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Transcript for "Interim Report for January–March 2025"

00:00:00 - 00:00:41
Annukka Angeria: Good afternoon from Helsinki, and welcome to Nokian Tyres Q1 2025 results webcast and conference call. My name is Annukka Angeria, and I am working in Nokian Tyres Investor Relations. Together with me on this call I have our President and CEO, Paolo Pompei, and our CFO, Niko Haavisto. As usual, Paolo and Niko will present the results, and after that, there will be time for questions. Without further ado, Paolo, please go ahead.

00:00:43 - 00:01:59
Paolo Pompei: Good afternoon, all from my side. I'm Paolo Pompei, I'm the president and CEO, and I will guide you through our quarter one interim report this afternoon. I'll start from page one. The headline is strong sales growth in all regions. Actions accelerated to improve financial performance. Moving to slide number two. The agenda of today's call will be the financial performance in quarter one. We will go through the numbers of the business unit. There will be some reflections from my side. At the end, we will also address the situation of the tariff in North America, as well as the guidance for 2025. Moving to slide number three. Quarter one financial performance. Let's move to slide number four. We had strong sales growth in quarter one. This is continuing our journey and strong sales growth that we had also in quarter four and quarter three last year. This was succeeded in all markets and all regions. Our Romanian factory is proceeding according to plan.

00:01:59 - 00:03:20
Paolo Pompei: We were starting to deliver tyres already at the end of March. We had an extremely good performance in a declining market for the heavy tyre division, and obviously, we are not fully satisfied actually, with the financial performance, and we have accelerated actions to improve our financial performance in the next quarters. The tariffs, of course, are causing some disturbances and some uncertainties in North America. However, of course, with our local-to-local strategy, we are working hard to mitigate any impact. Moving to slide number five. The market has been pretty stable in North America, where we talk about passenger car and light truck tyres, and has actually been growing by five percent in Europe. The truck tyre market has been stable in the aftermarket in Europe, while the agri tyre business was actually declining, both in the replacement market by seven percent as well as in the Odo segment by minus 20 percent. We are pleased to see that Nokian Tyres, in terms of sales, outperforms the market in all the segments where we are operating today.

00:03:21 - 00:04:51
Paolo Pompei: Moving to slide number six. Net sales at 269 million were growing by 14.2 percent in comparable currency. We had a positive development in all the business units, and we improved our market position in all regions. Our segment EBITDA was stable at €12.25 million, and our percentage, 4.6 percent of net sales, was declining compared to the previous year. Our segment operating profit was minus 18.5 million, compared to minus 15.1 million the previous year, at 6.9 percent of net sales, minus 6.9 percent of net sales. The decline was mainly driven by the higher raw materials, and obviously, the necessity as a cost to reinforce our market position in the growing market areas. We have implemented price increases in quarter one, which are obviously intended to offset the increased raw material cost, and this will be reflected in our quarter onwards results. Moving to slide number seven, you will see that we were, as anticipated, able to grow by almost six percent in the Nordics, where we already have a leading position.

00:04:51 - 00:05:09
Paolo Pompei: We have been growing fast in Central Europe once again by 34 percent, and we were also growing fast in North America by 15 percent. Moving to number eight, I will ask Niko to comment on the following slides.

00:05:09 - 00:06:55
Niko Haavisto: Okay. Thank you, Paolo, and welcome on my behalf as well. From the key figures, I want to point out the net sales. As Paolo said, we increased the net sales by some 14 percent compared to the previous year. However, at the same time, I need to say that the profitability is not where we want to be, and we must continue our tasks in order to improve the profitability with more control and a quicker way. As everybody knows, in this call, we are still final year of our investment phase. Two major investments to build on our new Nokian will be done by the end of this year. Within this three-year period, we have been investing close to €800 million. That's a gross number. I want to highlight as well that the Romanian state aid approved by EU, which will be paid by Romania, is not reflected in any of our numbers. As said in the earlier calls throughout last year as well, we'll see that it will be in our cash flow in the next three years to come. Also, we are returning back to

the more maintenance type of investments, i.e, the maintenance CapEx, estimating that to be around €120 million starting next year so clearly below our depreciation.

