td>
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</tr>
<tr>
<td>7:45 p.m. – 7:00 a.m.</td>
<td>C</td>
<td>C</td>
<td>C</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>C</td>
<td>C</td>
<td>C</td>
<td>C</td>
<td>B</td>
<td>B</td>
<td>C</td>
</tr>
</tbody>
</table>

- **A BENCHMARK FOR RENAULT** (~ 5 700 h / year)
- **Plant:** Sun 19:45 ➔ Sat 18:30
- **2 shifts per day x 10.75 hours**
- **4-day workweek for each shift (= 41,75 h / week)**
- **1h15’ maintenance break**
- **Smooth transition**
- **Increase of salaries**
- **Longer breaks**
- **Positive (beginning) or not negative (now) impact on turnover**
- **System is reversible**
RENAULT SALES AND MARKET SHARE

$k \text{veh}$

- **2005**: Launch of Logan, local production
- **2009**: Efficient crisis management
- **2010-2012**: New pillar models (Sandero + Fluence + Duster)

**TIV (mln. cars)**
- 2005: 1.56
- 2006: 1.89
- 2007: 2.56
- 2008: 2.9
- 2009: 1.47
- 2010: 1.91
- 2011: 2.65
- 2012: 2.93
- 2013 (Forecast): 2.8

**Sales**

- 2005: 29
- 2006: 72
- 2007: 101
- 2008: 108
- 2009: 72
- 2010: 96
- 2011: 155
- 2012: 190
- 2013: 204.7

**Market share**

- 2005: 2.0%
- 2006: 3.9%
- 2007: 4.0%
- 2008: 3.7%
- 2009: 4.9%
- 2010: 5.0%
- 2011: 5.8%
- 2012: 6.5%
- 2013 (Forecast): 7.6% - 7.8%
WINNING STRATEGY OF RENAULT IN RUSSIA

SHARE OF MODELS IN SALES

2009

Other 25.5%
Logan 74.5%

YTD 2013

Fluence 7%
Other 8%
Logan 25%
Duster 39%
Sandero 21%

- Line-up based on locally manufactured pillar models in popular, growing and highly competitive B and C segments
- Localization of parts: essential condition to remain competitive in Russia
- Modern, capillary and highly standardized dealer network
WHAT DO OUR CUSTOMERS APPRECIATE IN RENAULT CARS?
MOST FREQUENT ‘LIKES’

1. Affordability

2. Roominess (interior spaciousness, trunk capacity suitable for long–distance travel)

3. Comfort (in general; good and smooth suspension)

4. Perceived durability / quality – sturdiness (good feedback from taxi drivers)
LOCALIZATION OF PARTS (OUT OF POWERTAIN)

LOCALIZATION IS A MUST IN RUSSIA IN ORDER TO

- Minimize FOREX risk
- Remain competitive
- Avoid customs duties
- Save on logistics

SUPPLIERS BY ORIGIN

- Russian
- Global
- JV
- Russian+Global

END 2009  END 2012  2016 LINE-UP

LOCALIZATION IS A MUST IN RUSSIA IN ORDER TO

- Minimize FOREX risk
- Remain competitive
- Avoid customs duties
- Save on logistics
IMPORTANCE OF RUSSIA FOR RENAULT GROUP

TOP 10 MARKETS OF RENAULT (JANUARY – SEPTEMBER 2013)

<table>
<thead>
<tr>
<th>#</th>
<th>Country</th>
<th>Sales (k units)</th>
<th>Rank vs. 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>FRANCE</td>
<td>399</td>
<td>=</td>
</tr>
<tr>
<td>2</td>
<td>BRAZIL</td>
<td>168</td>
<td>=</td>
</tr>
<tr>
<td>3</td>
<td>RUSSIA</td>
<td>155</td>
<td>=</td>
</tr>
<tr>
<td>4</td>
<td>GERMANY</td>
<td>120</td>
<td>=</td>
</tr>
<tr>
<td>5</td>
<td>ARGENTINA</td>
<td>107</td>
<td>=</td>
</tr>
<tr>
<td>6</td>
<td>TURKEY</td>
<td>100</td>
<td>↑ 1</td>
</tr>
<tr>
<td>7</td>
<td>ALGERIA</td>
<td>89</td>
<td>↓ 1</td>
</tr>
<tr>
<td>8</td>
<td>ITALY</td>
<td>76</td>
<td>↑ 1</td>
</tr>
<tr>
<td>9</td>
<td>SPAIN</td>
<td>70</td>
<td>↑ 1</td>
</tr>
<tr>
<td>10</td>
<td>BELGIUM+LUXEMBOURG</td>
<td>61</td>
<td>↑ 1</td>
</tr>
</tbody>
</table>

SHARE OF RUSSIA IN RENAULT WORLDWIDE SALES

- Year 2005: sales in Russia were 29 ku and 1.2 % of worldwide
KEY FIGURES ABOUT RENAULT RUSSIA

15 years of activity

over 1 000 000 cars sold

№ 3 country market for Renault Group

164 dealerships in 111 cities

75 % of local parts for Logan / Sandero

Capacity of the Moscow Plant 188 000 veh / year

5 881 employees (including 4 622 workers)
RUSSIA: MIDTERM SUCCESS FACTORS
RENAULT RUSSIA MIDTERM OUTLOOK KEY SUCCESS FACTORS

