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Transcript for "Financial Statement Release 2024"

Päivi Antola (00:00-00:35)
Good afternoon from Helsinki and welcome to Nokian Tyres' Q4 and full year 2024 results call. My name is Päivi Antola and I am from Nokian Tyres Investor Relations. And together with me on the call, I have Paolo Pompei, the President and CEO of Nokian Tyres, and Niko Haavisto, the CFO. Paolo, this is now your first results call with Nokian Tyres, and I would like to warmly welcome you to Nokian Tyres.

Paolo Pompei (00:35-01:15)
Thank you. Thank you to all the Nokian employees who were actually giving me a warm welcome in the company since I joined at the beginning of January before starting. And really, I would like to sincerely thank my predecessor, first of all, because he obviously left the company and retired at the end of 2024. I think he has been excellent in driving the company through extremely difficult times, and what we have today What we have the opportunity to leverage today is a much better platform than what it used to be. So I would like to thank him for the great contribution. And I'm honored, actually, to be able to carry on his journey as of today.

Päivi Antola (01:15-01:34)
Thank you, Paolo. And it's now been a bit more than a month that you have been leading the company. It's a new company for you, but also a new country to live in. How have you adapted to Finland and the Finnish winter weather?

Paolo Pompei (01:34-01:55)
Yeah, well, I think the weather has been extremely kind to me so far. And I mean really to get a smooth transition in Finland. Now, today, I'm a proud resident of Helsinki. And I already know some very good restaurants around the city. So I think I will have a nice time here in Finland. And I'm looking forward to actually carrying out this journey here.

Päivi Antola (01:55-01:58)
So, is there anything that has surprised you so far?

Paolo Pompei (02:00-02:59)
No, not really. And I was always impressed by the significant development that we've observed in the past few years. Nokian Tyres has always been a strong leader, particularly in high-performing segments like winter tires, which demand extremely strong performance, and it has always been a leader in sustainability. But I was also very impressed by the way it was able to manage the reorganization after the crisis in Russia and to build a new, successful platform for the future. So, I think this is really what made me extremely enthusiastic to be part of the team today and to start working with the teams on our future.

Päivi Antola (03:00-03:12)
And anything now after four weeks, your first impressions of Nokian Tyres, as you know the company from the past, but in that sense. Any surprises?

Paolo Pompei (03:12-03:47)
As I mentioned, coming from the industry, I knew the company quite well from the outside. I think I can confirm the deep and strong focus on delivering high-performing products for extremely demanding applications and challenging weather conditions. The extremely strong focus on sustainability is making this company in some way unique. Looking at the future. So really, nothing particularly new. And actually, I found more exciting things to leverage for the future than what I could see from the outside.

Päivi Antola (03:48-04:01)
If we then look a little bit, uh, to the future. In the coming weeks. Coming months. What are you focusing on first? What are you? What are going to be your first priorities?

Paolo Pompei (04:01-05:06)
I mean, I think the agenda is quite clear. So the first priority is to accelerate the startup in Romania, which is obviously our new manufacturing platform, and is really the one that will deliver growth in our future journey, while completing the development of the North American operations. Well, actually, this year we just completed the, um, the startup phase in some way. So the expansion phase. And then, of course, we will focus together with the entire team on efficiency and productivity, because we are now a new platform, and we need to ensure that this platform is more productive and efficient for the future. Last but not least, uh, consumer

focus. I mean, we now have the opportunity to really build a strong brand together, particularly in new markets. We are already quite strong in the Nordics, but we have huge opportunities in Central Europe as well as in North America, and this is going to be our main challenge and main opportunity for the future.

Päivi Antola (05:08-05:28)
So you now have these 30 plus days behind you and there's always talk about the first 100 days, but when do you think you or the company will be ready to share more on the strategy and the company's future direction?

Paolo Pompei (05:28-05:58)
I think we will be ready very soon, probably March already, after 80 days. So obviously, look forward to planning a quarter where we can actually explain our way forward a bit more in detail. But again, the transition time with you also gave me the possibility to actually step in and be immediately up to speed. From day one. So we will come back to you very soon.