00:06:58 - 00:08:52
Niko Haavisto: From the business units' side. We'll start with the passenger car tires. Their sales once again were on a good level, but the profitability was weakened mainly due to the higher raw material costs and SG&A. We see that the inventories are on a lower level, so healthier than in the previous or the comparable Q1 last year. From the sales pitch there, we can see that the volume plus €31 million was then fairly neutral on the price and mix side in terms of net sales. Then, when you look at the segment's operating with those same elements, there, i.e, €10 million coming from the volumes, €1 million from the price and mix. Then the materials and the supply chain, as well as the SG&A were negative in terms of profitability. Slide number 13. This is the sales and the quarterly changes, their volume. However, I would like the volume up by close to 22 percent. However, really, I think what is good is the price and mix. There, the trend is slightly positive. However, we have ended the two-quarter decline that we had last year, i.e., H2 last year.

00:08:52 - 00:10:18
Niko Haavisto: That was changed in Q1 of 2025. Heavy tires also, as Paolo pointed out, really solid performance, especially weak OE market. We were able to find new customers in the aftermarket. Even with the low volumes, we're able to make 13 percent EBIT. Really proud of this, something we need to continue and contribute to the whole of Nokian Tyres. In terms of Veoneer, the first quarter is always seasonally low. Now Easter was late, actually in April. The profitability was at last year's level, but this is a constant balance of controlling our costs. Of course, the lower inflation will help us, but we need to monitor and be on top of the business at all times. With that, I hand it back to Paulo and the CEO reflections.

00:10:19 - 00:11:53
Paolo Pompei: Thank you, Niko. Right. It's really time to in some way summarize what happened since I joined the company in January 2025, and what my reflection is at this stage after leading the company for a few months. I moved to page number 17. Clearly, we have a really strong foundation to become a leader in this business when we talk about profitability. We have invested a lot. We will complete our investment phase by the end of this year. Then, of course, the growth will be, as it is already today, an important item on the agenda of all our business units. Clearly, as Niko anticipated, we are not satisfied with the financial performance. We know that the journey is not an easy journey after obviously activating our plan to exit Russia and rebuilding Nokian Tyre outside the territory of Russia. However, I have to say that we have initiated activities at the moment to accelerate our financial performance and cash generation for the next quarters. What is really important to say is that who we are and Nokian Tyres have been a strong player in delivering safe products in extremely demanding weather conditions.

00:11:53 - 00:13:03
Paolo Pompei: This is very important because this is and this will remain our main asset and our strong heritage, and we will carry on innovating, promoting our products in these applications because this is where we can make the difference, and this is where we deliver value to our customers. Clearly, we are a small player, we don't play anywhere, and we don't want to play anywhere. We want to play in the profitable niches of the market, which today are winter tyres. Obviously, all season we are delivering an extremely innovative new range of all-season tyres, and at the end, heavy tyres as well. Those are extremely profitable niches. We are a small market player when we look even at the addressable market, and of course, we are still a small market player when we look at the global tyre market, which is approximately €250 billion. We have plenty of opportunities to grow confident that we can leverage our value proposition and can leverage our extremely competitive and superior products.

00:13:06 - 00:14:21
Paolo Pompei: Today, we can really find our business in a wide offerings when we talk about winter tyres and all-season. However, more importantly, we can really build our future on safe and sustainable, and high-performing products. Our brand is a premium brand in the Nordics, as we know very well. It's a very strong brand when we talk about winter tyres in North America and in the rest of Europe. We will obviously need to build the brand in the other application in the other markets. We have an extremely good and efficient distribution network in the Nordics, which is Viner, that is helping us to keep our premium position in the market and in other markets outside the Nordics. We have extended our retail network now to 46 countries, and this is also very important to support our future growth. The manufacturing is today the area that is, in my opinion, representing long term one of the main asset of the company, because now we can say that we have

developed a local for local strategy, being less vulnerable than what we were before and being able to service our customers with dedicated product to dedicated markets.

