Transcript for "Half Year Financial Report for January–June 2026"

00:00:01 - 00:00:38
Speaker 1: Good morning from sunny Helsinki, and welcome to Nokian Tyres second-quarter 2026 results call. I am Annukka Angeria from Nokian Tyres investor relations, and joining me today are President and CEO Paolo Pompei, and CFO Timo Koponen. Paolo will begin with an overview of the second-quarter group-level results, and after that, Timo will take us through the business unit financials. As usual, after the presentation, we will be happy to take your questions. With that, Paolo, please go ahead.

00:00:38 - 00:01:57 Speaker 2: Thank you, Annukka. Thank you, everyone, for joining this quarterly call this afternoon. We start with the headline, Strong Profitability Improvement Driven by Higher Sales Volumes and Enhanced Pricing. We are going to comment on a very good quarter, I would say, in both dimensions, sales development as well as Profitability. Moving to the agenda. We will start, obviously, with the quarterly highlights and the financial performance. Then Timo will comment on the business unit performance as well as the cash flow and the financial position. We will close the call with the assumption and guidance. Finally, we will have our Q&A. Moving to slide number three, Quarterly Highlights, and moving to slide number four. Before we start, we would like to highlight two important recognitions that we received during the quarter. Both of them are about our sustainability journey. The first one is about the Financial Times who ranked Nokia Tyres as the first tire company in sustainability, in the climate change leadership.

00:01:57 - 00:03:13 Speaker 2: We were the highest-scoring tyre company in this ranking, and we were ranked 39th globally among the 600 companies that were selected. The second recognition came from Time magazine, which also identified Nokian Tyres as one of the best sustainable companies. We were ranked 100th among the top 750 companies around the world. These two recognitions are very important to us because they highlight the strong effort of our team in delivering sustainable operations and in improving our performance in the sustainability area, day by day and year after year. Moving to slide number five. Let's go through the highlights of quarter two. Operating profit improves significantly by over 130%, supported by higher sales volume, price increases, and lower manufacturing and raw material costs. We were able to grow sales in all the regions and all the businesses, and reflecting the high consumer trust on our brand.

00:03:14 - 00:04:35 Speaker 2: We also had good pre-sales in June, in particular, when we talk about winter tires in the Nordic with the presence of the Nokian Tyres Hakkapeliitta 01. We are very pleased about the development of this new flagship that is now part of our product portfolio. And of course, we keep improving our operations through our efficiency improvement plan. We are progressing with our own initiatives in line with our own plan. Moving to slide number six and slide number seven. Let's first look at the market performance. The market in Europe, the replacement tire market, was quite stable in the first half of the year while in North America, we experienced a negative market trend, -5%, in the replacement channel. Passenger car tires, our business, is in some way recovering when we talk about Western producers, and there is some decline coming, in particular due to the tariff imposed by the European authorities on Chinese production. Truck tire business is also developing well in Europe in the aftermarket.

00:04:35 - 00:06:08 Speaker 2: We understand the market was up by 10%, and we see a slight recovery of the agricultural and forestry business, +5% in the replacement and OE channel in the first half of 2026. Moving to slide number eight. Going more deep into the numbers. We had quite a good growth in terms of sales in quarter two, with a 10.6% sales increase, or 9.7% in comparable currencies. We were able to grow in all our regions, outperforming the market, and this was obviously driven by higher sales volumes and also price increases. We also had a good improvement in segment EBITDA, plus 34%, reaching €76.8 million in the quarter, and this represents 20.2% of net sales. That is not far away from our medium-term target of 24%. Segment operating profit increased significantly by 71%, reaching over 45 million, compared to 26.3 million in 2025 quarter two. This corresponded to 11.8% of net sales, compared to 7.7% last year. As we said at the beginning, improvement was driven by higher sales volume, price increases, and lower manufacturing, as well as material costs.

00:06:08 - 00:07:29 Speaker 2: Finally, operating profit. We more than doubled our operating profit in the period, reaching 34.8 million, compared to 14.8 million in 2025. Moving to slide number nine, we are very pleased to highlight the sales growth of the passenger car tire business overall, reaching almost 14% in comparable currencies. But also, Heavy Tires business was able to reach two-digit growth with 10.1% compared to the same quarter of 2025. While Vianor remained pretty stable in terms of sales. I want to draw your attention to the significant growth we had in Central Europe. We're very pleased about this growth because it's also supported by the good improvement and improved output of our new factory in Romania. Everything is developing in this area according to plan. Moving to slide number ten, we are improving in terms of product mix development. We were able to grow in all segments where we operate. However, we were able to grow significantly in the all-season and all-weather segment that, as you know very well, is growing significantly in Europe in particular.