Päivi Antola (05:58-06:17)
Thank you, Paolo, for these words and this information. And now it's time to go to the actual presentation and talk a little bit about 2024 and the last quarter of the year. Paolo, please go ahead.

Paolo Pompei (06:17-09:44)
Thank you. And of course, we start with the headline, which is solid growth driven by Central Europe in 2024. And of course, North America faced challenges, resulting in a soft quarter. But the Romanian factory will be getting ready for that very, very soon. But I want to start moving to page number two with the picture of where we stand today. And I really care about this because I believe that today, as I mentioned in the introduction, we have a stronger impact than before. Today, we are much less vulnerable in the passenger car business. The three manufacturing facilities are performing very well, aligning with our local-for-local business model. Of course, we are still in a sort of startup phase, but again, I believe this platform will give us the possibility to expand our operations and to create a business model that is more agile and closer to our key consumers and customers. We are a premium tire brand in Nordic countries, but we have strong ambitions in terms of growth, both in North America as well as in Central Europe. And we are really focused on the high-value segment, particularly in demanding applications like winter tires, but also now developing fast. In the all-season business, there is a strong focus on sustainability, and we are probably one of the leading companies in our industry focused on sustainability. And we're really proud of our sustainability plan that is part of our DNA. 1.3 billion more or less business in 2024, more than 50% of our business is in car tires. As you can see, every part, including truck tires, represents 16% of our sales. Moreover, more is produced in the Nordics, actually 100% in the Nordics, and it represents 28% of our total sales. As you can see from this graph, the Nordics also represent more than 50% of our sales, 54% to be precise. But obviously, we have great opportunities for growth, and we are growing fast in Central Europe again and in North America in particular. Moving to slide number three. 2024 was in some ways a challenging year, but of course, it was strong in terms of performance. When we talk about sales in a challenging market, the factory is not yet planning for commercial sales. We have been delivering new products, we have improved our deliveries and our availability, and of course, we made good progress with the strategic investments adding capacity. As I said at the beginning, we are there with the first zero CO2 emission factory in the world. And then, of course, we have just completed the investment phase in the North America factory in Dayton. We made a significant step forward. When we talk about sustainability. In particular, I want to mention the recognition of the Platinum Medal for our eco certification, placing us among the top 1% of companies able to earn this type of certification. But now I will invite Niko to move on to stage four.

Niko Haavisto (09:46-16:32)
Yeah. Thank you, Paolo Pompei. So, first on the full year numbers, as Paolo said, there was solid growth in terms of top line last year, with the growth being a little over 10.5% in comparable currencies. I've landed on comparable currencies with the 1.3 billion, uh, segment EBITDA €185 million, which represents roughly 14.4% of the sales. And as you know, there is a target of reaching that at the level of 25% during this strategy period, which is still valid as we speak. Uh, the segment's operating profit for the full year was €71.4 million. And of course, that's driven by the volume. and then lower raw material costs in the full year numbers. Uh, the board is proposing a dividend of €0.25 per share to the AGM, to be held in May and then paid also fully in one installment in May. On page five. Uh, more on the quarter numbers. So there we see that there was a clear increase in terms of net sales, a little bit over 13%. And this mainly came from Central Europe, which is in line with our strategy, with an EBITDA of €67 million. And then on the operating profit level, €36 million compared to prior year's €45 million. The decline is due to our lower ASP, which is mainly related to the mix. And then we mentioned that we had higher operating expenses in Q4. On page six, I think I would like to point out a couple of numbers here. One is, uh, of course, the equity ratio. So we are still on a healthy, above 50% level. To