00:14:22 - 00:15:37
Paolo Pompei: Of course, we are not depending anymore on one giant production source, but we are depending on three strong manufacturing facilities. When we talk about passenger car tyres that are located in the Nordics, in Europe, in Romania, in this case, as well as in North America. Of course, those facilities are really brand new. We have invested a lot, and this represents, again, a strong foundation for our future growth. Inevitably, we also have a leading position. Global leading position in the forestry industry. However, we are also expanding quickly our range in the agricultural tyre segment, where obviously we are aiming to grow in the near future. When you look at this page number 20, you will see obviously that our profitability decline due to the responsible decision to leave the Russian market and to immediately focus on the construction of our new manufacturing facilities in Romania, while at the same time building a strong alternative for North America, as well as reinforcing our operation in Finland. Clearly, the Dayton production ramp-up is now completed, so we can now leverage a higher output coming from our factories in North America.

00:15:37 - 00:16:58
Paolo Pompei: Of course, we are at the moment working hard on the deliveries and on the ramp-up of production output in order there in Romania. Of course, there is plenty of opportunity for us to grow and to improve our performance. In particular, when we talk about the commercial positioning in North America and Central Europe. Manufacturing, of course, we've been focusing on growth. We need to focus, as I said several times, on the efficiency of our manufacturing facilities. We need to focus on better procurement, enlarging our supplier base, renegotiating our existing contract, and, of course, on the SG&A cost competitiveness. At the end of the day, this will result in a reinforcement in strengthening our balance sheet. More precisely, when we talk about North America, we need to accelerate our effort to commercial efforts to gain premium market share in the market while enlarging our sales network. In Central Europe, it's really about growth, but it's also about aligning our positioning to a premium brand segment. In manufacturing, we discuss Dayton.

00:16:58 - 00:18:22
Paolo Pompei: Dayton obviously is now producing the expected output, but obviously we will need to work on the optimization and on cost efficiency, and this will also result now the increase of volume in efficiency coming from cost reduction through scaling. When we talk about procurement, we are working hard, and we have already initiated plans to reduce our raw material cost and, of course, to optimize our indirect spending. We have created different work streams that are working in multiple dimensions. By the way, we didn't complete at all the ramp up in order there. That will be completed late in 2027. This is going to be a key item on the agenda of our excellent manufacturing team. The new organization, as you know very well, that has been launched in quarter one, was aimed actually to create a strong PNL and KPI ownership, and at the same time, clear accountability. For this reason, we have also created dedicated workstreams that are supporting a systematic follow-up and reporting activities that are a necessity for all of us and also for you in the future, to follow up on our progress and to make sure that we are delivering in line with the plan.

00:18:23 - 00:19:59
Paolo Pompei: When we talk about our capital allocation, we'll be investing a lot. You can see clearly that from 2022 to 2024, we've invested 728 million so far. Obviously, this has increased our net debt position by 472 million. We had paid in the wild time 124 million in dividends. What are we expecting from this journey? We are expecting, as a result, an improvement in the operating cash flow. The CapEx level will return to normal. We don't see at this stage any need after 2025 to further invest in our business since we will be well set to manage the future growth, and of course, a ratio of one to net EBITDA. This will obviously be our target towards 2027. The rot is, as I told you already, that since the very beginning, the road is bumpy, obviously, there is a lot to do. We are working very hard, really, to deliver growth and at the same time to improve our financial position. However, I believe that obviously we can really position or can tyre growing above the market level with our unique value proposition, safe and sustainable, and high performing products in demanding weather conditions.

00:20:01 - 00:21:29
Paolo Pompei: Obviously targeting a strong improvement of our profitability, which will come and you will start to see later in the year. Of course, with our efficient now new manufacturing footprint, we will see that obviously we will allocate lower CapEx and we will then generate more cash and invest returns in the quarters to come up to 2027. Moving to the final section. That is about tariffs and guidance. In slide 27, we see at the moment that the passenger car tyre and the light truck tyre industry will remain pretty stable in Central Europe

as well as in the Nordics and in North America. While we still see an having a weak market in the heavy industry, in particular on the OE side. Clearly when we talk about North America, as you know very well, the situation is at the moment creating some uncertainties from the American represent today more than 20 percent of our sales as a group, 85 percent of what we produce in the US is what we sell in the US is produced in Dayton. We supply Canada from both the US and Europe.