00:07:29 - 00:08:39 Speaker 2: We were able to increase our sales, also supported by our new product range of sizes. Winter tire segment was able to grow as well, but at a lower speed compared to the all-season business, in particular in Central Europe. This is why the percentage is slightly lower in terms of total sales compared to the same period in previous years. Mix is improving also in terms of dimensions, and we reached 50% of our sales in the segment 18-inch and plus. This is also an important achievement that highlights how Nokian Tyres is able to focus on the premium range and obviously more demanding applications. Moving to slide number 11, more or less there are same numbers we have already analyzed together. We want to draw attention to our net sales to date which are now up by 7.6%. The segments EBITDA is now up by 54%. Operating profit turned positive from a negative level of the previous year, year to date.

00:08:40 - 00:09:36 Speaker 2: Last but not least, at the bottom of the slide, you will see that in terms of capital expenditure, we were very disciplined. Of course, we were at a lower level compared to previous years, while we were still ramping up our operations in Romania, reaching a year-to-date 24.5 million, which is significantly lower than the level of the previous year, which was 90 million, at this stage. Timo will comment shortly about the cash flow development. Moving to slide number 12, we are expecting the full-year CapEx to be somewhat lower than in the previous year, reaching a level of 100, or even below 100 million. This is our estimate as of today. Then I hand over to Timo for the comments about the business units.

00:09:37 - 00:11:28 Speaker 3: Thank you, Paolo, and let's start with the Passenger Car Tyres, which obviously was one of the main drivers behind the strong performance. The Passenger Car Tyres continued their very strong performance also in Q2. Net sales were up by 13.7% in comparable currencies. Prices were further improved, as well as the transfer to the bigger rim sizes, as commented by Paolo. In segment operating profit, the percentage was 15.1 for the quarter, which is almost money-wise doubling or more than double the profit from the previous year's same quarter. In H1, the net sales grew by 11.6%, and the segment operating profit stood at 45.7 million. Then, when breaking down the performance on page 15, to various components in the net sales, the volume component contributed 22 million or 10.5%, which is the main driver there. However, that combined with the continued positive price mix of 6 million or 3.1%, we saw a very good net sales development for the quarter. In the segment operating profit, sales volumes, as already highlighted, was the big lever by 10 million.

00:11:28 - 00:13:12 Speaker 3: The other significant elements are the positive price mix and the lower materials. Some negative developments in the supply chain, but the main picture remains very good. Then, looking at quarter by quarter, we can see now that the volume indeed increased by 10.5%. In the price/mix, we saw a fifth, actually sixth consecutive quarter of positive development, which we are extremely proud of. The currency is neutral for this quarter. Some negative developments in North America, but that was offset by positive developments in the Nordics. Moving to Heavy Tyres on page 17. Heavy Tyres, as mentioned already, returned to growth in the quarter, going up by 10.1%. That was driven basically by agri. However, we saw positive development across all the end-use segments. Segment operating profit improved to 10.1 million, representing 15.0%, driving the H1 to still be above 15%, which has been the target level.

00:13:12 - 00:14:42 Speaker 3: This has been supported, as we already commented in Q1, by very disciplined pricing as well as tight cost management. In Vianor, our top line is more or less flat. In terms of profitability, we were still suffering from cost inflation, and the quarter was somewhat impacted by the early start of the spring season, which began in March and reduced volumes from Q2, as we commented in the report. Then, moving on to cash flow and financial position. Cash flow is very strong. Two main elements are the improved EBITDA as well as the significantly lower CapEx. Looking at free cash flow, the improvement was roughly 97 million, which also enabled us to decrease debt levels. The only area where we saw basically growth in the wrong direction was the working capital, where the strong top-line growth resulted in increased receivables.

