Transcript for "Interim Report for January–September 2025"

00:00:02 - 00:00:43
Speaker 1: Good afternoon from Helsinki, and welcome to Nokian Tyres Q3 2025 results webcast. My name is Annukka Angeria, and I'm working at Nokian Tyres Investor Relations. Together with me in this call, I have Nokia Tyres President and CEO Paolo Pompei and interim CFO Jari Huuhtanen. As usual, Paolo and Jari will start by presenting the results, and after that, there will be time for questions. With these words, I will hand over to you, Paolo. Please go ahead.

00:00:44 - 00:01:53
Speaker 2: Thank you, Annukka, and good afternoon also from my side. Let's start this presentation with our headline, which is a stronger operating profit improvement in quarter three, driven by enhanced pricing in passenger car tires. Actions are ongoing to further strengthen our financial performance. We are closing an important quarter, and I have to say that I'm very pleased to tell you that we are really moving in the right direction. As we said in the headline, our operating profit increased significantly. Obviously, this is very encouraging for the future journey that we have had. However, what we are going to do this afternoon, we are going to talk about our quarterly highlights, the financial performance. Jari will comment the business unit performance. Then, of course, we will close the presentation with assumptions and guidance, but let's go to the quarterly highlights. In slide number four, we have double-digit sales growth.

00:01:53 - 00:03:05
Speaker 2: We were able to grow in all the regions. The sales growth was 10.8 percent in comparable currency. The operating profit improved significantly plus 427 percent, and this was mainly driven by our efforts in improving our pricing in the passenger car tires. We still have a lot to do. There are still a lot of actions going on in order to improve our financial performance. We're also very pleased about our ramp-up of the operation in Romania, that are progressing extremely well. We are now actually running 24 seven. In the month of September, we were also expanding our product offering and brand partnership. We will tell you something more in a minute. Of course, there is also, starting from 1st September, a favorable tariff development in North America for Nokian Tyres. Moving to slide number five, let's talk about our new factory in Romania. We're very pleased to say that we are in line with our plan.

00:03:05 - 00:04:32
Speaker 2: We will reach one million pieces by the end of this year, and we are now starting to operate four shifts 24 seven. We now have all the people we need to carry on our journey and to make sure we will be able to achieve the target of this year of one million pieces. We also released a few weeks ago a new product line that is completing the summer product range at this stage, after the old season range that we released only a few months ago with the start-up of the operation in Oradea. Moving to slide number six. This is also an important step forward for the factory, but also for Nokian Tyres and, in particular, for our business in Central and South Europe. We released our Powerproof 2 few days ago. This is our premium offering in the ultra-high-performance segment summer tire. This range is performing extremely well, as being certified in terms of performance and tested by the TÜV SÜD, and we were able to launch this new product in the beautiful scenario of our test center in Spain, occurring together with more than 160 customers and journalists coming from central and southern Europe.

00:04:33 - 00:05:44
Speaker 2: This obviously will support our growth in the Central European market together, obviously with our winter tire range as well as our old season tire range. Moving to slide number seven, we're also pleased to tell you that we received, once again, several testimonials of our premium performance in the winter tire segment, in particular in the Nordics, where we were able to be tested in several magazines or by several associations being scored as number one tire or on the podium when we talk about studded and non-studded winter tires. We keep our leadership, and we still have new projects coming up in the next few months that will actually reinforce our leadership in the winter tire segment. However, we also have some good news related to the heavy tire business. We will receive the silver medal in a few days for our intuitive 2.0 Smart Tire technology that is going to be fitted in our agricultural tires.

00:05:44 - 00:07:18
Speaker 2: This is a very important step forward in terms of connecting the tire to the machine and the operator of the machine, measuring the load of the machine, or the pressure, in optimizing the operating performance of the machine at the right pressure. Moving to slide number eight. We're also reinforcing our efforts in terms of communication. We signed an important agreement for two years with the IIHF Association, which is actually a

Federation, sorry, and is going to support the world competition in the ice-hockey segment in Switzerland in 2026 and in Germany in 2027. We're very pleased to be a partner of this important sport because it reflects our values. Also, it is given the possibility for Nokian Tyres to be visible to millions of ice hockey fans who are obviously happy to view and to support this nice competition. Moving to slide number 10. We are going to look at our performance. Quarter three was in some way stable in Europe, a little bit down in North America.