be exact, the equity ratio is 52.5%. And then on the net interest. Interest-bearing net debt is €613 million. At the same time, we invested mainly in our Romanian factory and finalized the investments. And that amounted to a total of €350 million. On page seven, we go through the segments. So, uh, Q4, uh, once again, reflects a good achievement in terms of, uh, top line. It comes mainly from Central Europe. But of course, the disappointing factor was the mix and then the higher operating expenses there. So we learned that in terms of operating profit for the quarter, it was roughly €14 million, accounting for a 5.7% margin for that quarter alone. Is there a significant increase? But then on the price and mix, of course. Uh, there is a negative number, which affects the segment operating profit. So that was affected by both the price mix and the material costs for Q4, which were giving us a headwind. Then I move to a passenger car tires, quarterly changes. And there you see, I'm looking at the center of the graph there. If I look at the price and mix. So in Q3, we were at the level of minus 11%, now at minus eight. And this is a trend that we need to change going forward. The currencies didn't play any significant role in last year's numbers. Uh, moving to the heavy tires. I think this is something that we can be really proud of. So in a weak market throughout the year, but also especially even with similar volumes as last year. In Q4, we managed to achieve an operating profit of 14%. And especially there, the OE market was weak. But we managed to have good and profitable sales in the aftermarket. So I think this is, uh, something that we are really, really proud of. Uh, then finally, the last segment, Vianor, their, uh, sales performance was good. If looking at the Q4 operating profit, it was less than last year. That's a margin thing. And this is something we said all along last year, that we need to improve the profitability there. And we've taken actions during the year, but that will take some time to materialize in the full numbers. But, as such, the Q4 was solid for Vianor, then moving to the guidance. So, we gave a guidance for the year 25. So, we say that our net sales are expected to grow and the segment's operating profit as a percentage of net sales is expected to improve compared to 2024. And then you see the assumptions that we are basing our guidance on there as well. And with this, I hand over to Paolo.

Paolo Pompei (16:34-26:25)
Thank you, Niko. We are now on page 13. Of course, let's look at the present in some way or the future. I mean, we have a premium brand that is delivering superior performance in extreme conditions, and we are obviously working very hard at continuously delivering innovation in our own products. And we will have new products coming out this year that we will be proud to announce later on in our journey, during 2024. We've been able to actually deliver many new products, as I said. In particular, I want to mention our Season One, which is an all-season tire for the Central European market that we have been developing ourselves. Then of course, we are focused on the North American market with an all-weather tire. Nokian Tyres Remedy WRG5, which has also been released recently. And then of course, also the automotive industry. The Nokian Tyres Soil King has always been a good addition to our product range. Of course, servicing AI-powered tractors in the industry. But what I really care about is the slide number 15 that illustrates our manufacturing footprint, the way we are shaping it for the future, because this will give us the ability to be extremely close to our consumers and customers, and at the same time, leverage a manufacturing footprint that allows us to be more agile and respond to market demand. And considering the geopolitical situation that is actually affecting the world at the moment. We can see that having such a diversified manufacturing footprint will make us less vulnerable to market fluctuations. So we will have 25% of our production output by 2027. That will be delivered by our American factory in Dayton. We will have 35% of our output that is going to be released by our factory in Nokia, which has been reinforced in thermal capacity in the last couple of years. And then, of course, our factory in Romania will absorb 40% of our total production capacity, giving us the possibility to service in real time the Central European and Southern European markets. We will keep using our partners to support Nokia in the future, wherever we have gaps or whenever we need to really leverage. Also, the support of additional capacity when needed. This setup will really give us the possibility to manage our future growth more efficiently. I mentioned the manufacturing. I mean, of course, today we are employing 300 employees on site, and we should be able to start deliveries pretty soon. Obviously, we will make an announcement as soon as possible. We will start deliveries in the next few months. Also, very important. Slide 17. We are obviously moving forward in our journey when we talk about sustainability. We are just mentioning a few examples of our strong effort in achieving our own long-term targets. First of all, I mentioned at the beginning the platinum medal we received. That is really something we are proud of, putting Nokian in the top 1% of companies that were assessed by this. Then, of course, new greenhouse gas reduction targets. We have contributed and agreed on our own long-term targets with the Science Based Targets initiative that are contributing to reduce global warming by 1.5%. And last but not least, I mean, we continue our journey in building products that significantly increase the percentage of renewable as well as recyclable materials to 50% by 2030. And this year, we will have good news about the newly launched product in the Central European market that is actually almost meeting this requirement. And of course, we are cooperating with the partners. In this case, I want to mention the partnership with UPM using a renewable lignin-based material that is obviously giving us the opportunity to replace fossil-based carbon black. And at the same time, the partnership that we have activated with Reselo. We are actually able to use material from birch bark that is also replacing, in this case, fossil-based materials. Moving to slide 18, I would like to