00:14:42 - 00:15:39 Speaker 3: Other than that, the initiatives that we have had ongoing in terms of the capital efficiency in inventories or on the payable side, are progressing as planned. Finally, on a net debt basis, the net debt decreased by 49 million in a quarter, liquidity remaining on a very healthy, stable level. At the end, still a reminder on net maturities. During the quarter, we made arrangements and executed the extension on a revolving cash facility of 100 million, as well as another extension on a 300 million balance of the term loan facility. Handing now back to Paolo.

00:15:40 - 00:17:05 Speaker 2: Thank you, Timo. Let's move on to the assumptions and guidance. Moving to slide number 23. We are not expecting major changes in the second half of the year. We are expecting the passenger car tire replacement market to remain pretty stable between plus or minus two percent. This is the visibility we have at the moment. While we also maintain a positive outlook when we talk about the truck tires, between 5% to 10% positive, as well as agricultural and forestry tires, where we see the market between zero and plus five percent. A modest growth, particularly in Europe, at this stage. Moving to slide number 24, we confirm our guidance for the year, where we said that we will grow and we will land with segments operating profit as a percentage of net sales between 8% to 10%. No changes in the guidance at the moment for 2026. Moving to slide number 25 and completing our presentation of the quarterly results, just a quick update about the strategic execution. That is, as you can also see from our financial results, delivering the expected results.

00:17:05 - 00:18:25 Speaker 2: We keep pushing our premium positioning, strengthening our brand through strong marketing investments, new products, and, in particular, better prices. Also, I have to say we are really proud that our team executed our continuous improvement plan across the organization, and it is driving significant profitability improvements. We are very proud of our team for focusing on what really matters and for driving improvements in our P&L. New products are coming up. They are driving growth in our selected segments. I'd like to remind you that our selected segment includes winter, all-season, all-weather, and agricultural and forestry tires. We have completed the investment phase, so we are creating a foundation for stronger cash generation. We landed in quarter two at 24 million CapEx compared to 90 million last year. You can clearly see that now we are moving forward with an efficient, renewed manufacturing footprint, and we can now focus on growth. We can now move to the question and answer. Going back to Annukka.

00:18:28 - 00:18:30 Speaker 1: Yes, operator, we are ready for the questions.

00:18:31 - 00:18:49 Speaker 4: 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 Artem Beletski from SEB. Please go ahead.

00:18:52 - 00:19:50 Speaker 5: Good afternoon, Paolo and Timo, and thank you for taking my question. I actually have two to be asked. The first one is related to PCT. First, the clear profitability improvement that you have shown in the quarter. Could you maybe comment on this new product, as you have been commenting, for example, regarding Hakkapeliitta 01, so that pre-season sales have been exceeding expectations, whether these new products have been supporting the profitability of the business in the quarter, or do you expect some of these impacts to be visible, for example, in Q3? This is the first question. The other question is actually related to raw materials. Could you comment on how you see H2 in terms of upward pressure on that front, and whether you are still comfortable that you can offset that pressure through price increases on raw materials? Thank you.

00:19:51 - 00:21:07 Speaker 2: Thank you very much for those two important questions. The first one is about the new products and profitability improvement. Clearly, we've been investing a lot, as you know, in 2025 and at the beginning of 2026, in new products that are covering not only winter tires like Hakkapeliitta 01 and Snowproof 3P in Central Europe, but also our all-season products in the Central European market. Those new products are better positioned than the previous ones, which is driving improvements in profitability. Hakkapeliitta 01, a product dedicated to the Nordic markets and Canada, is also exposed to pre-sales. Clearly, we should expect that the new positioning will continue moving forward, and we are very pleased about this development. About the raw material, this is a complicated question in the way that raw material will be at this stage higher at the end of quarter three or beginning of quarter four. It's a little bit of a roller coaster, as you can appreciate, going up and down depending on the geopolitical situation.

00:21:07 - 00:21:28 Speaker 2: However, as always, we say that the task of the company is to make sure that we are able to compensate for the raw material trend. It's more a matter of understanding what the development will be, in particular, at the end of the year, at this stage.

00:21:33 - 00:21:45 Speaker 5: Maybe just a quick follow-up relating to the raw material situation and pricing conditions. Is it fair to assume that anti-dumping duties by the EU against Chinese products should be helpful? Basically, we can already see some impact from this topic this year.

