

## 2022 first half results

# Renault Group upgrades its 2022 financial outlook and accelerates its transformation

- **2022 H1 results, a new step in the Group's turnaround:**
  - Significant improvement in profitability: 4.7% operating margin
  - Strong free cash flow generation: €956 million
  - Strengthening of the financial structure: net debt reduced by €1.2 billion to -€426 million
- **Acceleration of the strategy focused on value and success of new vehicles**
- **2022 FY financial outlook upgraded**
- **Capital Market Day in the fall to present the 2<sup>nd</sup> step of the Renaulution strategy and the update of the Group's mid-term financial outlook**

*"Renault Group is resolutely pursuing its in-depth transformation and turnaround of its activities. These first half results are a proof of this: despite all the headwinds related to the stop of the activity in Russia, the semiconductor crisis and cost inflation, the Group continues to improve its operating performance and is beginning to benefit from the success of new launches.*

*Having more than compensated for the loss of its Russian activities and continuing its high-speed transformation, Renault Group is upgrading its 2022 full-year financial outlook. In the fall, new mid-term financial outlook and the accelerated roll-out of Renaulution will be presented during its Capital Market Day. All our energies are mobilized to transform Renault Group into a competitive, tech and sustainable player." said Luca de Meo, CEO of Renault Group*

- **2022 H1<sup>1</sup> results, a new step in the Group's turnaround: significant improvement in profitability, strong free cash flow generation and strengthening of the financial structure**
  - Group revenue at €21.1 billion, stable compared to 2021 H1, despite 11.9% decline in the Group's global sales over the period, in a still disrupted market
  - Group operating margin at €988 million (4.7% of revenue): up €556 million and +2.6 points compared to 2021 H1
  - Automotive operating margin at €420 million (2.1% of Automotive revenue): +€565 million (+2.8 points) despite a decrease of 136,000 vehicles compared to 2021 H1
  - Net income from continuing operations at €657 million, up €458 million compared to 2021 H1
  - Net income from discontinued operations at -€2.3 billion due to the non-cash adjustment related to the disposal of the Russian industrial activities announced on May 16, 2022
  - Automotive operational free cash flow at +€956 million (including a €800 million dividend from Mobilize Financial Services) up €1,470 million compared to 2021 H1
  - Automotive net debt reduced by €1.2 billion versus December 31, 2021, of which €522 million related to the sale of activities in Russia: -€426 million

<sup>1</sup> The results presented relate to continuing operations (excluding Avtovaz and Renault Russia whose disposals were announced on May 16, 2022)

- **Success of new vehicles and acceleration of the strategy focused on value**

- Group order book in Europe at 4.1 months of sales, supported by the success of new launches:
  - Renault Arkana recorded more than 100,000 orders since its launch, 60% of which are in E-TECH version and 60% on the retail channel
  - Renault Megane E-TECH Electric is experiencing a promising launch with already more than 25,000 orders, 75% of which are on the highest versions and 80% on the most powerful engines. The first vehicles arrived in French dealerships mid-May; its launch in European countries is underway and will continue until September
  - Dacia Sandero remains the best-selling vehicle to retail customers in Europe
  - With more than 30,000 orders recorded in 2022 H1, Dacia Spring 100% electric is number 1 electric vehicle sold to retail customers in France
  - Dacia Jogger promises to be a new success with more than 50,000 orders in 6 months and a mix of more than 60% on high-end versions in Europe
  - Alpine doubled its orders versus 2021 H1 thanks to the success of its new A110 range
- Product mix effect of +3.3 points on the Automotive revenue versus 2021 H1 thanks to new launches (Arkana, Jogger and Megane E-TECH Electric)
- Performance of E-TECH sales<sup>2</sup> that continue to grow, representing 36% of the registrations of Renault brand passenger cars in Europe (vs. 26% in 2021 H1)
- Acceleration of the pricing effect, which reached +7.4 points of the Automotive revenue versus 2021 H1. This effect will continue in H2 thanks to the Renault commercial policy
- Impact of raw materials price increases and cost inflation more than offset by the benefits of this new commercial policy coupled with the Group's productivity

- **2022 FY financial outlook upgraded**

Renault Group is upgrading its 2022 FY financial outlook with:

- a Group operating margin superior to 5% versus around 3% previously
- an Automotive operational free cash flow superior to €1.5 billion versus positive previously

The Group confirms an impact of the semiconductor crisis estimated at 300,000 vehicles in 2022.