mention something that we just announced this morning: we are also changing our operating model, adapting the company to the next step of growth and operational excellence. The new organization that we are launching at the moment will give us the possibility to keep our leading position in the Nordics, but at the same time to increase the focus on strategic markets like Central Europe as well as in North America. Also, having a member of the management team as part of this region's management team will drive the agenda of the management team to focus more on generating long-term consumer demand. And of course, this new organization is set to start leveraging the synergies that are coming from our new manufacturing footprint and also the synergies that are coming from operational excellence in everything we do day by day. Moving to slide 19, just a graphic illustration of the new organization as it looks at the moment. We are essentially dividing the passenger car tire business area into three divisions. So, Nordics, North America, and Central Europe. That will actually be part of the organization reporting directly to me. And then, of course, we will keep Vianor as an independent sales organization. At the same time, we will have global functions, and I would like to highlight the two main changes in this organization chart. One is the creation of a global manufacturing function that will take care of all our manufacturing facilities, ensuring that we are able to allocate resources and generate synergies from our current manufacturing footprint. The second one is the reinforcement of the marketing and communication function. That will be one key function for developing our brand value proposition in the market. In particular, as I said, the new markets like Central Europe and North America will obviously operate across the company, supporting it to increase the value of our brand. And also, I would like to take this opportunity to thank you, because as you can see from this slide, we are splitting the investor relations function with the marketing communication function. And we obviously will leave the company, and that will probably be your last call. So, presenting the organization, I would really like to thank him for his long service to the company and for his support, which has been extremely valuable over the last seven years, and we obviously wish you all the best for the continuation of the journey. Obviously, we will integrate the investor relations with the finance function, as you can see from this organization. And then, of course, as I said before, the marketing communication function will be reinforced at a global level. So moving to slide 20, key priorities for 2025. It's really about driving growth that comes from new products. So we have a very comprehensive agenda in front of us, focused on new products and, of course, products that are driven by the necessity to generate value for the consumer. A great opportunity to ramp up the factory in Romania in the next few months. And this will give us, as I said several times in this call, the possibility to finally leverage a manufacturing footprint that is fully integrated and agile at the same time. And then, of course, it's time to really focus on more productivity and more cost efficiency as a result of all the investments that we made in the last few years in the company. I'm closing on slide 21. That is obviously reminding everyone of our purpose, which is to make the world safer by reinventing the tires and the way they are made, over and over again. And as a newcomer in the company, I can confirm this is really part of the spirit of our team to think about how we can do things differently and how we can innovate more. Our team is dedicated to thinking about how we can do things differently, innovate more, and successfully address the future needs of our consumers and customers.

Päivi Antola (26:27-26:33)
Thank you Paolo. Thank you Niko. And now, we would be ready for questions from the audience, please.

Operator (26:37-26:57)
If you wish 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 J.P. Morgan. Please go ahead.

Paolo Pompei (27:00-27:01)
Thank you.

Akshat Kakkar (27:01-27:51)
Taking my questions. From J.P. Morgan. Welcome, Paolo. I have three questions, please. The first question is about your dividend policy. I just want to clarify that the proposal of $0.25 per share is the final consideration for 2025. Or, like in the last few years, could you consider a second dividend payment later in the year? That's the first question. The second question is on the passenger car margin in Q4. You mentioned that you've seen higher operating expenses impacting the business in Q4. Is it possible to quantify the share of one-off costs or one-off charges that impacted the quarter specifically, please? And the last question is on your expectations for total CapEx, net of subsidies as well as free cash flow for the business in 2025. Please. Thank you so much.

