Stellantis Q3 2026 Results

Wednesday, 28th October 2026

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Operator: Hello and welcome to the Stellantis Q3 2026 Financial Results Call. You will have the opportunity to ask questions at the end of the call by typing pound key five on your telephone keypad. Please do not exceed one question per person and, if necessary, an additional one. I'll now give the floor to Mr. Charlie Christman, Head of Investor Relations, to begin today's conference. Sir, the floor is yours.

Charlie Christman: Thank you. Hello, everyone, and thank you for joining us today as we review the Stellantis Q3 2026 results. Earlier today, the presentation material for this call, along with the related press release, were posted under the investor section of the Stellantis Group website.

Today, our call is hosted by Antonio Filosa, Chief Executive Officer, and Joao Laranjo, Chief Financial officer.

After their prepared remarks, Antonio and Joao will be available to answer your questions.

Before we begin, I want to point out that any forward-looking statements we might make during today's call are subject to the risks and uncertainties mentioned in the Safe Harbor statement included on page 2 of today's presentation. As is customary, the call will be governed by that language.

Now I will hand the call over to Antonio Filosa, Chief Executive Officer of Stellantis.

Antonio Filosa: Thank you, Charlie. And thank you all for joining us today as we discuss our quarter three results.

As we anticipated in our second quarter call, several factors have weighed on our third quarter performance, such as lower volumes due to the planned summer shutdowns, particularly in North America, and raw material inflation.

That said, we are beginning to see early benefits as we execute our FaSTLAne 2030 strategy. For example, we are heavily focussed on implementing our Value Creation Program, or "VCP", with many initiatives being implemented ahead of schedule. The strategy is delivering, and despite the headwinds, we improved across all our financial metrics year-over-year.

- Net revenues are up 1%, despite the volume being down 1%.
- AOI margin is up 50 basis points, and it is positive in all regions except Europe, where the pricing environment remains challenging,
- and Industrial Free Cash Flow, which is negative in quarter three to the seasonality of our business, is up €300 million compared to last year.

Importantly, our industrial execution also continues to improve.

- Overall Production Efficiency was up year-over-year, with North America improving by more than ten percentage points.
- 3 Months-in-service Quality improved significantly year-over-year, by 43% in North America and 13% in Europe.

We continue to expand market coverage by introducing new products, which is a key pillar of our strategy. In the quarter - in the third quarter, we launched the Jeep Recon BEV and the

Peugeot E-208 GTi, and we look forward to launching seven more products in the coming months - on time, with the right cost, and with the right quality.

At the same time, we are making great progress with VCP. Based on what we have implemented already, I am confident that we will exceed our plan to implement 40% of the initiatives comprising the €6 billion target by the end of this year. VCP already contributed to our results in Q3, and it will provide even more of a tailwind in Q4. With this, I can say we are on track to realise more than €2.4 billion in 2027, plus the partial benefits of all the initiatives we will implement in 2027.

In addition to this progress, in market coverage and VCP, we are also accelerating our work with strategic partners, which is a key pillar of our plan. These partnerships are reducing fixed costs by absorbing excess of capacity, while at the same time allowing us to be more efficient in capital spending. We look forward to sharing more in the coming months.

With this, and despite the market challenges you are all aware of, I am pleased to again reaffirm our guidance for 2026, including that we expect to be free cash flow positive in 2027.

Now let me touch on some Q3 regional highlights.

In North America:

Stellantis is among the fastest growing OEMs year to date, once again gaining share year-over-year. Ram has led the way as the fastest growing brand in the region, both in the quarter and year to date. In the US alone, the Ram 1500 light duty pickup grew 73% year-over-year.

Next, Ram will launch the Rumble Bee Sport Truck, which is already generating strong customer demand. Its initial allocation sold out within 24 hours of orders opening.

We have also now launched the Jeep Recon, the first and only BEV to be Trail Rated. And soon we will be the first-to-market with two new products where no one else is competing today. The Ram ProMaster City will be the only mid-size commercial van available in the US, and the Jeep Grand Wagoneer REV will be the first and only large SUV to offer range-extended hybrid technology.

Turning to Europe:

The region remains challenging, with ongoing Chinese competition and a difficult pricing environment.

Despite this, we continued to grow in the region, with strong demand for the Smart Car platform nameplates and surging demand for BEVs, particularly in France, Germany and the UK. Our Euro 30 Passenger Car BEV sales grew 65% year-over-year, or 93% including Leapmotor.

Shifting to Pro One:We remain the market leader in light commercial vehicles with almost 27% market share. In November, we will expand our Light Commercial Vehicle line-up with the introduction of the Pro One Smart Car Compact Van.

In parallel, Leapmotor continues to grow rapidly, with volumes up four-fold year-over-year, demonstrating our FaSTLAne partnership strategy in action. Production of the C-segment cars, starting with the B10, have begun at our Zaragoza plant in Spain, with the B05 planned to follow in the first half of 2027. Bringing these vehicles into our manufacturing footprint helps improve capacity utilization and absorption of fixed costs.