00:07:18 - 00:08:21
Speaker 2: When we look at the performance now, here today, we have the market pretty stable in Europe. We see the market gradually declining in North America when we talk about passenger car tires. The market in truck tires or in the Agri tire has been stable in truck tires, while in the agricultural segment is still down compared to the previous year, both in the replacement market as well as in the original equipment market. Moving to slide number 11, despite the will, say difficult market conditions or stable market conditions. When we talk about Europe, we are very pleased to say that we were able to grow by 10.8 percent with comparable currency in the quarter, and we were able to grow in all the regions. However, we did really exceptionally good performance in the North American market in a declining market environment. We are finally doing extremely well in North America, and we are very pleased with the journey that we have done so far.

00:08:21 - 00:09:49
Speaker 2: Our EBITDA has been increasing up to 65.4 million. This is actually now 19 percent in percentage of sales. Our segment operating profit has been growing by over six percent to 32.4 million. It's very important to remember that the comparability when we talk about segment operating profit is heavily affected by 13.3 million exclusions related to the write-down of the contract manufacturing products that we did last year in quarter three 2024, which is in some way impacting the comparability. This is why we are very pleased about the extremely important growth of over 427 percent in the operating profit performance. That reflects really the performance of the company in 360 degrees. Moving to slide number 12. As I mentioned before, we are growing in terms of net sales in all the regions in Europe, in Nordics by 4.6 percent, in Central Europe and southern Europe by 9.2 percent, and we're growing by 27 percent in North America, supported by good pricing and mix.

00:09:50 - 00:11:11
Speaker 2: Moving to slide number 13. We move to the cash flow in particular. We were able to improve our cash flow performance. This was mainly driven by lower investments, but also by improved working capital, as we will see in the next slide. Overall, year to date, we are growing in terms of sales by more than 9.4 percent. Of course, we are improving our segment EBITDA, as well as our segment operating profit. Looking a little bit deeper into the cash flow. You will see that obviously, the improvement of cash flow was coming from the EBITDA improvement of 33 million. Then, of course, by an improvement of the working capital, we've been able to grow, reducing our inventory level in our operations. We are also obviously investing less. We are getting step by step to a normal level of investments. Of course, we have higher financial expenses. Obviously, we have the lower dividend, but obviously higher debt.

00:11:11 - 00:12:30
Speaker 2: Overall, year to date, we are improving, and obviously, our target is to become cash positive, meaning generating positive operating cash flow already next year. As we mentioned, we are now guiding 180 million investment level at the end of 2025. This will basically close a long cycle of approximately three years that was necessary to reinforce our operations and to build our new manufacturing footprint. In particular, with the latest investment we made in Romania. The CapEx is expected to return next year to a normal level. Of course, as you know, we are entitled to get state aid from the Romanian government up to €100 million. We are expecting to receive the first part of this incentive by the end of the year, or in quarter one next year. Moving to slide number 16. I would like to pass the stage to Jari for the performance of the business units.

00:12:30 - 00:13:54
Speaker 3: Okay. Thank you, Paolo, and good afternoon. I'm moving to passenger car tires in the third quarter, we continued sales and profit growth. Net sales were 234 million, and the increase in comparable currencies is plus 13.2 percent. Our average sales price with comparable currencies improved, and the sales of higher than 18 tires increased significantly. Segment operating profit was 38.9 million, or 16.6 percent of the net sales, and the segment operating profit improved due to price increases and a favorable product mix. Moving to page 18. Here we can see passenger car tires net sales, and segment operating profit. In the third quarter, net sales improved from 210 million to 234 million. Clearly, the biggest positive contribution is coming from the price mix, plus 35 million. Sales volume was slightly down compared to last year, minus seven million. In addition, we had some currency headwind coming mainly from the US and Canadian dollars.