Niko Haavisto (28:00-28:36)
Yeah. Atarting with the dividend. So our dividend policy as such has not changed. The board, of course, thoroughly considered the dividend which they are proposing to the AGM, and the proposal is €0.25; that is the

proposal. So there is no additional dividend proposed for 2025, i.e. The €0.25 is the proposal. And then if the AGM decides so, it will be paid in May. So, one installment of €0.25 is planned for 2024.

Paolo Pompei (28:41-29:09)
Yes, maybe I can reply about the operating expenses. As you can clearly see, we are now rebuilding our organization following the exit from Russia. Obviously, after exiting Russia, we had to adjust our operating model. But now it's really time to invest in our future. So the majority of those operating expenses are related to our activities necessary to rebuild the organization, particularly in Central Europe at this stage.

Niko Haavisto (29:12-29:37)
And CapEx and the CapEx. So, regarding CapEx, we are estimating roughly €200 million for this year. And then that would conclude our investment phase at the end of 2025 on the free cash flow. I don't want to comment at this point, but the CapEx is on the €200 million route.

Akshat Kakkar (29:38-29:39)
Thank you for that.

Operator (30:01-30:14)
The next question comes from Artem Bielecki from SEB. Please go ahead. Please go ahead.

Unknown 1 (30:19-32:04)
Thank you. Please, could you maybe help us understand? The impact of contract manufacturing on your operating profit in '24 and maybe as well, in '23. I think most people on that call thought that your margins would actually move up from a low point in '22 and then progress. And they are actually going backwards. So, I'd like to try to understand that better. And maybe this is linked with a higher proportion of contract manufacturing. Do you mind sharing this kind of information with us, please? That's the first question. Second question. I mean, there is a significant gap between your operating profits, which I consider the correct measure to analyze, and what you refer to as your segment operating profit. Should we expect the gap between both metrics to close or remain similar, please? And then, last question, I'd like to understand or maybe you can share more information on this. Did you see a deterioration of your winter margins in 2024? Because basically the market was very supportive. To say the least. In Europe in Q4, it comes therefore, as a decent surprise to see you report the negative operating profits in passenger cars. Thank you.

Paolo Pompei (32:12-33:01)
I thank you for the question. So, I will start with the first question about the contract manufacturing. Contract manufacturing is supporting particular segments that are, of course, related to summer tires in particular. So obviously when we think about margins, we should not expect the contract manufacturing to really change our picture, as you mentioned correctly in the last question, which is really what is driving our profitability for the future. So contract manufacturing is supportive and helpful. And of course, the margins are quite good. But of course, let's remember that they have an impact on the mix at the same time. So the product mix is obviously affected by contract manufacturing sales. About the adjustment.

Niko Haavisto (33:02-33:33)
Yeah. If I answered correctly, the question was about the exclusions. And we had roughly €70 million in exclusions last year. So the expectation is, of course, that we are closing the gap. So it's less than, hopefully much less than €70 million. But at the same time, it of course depends on the speed of the ramp-up we are proceeding accordingly. At the moment, we are considering those as the types of exclusions that we will apply to any of our five-year numbers.

Paolo Pompei (33:35-34:21)
I will take the last question about winter tires. You are absolutely correct. The winter time was great, and it was great for us because we were actually able to grow and gain market share in that. But please, let's always remember that this year, we were finally able to get back to the all-season segment in some areas. So again, from the mix point of view, we see an average price going down. But of course, because the whole season and the summer segment were growing faster. Being relatively new again in our product range compared to the winter tire segment. But the winter tire segment was strong, it was good, and we were able to gain significant market share. But of course, let's remember that they have an impact on the mix at the same time.

Operator (34:32-34:37)
The next question comes from Artem Bielecki from SEB. Please go ahead.