00:21:29 - 00:22:57
Paolo Pompei: Mainly, 100 percent of winter tires are coming from Europe, so they will not be affected by the tariff. However, of course, the all-season tyres are made in Dayton in the US, and they are supporting the Canadian market, where today there are import duties up to 25 percent. Obviously, we see that these tariffs can also be at the same time, representing opportunities for us. The market in the US is today made up of 60 percent imported tires. The US market is today importing more than 50, actually 60 percent, of the tires that are sold in the US. Obviously, for us, having a direct presence in Dayton can represent an extremely good element to play in the near future if the tariff remains there. I would like to remind you that obviously, the tariffs are in place only now, at the beginning of May, while in April, obviously, the market was still not supporting the tariff. There would also be some indirect impact that is generated by the raw material cost. Obviously some uncertainties in the consumer who is today more cautious in spending money due to different reasons, including fluctuations.

00:22:58 - 00:23:26
Paolo Pompei: We, as Nokian Tyres are very well equipped to manage the future with a flexible supply chain. The possibility to leverage our European factories, but at the same time being well located in North America to support the North American market with our brand new factory in data. Now, to Niko, the introduction of the guidance.

00:23:27 - 00:24:03
Niko Haavisto: Thank you. The guidance we have kept on saints i.e., we are expecting our sales to grow and an operating profit as a percentage from the net sales to improve compared to that of last year. This is regardless of the tariffs that are imposed. Now we see that the guidance will remain as it was when we gave it in the beginning of February this year. With that, I hand back over to Annukka.

00:24:05 - 00:24:10
Annukka Angeria: Thank you, Paolo and Niko. Operator, we are ready for the questions.

00:24:14 - 00:24:33
Operator: To ask a question, please dial Pound Key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial Pound Key six on your telephone keypad. The next question comes from Akshat Kakkar from JPM. Please go ahead.

00:24:34 - 00:25:44
Akshat Kakkar: Thank you for taking my questions. I have three, please. The first one on your North American business. Starting off on the tariff side, could you please quantify the tariff impacts on the PNL that you saw in Q1? How do you expect that gross impact to change as we go into Q2 specifically, given your exports from Nokian into the US, as well as, as you mentioned, from the US into Canada? Secondly, in terms of your North American local capacity, could you remind us what your plan production levels for 2025 are, and how quickly you could increase local capacity in that market, and what kind of investments would that entail? That's the first question broadly around North America's tariff capacity. The second question is generally on the marketplace. Could you broadly comment on the channel inventories in Europe and North America, and if you still expect positive selling trends to continue going into Q2? The final question is on pricing. Is it possible to quantify the extent of price increases that you're looking at? Again, in both the markets, please, Europe and North America. Thank you so much.

00:25:49 - 00:27:30
Paolo Pompei: I would take this one. I mean, about the tariff impact in quarter one. Obviously, the tariffs were not really in place in quarter one. The effect of the tariff will be visible in quarter two. Obviously we don't disclose the impact, but this will require what I can say, a lot of discipline from our side. If there is inflation, obviously, we will need to face the inflation as well. I think the second market was about the capacity in North America, which we don't disclose in terms of number of pieces, but we can clearly say that we are reaching this year approximately 80 percent of our capacity in North America. We're well-positioned to support our growth. I think one of the questions was about price. Of course, we don't comment about the price increase for competitor

low reasons, and we cannot comment on that. I think the last question was really about the growth outside of North America, if I'm correct. Of course, we are expecting growth, as we said, in our guidance. This growth is obviously provided by all our markets and all the markets where we operate. Niko, please comment if I miss anything in this answer. [silence 00:27:23-00:27:30]

00:27:30 - 00:27:31
Annukka Angeria: Niko, you are muted.

00:27:33 - 00:27:58
Niko Haavisto: Yes, sorry. However, generally the same answers as Paolo. It was about the market inventories that are at the dealer level. We see that they are healthier level and the selling as such will continue. It's mainly into Europe. I tend to North America. We went through what the situation is there, but I think those covered your questions.

00:27:59 - 00:28:11
Akshat Kakkar: Thank you so much. Just one quick follow up in terms of your overall capacity in the US. Could you remind us how quickly could you increase capacity at your Dayton facility, and what kind of investments will that entail, please?