00:13:56 - 00:15:14
Speaker 3: In the segment operating profit, you can see that there are two components that are clearly becoming visible. First of all, this positive price mix is 35 million. On the other hand, in the supply chain, we have a negative impact of 25 million here. The reasons are mostly related to non-IFRS exclusions, which we had last year in the third quarter. Contract manufacturing inventory write-downs and Dayton ramp-up related exclusions. In material cost, we still had a slightly negative impact, minus three million. However, we can say that we are very close to the previous year's cost level at the moment. Sales volume minus three million, but otherwise it's a very stable performance compared to prior year. Moving to page 19, tires, net sales components, quarterly changes in price, mixed frequency, and significant improvement compared to last year, plus 16.5 percent. This is due to implemented price increases and a better product mix compared to last year.

00:15:14 - 00:16:55
Speaker 3: In sales volume, minus 3.3 percent, and in currency, minus 1.7 percent, in the third quarter. Moving to heavy tires in the third quarter, we had lower volumes, which affected net sales and profitability. Net sales were 55.4 million and changing in comparable currencies, minus 4.4 percent. Net sales decreased, mainly due to lower volumes in trucks and tires. Segment operating profit was five million, or nine percent of the net sales. Profitability declined in heavy tires, mainly due to lower volumes and inventory revaluation, which had a positive impact on last year's third quarter numbers. In the third quarter, we reported improved sales and operating profit. Net sales were 74.9 million, and the increase in comparable currencies plus seven percent. Segment operating profit was seasonally negative, minus 6.4 million or minus nine percent of net sales. However, we can see an improvement in both operating and business profitability. Then I'm handing over back to you, Paolo.

00:16:58 - 00:16:59
Speaker 1: Please unmute yourself.

00:16:59 - 00:18:20
Speaker 2: Sorry about that. Moving to slide 23 and to the assumptions and guidance. Well, we have very good news in quarter three coming from the North American market, as you know very well. We are exporting all-season tires from our factory in Dayton, the United States, to Canada. These were obviously counter-tariffs implemented by Canada at the end of quarter two. Those counter tariffs have now been removed. Obviously, today we are in the ideal situation to deliver tires from the US to Canada without duties. Anything else remains as it was before, 85 percent of what we sell in the United States is made in the United States, and this is making the company much less vulnerable. Having a business model that is local, and the wintertime business that is going to Canada is supported by our factory in Nokia, based in Finland. Moving to slide 24, our guidance for 2025 remains exactly the same. We are expecting net sales to grow and segment operating profit as a percentage of net sales to improve compared to previous years.

00:18:21 - 00:19:22
Speaker 2: We are assuming a stable market to remain at the previous level. Of course, like anybody else, we observe the development of the global economy as well as the geopolitical situation, since trade and tariffs are creating some uncertainty and may create some volatility in the company's business environment. Of course, we follow our own journey. We have opportunities to grow. Also, in a changing market environment, supported by our new manufacturing footprint in Romania. That is supporting our central and South European market. We close this presentation, and obviously, we are happy to reply to all your questions and answer. [silence 00:19:14-00:1922]

00:19:22 - 00:19:40
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 Akshat Kacker from JPM. Please go ahead.

00:19:42 - 00:20:36
Speaker 5: Good afternoon, Paolo and Jari. Thank you for taking my questions. Three, please. The first one on the price increase that you implemented. Congratulations on a good quarter. If you could just put that into context for us. Could you just talk about a few regions or product ranges where you've increased these price increases? Specifically, how do you think about the sustainability of these price increases going forward? A couple of your peers, the bigger tier ones, have actually taken down their price mix assumptions in the last quarter based on the inventory situation and the price mix, trade down that they are seeing from the consumers

in the market. Just the first question on the price increases and the sustainability of that going forward. The second question is on volumes. I noticed on the passenger coverage that volumes have declined by around 3.5 percent in the quarter. It's the first quarter where we've seen that volume decline, obviously somewhat explained by the price increases.