Finally, it is important to note that certainly our competitiveness will also require the right conditions in Europe. Despite the strong growth in BEV demand, timely action on our CO2 flexibility and the Made-in-Europe framework are essential to creating a level playing field.

Turning to South America:

In a challenging market, sales declined 2% year-over-year when you include Leapmotor. That said, we maintain our clear overall leadership position with almost 19% market share, including Leapmotor. Importantly, we also remain number one in the region's two major markets, Brazil and Argentina, each with more than 25% market share. We increased sales in the region for important models, including a 33% increase for the Ram brand, driven by the all-new Dakota midsize pickup. And in Brazil, we increased sales 5% year-over-year to over 200,000 units, mostly driven by Fiat and Ram pickups, which represent the largest profit pool in the region.

Moving to Middle East and Africa:

We remain resilient despite weaker market conditions, particularly in Türkiye, where the transition from the Fiat Egea to the upcoming Fiat Grizzly contributed to a 1.5 point year-over-year decline in regional market share.

At the same time, as planned in FaSTLAne 2030, we are increasing localization in the region. Small-van production began in Türkiye in October and sales of locally produced vehicles in Algeria, a very important profit pool, increased 22%.

Lastly, in APAC:

While market share declined by a 10th of a point, reflecting the increased competition in the region, it is important to note that the region is enabling the rapid advancement of our FaSTLAne partnership strategy. For example, in Q3, we began localizing production of the Leapmotor B10 and C10 in Malaysia. We also officially established our new joint venture, Dongfeng Stellantis Automotive Technology, allowing for the development of two new Jeep and two new Peugeot models to be sold in markets around the world.

In summary, we navigated a challenging quarter, including lower planned volumes and raw material headwinds, all while improving year over year across every key financial and operational metric. We are reaffirming our 2026 guidance and our commitment to positive Free Cash Flow in 2027.

The challenges are real, but our industrial performance shows that we have a firm grip on the business. Our structured, evidence-based recovery is progressing. We are taking decisive action to lower industrial costs and build the foundation for stronger financial performance in 2027.

Let me now hand you to Joao to walk you through the numbers.

Joao Laranjo: Thank you, Antonio. While the third quarter was soft, as anticipated, we continue to make progress in our turnaround. Our actions are delivering results with year-over-year improvements across our key financial metrics.

Let me start with the key figures.

Consolidated shipments were 1.3 million units, down 1% year-over-year, as the increase in Europe largely offset anticipated lower volumes in North America.

Net revenues were €37.6 billion, up €0.4 billion, or 1%, compared with the third quarter of last year, despite volume being down 1%, due to growth in Financial Services. Adjusted operating income was €256 million in Q3, an improvement of €166 million, or 184% versus last year.

AOI margin improved to 0.7%, up 50 basis points year-over-year.

Industrial free cash flow was -€4 billion in Q3, an improvement of €0.3 billion compared with last year.

And as Antonio made clear, we are reaffirming our guidance.

Turning to the key drivers of our year-over-year AOI performance:

- First, on Volume and mix: Overall volumes declined slightly, with the increase in Europe largely offsetting lower volumes in North America and Middle East and Africa, resulting in unfavourable regional mix. Additionally, unfavourable mix was driven by higher LEV penetration in Europe.
- Moving to Net Pricing: Pricing contributed a positive €23 million, with €421 million improvement in North America, offset by continued pricing pressures in Europe.
- Lastly, Industrial Costs: This was the single most significant driver of our performance, with an €828 million year-over-year improvement reflecting another quarter of cost reduction. Let me highlight two factors that contributed to this strong performance.
    - First, we maintain our diligent focus on structural cost reductions. Purchasing efficiencies, including initial benefits from VCP, accounted for the majority of the improvement. Importantly, we expect VCP contributions to accelerate in the fourth quarter and into 2027 as implementation continues to ramp up.
    - Next, we also benefited from lower CO2 compliance and warranty costs, partially offset by commodity inflation.

Overall, these results demonstrated our cost reduction actions are gaining traction and translate into measurable improvements in profitability. This will provide an important foundation for our continued improvement over time.

Finally, SG&A and R&D expenses increased year-over-year, reflecting continued investment to support volume growth and our product pipeline.

Moving to Industrial free cash flow.

As mentioned before, Industrial free cash flow was -€4 billion in Q3, an improvement of €0.3 billion compared with last year.

This negative free cash flow was driven primarily by seasonal working capital movements, reflecting lower production and shipment volumes in Q3 compared to Q2.

Looking ahead, we expect a reverse of this working capital dynamics in Q4, supported by higher volumes, particularly in Europe, and a seasonal reduction in Company inventory typically seen at year end.

Finally, capital expenditures declined by €0.5 billion year-over-year. We expect full year CapEx and R&D spending to represent approximately 6.5% of Net revenues for the year, in line with the FaSTLAne Investment plan for 2026.

Now shifting to Inventory:

Total inventory increased 14% year-over-year to 1.4 million units. That said, dealer inventory declined by more than 50,000 units compared with Q2, primarily reflecting the planned production downtime discussed during our second quarter earnings call.