00:28:13 - 00:29:05
Paolo Pompei: As I said, we are at the moment planning to reach more or less 80 percent of our capacity this year in our US factories. This, of course, will be strictly linked also to the tariff situation, investing in the expansion of capacity obviously is not something that is happening in one day. If there is a need to go beyond 100 percent, meaning that we need to invest even more for our future growth, then of course, we will need to estimate that this will not happen immediately, but will happen in some time. However, at the moment, we are still a space for growth. Of course, we believe that whatever is happening, we will be able to face, obviously, our growth for at least the next couple of years.

00:29:06 - 00:29:15
Niko Haavisto: Yes. The land plot and the layout would allow us to triple the capacity there. However, it's not something that we are planning at this moment.

00:29:17 - 00:29:18
Akshat Kakkar: Thank you so much.

00:29:22 - 00:29:26
Operator: The next question comes from Artem Beletski from Seb. Please go ahead.

00:29:29 - 00:30:20
Artem Beletski: Yes. Good afternoon, and thank you for taking my questions. I have three in total. The first one is maybe on price mix versus raw materials outlook for the full year. How do you expect it to look? Should we think about neutral or positive pictures there? Then the second one is relating to ramp-up costs and basically non-IFRS exclusions. The number was a bit more than €70 million in Q1. Are you able to provide some full-year estimate numeric ones? I know that it should be coming down year over year. The last one is just relating to net debt development and also working capital during the year, so net debt was roughly €800 million. Where do you expect it to peak this year? I guess it should be happening in Q3 as normal.

00:30:23 - 00:30:55
Paolo Pompei: Thank you. I suggest I take the first one, which is about pricing mix, as we said and as we commented. Obviously, we didn't fully compensate. The raw material cost increased in quarter one, and we have implemented actions to compensate for the raw material cost increase already starting from this quarter. We are expecting a positive development or pricing mix already starting from quarter two. I would suggest, Niko, that you take the number two and the number three.

00:30:55 - 00:31:59
Niko Haavisto: Yes. In terms of the ramp-up cost of over 70 million, as Artem pointed out, we haven't disclosed that. However, if I give some type of a Ballpark figure. As of today, we are seeing that it will be something between 50 to and €60 million in total this year. However, then depends on how we are ramping the idea up, but that's the ballpark, nothing that we have printed out, but that's the ballpark number. Then, on the net debt development. As you pointed out, once again, it will reach its peak in Q3 and then Q4, we have the major

inflows from the receivables coming in. It will then start to lower towards the more desirable levels as well. Of course, we are doing our utmost with the networking capital as such, but Q3 is the peak in terms of net debt.

00:32:03 - 00:32:04
Artem Beletski: Okay. That's clear. Thank you.

00:32:08 - 00:32:13
Operator: The next question comes from Pasi [inaudible 00:32:10-00:32:11] from Nordica. Please go ahead.

00:32:15 - 00:33:09
Pasi: Thanks. This is Pasi from Nordica. When looking at the profitability, well the first question is related to your supply chain. What exactly is the problem there on your supply chain? Now creating more cost than expected. You have been buying raw materials for quite a long time, and prices should not be a surprise. Secondly, well, when looking at the situation in North America, how many tyres are you actually shipping from Dayton to Canada? Would it be even over one million tyres on an annual basis? Lastly, regarding your financial targets, would it be possible to reach this 15 percent EBIT margin by having these two three million offtake agreements still ongoing with Chinese buyers? Thanks.

00:33:13 - 00:34:30
Paolo Pompei: Thank you for the question. Obviously, the first question is about our supply chain, which is including obviously the manufacturing cost. I think this is part of the journey that we need to consider again. We had completely lost our manufacturing footprint two years ago to three years ago. Then, of course, we started to rebuild our supply chain from the beginning. It's true that we didn't do it at the speed that we were supposed to do it. Especially when we talk about building growth in North America. However, of course, now I believe we are on the right track, really to follow this growth. Our supply chain costs are also really related to the fact that we are working very hard on different dimensions. The growth in Dayton, which is extremely good growth in quarter one, of course, is in some way increasing our average cost. You mentioned the raw material. Of course, we knew about the raw material coming. Now, obviously, we have implemented actions to compensate for the raw material.