00:20:37 - 00:21:03
Speaker 5: However, could you talk to us about overall expectations for volume growth going forward? Given that the business has been in a supply constraint mode and the last one on passenger car margins, please again, a very strong development in Q3. Margins have improved to 12 percent versus the two percent that we saw in Q2. Could you talk about your expectations for Q4? Should we still expect an improving mix, improving margins as we go into Q4, please? Thank you so much.

00:21:04 - 00:22:13
Speaker 2: Excellent. Yes, thank you very much for your question. Obviously, I'm happy to reply to at least the first two questions. Talking about the price increase, this is a journey that we started already at the end of quarter one, as you may remember. It was necessary, first of all, to compensate for the raw material costs increasing in quarter one compared to the previous year. That was mainly valid for all the regions, in particular for the Nordics. Then, of course, we combine these price increases also to the necessity to gradually reposition our products in Central Europe as well as in North America. The question is if this is sustainable. Of course, we cannot keep increasing pricing. It was extremely important for us, again, to compensate for the increase in rising raw material costs and, at the same time, to gradually reposition in Central Europe and in North America. Is this affecting the volume going to the second question?

00:22:13 - 00:23:32
Speaker 2: In reality, in a very small part, what I mean is that this important improvement is also related to the strong write-off and consequent sellout of a lot of tires that we did in quarter three last year. This is what is affecting the comparability of segment operating profit. However, at the same time, it's improving our profit significantly. These three percent, in reality, are extremely low. And if we take away the action that we did last year in order to quickly release the slow-moving inventory accumulated due to the crisis in the Red Sea, then, of course, we can still calculate an important growth for the company. That is really where the volume effect is coming from. We are not expecting the price increase to affect volume at this stage. The minus three percent is well justified by the comparability with the previous year, due to the action we made in order to release the slow-moving stock that we have accumulated due to the crisis in the Red Sea channel.

00:23:33 - 00:24:08
Speaker 2: The margins are improving, obviously. Will keep improving because, at the same time, we are not only improving in terms of prices, but we are also operating more efficiently with our own factories. Obviously, and now we are moving to the last part of this season, meaning that we will sell in this quarter more winter tire. By definition, our margins will keep improving in quarter four. I hope I replied to your question.

00:24:08 - 00:24:11
Speaker 5: Yes, that's great. Thank you.

00:24:19 - 00:24:23
Speaker 4: The next question comes from Thomas Besson from Kepler Cheuvreux. Please go ahead.

00:24:26 - 00:25:43
Speaker 6: Thank you very much for taking my questions. I'll have three as well, please. The first one is in your plan. The adjustment measures, the personal negotiations that made it to eight permanent white collar job cuts. Could you put that in perspective? Is that part of your better or more efficient operations, or is that coming on top of what you were describing with the new Romanian plant and the substitution of your offtake by your own production? The second question will be on the 180 million CapEx guide. Could you confirm that it does not include any Romanian state aid that may or may not happen in 2025? Finally, you had a tough quarter for your army and trucks versus what I would call the specialty business or industrial business. Could you tell us whether you already see a trough coming for that business, and when would that be, or whether it's still not visible yet? When would that be? Thank you very much.

00:25:44 - 00:26:42
Speaker 2: Thank you very much for your question. Let me start with the negotiation. Obviously, this is part of our journey when we want to improve efficiency and productivity. This is necessary to support the company in

this journey. In particular, when we talk about development. We start the negotiation, and obviously, we will inform you about the progress, but in general, I mean, it's part of our journey to improve our efficiency and productivity within the company. When we talk about the state aid, I confirm that within the 180 million, there is nothing about the state aid. At the moment, we are not including the state aid in any calculation when we talk about CapEx, as well as cash. About the agri and track business. Well, this is a million dollar question.

00:26:42 - 00:27:37
Speaker 2: However, I believe the agri business in particular is subject to cycles, and cycles can be long or short, but in general, obviously, we are now landing at the end of the second, I would say almost the second year of a downturn. Obviously, I'm expecting the agri business at the level in particular to recover pretty soon in the next six to 12 months. Obviously, this is not scientific. I'm just observing the history and the cycle that were affecting the agricultural, in particular the tire business, in the last 20 years. You will see there is a growing trend if you take the last 20 years, but this growing trend has gone through ups and downs with cycles that lasted in a positive or negative way, two or three years. I hope I replied to all your questions.