In the United States, dealer inventory increased 23% compared to last year, but declined 6% sequentially, supported by our planned production adjustment in Q3.

We remain focused on aligning production with market demand, balancing volumes with profitability in an environment where we see the impact of higher interest rates on dealer floor plan financing costs.

Looking ahead, we expect to close 2026 with US dealer inventory between 320,000 to 350,000 units, compared with approximately 368,000 units at the end of September.

Turning to our regional performance:

We start with North America. Adjusted operating income reached €64 million, with a margin of 0.4%, representing a €539 million year-over-year improvement. This improvement was driven by continued industrial cost reductions, including early benefits from VCP and favorable pricing, partially offset by lower volumes and higher R&D expenses.

In Europe, Adjusted operating income was -€311 million, a deterioration of €468 million compared with last year. Despite higher volumes and continued industrial cost saving, profitability was impacted by unfavourable mix, reflecting higher BEV sales and persistent pricing pressure.

In South America, Adjusted operating income reached €431 million, broadly in line with last year. Volumes increased 7% in Brazil, compensating for declines in Argentina and other markets, while favorable foreign exchange movements offset pricing and mix headwinds. Overall, South America continues to demonstrate resilience despite an increasingly competitive environment.

In Middle East and Africa, Adjusted operating income was €244 million, down €28 million year-over-year, primarily reflecting lower volumes in Türkiye and the product transition to the Fiat Grizzly.

Finally, in Asia Pacific, Adjusted operating income improved by €22 million, turning to a profit of €18 million in the quarter.

Looking ahead to the rest of the year.

We are reaffirming our 2026 financial guidance as well as our expectations to generate positive Industrial Free Cash Flow in 2027. This reflects the continued execution of our FaSTLAne plan, including consistent cost reduction actions.

Let me highlight a few key assumptions underlying our outlook.

First, our guidance includes approximately €1 billion of net tariff costs, including the IEEPA credit recognized in Q1. This is a modest improvement from our previous estimate of €1 to €1.2 billion.

Second, our Industrial Free Cash Flow outlook includes approximately €1.6 billion of payments related to the charts recorded in the second half of 2025, of which €1.1 billion has already been

paid through September. This compares with our previous assumption of €2 billion for the full year.

Finally, we expect CapEx and R&D spending to represent approximately 6.5% of net revenues in 2026, consistent with the investment framework outlined in our FaSTLAne plan.

Turning specifically to the fourth quarter, we expect several important developments:

With regard to volumes: We remain focussed on profitability and align production with demand. Overall volumes are expected to be higher, primarily driven by Europe. In North America, we are managing inventory and in Q4, will converge to a similar level to where we began the year considering the introduction of new product offerings. Our outlook also assumes that ongoing labor negotiations in Canada conclude without production disruptions.

Now on to pricing: We expect pricing to remain broadly stable. Overall, pricing in North America is expected to remain positive, while pricing in Europe is stabilizing, but remains a year-over-year headwind.

On costs: we anticipate additional headwinds from memory chips and recall related expenses.

Regarding VCP savings: we expect savings to accelerate in Q4, reaching mid hundreds of millions of euros, including the carryover run rate of the many initiatives already implemented in Q3.

Finally, on working capital: we expect a positive contribution from working capital in Q4, reflecting the normal seasonal dynamics of our business.

All of these factors are embedded in our current full year guidance.

In closing, while there is still substantial work ahead, we are making tangible progress. Our cost reduction initiatives are delivering results, our operational discipline is improving, including manufacturing efficiencies and quality improvements, and we expect these benefits to build as we move into 2027.

Thank you. We will now ask the operator to open the line for questions.

Questions and Answers

Operator: Thank you. As a reminder, to ask a question, please type pound key on your telephone keypad. The first question comes from the line of Philippe Houchois from Jefferies. Your line is open.

Philippe Houchois (Jefferies): Oh, thank you and good morning to you. Two questions. The first one really is on the - if you could quantify a little bit the working capital reversal, because without growth in North America, I'm assuming that most of the reversal in Europe, as you have long payment terms and helping the reversal. So should we think maybe half of the reversal of Q3 into Q4 in terms of working capital, or is that the wrong assumption?

Joao Laranjo: Hi, Philippe, thanks for the question. We are expecting Q4, a reversal of free cash flow to basically own working capital to basically have working capital for the full year, basically flat. And the biggest driver of the working capital improvement in Q4 is actually inventory as we sell down the OEM inventory by the end of the year. Usually, we stop production

before Christmas, and we continue to invoice vehicles that we have on stock. So in terms of seasonality, you see it's similar to what we had in Q4 last year. So you see a buildup of OEM stock in the first half of the year, and then by the end of the year, we reduced substantially OEM stock. And that's the primary driver of the basically full reversal of working capital in Q4.