00:21:46 - 00:23:02 Speaker 2: It is helping, in some way, to reduce the pressure coming from tier three and tier four. It is also true that we need to acknowledge that the larger part of the production made in Asia is today produced outside China, and we're talking about countries like Thailand, Cambodia, Vietnam, and now even North Africa. Therefore, we could expect a sort of rebalance of the market, because there are new sources from which the tire are coming. I think we should look at our journey. It's a different journey. It's in a sort of premium brand segment. We are watching these dynamics, but we need to simply focus on our own segments. As you know, our own segments are also less exposed to mass-produced Chinese tires, particularly the summer tires. This is also making our strategy a bit different, because we are really focused on segments where we can deliver added value and offer a different value proposition to our own customers.

00:23:02 - 00:23:05 Speaker 5: Okay. This is very clear. Thank you.

00:23:05 - 00:23:06 Speaker 2: Thank you very much.

00:23:09 - 00:23:13 Speaker 4: The next question comes from Thomas Besson from Kepler Cheuvreux. Please go ahead.

00:23:15 - 00:23:19 Speaker 6: Good afternoon. It's a pleasure. I hope you can hear me.

00:23:21 - 00:23:23 Speaker 1: Yes, we can

00:23:23 - 00:23:58 Speaker 6: Great. First, congratulations on this quarter. I have a few questions, please. If that's okay, I'd like to ask them one by one. Firstly, I would like to start with the volume growth, which I think is impressive. Could you help us understand what has been driving that? Can you talk about the ramp-up of your Romanian capacities and the potential decline of your offtake contracts? Can you maybe make some qualitative comments about that to start?

00:24:01 - 00:25:24 Speaker 2: Sure. Thank you for the question. The volume growth is a combination of different elements. One, as we said, is new products available in the market. Those are providing obviously good support to our sales growth. The second element is related to the possibility of leveraging our new manufacturing footprint. I keep repeating and reminding everyone that the manufacturing platform is a tool, but sales is about branding and positioning and creating consumer demand. New products, I would say, are extremely important in our strategy to drive growth. Then recovery. Don't forget we lost a significant amount of sales when we couldn't leverage our manufacturing facility in Russia at the end of 2022. Now, obviously, we are approaching the market with a new spirit, regaining market share in all the key markets where we believe we can be successful in our own segments. It's the big effort of our sales team globally to ensure we can successfully promote our new products and value proposition across all the key markets where we operate.

00:25:28 - 00:25:33 Speaker 6: You have no comment on the contract manufacturing. Have you reduced that?

00:25:34 - 00:26:04 Speaker 2: We reduced the manufacturing, but as we’ve said, we keep 10% of our overall sales always made by manufacturing partners, in particular to produce those segments or sizes, which we believe are not strategic for us or where we believe we don't have a specific competitive advantage. We will always keep our relationship with our manufacturing partners.

00:26:04 - 00:27:04 Speaker 6: Thank you. I move to my second question. When I look at your operating profit breakdown, and I look at the contribution from Passenger Car Tyres, Heavy Tyres, Vianor, and Others, I notice that the Others have become substantially bigger. In the first half of last year, it was 7.5 million negatives. In the first half of this year, 12.4 million negatives. Can you explain that a big jump? I don't think historically there has been such a big other element, and to some extent, it does also positively impact the margins that you're reporting for passenger cars and heavy cars. I would like to understand that better, just to also know what we should model for the future in terms of the relative offset of your manufacturing performance through this line.

00:27:08 - 00:27:48 Speaker 2: Thank you. Basically, those operational eliminations that you're mentioning, are related to the selling activities between Vianor and Passenger Car Tyres sales. The more Vianor reduces the stock, the lower the eliminations would be, and vice versa. I think this is what you are referring to. It's more about the sales and the sell-out of Vianor. We are eliminating sales to avoid double-counting the same sales in our P&L.

00:27:48 - 00:27:54 Speaker 6: Understood. It really is linked to the decisions you're taking at the general level, then?

00:27:54 - 00:28:10 Speaker 2: It's not really about a decision. It's part of the dynamics of Vianor operating as an independent chain. It's all about the movement of stock that we have in Vianor as Nokian Tyres products are sold.

00:28:11 - 00:28:45 Speaker 6: Understood. I have two questions to finish about the cash flow, please. You've mentioned CapEx is somewhat lower. I think it's clear from what you've spent in H1. I think initially the comment was that it was going to be a triple-digit million figure for the year. Now, it looks like it's going to be a double-digit million figure. Can you give us even a range for CapEx? Is it going to be like more 50, 60, 80, 90, something like that, or you let us guess?