- During its **Capital Market Day in the fall**, the Group will present an update of its Renault mid-term financial outlook and its strategy positioning itself as a competitive, tech and sustainable reference player

Boulogne-Billancourt, July 29, 2022 –

On May 16, 2022, the Board of Directors of Renault Group unanimously approved the signing of agreements to sell 100% of Renault Group's shares in Renault Russia to the City of Moscow and its 67.69% stake in AVTOVAZ to NAMI (the Central Institute for Research and Development of Automobiles and Engines). In addition, the agreement provides for a call option for Renault Group to buy back its stake in AVTOVAZ, exercisable at certain periods over the next 6 years.

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<sup>2</sup> The E-TECH range consists of electric and hybrid vehicles

As a result of these agreements:

- The Russian activities were deconsolidated in Renault Group's 2022 H1 financial statements and treated as discontinued operations under IFRS 5 with retroactive effect from January 1<sup>st</sup>, 2022.
- The financial aggregates of continuing operations for 2022 H1 therefore no longer include the Russian industrial activities and the year 2021 has been adjusted in line with this new scope of activity.
- The result of discontinued operations represents a loss of -€2.3 billion in 2022 H1, mainly due to the impairment of the property, plant and equipment, intangible assets and goodwill of AVTOVAZ and Renault Russia as well as the impairment of specific assets held by the other entities of the Group and the result of disposals on the Russian entities sold.
- The Automotive net debt was reduced by €0.5 billion from -€1.6 billion to -€1.1 billion at December 31, 2021.

**Group revenue** reached €21,121 million, up 0.3% compared to 2021 H1. At constant exchange rates<sup>3</sup>, it increased by 1.1% (negative exchange rate effect mainly related to the Turkish lira devaluation).

**Automotive revenue** stood at €19,574 million, up 0.3% compared to 2021 H1.

The price effect, positive by +7.4 points, reflected the continuation of our commercial policy, launched in 2020 Q3, focused on value over volume as well as price increases to offset cost inflation, and an optimization of commercial discounts. It amounted to +8.4 points in 2022 Q2 after +5.6 points in Q1.

The success of Arkana, launched in 2021 Q2, as well as those of Jogger and Megane E-TECH Electric in H1, emphasized the renewal of Renault brand in the C segment and contributed to generate a positive product mix effect of +3.3 points.

These two effects make it possible to compensate for the loss of volume of -5.2 points, which is mainly explained by the decline of the European automotive market in connection with the shortage of semiconductors.

The impact of sales to partners, negative by -1.8 points, is mainly due to the decrease in production of diesel engines and vehicles for our partners (end of contracts of Master for Opel and Traffic for Fiat at the end of 2021).

The "Other" effect, of -2.1 points, is due to a decrease in the contribution of sales from the Renault Retail Group (RRG) network following the disposals of branches and partially offset by the aftersales performance.

The **Group** recorded a positive **operating margin** of €988 million (4.7% of revenue) versus €432 million in 2021 H1(+2.6 points).

**Automotive operating margin** improved by €565 million to €420 million (2.1% of Automotive revenue, or +2.8 points versus 2021 H1).

The positive mix/price/enrichment effect of +€1,548 million illustrates the success of the commercial policy focused on value over volume. This policy more than offset the negative volume effect of -€270 million and the increase in costs (raw materials, purchasing, warranty and manufacturing &

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<sup>3</sup> In order to analyze the variation in consolidated revenue at constant exchange rates, Renault Group recalculates the revenue for the current period by applying average exchange rates of the previous period.

logistics costs) which amounted to -€647 million. The latter is mainly explained by the sharp increase in raw materials prices (-€797 million), partially offset by the performance of purchasing (+€167 million).

The contribution of Sales Financing of **Mobilize Financial Services** (formerly RCI Bank and Services) to the Group's operating margin reached €582 million, down €11 million compared to 2021 H1, mainly due to the normalization of the level of risk and an average performing assets (€43.7 billion) decreasing in line with the Group's strategy to optimize vehicle stocks in the network.

The retail business recorded a 2.3% increase in new financings. The 14.8% increase in the average amount financed for new contracts offset the 10.9% decrease of the number of new financing contracts due to the decline of the Group's registrations.

In 2022 H1, Mobilize Financial Services successfully completed its first green bond issue for an amount of €500 million with a 5-year maturity. The proceeds of this issue will be used to finance electric vehicles and charging infrastructure. This issue was cashed in early July and is therefore not included in the financial liabilities as at June 30, 2022.