- Multi-site manufacturing footprint of the Alliance in Russia
  - Performing and competitive Moscow Plant with more upmarket line-up
  - Industrial turnaround in Togliatti and Izhevsk
  - Powertrain localization in AVTOVAZ Togliatti (Engines K4/H4, Gearbox J)
  - Development of Integrated facilities (Powertrain, Plastic, Stamping etc).
  - Cross-manufacturing Partnerships for LCV

- Development and empowerment of our Engineering Center in Moscow / Togliatti / Izhevsk

- Line-up extension beyond Entry segment and with more crossovers

- Implementation of the localization road-map up to 80% (Powertrain included)
04
AVTOVAZ
AVTOVAZ MANUFACTURING

TOGLIATTI PLANT OUTPUT
(k units)

Current capacity

- **Capacity**
  - Current: 800 ku / year
  - Future: 1,050 ku / year (2016)
- **6 models manufactured on 4 lines**
  1. LADA Granta (SOP 2011) + LADA Kalina (SOP 2004, facelift in 2013)
  2. LADA Largus RF90 (SOP 2012) + Nissan Almera (SOP 2012)
  4. LADA 4x4 (SOP 1977, modernization in 2013)

IZHEVSK PLANT OUTPUT
(k units)

Current capacity

- Bought by AVTOVAZ in 2011
- **Capacity**
  - Current: 100 ku / year
  - Future: 350 ku / year (2016)
- On going modernization
- 1 model: LADA Granta (sedan)
  LADA Granta hatch TBL: SOP 2014
  LADA Classic EOP in 2012
AVTOVAZ SALES AND MARKET SHARE

(k units)

January – September 2013 (vs 2012)
- Sales: 343.4 k units (- 14 %)
- Market share: 16.8 % (- 1.5 pt)

AVTOVAZ impacted by
- End of incentive programs
- Changes in the line-up
- Slow ramp-up of new cars

FINANCIAL HIGHLIGHTS
- 2012: restructuring of ROSTECH loans (sale of non-core assets; extension of the interest-free debt until 2032)

- 2013: ongoing investment program (Togliatti and Izhevsk)
**AVTOVAZ: NEW SHAREHOLDING AGREEMENT (DECEMBER 2012)**

### JSC AVTOVAZ

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Ростех</td>
<td>25%</td>
<td>36.5%</td>
<td>24.5%</td>
</tr>
<tr>
<td>RENAULT</td>
<td>25%</td>
<td>25%</td>
<td>37.3%</td>
</tr>
<tr>
<td>NISSAN MOTOR COMPANY</td>
<td></td>
<td>12.7%</td>
<td></td>
</tr>
<tr>
<td>Тройка Диалог</td>
<td>25%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Minority shareholders</td>
<td>25%</td>
<td>18.5%</td>
<td>25.5%</td>
</tr>
</tbody>
</table>

- June 2014: completion of the last step of the agreement with Rostec and Nissan
- After this stage, Renault will control the JV and indirectly AVTOVAZ
CAR PLANTS OF THE ALLIANCE IN RUSSIA: ACTUAL AND FUTURE CAPACITIES

- **NISSAN MOTOR COMPANY**
  - St. Petersburg
  - 50 k veh
  - 100 k veh in Y14

- **UAG**
  - 100 ku
  - 350 ku by 2018

- **IZHEVSK**
  - Capabilities reserved for Renault: B0 line (175 ku/year): 2 Renault vehicles
  - Line #3
  - In-house facilities (Press, Plastic, Powertrain (K4, H4, Jxx), Chassis)

- **TOGLIATTI**
  - AVTOVAZ
  - 800 k units
  - 1,050 ku by 2016

- **Capacities reserved for Renault:**
  - 25% reserved for Renault
  - In-house facilities (Press, Plastic)

- **CAR PLANTS OF THE ALLIANCE IN RUSSIA:**
  - Actual and future capacities
    - Future capacity of the Alliance plants: ~1.7 mln. vehicles
    - Local production of 30 new models, 4 new engines and 1 gearbox
  - Key midterm objectives
    - 40% of cumulative market share for Alliance brands
    - 80% of localization of parts (Powertrain included)
B0 PROJECT
ENTRY TICKET OF 400 M€, INCLUDING 240 M€ PAID BY RENAULT

1) Capacity of 350,000 veh / year for final assembly
   - New welding equipment
   - Modernized stamping lines
   - Greenfield Paint shop
   - Modernized Trim & Chassis shop
   - 3 models are currently manufactured
     - Lada Largus PC & LCV (SOP: April 2012)
     - Nissan Almera (SOP: December 2012)

2) Engines and gearboxes assembly lines: K4M + Jxx (300 ku / year each)

3) Chassis welding, machining and assembly lines for B0 pf (340 ku / year)
AVTOVAZ – RENAULT – NISSAN CURRENT FLOWS OF GOODS

- SAINT-PETERSBURG
- MOSCOW
- TOGLIATTI
- IZHEVSK
- PITESTI
COMMON PURCHASING ORGANIZATION

ACTIVITY
- Supplier relationship management
- Sourcing decisions on dedicated scope
- Serial life management for common projects

CORE PROCESS
- Panel
- Sourcing
- Performance review