00:28:46 - 00:29:11 Speaker 3: No. I think in the last quarter we said around 100 million, and now Paolo said that it's going to be probably below that. We're not going to give you an exact range, but it's lower than 100 million, and then you can pick the number.

00:29:11 - 00:29:40 Speaker 6: Okay. We'll pick a number. Thank you. The last question. Your receivables have jumped substantially. It's partly a reflection of your higher volumes, but the increase in the number of days of sales is quite sharp. Can you help us understand that? Are you coming back to the notion of the old times being the bank of your dealers? Are you taking any risk, or is that completely safe? That is my last question. Thank you.

00:29:41 - 00:30:24 Speaker 3: It is completely sales growth driven, definitely. We haven't weakened or extended any payment terms to a worse direction, on the contrary, actually. However, it is definitely only growth related. We have to remember that when looking at the quarter, it was very much driven by the June sales, which also didn't have an effect on that. The end-of-June balance sheet is rather a snapshot and not necessarily an indication of a longer timeline.

00:30:24 - 00:30:24 Speaker 6: Thank you very much.

00:30:27 - 00:30:28 Speaker 2: Thank you.

00:30:29 - 00:30:34 Speaker 4: The next question comes from Christoph Laskawi from Deutsche Bank. Please go ahead.

00:30:35 - 00:31:57 Speaker 7: Good afternoon. Thank you for taking my questions. The first one, I'm sorry to come back to that, will be on raw materials again. In the year-to-year bridge in Passenger Car Tyres, you're showing a 19 million tailwind. I think the overall market expectation, also from other companies, will clearly be negative in H2. Could you provide a comment? It should be more neutral for the full year, or how it should trend in Q3 and Q4? I guess with the sourcing that you already did, you should have decent visibility on that. Related to that, also, how should we think about the price-to-cost phasing in Q3 and Q4? Will any potential negative in materials be directly offset in Q3, or is it ramping up towards Q4 and potentially overcompensating there? Then another question just on tariffs, actually. Are there any benefits that you expect to book or have you booked one already this year to date? My last question will be basically a housekeeping one. Could you just confirm again that the contract manufacturing volumes you have with your partner are not subject to anti-dumping tariffs and are not produced in China itself? Thank you.

00:31:59 - 00:33:29 Speaker 2: Thank you very much. I think we can reply to all the questions. First of all, when we talk about the raw material, please remember what we presented also during the capital markets day. The raw materials are moving up and down depending on the market trend. However, we made a very important internal review of our raw material suppliers at the end of 2025 and beginning of 2026, and we've been able to achieve significant savings, resourcing and working very closely with our team in this area. The improvement that you see is partly driven by the market trend, and partially driven also by our own efforts to reduce and improve the cost through the homologation of new suppliers. The trend is expected to go up in our P&L, because we need to think about the fact that there is always a time lag when we talk about the moment we buy and the moment we sell. However, it's expected to go up in quarter four. Clearly, we cannot comment on our future pricing due to the competition rules, but our policy is always to cover any additional cost incurred in positioning our product. Moving to the second question about the tariff.

00:33:29 - 00:34:14 Speaker 2: Clearly, I'm not sure what you mean by talking about benefits. Tariffs are obviously redirecting the market flow to other countries. At the moment, China has been subject to tariffs up to 50% since June. However, as I said, the larger part of the Asian products are coming from other countries. We go to question number three, our off-takes are not coming from China at this stage, but they are coming from other countries. We don't see at this stage any risk of new tariffs in our existing offtake contract manufacturing activities.

00:34:16 - 00:34:37 Speaker 7: Thank you. One follow-up, if I may, just on the Q2 passenger cars. How much of the price mix benefit that you show would be linked to a mix of higher than 18-inch tires out of the 3.1%?

00:34:39 - 00:35:17 Speaker 2: The prices have developed really in the right direction. They are positive. The overall figure actually includes a regional mix effect, meaning that when we sell in Central Europe, the overall margins are lower than in the Nordics. However, in Central Europe, we have finally reached a level of profitability that we are really satisfied with. In general, prices have moved to a good level, and the mix effect is slightly negative.