**Other operating income and expenses** were negative at -€49 million (versus -€70 million in 2021 H1) and were notably explained by restructuring provisions of -€134 million and asset disposals (+€56 million) mainly related to the sale of several commercial subsidiaries of the Group and branches of RRG.

After taking into account other operating income and expenses, the **Group's operating income** stood at €939 million versus €362 million in 2021 H1.

**Net financial income and expenses** amounted to -€236 million compared to -€138 million in 2021 H1. This deterioration can be explained by the impact of hyperinflation in Argentina, the cost of debt remaining stable.

The **contribution of associated companies** amounted to €214 million, up by €54 million compared with the first half of 2021. This includes €325 million related to Nissan's contribution, which more than offset €111 million negative contribution from other associates, notably in connection with the impairment of Renault Nissan Bank shares in Russia.

**Current and deferred taxes** represented a charge of -€260 million compared to a charge of -€185 million in 2021 H1 in relation with the improvement in profit.

**Net income from continuing operations** was €657 million, up by €458 million compared to 2021 H1.

**Net income from discontinued operations** amounted to -€2.3 billion due to the non-cash adjustment related to the disposals of the Russian industrial activities.

Thus, **net income** was -€1,666 million and **net income, Group share**, was -€1,357 million (or -€4.98 per share).

The **cash flow of the Automotive business**, excluding restructuring expenses, included €800 million of Mobilize Financial Services dividend and reached €2.6 billion, up €0.9 billion compared to 2021 H1.

This cash flow largely covered the tangible and intangible investments before asset disposals which amounted to €1.2 billion (€1.1 billion net of disposals).

Excluding the impact of asset disposals, the Group's net CAPEX and R&D rate was 8.0% of revenue compared to 9.1% in 2021 H1. It amounted to 7.5% including asset disposals.

**Automotive operational free cash flow<sup>4</sup>** was positive at +€956 million taking into account -€278 million of restructuring expenses and a negative change in working capital requirement of -€275 million.

**Automotive net debt** amounted to -€426 million at June 30, 2022 compared to -€1.6 billion at December 31, 2021 (-€1.1 billion adjusted from the operations of AVTOVAZ and Renault Russia), or a decrease of €1.2 billion.

In 2022 H1, Renault Group made an early repayment of €1 billion of the loan of a banking pool benefiting from the guarantee of the French State (PGE) and will be reimbursed, in H2, €1 billion for the mandatory annual repayment. As announced, the entire loan will be reimbursed by the end of 2023 at the latest.

As part of its Shelf Registration program, Renault SA launched on June 24, 2022 a bond issue on the Japanese market for a total amount of 80.7 billion yen (or €561 million) with a rate of 3.5% and a 3-year maturity. This issue was cashed in on July 1<sup>st</sup>, 2022 and is therefore not included in the financial liabilities as at June 30, 2022.

As of June 30, 2022, **total inventories** of new vehicles (including the independent dealer network) represented 348,000 vehicles compared to 427,000 (including c. 12,000 vehicles in Russia) at the end of June 2021, or 60 days of sales.

## Outlook & Strategy

Renault Group is upgrading its 2022 FY financial outlook with:

- a **Group operating margin superior to 5%**, versus around 3% previously
- an **Automotive operational free cash flow superior to €1.5 billion**, versus positive previously

The Group confirms an impact of the semiconductor crisis estimated at 300,000 vehicles in 2022.

**During its Capital Market Day in the fall, Renault Group will present an update of its Renaulution mid-term financial outlook and its strategy positioning itself as a competitive, tech and sustainable reference player.**

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<sup>4</sup> *Automotive operating free cash flow: cash flow after interest and taxes (excluding dividends received from listed companies) less tangible and intangible investments net of disposals +/- change in working capital requirement*

## Renault Group's consolidated results

In € million	2021 H1 <sup>5</sup>	2022 H1	Change
<b>Group revenue</b>	<b>21,057</b>	<b>21,121</b>	<b>+0.3%</b>
<b>Operating margin</b>	<b>432</b>	<b>988</b>	<b>+556</b>
<i>% of revenue</i>	<i>2.1%</i>	<i>4.7%</i>	<i>+2.6 pts</i>
<b>Other operating income and expenses</b>	<b>-70</b>	<b>-49</b>	<b>+21</b>
<b>Operating income</b>	<b>362</b>	<b>939</b>	<b>+577</b>
<b>Net financial income and expenses</b>	<b>-138</b>	<b>-236</b>	<b>-98</b>
<b>Contribution from associated companies</b>	<b>160</b>	<b>214</b>	<b>+54</b>
of which Nissan	100	325	+225
<b>Current and deferred taxes</b>	<b>-185</b>	<b>-260</b>	<b>-75</b>
<b>Net income</b>	<b>368</b>	<b>-1,666</b>	<b>-2,034</b>
of which continuing operations	199	657	+458
of which discontinued operations	169	-2,323	-2,492
<b>Net income, Group share</b>	<b>354</b>	<b>-1,357</b>	<b>-1,711</b>
<b>Automotive operational free cash flow</b>	<b>-514</b>	<b>956</b>	<b>+1,470</b>