Philippe Houchois (Jefferies): Right. And if I can stay on the cash flow and follow up on the CapEx. I think we've all noted the CapEx was down significantly year-over-year. You reduced the guidance, but can you tell us why it is down so much? Are you - is it better productivity, is it better focus on spending on fewer areas or what is driving the reduction in CapEx?

Joao Laranjo: Well, so as we said in the prepared remarks, the CapEx is very consistent to what we had on the FaSTLAne. As we know, we had a reset at the end of 2025. We prepared a new product plan and now we are on the working on the development of the new product. So this is just a normal ramp up of developing the new products. And again, this is consistent. So there is no slowdown and we are executing FaSTLAne according to what was presented in May.

Philippe Houchois (Jefferies): Thank you very much.

Operator: The next question comes from the line of Stuart Pearson from Oxcap Analytics. Your line is open.

Stuart Pearson (Oxcap Analytics): Yes. Good afternoon. Thank you for taking the question. So can we just dig into the industrial cost tailwind a little bit more. I know there's obviously you've mentioned some VCP savings picking up there. But just as we look into Q4, I just wonder how big that bridge item can be. So just remember from last year there was €2.1 billion of I guess non-recurring items that actually went into adjusted EBIT. There was warranty stuff, LCV, CO2 stuff, supplier bankruptcy. And I guess a lot of that drops out. A lot of that would have been in Q4. I think you called it out for H2. So if we put that together with what you're saying on the pickup in VCP. I guess against that there's some raw material costs. It feels like that could be quite a material acceleration in the industrial cost line in Q4. So I just wonder if you could just help us think about that.

And also, that number into 2027, I think you've talked about the run rate getting towards €2.4 billion ish going into 2027. Is that still correct? You're running ahead of that. And how do you get there from what you're actually doing in Q4? So that's kind of first question around industrial costs. And the other one, just quickly on the financial services business. Maybe a bit more of a niche question, but obviously with some strain on the credit of Stellantis, how do you see your ability to grow that captive, in the US in particularly? Is there a chance you might think about bringing a partner in there, or do you think you can still be competitive on financing in the US? Thank you.

Antonio Filosa: Okay. Thank you for your question. I will take the first one, which is on VCP and industrial cost, and I will leave Joao answering to the second one, which is on financial services. So VCP, as we introduced it in FaSTLAne 2030, VCP is our way to address one of the three initial issues that we saw in the company. Initial gaps, that was for product cost competitiveness, where we highlighted in our analysis a gap with competitors, and we decided to address it with a very broad corporate program, which we call VCP, Value Creation Program.

So what does VCP attack? VCP attacks the full cost structure of Stellantis? And in simple terms, how this cost structure is divided. The first component is product cost. Components, system,

subsystem that enter in our products. The second cost component of our cost structure is a transformation cost. Manufacturing cost. This is all the costs that happen in our plants to realise our production. The third component is logistic cost. Both inbound and outbound. And then we add we have other components. So, if we focus on product cost, we have more than 3,000 people working together on that, analyzing system by system, component by component, what are the technical and commercial savings that can be generated to reduce cost. And this is a precision exercise, a cost exercise and a consistency exercise in all our regions. And I give you an example.

We have been able, for instance, through many tear down and through many benchmarks to reduce substantially cost of wiring harnesses by working on their layout, on the components and on the mass of raw material that they carry. Then we switch into industrial costs, manufacturing costs. And I can give you an example there. In one of our French plants, our team has been able to generate an AI powered tool that make more efficient and effective our method of preventing maintenance. So now in that plant, with the use of these AI powered tools, equipment and machines break less. Thus, we have more productivity and less inefficiency. And with the success of this pilot plant, we are expanding this solution to 100% of our manufacturing plants.

Then when we move into logistics costs, I'm going to provide an example about that as well. So, we generated, we invented an AI powered tool that we call Optima that is able every day, real time, to analyze logistics, inbound routeing and redesign them for the best cost-efficient solution. We started with one pilot plant and now we are expanding the solution Optima to all the plants, and this is generating a lot of savings.

And finally, the way we organise our business. So for instance, in a plant in North America, we define it as important to insource hot stamping. This is a process that was in the hands of a supplier. And now in the mid-term, we will bring into our plants, and that will generate a lot of savings in the mid-term and long-term future. So those are just, for example, one, each area of cost that VCP is consistently and constantly attacking.

The way we are today, I am extremely confident that we will exceed the milestones that we set for ourselves in FaSTLAne in 2030 around VCP, so we will exceed the €2.4 billion cost saving that we set as a milestone to start 2027 and build on them. And we will exceed the €6 billion run rate, cost savings by 2028 and forward. Very optimistic, very confident, because I see a lot of very good and hard work that has been deployed today in the company. And you see also that in the result of quarter three. In quarter four, the good job that we started in quarter two and continued in quarter three will get to multiply the savings that in quarter three, we are saving. So that will be hundreds of millions of Euros that will be generated as additional cost saving in quarter four. On financial services, Joao.