00:27:38 - 00:27:39
Speaker 6: Thank you.

00:27:42 - 00:27:56
Speaker 4: As a reminder, if you wish to ask a question, please dial Pound Key five on your telephone keypad. The next question comes from Artem Beletski from SEB. Please go ahead.

00:27:58 - 00:28:56
Speaker 7: Yes. Hi. Thank you for the presentation and for taking my question. I also have three questions to ask. The first one relates to price mix development in passenger car tires. I guess it's also volume-related, given the fact that it was a bit messy comparison from last year. I think you agree with it. Maybe just a question on the pricing side. Could you maybe comment whether there have been some further price changes, what you have done, for example, during Q3, which are not yet feasible in the numbers? Then the second question is relating to net debt. I understand that the Q3 seasonal is a peak. What we always see in your case, maybe you can provide us with some type of indication of where you see net debt planned by the end of this year. The last one is just relating to the winter tire season. How have you seen the demand picture so far, what comes to Europe and also North America? Thank you.

00:28:57 - 00:30:34
Speaker 2: All right. Thank you for the questions. I start with the first question about price and mixed development. I agree with you. Obviously, the comparability with last year is affected by the write-off and, consequently, by the sale of the slow-moving tires in the Central European market. However, we can say that the price and mix development were good for the company. Also, without this effect, clearly, we have implemented pricing action in quarter two and in quarter three, there will be a carryover in quarter four. That is pretty clear. Then, of course, we will not make any comment about the future price development because of the competition rules. Regarding the second question. Sorry, the third question was about the net debt. As you know very well, considering our seasonality, quarter three is always the period of the year where, obviously, our debt is getting to a higher level. We are expecting the level of net debt to go down in the next quarter. About the winter tire season, we can say that obviously, the weather was actually a little bit too warm, let's say in September.

00:30:34 - 00:31:03
Speaker 2: However, now it is getting colder, both in the Nordics as well as in North America. We are expecting the winter tire season to basically start, as I speak in this moment in November. We also had good pre-sales activities, obviously, in the previous month or so. We see, the market is still growing. Obviously, we are pretty positive about the development of the winter tire sales.

00:31:06 - 00:31:08
Speaker 7: Okay. This is very clear. Thank you, Paulo.

00:31:11 - 00:31:15
Speaker 4: The next question comes from Thomas Besson from Kepler Cheuvreux. Please go ahead.

00:31:17 - 00:32:37
Speaker 6: Thank you. I will take the opportunity to ask some follow-up questions, please. First, I'd like to

discuss a bit about your working capital, if that's possible. When your inventory declined but receivables increased? Could you indicate whether you see any risk of writedown? Could you talk about your exposure to ATD, whether it's new, and how much it's increased? I mean, this company went under recently. Did you have any exposure as they moved into chapter 11 or not? When I look at your payables, they're higher than usual. Could you explain why and whether this will be a headwind on the working capital front in Q4? My last question will be on your net interest charge. I mean, your net debt obviously has gone up for about three years because of your investment program. We've seen the net interest charge in your PNL and your cash flow statement going up. Could you give us some indication about what we should expect? For '25, both on the PNL and on the cash flow statement. Whether it will already be declining in '26 or be flat in '26 or '25. Thank you.

00:32:38 - 00:34:09
Speaker 2: Okay. Thank you. I will reply to the first one, and maybe you can Jari suport the discussion on the last two topics about the working capital. The working capital is improving with growing sales year to date. We are very pleased about this development. Obviously, this is really driven in particular by the reduction of the inventory that we have implemented in, basically during the whole year, in particular in now in quarter two and quarter three, the receivables are growing because we are growing in terms of sales. ATD obviously is a new partnership. I think ATD today is very well supported by strong equity funds, extremely strong from a financial point of view. Of course, our exposure is relatively low. Since we are at the beginning of the journey. We will grow together with ATD. The ATD will support our growth in North America. They are by far the largest national distributor in North America. They are able to actually very well support our sales in any corner of that country. Payables are higher, obviously, because we are growing, you know. However, Jari please, would you like to comment on the payables and net interest?