## Adjustments of AVTOVAZ and Renault Russia activities in 2021

In € million	2021 H1	2021 H1	Change	2021 FY	2021 FY	Change
	published	adjusted		Published	adjusted	
<b>Group revenue</b>	<b>23,357</b>	<b>21,057</b>	<b>-2,300</b>	<b>46,213</b>	<b>41,659</b>	<b>-4,554</b>
<b>Operating margin</b>	<b>654</b>	<b>432</b>	<b>-222</b>	<b>1,663</b>	<b>1,153</b>	<b>-510</b>
<i>% of revenue</i>	<i>2.8%</i>	<i>2.1%</i>	<i>-0.7 pt</i>	<i>3.6%</i>	<i>2.8%</i>	<i>-0.8 pt</i>
<b>Other operating income and expenses</b>	<b>-83</b>	<b>-70</b>	<b>+13</b>	<b>-265</b>	<b>-253</b>	<b>+12</b>
<b>Operating income</b>	<b>571</b>	<b>362</b>	<b>-209</b>	<b>1,398</b>	<b>900</b>	<b>-498</b>
<b>Net financial income and expenses</b>	<b>-163</b>	<b>-138</b>	<b>+25</b>	<b>-350</b>	<b>-295</b>	<b>+55</b>
<b>Contribution from associated companies</b>	<b>160</b>	<b>160</b>	<b>-</b>	<b>515</b>	<b>515</b>	<b>-</b>
<b>Current and deferred taxes</b>	<b>-200</b>	<b>-185</b>	<b>+15</b>	<b>-596</b>	<b>-571</b>	<b>+25</b>
<b>Net income</b>	<b>368</b>	<b>368</b>	<b>-</b>	<b>967</b>	<b>967</b>	<b>-</b>
of which continuing operations	368	199	-169	967	549	-418
of which discontinued operations	-	169	+169	418	418	+418
<b>Automotive operational free cash flow</b>	<b>-70</b>	<b>-514</b>	<b>-444</b>	<b>1,272</b>	<b>889</b>	<b>-383</b>
<b>Automotive Net Debt</b>				<b>-1,622</b>	<b>-1,100</b>	<b>+522</b>
				at 2021-12-31	at 2021-12-31	at 2021-12-31

<sup>5</sup> The results presented relate to continuing operations (excluding AvtoVAZ and Renault Russia whose disposals were announced on May 16, 2022)

## Additional information

The condensed half-year consolidated financial statements of Renault Group at June 30, 2022 were reviewed by the Board of Directors on July 28, 2022.

The Group's statutory auditors have conducted a limited review of these financial statements and their half-year report will be issued shortly.

The financial report, with a complete analysis of the financial results in the first half of 2022, is available at [www.renaultgroup.com](http://www.renaultgroup.com) in the "Finance" section.

## 2022 H1 Financial Results Conference

Link to follow the conference at 8am today and available in replay: [events.renaultgroup.com/en/](https://events.renaultgroup.com/en/)

### About Renault Group

Renault Group is at the forefront of a mobility that is reinventing itself. Strengthened by its alliance with Nissan and Mitsubishi Motors, and its unique expertise in electrification, Renault Group comprises 4 complementary brands - Renault, Dacia, Alpine and Mobilize - offering sustainable and innovative mobility solutions to its customers. Established in more than 130 countries, the Group has sold 2.7 million vehicles in 2021. It employs nearly 111,000 people who embody its Purpose every day, so that mobility brings people closer. Ready to pursue challenges both on the road and in competition, Renault Group is committed to an ambitious transformation that will generate value. This is centred on the development of new technologies and services, and a new range of even more competitive, balanced and electrified vehicles. In line with environmental challenges, the Group's ambition is to achieve carbon neutrality in Europe by 2040.

<https://www.renaultgroup.com/en/>

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