Joao Laranjo: So as we discussed during our FaSTLAne, the required equity on financial services in the US for 2027, it's relatively limited, especially when we see the total cash generation provided by our financial services across the world. And by 2028 or 2029, we expect actually to start receiving dividends from the financial services. So we are not concerned about providing enough capital to grow properly our financial services in the US.

Stuart Pearson (Oxcap Analytics): Okay. Thank you.

Operator: The next question comes from the line of Emmanuel Rosner from Wolfe Research. Your line is open.

Emmanuel Rosner (Wolfe Research): Great. Thank you so much. My first question is on the commodities environment. This doesn't seem to be a factor that you're mentioning is sort of like being meaningful change to your outlook. Some of the automakers that have reported so far have sort of flagged it as essentially trending, but even with some near-term consequences. And so, I was curious if you could just give us a refresh of what is sort of like the headwind you're not expecting for the full year and have things changed recently?

Joao Laranjo: Yeah. So on commodities during Q1 and Q2, we said that we would see a cost increase, especially in the second half of the year to be about 1% of revenue. So that's what we saw in Q3 and we are expecting in Q4. So in our guidance, we are expecting year-over-year for Q4, 1% of revenue, cost increase on commodities. We expect that to increase next year because of some firm contracts that we have that will be renewed, but that will be a discussion that will address when we are at the full year earnings calls, and we have the budget.

So that's why we are not talking about specifically commodities in Q4 because we see a similar impact on Q3. What we are highlighting related to that is memory chips that we are seeing pressure. We didn't see much costs on flowing through the P&L in Q3, but that pressure continues to increase. We are right now working to mitigate as much as we can on negotiations and also alternatives. So we are not prepared to disclose a number, but that is, on top of commodity headwinds, what we are seeing right now that also is going to build for 2027.

Emmanuel Rosner (Wolfe Research): And then my second question is on your inventory targets for the end of the year, in particular in the US, how do you plan on bringing it down? Are you planning to cut some production between now and the end of the year, or is it through market share gains?

Antonio Filosa: Oh, very well. I'll take this this question. So the way we plan to work in quarter four will be through a couple of elements. So we reaffirm the guidance for 2026, as Joao and myself restated in this call, including the 2027 free cash flow positive. And we will manage the business by element number one, balancing volumes with profitability and balancing production with market demand. Converging dealer inventory in the US in the range of 320K to 350K, which is very similar to last year. And that includes also the new products that we've been launching this year.

The second element of the way we will manage quarter four and the quarters forward will be through discipline in net pricing. So as you see in the result of quarter three, we have been keeping discipline in net pricing in North America, adding €425 million as positive impact versus last year. We will stabilize net pricing in Europe as we started already, and we will build from there also in Europe positive position for net pricing.

The third element will be through even further accelerating VCP, Value Creation Program, cost saving. So you saw results in quarter three where industrial cost improvement, driven also by VCP, has been the largest contributor to quarter three result. The way we are seeing today VCP in the company, we can foresee that we will multiply result in quarter four and then keep growing and accelerating in 2027 and forward. So we are very confident, as I said before, that we will exceed our internal target that are €2.4 billion to start 2027 and building upon that and €6 billion by 2028 as a run rate cost savings.

The fourth element that will be using to for quarter four for 2027 is keep improving product quality. So you saw in the presentation that we improved product quality in North America by 46%. We also improved product quality in Europe by 13%. And that will set up the foundation to enjoy in the near and mid-term much better total warranty costs and much lower recall campaign cost to start. Most importantly, that will build the foundation to drive Stellantis to be top quartile in product quality in all of the segmented industries where we compete by 2028. And this is one of the targets of FaSTLAne in 2030.

Finally, the fifth element will be to successfully launch the new products. We have some that are coming still in 2026 in quarter four. One is the very much expected Ram Sport Truck. I want to remember that the first day of order opening, we went sold out in less than 24 hours. So very promising start. And then at the very beginning of next year, we will launch also the Ram ProMaster City, which will be for at least two or three years, the only compact mid-size van in the US industry. 2027 will also have other important launches, such as a very important product offensive for Jeep. We will launch the new Grand Cherokee. The new Jeep Wrangler. The new Jeep Gladiator in the second half of 2027, as well as the new Dodge Durango in the same second half of 2027. So those are the five elements that we'll be using to manage quarter four full year and then to enter in 2027. Thank you.

Emmanuel Rosner (Wolfe Research): Thank you.

Operator: The next question comes from the line of Patrick Hummel from UBS. Your line is open.

Patrick Hummel (UBS): Thank you very much. Good afternoon, gentlemen. Patrick from UBS. My first one. Apologies for following up on this. I need to double click again on the VCP and industrial. If you draw, if you put yourself in our shoes, what we care about is the average 2026 to 2027 and it's still not quite clear to me how much of a tailwind we will see year-over-year from VCP. Is that the €2.4 billion you talked about before, or is it less because you already achieved quite a good part of it in 2026? So the year-over-year effect of VCP 2027 or 2026 please. And if you can elaborate on whether that will be offset by higher costs. We heard from GM the other day that mark to market, they see a $2 billion headwind year-over-year, or whether the net of the two will still be a clear, positive driver in the AOI bridge for next year. That's my first one.