Artem Bielecki (34:39-35:45)
Yes. Good afternoon and thank you for taking my questions. Let's try again. So, what comes to volume development. What is your target in terms of Romanian production this year, and what are the ways you can increase volumes elsewhere? And then also looking at the price mix versus raw materials development. So the number was clearly negative in Q4. So do you have any view on how it looks like for this year? Then the second question is relating to the Romanian factory, ramp-up. So do you have any number in mind at this stage? What could be the one related issue for this year? And the last one is just looking at your balance sheet situation. So net debt to segment EBITDA, I think, was more than three times. That's a year-end. But do you see any big opportunities when it comes to working capital and inventories, for example?

Paolo Pompei (35:53-36:53)
Thank you for your question. Let me start with the Romanian factory. Obviously, we don't disclose precisely the number because of confidential reasons, but Romania will start to contribute significantly to our global manufacturing volume. So already this year, we are, of course, waiting at the moment for the final commercial permit, and then we can start delivering tires into the market. Regarding the prices versus raw materials. Of course, we are always protecting profitable growth. And of course, we are always making sure that we compensate for inflation in our pricing model. So this is what I can tell you, obviously, without anticipating details that we cannot disclose for obvious reasons.

Niko Haavisto (36:53-38:19)
So the question related to net debt to EBITDA. The target is, in the longer term, to be between one and two times net debt to EBITDA. And this company will, as we've said several times, continue to have debt on the balance sheet going forward as well. Uh, the thinking, of course, is that the ratio is not similar to what it was at last year's end, as you said. Uh, and the receivables were at the level of €270 million at year-end. And then at the same time, if and when we are growing the business, what we can do there in terms of the real numbers, uh, we'll need to see. But I cannot say that we will definitely have a certain type of working capital, but of course, it's something that we will constantly monitor, and we need to start to produce actual cash flow. So, that is a clear target for the company.

Artem Bielecki (38:23-38:24)
Okay. Great. Thank you.

Operator (38:39-38:45)
The next question comes from Miika Ihamäki from DNB Markets. Please go ahead.

Mika Mäki (38:49-39:24)
All right. This is Miika Ihamäki from DNB Markets. And, welcome also Paolo. Question. Good momentum in Canada despite warm weather, perhaps elsewhere in North America. And yet, sales remained flat. In both regions, in comparable terms. So can you really explain them? What was this in line with? What did you expect? And, uh, what caused the sort of flat performance?

Niko Haavisto (39:28-39:57)
Yeah, I think it's fair that I take these questions, so I think the Nordics performed as we were expecting, both in terms of the volumes and the kind of ASPs as planned as well. But, Canada, I think, you know, somewhat, but I think it's North America in general. That was a disappointment, as we said in the release. But there are things that we are doing to improve moving forward. But that was a disappointment.

Mika Mäki (40:02-40:14)
And perhaps you can just list what are really the key drivers for your 2025 guidance, expecting margins to improve. What should we think?

Niko Haavisto (40:19-40:52)
So like there was in the slides as well, we need to be better in terms of the efficiency of what we do at the factories. And now under one director as well going forward. And also that means that raw material prices. We need to be better in our purchases and in procurement as such. So I think it's all of that and nothing else.

Miika Ihamäki (40:57-40:59)
Okay. That's all for me. Thank you.

Operator (41:03-41:09)
The next question comes from Samu Williamson from Nordic Markets. Please go ahead.

Samu Williamson (41:15-41:40)
Thank you for taking my question and welcome also. I'm happy to see you on board. Uh, maybe just a brief question. You already provided some details regarding the changes in the product mix and the key drivers behind that. Most notably, contract manufacturing. But are you able to disclose any details on that? What was the share of the weeks before? We know that you would disclose the figure for the full year, but are you able to give details on Q4?

Paolo Pompei (41:45-41:59)
Yeah, we don't disclose precisely what percentage the contract manufacturing constitutes. But obviously, to give guidance, I mean, we could be around 2% of our total volume. That is more or less the guidance at this stage.