00:34:12 - 00:35:17
Speaker 3: Yes. Thank you. First of all, payables, of course, we have multiple different actions ongoing to get a little bit better, better performance in payables. Unfortunately, at the moment, we have not been able to see. However, of course, work will continue with us, and we want to improve in that respect. I think the second question was related to net debt and interest expenses in our P&L. Of course, we have more net debt, as we discussed earlier. Interest expenses are higher than what we had last year. Then, on top of that, you can notice from the report as well that we have some hedging costs which are related to our Romanian operation, and especially due to the project to build a new factory in Romania. It's quite difficult to commit anything related to 26 at the moment. Let's come back to that later, but that's those are the main kinds of answers or reasons behind it.

00:35:19 - 00:35:20
Speaker 6: Thank you.

00:35:23 - 00:35:27
Speaker 4: The next question comes from Rauli Juva from Inderes. Please go ahead.

00:35:29 - 00:36:00
Speaker 8: Yes. I mean, there is still a question about the passenger car tire margins. You touched this already. However, just to be clear, you posted in Q3 now around 16 percent EBIT margin, as last year. Then your Q4 last year was really weak. I guess it should be improving from year to year. However, how do you see the dynamics on the passenger car tire margin between Q4 and Q3?

00:36:02 - 00:37:00
Speaker 2: I think the level of margins that we are reaching today is rewarding, really the strong effort of the team globally in improving pricing, and at the same time improving our cost when we talk about manufacturing. They are a natural consequence of what we are doing around the company, and obviously, we should expect that we are improving because this is what we are here for in order to reach our financial targets. Pricing, as I told you already, it's as a strong impact, but we should not undervalue it as well. The improvement that we are having is also from the manufacturing point of view, considering that last year we excluded in quarter three the part of the cost that we had in North America in Dayton, while this year we don't have those kinds of exclusions. In terms of comparability, I believe that we are really progressing in the right direction, and this is really encouraging. You should see step-by-step margin improvement.

00:37:04 - 00:37:05
Speaker 8: All right. Thank you.

00:37:08 - 00:37:13
Speaker 4: The next question comes from Akshat Kacker from JPM. Please go ahead.

00:37:15 - 00:37:51
Speaker 5: Thank you for getting me back on the line. A couple of follow-up questions, please. The first one is when I think about your production capacity and your footprint. Could you talk about your overall plans for capacity additions going into next year, please? Are you adding more capacity at Dayton or in Finland, please? The second part of the question is, could you just clarify the contribution from the Romanian plant in terms of commercial tires in this quarter? How should we expect offtake agreements to progress going into next year? Just a total overview on overall capacity planning, please. Thank you so much.

00:37:51 - 00:38:58
Speaker 2: Okay. Thank you very much. As I mentioned several times, and this is very important, we will focus as a company on profitable growth. Capacity is now there. We were able to build this capacity. We're very pleased about what we were able to do so far. However, now it's really time to focus on profitable growth. The capacity that we have today it's enough to support our strategic term objective for the next three years. We will not need to implement additional capacity at this stage in both Central Europe as well as in North America. Clearly, we will do specific adjustments or specific lines since we are going, for instance, in terms of mixers. We are producing bigger and bigger sizes. We will need to make some adjustments in order to eventually increase the capacity for bigger sizes. However, in general, we'll say overall, I think it is now time to harvest what we did in the last three years and to make sure that we are able to saturate our existing capacity.

00:38:58 - 00:40:03
Speaker 2: Answering briefly to your question, we don't see the need to add additional capacity in the next two years at this stage. When we talk about offtake, of course, we are reducing the level of offtake. We have indicated that from the strategic point of view, on average, 10 percent of our total volume will remain in offtake. To keep flexibility and to make sure we will be able to get the support of somebody else for product lines that we believe are not strategic to produce internally within the company. Romania started to contribute to the sales in Central Europe, in the Central European market. That has already ongoing since May, June this year. Obviously, we can expect that in the future, more than 80 percent of what we sell in the European market will be supported by our Romanian, Romanian factories for Central Europe as well as South Europe.