And the second one. I mean, I was hoping actually end of last year that the era of the big line items below AOI would be over. But now in Q3, we had another €600 million related to restructuring and recalls. I guess these items keep having an impact also on free cash flow. Can you just elaborate a little bit to which extent the free cash flow guide is affected by these on items that keep coming through below the AOI line? Thank you very much.

Joao Laranjo: Okay, so I'll take the second question. So our free cash flow obviously includes all aspects of our P&L, including restructuring costs, which is an ongoing effort to reduce the fixed costs. And unfortunately, some of is still lingering costs related to the Takata recall. On the VCP for next year, this is a discussion that we're going to have when we present the outlook for 2027. It is still developing the actions for 2026. And then what is going to be the carryover for 2027? So the €2.4 billion that we talked is a run rate of actions implemented by the end of this year. So year-over-year, you would need to discount whatever the VCP savings were

recognized in 2026, but also add what will be new initiatives in 2027. So we'll give you a view on that on next year.

And the VCP, just to be clear, it's a gross cost savings. So it does not include headwinds. And we're going to have headwinds of raw material, as we said for next year, year-over-year on commodities and also microchips. But again, we are right now working on the budget and putting all the actions together to offset that the inflation that we are seeing not only through cost savings.

Antonio Filosa: And just complementing what Joao said. Yeah, no, thank you. Thank you for your question. Just complementing what Joao said, it is important to say that we just started with VCP, and we are having a great result out of it. And then we will enter as we are very confident of in 2027 with higher than €2.4 Billion euro of starting cost savings. Then, starting from there, we will build additional cost savings month over month up to driving ourselves to the €6 billion run rate cost savings by 2028. So it's going to be a curve. You can imagine a linear, less linear what you want. We will be more explicit in the next earning call when we talk about 2027. But it's going to add a lot in 2027 for sure. More than what we led from now to the end of 2026. So this is very important.

Patrick Hummel (UBS): Okay.

Joao Laranjo: Thank you.

Patrick Hummel (UBS): Please stay tuned. Thank you very much.

Operator: The next question comes from the line of Thomas Besson from Kepler Cheuvreux. Your line is open.

Thomas Besson (Kepler Cheuvreux): Thank you very much. Good morning. I have two questions as well. I'd like to start with Europe and two points that could help you. Do you expect next year a relief in terms of competitive pressure from the planned hybrid caps for the Chinese imports? And do you think that your 2027 European volumes could potentially rise further, but this time in a less competitive pricing environment?

And on the second aspect, what is your understanding of the CO2 easing rules for passenger cars and LCVs for 2030 and 2035? That's my question on Europe. My second question will be what your trading activity by region when it comes to planned production adjustments in the quarter and inventory reduction. Could you talk about what you have seen as well in terms of customers reaction to higher rates if any and to higher oil prices? Thank you.

Antonio Filosa: Okay. Thank you for this question. For both of them. So on Europe, obviously, as all the other automakers, we welcome the first step that has been established by the European administration on the hybrid cap, which is a very important step forward. What we really want is a level playing field. This is our voice, but also the voice of all the other automakers that are relevant in Europe. That means the combination of the approval, hopefully fast, of the two regulations that we are waiting for. The number one is CO2 emission, with additional flexibility needed both in passenger cars and light commercial vehicle, as you mentioned before, and we are positive on that. And the second regulation is the Made in Europe, which will be the set of rules that will reward those companies that design their cars in Europe, that they engineer their cars in Europe, that they produce their cars in European plants, and they use European suppliers.

And we firmly believe that we are not far. Actually, we are close also after the French-German agreement. So those regulations could be approved next year as we all expect. On the net pricing environment in Europe, we see that those regulations could support for sure. We also see that the memory chip inflation and the raw material inflation will be an industry wide phenomenon to work with. And we suppose that the industry will work through net pricing. Also, we work through cost contentions as we are doing through VCP. Your second question was about what? Can you repeat, please?

Thomas Besson (Kepler Cheuvreux): Sure. My second question was your trading activity in Q4. The production adjustments you're making to get to your inventory targets by region, notably in the US, and whether you have seen some impact from higher rates in oil prices on your customers behaviour.

Antonio Filosa: Okay. Now, that's an interesting question and maybe I can answer for North America and Europe, our two major volume markets in the world. So what we see in North America is an environment of stability of the market, of the industry that we will stay very stable. We see though a shift in behaviour of consumer. So we see increasing interest for HEV. And we see the starting of interest for range extended. The good thing is that in the market, we have both a recently launched in HEV that we want to keep developing for other applications. And we will also introduce very soon, as first in the market, two range extended applications, one for large pickup and one for large SUV that we are very confident that will be very well received by consumers.