Samu Williamson (42:01-42:08)
But in addition, the contract manufacturing contributed to the overall sales of winter tires in Q4.

Paolo Pompei (42:10-42:17)
When we talk about winter tires, we're mainly manufacturing in our own manufacturing facilities in Nokia. When we talk about premium winter tires.

Samu Williamson (42:21-42:23)
We don't disclose precisely the percentage of contract manufacturing.

Operator (42:30-42:47)
As a reminder, if you wish to ask a question, please dial Pound Key five on your telephone keypad. The next question comes from Joonas Hayha from OP. Please go ahead.

Artem Bielecki (42:49-42:51)
Hi, it's Joonas Hayha from OP Financial Group.

Thomas Bisson (42:52-43:32)
Thanks for taking my question. Firstly, just to clarify the ramp-up costs, you still had some ramp-up related costs in the US. Can you clarify what these were in Q4 and are you expecting this to end going forward? This would be the first one and then the second one related to the margin during the Romanian ramp up phase. So in 2025 and 2026. I recall you previously said or expected that the segment's EBIT margin should be in the high single digits. So can you please comment on or provide any updated views on this one, please?

Niko Haavisto (43:34-44:47)
Yeah. On the US ramp-up cost. So, I think there was some type of misleading communication during the year when we said that we finalized the U.S., but what we meant and have been trying to correct is that we did finalize the finished goods warehouse there during the summer, but we were still in the ramp-up phase in terms of production throughout the last year. Of course, hoping as much as you guys are there on the other end of the line that we will not have any ramp-up type costs in the US. So, everything has been installed, and we are running at full speed, as we are doing at this moment. Then when it comes to the margins, I think that is still what we are targeting. We are targeting what one needs to refer to in our guidance there. However, of course, we are not deviating in any way from the longer strategic horizon where we set what the margins will be.

Thomas Bisson (44:51-44:52)
All right. Thank you.

Operator (44:55-45:01)
The next question comes from Thomas Bisson from Kepler. Please go ahead.

Unknown 1 (45:06-45:51)
Thank you. I have two follow-up questions, please. First, can you please comment on the evolution, in 2025 of your P&L and cash net interest and net tax expenses? Please, that's the first follow-up question. And the second, uh, you talked about the local-to-local strategy, uh, considering the ramp-up of the Romanian factory assisting in

that direction, uh, in 2025. Uh, what share of your goods are moving from Europe to North America, or maybe in 2024, 2025? Sorry, what was the share of tires sold in North America that came from other regions?

Niko Haavisto (45:58-46:50)
So, the first question was regarding the interest expense. So, we are roughly somewhere around €35 million in terms of interest. And then on the taxes, I think we are not going on a cash flow basis, but more on a P&L basis. We are going towards a 20% tax rate in this company. We have, as you see in the balance sheet, some deferred tax assets that we can, of course, release against that tax cost. So, the actual cash out will be less than 20% of the profits. But I don't want to comment on an exact number there in terms of taxes.

Päivi Antola (46:50-46:53)
Thomas, could you repeat the second question, please?

Unknown 1 (46:54-47:10)
Of course. The second question was, what proportion, how many units or what exactly were the volumes sold in North America that came from Europe in 24 or what do you expect to be in 25?

Paolo Pompei (47:14-47:35)
We don't disclose precisely. I can tell you that, obviously, the winter tires that we supply from our own factories in Nokia are going to North America.

Unknown 1 (47:37-47:43)
Thank you very much. Can I ask you if it's possible to add your presentation on your website? Thank you.

Operator (47:54-48:00)
There are no more questions at this time, so I hand the conference back to the speakers for any closing comments.

Päivi Antola (48:02-48:26)
If there are no additional questions, it's time to finish the call and the presentation should already be on the website. So you can find that under the investors section. But let's finish this call. Thank you all for participating. And thank you, Paolo, for this first call. And thank you, Niko. Have a good day.

Paolo Pompei (48:27-48:28)
Thank you very much. Bye. Thank you.

Päivi Antola (48:28-48:29)
Bye bye.