00:35:17 - 00:35:19 Speaker 7: Understood. Thank you.

00:35:22 - 00:35:26 Speaker 4: The next question comes from Rauli Juva from Inderes. Please go ahead.

00:35:26 - 00:35:48 Speaker 8: Hi, it's Rauli from Inderes here. I have just one question. I was wondering, given the increase in raw material costs in the spring, has there been any kind of advanced ordering or stock building visible from your clients or in the dealer network, in general?

00:35:50 - 00:36:39 Speaker 2: No, we obviously don't disclose the procurement practices because obviously we don't want to give any advantage to anybody. However, in general, I can say that at this time, there is not much to say because there is no real speculation at the moment. It's very difficult for everybody, I think, to make any kind of speculation about the future trend of the raw material because every day is a new day at this stage. I think it's very important, at least for us, to do what we can always do in these kinds of situations, to monitor the market and to make sure that we take daily decisions that are not exposing the company to high risk in the long term.

00:36:40 - 00:36:50 Speaker 3: Did you, Rauli, mean that, with anticipation of potential price increases, sales would be advanced more?

00:36:50 - 00:36:54 Speaker 8: Yes, exactly. That's what I was trying to ask.

00:36:56 - 00:36:59 Speaker 2: No, we don't see that from the customers' point of view.

00:37:00 - 00:37:01 Speaker 8: Okay. That's very clear. Thank you.

00:37:06 - 00:37:11 Speaker 4: The next question comes from Miika Ihamäki from DNB Carnegie. Please go ahead.

00:37:13 - 00:37:56 Speaker 9: Thank you for taking my question. This is Miika from Carnegie. Given the strong passenger car quartile margin improvement in Q2 and presumably even stronger margin contribution in H2, given the larger weight of winter tires in your sales mix. What's really the reason for maintaining your group margin if you also expect to compensate for the raw material pressure? My question is, really, are you cautious that there were actually some pull-forward demand effects or time effects between the pricing and material costs that are translating into a headwind in H2, or what's really making you cautious about your H2 margin profile, please?

00:37:56 - 00:38:59 Speaker 2: Thank you very much. This is a great question. I think we have very good control of what we can control. The only thing we are not able to control is the market development. At the moment, we are very cautious in evaluating the market trend in terms of sales, because those are also driving higher or lower margins depending on the magnitude of growth. This is really the area that is difficult to predict in today's market while we are well under control when we talk about anything else, meaning manufacturing cost, SG&A, and efficiency improvement plans. I think we are developing nicely, and the team has a full understanding and control of executing all the tasks that we have at the moment ongoing around the company in order to improve efficiency and productivity. The sales side is always difficult to plan. For sure, we will have a better view when closing quarter three, most probably.

00:39:00 - 00:39:28 Speaker 9: Thank you. Then, if you can elaborate on how the Romanian factory contributed to your Q2 results more specifically. I'm interested in what kind of earnings contribution you expect from this facility in 2026, assuming an additional one million units are delivered this year. Can you really help us understand where we stand in terms of that contribution?

00:39:28 - 00:40:13 Speaker 2: The factory, as we said, is progressing above plan in terms of volume. Clearly, we are talking about a ramp-up phase. We are not talking about a factory that already reached its full capacity. At the moment, it's absorbing money, but it starts to deliver a very good level of cost. We are very pleased with the existing development. Clearly, we can't disclose the margin by the factory as you can appreciate. The only thing I can say is that we are in the ramp-up phase and we are above plan in terms of ramp-up. The factory is delivering better profit or better results than what we were expecting six months ago.

00:40:15 - 00:40:17 Speaker 9: Okay. Thank you. That's great.

00:40:21 - 00:40:25 Speaker 4: The next question comes from Thomas Besson from Kepler Cheuvreux. Please go ahead.

00:40:28 - 00:41:06 Speaker 6: Thank you very much. I would like to follow up, please. I'm a bit surprised, but I understand you don't want to give many quantitative elements to your answers. However, is it fair to assume that your Romanian plant will effectively produce one million tonnes in 2026 or is it going to be more? Can you update us on the evolution of your capacities in your US and Finnish factories as well, please? Can we have a figure for the volume increase you are able to produce in 2026, please?