In North America, we're also seeing a major shift of the market into the entry part of the market, the one below 40,000 USD. The good thing is that in FaSTLAne 2030, one important pillar for the region is to introduce a lot of cars below $40,000. As a matter of fact, by the end of 2027, we will introduce two Chrysler below $29,000, and then soon after, we will introduce one mid-size pickup truck for RAM and one compact pickup truck for Ram. So we will expand Ram offering also in the smaller pickup truck where we don't compete today as Ram. So we are doing the right moves considering the North America trends that we see in the market.

In Europe, we see obviously an acceleration of electrification driven by oil price but also driven by regulation. The good thing is that in 2027, we will have two very important competitive moves in that environment. We will launch our global, very competitive STLA One platform that will be our most competitive platform for the segments B, C and entry D. This is the heart of the market in Europe. And we will also switch for many, many nameplates from LMC battery chemistry to LFP battery chemistry. This is a substantial saving in the battery cost.

So the combination of the introduction of the global STLA One platform starting in Europe and then getting to North America and the other region, and the switch of battery chemistry from LMC to the much more competitive LFP will put also US in Europe in a very good position to enjoy the acceleration of BEV as we are seeing as major trend in the region. Thank you.

Thomas Besson (Kepler Cheuvreux): Thank you.

Operator: The next question comes from the line of Henning Cosman from Barclays. Your line is open.

Henning Cosman (Barclays): Yeah. Hi. Good afternoon. Thank you for taking the question. I just have one question really, which is on next year's free cash flow guidance, right, which

you're reiterating for that to be positive. So I'm wondering about the additional large moving parts. I think you said you expect about €3 billion positive from working capital. In Q4 year to date is five, so let's just say we shake out somewhere -€2 billion for the year. And then assuming industrial, and I suppose that's part of the question, is industrial outside of VCP, is that broadly neutral next year? But VCP itself, I think as some colleagues before me have asked, sounds it's more or less a wash with raw material inflation.

So I think we're all asking ourselves, how do we get from the -€2 billion full year 2026 exit rate to something positive for 2027? Unless you have other big moving parts in there, which is industrial savings outside of VCP, or do you incorporate a strong positive bucket from volume and mix, for example? If you could help us there bridge from the minus two to something positive in 2027 on the free cash flow. It's probably for Joao, but thanks very much.

Antonio Filosa: Okay, we'll take the question and then Joao will jump in for complimenting my answer. And thank you for your question. So I want to start by saying that we are very confident in reaffirming our 2026 guidance. Those include 2027 free cash flow positive. So we are very confident in that as well, which is our major commitment for next year. And I will tell you how we will manage the business towards that important objective, milestone and commitment in 2027. So number one will be through balancing volumes with profitability and production with market demand. Number two will be through a very high net pricing discipline. And as you said, North America already delivered this net price discipline in quarter three, and we will keep building on that. In quarter three, the positive impact on net prices in North America was around €425 million. We are able also to stabilize net pricing in Europe, and we will build on that to drive Europe also in positive territory for net pricing position.

The third element will be the launch of new products. So we are launching by the end of this year the Sport Truck for Ram in North America. This is a big profitability builder for us. And after the opening of orders, success was much higher than expected since we went sold out in the first 24 hours. So a very promising start there. Among the other important volume makers and profitability makers for next year as product launches, I want to mention the already mentioned Ram ProMaster City that will be the only mid-size van in the US for at least two or three years, since we know by intelligence that our competitors will react in this time frame.

We will launch a very significant new Jeep product offensive. The new Jeep Grand Cherokee will be launched in second half of 2027, as well as the new Jeep Gladiator, the new Jeep Wrangler, and those three Jeeps, they are Jeep 100%. They are beautiful design. They have a very wide offering of powertrains, and they also cost less than the current ones. So we supposed to accelerate in volumes, especially in profitability and AOI. We will launch also the new Dodge Durango, highly renewed. Also, in half 2027 we will launch in Europe, also important trims, and by the end of the year, the first step of the Peugeot renewal. That will be very evident in 2028.

So the third element of managing the 2027 towards the important objective of free cash flow positive will be through product launches, finally accelerating VCP and quality improvement. So VCP will start 2027 higher than €2.4 billion cost saving, and we will be building on that month by month to reach the €6 billion target that we put ourselves. We are very confident that we will exceed it and quality improvement. So quality improvement are going very well in both regions, 46% better in North America, 13% better than in the last year in Europe. And this is the strong foundation to enjoy in the near term, including 2027 lower total warranty cost and lower recall campaign costs. So basically, the story will be driven by AOI improvement through

net pricing position, through important efficiency driven by VCP, other industrial projects and quality improvement and revenue coming from the current lineup, plus the new products that will be launched. Thank you.

Joao Laranjo: Yes. I just want to clarify. So the Q3 2026 working capital was -€2.7 billion. Year to date, it's almost €3.1. And based on our forecast right now, working capital for the full year would be almost breakeven. So we expect a very sizeable reverse of the working capital in Q4, similar to what we saw in 2025. And that's the comment that we did. We are reaffirming the guidance. On the guidance on the free cash flow, it should be better than prior year. And that's the guidance and that is the communication that we are providing today. So we are not setting a specific number for free cash flow for 2026, other than stating that it's going to be better than 2025.