00:34:31 - 00:35:16
Paolo Pompei: The second question is about Dayton to Canada, we don't disclose exactly. We just say that the whole season tyres that we sell to Canada today are made in Dayton. It is, I would say, a part of the business, but we have, in this case, two possibilities in case Canada and us will find an agreement. Obviously, everything will run as normal in case Canada in the US do not find an agreement. We can leverage our European manufacturing sources the deliver tires to Canada. The third question is about the financial target. I will leave it to Niko to follow up on this question.

00:35:17 - 00:35:54
Niko Haavisto: Yes. It was that are we able to generate the 15 percent EBIT market? This is our view today on the longer horizon i.e., we haven't changed the long-term financial guidance as such. We are targeting the €2 billion sales and then the plus 23 to 25 percent EBITDA and 15 percent EBIT, and at the same time, between one to two times net debt to EBITDA. Those are all intact, and that's what we believe in.

00:35:58 - 00:36:05
Pasi: Yes, I hear you. However, coming back to this Chinese offtake agreement at volumes, something between two to three million for this year.

00:36:07 - 00:36:50
Paolo Pompei: The volume is lower than two million. At this stage, and then, of course, we disclose that we will always keep a percentage of off-take in our product portfolio. That is around 10 percent, because we believe our suppliers will be able to compensate the gaps that we have in our manufacturing development, as well as, will be able to support us in the production of product lines that we believe are not strategic or convenient to keep in-house. However, at the moment, we can say that the volume is just below two million pieces.

00:36:51 - 00:36:59
Pasi: Excellent. I do understand. That was all from us. Thanks. [silence 00:36:54-00:36:59]

00:36:59 - 00:37:03
Operator: The next question comes from David Shaw from Tyre Industry Research. Please go ahead.

00:37:05 - 00:37:42
David Shaw: Oh, hi, and thanks for taking my call. I've got a couple of questions. The first one was about a spurious announcement about the EU potentially imposing tariffs on car and truck tyres from China, an investigation starting later on this week. Can you tell us more about that? The second question is about manufacturing flexibility. As I understand it, you are due to install in Russia a very flexible, modern manufacturing system, and that is now potentially available to go into Romania. Again, can you comment on that, please?

00:37:43 - 00:38:54
Paolo Pompei: Okay, great. About the first question about the tariff study made by the EU. Obviously, this is true. This is a potentially ongoing issue, but obviously, we are not influencing those things. Of course, I don't think we can comment about it. I mean, this is an initiative. As you know, there are already some duties on the truck tyres. I think the authorities are simply investigating if there are any activities or any dumping activities in this direction, but we are not really able to comment about it, about the flexibility of our operations. I want to be clear about that. When we talk about Romania, we are talking about extremely advanced manufacturing facilities. I've been myself 28 years in the business. I can tell you that the investment we've made in Romania is really state-of-the-art, not only giving us an extremely high level of automation and at the same time, keeping extremely sustainable operations with zero CO2 emission. However, it's also a factory that is providing us the same flexibility.

00:38:54 - 00:39:11
Paolo Pompei: Of course, in a lower scale at this stage that we had than we had in Russia. We really count on what we built in Romania. We really believe it's a great asset for the company to develop our future growth, our positioning, and obviously our business expansion.

00:39:14 - 00:39:15
David Shaw: Thank you.

00:39:20 - 00:39:24
Operator: The next question comes from Rowley Juva from [inaudible 00:39:22-00:39:23]. Please go ahead.

00:39:26 - 00:40:04
Rauli Juva: Yes. Hello, it's Rauli from Inderes. Two more questions left from my side. Firstly, coming back to the North American production platform regarding the volumes you are now shipping from Europe to the USA. What kind of investments and timeframe would it require for you to actually produce those in the US factory as well? Then the second question is just a technicality of the depreciation. Was the Romanian plant already fully in the depreciation figures for Q1, or will there be a step-up in Q2 as the shipment started in late March? Thanks.

00:40:06 - 00:40:37
Paolo Pompei: Thank you for your question. I mean, about North America, the volume that is going from Europe to the US is extremely limited. We don't really see this issue when we talk about the flow from Europe to the US. Of course, there are some product segments that are still supported by Europe, but again, we don't see that as an issue. They can be relatively quickly implemented in Dayton in North America, in case it's needed. About the depreciation, Niko, can you please answer this one?