00:40:06 - 00:40:07
Speaker 5: Thank you.

00:40:10 - 00:40:14
Speaker 4: The next question comes from Thomas Besson from Kepler Cheuvreux. Please go ahead.

00:40:17 - 00:41:04
Speaker 6: Thanks. I'm sorry for coming back a third time, but just to come back to the previous question. I just want to make that clear, because right now you're talking about one million capacities. You said you don't want to increase capacity, but you still aim to have substantially higher production levels in Romania. If you plan to be able to supply 80 percent of your European sales from Romania. You mean, but I just want to clarify what you said. You mean you're not going to have to add incremental CapEx, but you're still able to increase the absolute level of production in Romania to three, four million in the next couple of years, knowing that the investment is behind you. Right.

00:41:05 - 00:42:33
Speaker 2: Thank you very much. You don't need to apologize if there are questions. This is really what this section is all about, answering your questions. We're happy to do it. We need to distinguish between production and capacity. By the end of this year, we will produce one million tires, but we already have the capacity to produce up to three million tires. Step by step, we will in 2026 complete this expansion. Obviously, adding semi-finished product lines is more than curing or building machinery. This is why we say the investment in Romania for the next three years will be really limited, because we are at the end of the process. In total, we will have six million pieces capacity already by, let's say, the end of next year eventually. Obviously, this is really how the factory works. One million is the production, but the capacity already by the end of the year will be up to three million pieces and up to the end of next year, up to six million pieces, reinforcing areas that are not strictly related to curing and building, but mainly about mixing and semi-finished products. I hope I replied to your question.

00:42:34 - 00:42:36
Speaker 6: Yes. Very clear. Thank you.

00:42:36 - 00:42:36
Speaker 2: Thank you.

00:42:38 - 00:42:42
Speaker 4: The next question comes from Artem Beletski from SEB. Please go ahead.

00:42:44 - 00:43:16
Speaker 7: Yes. I also want to follow up from my end, and it relates to PCT profitability. What we have seen during years 23 and 24, and also beginning of this year, is that margins have been extremely volatile on a quarterly basis. Looking ahead, do you anticipate this type of volatility will be clearly lower and maybe just coming back to past development? What have been the key reasons, in your view, that margins have been swinging so much in that segment? Thank you.

00:43:17 - 00:44:41
Speaker 2: Yes, for sure. Thank you for your question. Clearly, again, we need to look at the history of this company in the last three years. We came out of a storm, and it was difficult to reach stability when we obviously had the necessity to switch and to completely change our production footprint, moving out of Russia quickly and then building our new footprint and reinforcing our factory in Finland as well as in North America, and at the same time building a new greenfield in Romania. It was really difficult for the team to manage all this transition. In some way, we are still managing this transition. However, of course, we see finally good progress and we see finally a gradual stabilization of our performance and continuous improvement. Answering your question, of course, you will see more stability in the development of the margins moving forward, because now, finally, we can leverage our increased capacity, we can leverage an efficient manufacturing footprint, and at the same time, we are improving day by day. As I mentioned already, in placing our product in the market and improving pricing capabilities around the company, I hope this will reply to your question.

00:44:43 - 00:44:44
Speaker 7: Yes, absolutely. Thank you.

00:44:44 - 00:44:45
Speaker 2: Thank you.

00:44:49 - 00:44:54
Speaker 4: There are no more questions at this time, so I hand the conference back to the speakers.

00:44:57 - 00:45:12
Speaker 1: If there are no further questions, it is time to end this call. I want to thank you, Paolo, and Jari, and especially all of you who participated in this call. We wish you a nice rest of the day.

00:45:13 - 00:45:17
Speaker 2: Thank you very much, and I am looking forward to the next call.

00:45:18 - 00:45:19
Speaker 3: Thank you.