Henning Cosman (Barclays): Of course. Thank you. If you just allow me to paraphrase and summarise a little bit. So you're sort of entertaining that volume price mix has to be maybe a carbon positive in 2027. And industrial savings outside of VCP also neutral to positive for this free cash flow bridge to positive in 2027 too, right, I'm not missing anything.

Antonio Filosa: We will for sure be much more detailed in the next earnings call for budget. So stay tuned and we will talk about all the components. Thank you.

Henning Cosman (Barclays): Thank you, Antonio. Thank you, Joao.

Operator: The next question comes from the line of Harald Hendrikse from Citi. Your line is open.

Harald Hendrikse (Citi): Yeah. Good afternoon, everyone. It's Harald from Citi. Thank you so much for taking my questions. And thanks for the detailed answers that we've had already. You've answered a lot of the questions. I mean, clearly, the big question for everyone is, and I hope you'll give us more detail on this in February. But obviously, the bridge for 2027 is absolutely crucial, both to the AOI and to the free cash flow. And what we're seeing across the sector is obviously an underestimation of the headwinds. So just as a suggestion, I think all of us would really appreciate a more detailed analysis of what you think the headwinds in 2027 are going to be.

Easy question for me, so remaining on the VCP. VCP as a program doesn't mean much to many of us. And we're just stupid analysts. Is it possible you've talked about thousands of packages? And I know, Antonio, yourself from managing many of these packages. Can you just give us some examples of the stuff that's really starting to work that's really impacted on profitability? If you could just sort of give us, I don't know, two or three examples of packages that work so far in 2026 or going into 2027? It will just give some colour to what is right now a bit of a colourless program. Thanks very much.

Antonio Filosa: Okay. Thank you. Thank you for your question. I believe I gave some examples before, but it's important to repeat, they've been even clearer. So VCP is attacking through the hard work on thousands of people in the company, the overall cost structure of our company. So let me first describe this cost structure. The first component, the first element of cost structure, our company's product cost. So this is the direct material cost the cost of component system and subsystem. So we have thousands of initiatives and projects led by engineers and

purchasing people to negotiate better costs or to address technical saving ideas for lowering the cost of those components. I want to mention one, maybe two.

So the first one we are attacking a lot, the cost of wiring harnesses in the company. So for all our nameplates, we have a lot of engineers that are studying in details layout of wiring harnesses in our cars, connectors and other components that those wiring harnesses are using. Mass quantity of raw material needed, those wiring harnesses. And the objective is to deliver most more competitive, equally good in quality wiring harnesses for our cars. We do that by this study. And we do also that by benchmarking ourselves to the same system, the wiring harnesses that our most competitive competitors use. So we tear down a lot of cars to analyze what competition does. This is just one example.

Another example that I can give you on product cost is a very important work that we are doing on catalysts. By analyzing them in depth, we are able to optimise the use of precious materials. So palladium, rhodium, platinum that are very costly in those catalysts. Obviously, by keeping all performance or even improving those in our cars. And this is on product cost, the cost of components and that is the real cost.

The second element of cost is transformation cost. So whatever cost happens in our plants, in our factory to build our cars, our products, and on that, really, we have armies of people that are every day going up and down in the lines to find a source of efficiency. I mentioned before a very interesting example that we have in the company. We are expanding it very fast. AI power tool for preventing maintenance that is helping in being more effective and efficient in our maintenance activities. So now through the adoption of this tool, we see that our equipment and machines are breaking less. That means higher productivity, higher efficiency in the plant.

The third element of the cost is logistics. And here, for instance, we just introduced to many, many plants Optima, which is an AI powered tool that our team invented to daily reroute our logistic flows in the way now they are more cost efficient. And this exercise is done real time by AI, by Optima, and give us real time tons of solution to do less kilometres or to use more efficient routings. And this is a source of big savings that was not possible before because those studies were done manually. And we have millions of routeing globally. So you understand how AI is powerful for that application.

Finally, we are holistically taking a very close look to the way we do business. We do production. For instance, we are capturing a lot of opportunities that we call make or buy, basically in sourcing. As we did recently in North America, we insourced or we are insourcing actually, hot stamping. That was a process in the hands of a supplier and in midterm will be our process. And that will save us a lot of millions in the mid-term and long term.

So those are tangible examples, but I can provide you how many you want. By the way, you can visit us anytime, and I can personally bring you to the offices, to the labs where we do VCP. And you will see that activity real life, and you will see a lot of energy, a lot of good work, essential work that is deployed by those thousands of engineers. Thank you. Thank you very much.

Harald Hendrikse (Citi): Great. Great answer. Thank you so much.

Operator: Ladies and gentlemen, this was the last question. With this, let me now hand the call back to Mr. Antonio Filosa for the conclusion.

Antonio Filosa: Yes. Oh, very well. Very well. I thank you again for joining us today and for the time and focus you have put into reviewing our results and listening to our business updates. Thank you very much. Thank you again and see you next time. Bye bye.

[END OF TRANSCRIPT]