00:40:39 - 00:40:43
Niko Haavisto: We didn't include depreciation in Q1 in terms of Romania.

00:40:46 - 00:40:59
Rauli Juva: All right. Can you give any ballpark what the depreciation will be in Q2? Once there, I guess there will be no orderly procession for the equipment installed as of now.

00:40:59 - 00:41:10
Niko Haavisto: I don't want to give a number. I will come back with the Q2 numbers. What is that? It's still under investigation, so to speak.

00:41:11 - 00:41:15
Rauli Juva: Okay. All right. Thank you. That's all for me. Thank you.

00:41:19 - 00:41:23
Operator: The next question comes from Thomas Besson from Kepler Cheuvreux. Please go ahead.

00:41:26 - 00:42:46
Thomas Besson: Thank you for taking my question. Apologies if I ask about things that have been mentioned on the call. I was listening to another call until very recently. Can you please confirm your annualized capacities at the end of March for each of your plants and what you expect to have in terms of annualized capacity at the end of '25? The results also confirm the planned off-take volumes for both '25 and '26. Remind us of the origin, at least the geographic origin of the tiles you're using in the offtake contracts. The second question, could you confirm the CapEx for '25, I think. I remember you were talking about €150 million, but you spent 52 million in Q1. Is that still 150, or should we count on a bit more than that with tariffs and potential adjustments in local capacities? Lastly, your cash and cash equivalents melted substantially. Can you remind us well, what kind of liquidity position do you feel comfortable with? Remind us of your key maturities. Remind us how much flexibility you have with your balance sheet and your net debt going up, apparently, still until the end of Q3. Thank you.

00:42:49 - 00:43:49
Paolo Pompei: Thank you very much for your question. I will take the first two. The first one is about capacity. Obviously, we don't disclose externally our total production capacity. We have disclosed a few important information for you to give you some guidance. The first one is that in order there, we will be able to produce six million pieces by the end of 2027. You can clearly see that obviously we have an important addition in terms of capacity compared to the today situation that is coming from there. We also disclosed that we keep more or less 10 percent of our total volume in offtake. Again, supporting the gaps where we believe it's more strategic for us to use external partners more than produce an internally specific product line. I kindly ask Niko to answer about the CapEx and the cash.

00:43:50 - 00:44:43
Niko Haavisto: Yes. In terms of the CapEx, we have guided €200 million. I'd once again be repeating myself, so not including the potential part of the €100 million state aid from Romania. €200 million is the CapEx that we see for this year, and then in terms of the net debt asset that it will peak in the highest number in Q3, and as a backup facility, we have the commercial paper program and then the committed credit limits. Those credit limits are not in use. In terms of the cash position or liquidity, we are on the safe side, so to speak.

00:44:45 - 00:45:11
Thomas Besson: Okay. Thank you. Can I ask just a quick follow-up? Your passenger margins in absolute and in percentage terms deteriorated further. I think this Q1 was the weakest quarter you've ever posted. Can you give us an indication of when we are going to see the lowest figure in absolute or in percentage terms for passenger auto margins? As much as you've indicated that the peak debt would be in Q3. Thank you.

00:45:13 - 00:46:05
Paolo Pompei: Yes. I mean, the main issue I would say in our margins in quarter one was the ratio between price and mix and raw material, as it is visible from our bridge. We had the raw material increase coming in, and we were not compensating for the raw material increase. However, we have initiated actions to compensate this gap in quarter two and following in H2 2025. I will say that this quarter was, in some way, an exceptional quarter, where obviously we had to follow many other priorities at the same time. I'm pretty confident that you will see the margins moving up in the second half of the year.

00:46:08 - 00:46:09
Thomas Besson: Okay. Thank you very much.

00:46:14 - 00:46:19
Operator: No more questions at this time. I hand the conference back to the speakers for any closing comments.

00:46:23 - 00:46:37
Annukka Angeria: If there are no further questions, it is time to end this webcast. Thank you, Paolo and Niko, and all the participants on the line. We wish you a nice rest of the day. Bye.

00:46:38 - 00:46:40
Paolo Pompei: Thank you very much for participating in the call.

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00:46:41 - 00:46:41
Niko Haavisto: Thank you.