00:41:10 - 00:41:15 Speaker 2: Sorry, I didn't catch exactly how much you were expecting from Romania. Can you please repeat?

00:41:15 - 00:41:44 Speaker 6: The previous question was assuming that you were increasing capacities in Romania to one million. Is that the right number? Can you give us maybe your latest plan for the Romanian ramp-up? How many tires are going to be produced in that factory in 2026 and in 2027, if you can share that number? Can you talk about the increase in capacity in other factories, if there is one?

00:41:46 - 00:43:00 Speaker 2: Romania will produce more than two million pieces at this stage. Romania, as I said, is going better than our plan, and we're very pleased with this development, driven by the fact that we are selling more in Central Europe. As I said, the factory will always adapt to the requested volume by the market. This 30% growth in quarter two obviously is helping the ramp-up of the factory to happen faster than expected. We try not to disclose overall capacities as our competitors don't do that either. In general, we have, as I said already during the capital markets day, the capacity we need to accomplish our strategic plan. When you look at our sales outlook, which is between 1.8 and €2 billion by 2029, we are obviously highlighting that we can achieve this level of sales with our existing implemented capacity, including Romania and Dayton, and also some improvements in Nokia.

00:43:02 - 00:43:22 Speaker 6: Thank you, Paolo. I have two follow-up questions, please. One, can you remind us how many car tires were produced in Romania in 2025, please? Two, can you remind us what is assumed in 2029? Is that effectively six million tires produced in 2029, or is it six million tires needed to get to your 1.8 to 2 billion revenues?

00:43:33 - 00:44:18 Speaker 2: Last year, we disclosed we were producing more than one million tires, and we are now disclosing that we will produce more than two million tires this year in Romania. We've more than doubled the production, and we will give you an update on the way to achieve 1.8 to 2 billion in 2029. This will also come from Romania, but also from the growth that we are expecting in North America, as well as further growth in the Nordics. However, we will have almost full capacity utilization at that time, overall, around the world. This will probably result in the next step, which we will be very pleased to take into consideration at that stage.

00:44:18 - 00:44:56 Speaker 6: Understood. I have a last question, please. I've noticed that almost all your growth has been driven by Central Europe in the quarter. I think that's also where you lost the most share when you were short of capacity. I think that's fair to say. You also said that this is a less profitable region than the Nordics. Can you remind us of your ranking in terms of regions and maybe whether the Central European margins have made substantial progress in Q2? Is it fair to say that?

00:44:59 - 00:46:20 Speaker 2: Central Europe is delivering at the moment with great margins. Clearly, we need to consider that our position in the Nordics is pretty strong, meaning that you will always see more marginal improvements there. We are following the market trend. When we talk about Central Europe, as you correctly said, we are recovering faster what we lost in the past, and we are also acquiring new customers because not all our customers were waiting for us to come back. I think it's a great job done in quarter two by our team, again supported by a completely new product range that is really premium in terms of performance, performing extremely well versus competition. We start to see some rewards when we see independent tests moving and presenting results. The opportunities are since the very beginning more in Central Europe than in the Nordics, where we follow the market trend, and the job is difficult because it's about defending our good market share. Then, we have North America. In North America, I think we did very well because in a declining market, approximately five percent, we estimate that in H1, we were able to actually improve our sales.

00:46:20 - 00:46:31 Speaker 2: Therefore, from the sales point of view, we didn't leverage the market growth, but we were gaining a position in market share step by step.

00:46:31 - 00:46:31 Speaker 6: Thank you very much, Paolo.

00:46:35 - 00:46:59 Speaker 4: The next question comes from José Asumendi from J.P. Morgan. Please go ahead. Jose. José Asumendi, your line is now unmuted. Please go ahead.

00:47:08 - 00:47:13 Speaker 2: We cannot hear any question. Maybe there is a problem with the audio.

00:47:22 - 00:47:27 Speaker 4: There are no more questions at this time, so I hand the conference back to the speakers.

00:47:30 - 00:47:48 Speaker 1: It seems that there are no further questions, so this ends today's call. Thank you, everyone, for joining us today. We really appreciate your time and interest. Have a great summer and we look forward to speaking to you soon again. Bye.

00:47:48 - 00:47:50 Speaker 2: Thank you very much. Have a great summer.

00:47:51 - 00:47:52 Speaker 3: Thank you. Bye-bye.