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PRESENTATION

Operator

Good afternoon, or good morning, ladies and gentlemen, and welcome to today's Fiat Chrysler Automobiles' 2019 Second Quarter Results Webcast and Conference Call. For your information, today's conference is being recorded.

At this time, I would like to turn the call over to Joe Veltri, Head of FCA Global Investor Relations. Mr. Veltri, please go ahead, sir.

Joseph Veltri - *Fiat Chrysler Automobiles N.V. - Vice-President of IR*

Thank you, Joanne, and welcome to everyone joining us today as we review FCA second quarter 2019 results. The presentation materials for today's call, along with the related earnings release can we found under the Investors section of FCA's group website. Our call today will we hosted by the group's Chief Executive Officer, Mike Manley; and Richard Palmer, the group's Chief Financial Officer. After their presentation, both Mike and Richard will be available to answer any questions.

Before we begin, I just want to point out that any forward-looking statements that might be made during today's call are subject to risks and uncertainties, which are noted in the safe harbor statement and included on Page 2 of today's presentation. And as customary, the call will be governed by this language.

Now I'd like to just turn over the call to Mike.

Michael M. Manley - *Fiat Chrysler Automobiles N.V. - CEO & Executive Director*

Thanks, Joe, and good morning, good afternoon, everybody. Welcome to the call. And again, thank you very much for taking the time to join us. As normal, I'm going to walk you through the operational highlights of the business for the quarter, and then Richard will take you through the financials in detail.

Overall, I would say, we're pleased with our second quarter results, which are in line with our expectations and I think, give us some strong momentum as we enter into second half of the year, particularly when you consider the significant reduction in dealer stock within the quarter. As you've probably been able to see our performance was particularly strong in North America where we achieved record Q2 results, with adjusted EBITDA of EUR 1.6 billion and a margin of nearly 9%. And that was well reduced in dealer stock by approximately 80,000 units. Now in LATAM, we continue to deliver strong results with adjusted EBITDA up 9% and margin increasing to 5.4% as we maintained our market leading commercial performance in Brazil. Now one of the enablers for the strong performance in North America was we successfully completed the launches of both the all-new Ram heavy-duty pickup and the all-new Jeep Gladiator. Now as we guided in prior quarters, actions to adjust production to expected demand are underway and progressing as planned, and we have reduced our global dealer stock by over 100,000 units since December. Vast majority of this reduction came in the U.S., where our dealer stock was reduced by over 90,000 units.

Ram continued its momentum in the second quarter gaining share in both the light-duty and heavy-duty segments in the marketplace. And that Ram generated a lot of customer enthusiasm and took advantage of favorable market conditions. As a result, the all-new heavy-duty along with the new and classic models of the Ram 1500 gains, what I think it's a significant, 7 percentage points of total share from last year, resulting in a segment market share of over 27%. And as already announced, we completed the total dividend distribution to our shareholders of approximately EUR 3 billion, including just over EUR 2 billion extraordinary dividend, which was related to the sale of Magneti Marelli.

So now let me just turn to the commercial performance of the business. On an overall basis, our combined sales totaled 1.25 million units during the quarter, which was down from 1.3 million units last year. Sales volumes in North America were slightly down year-over-year, nearly in line with the small contraction of the overall industry. Now Ram had a very strong performance increasing total volume by nearly 50,000 units, led by a 38,000 unit increase in Ram light duty and a 12,000 unit increase from our all-new Ram heavy-duty. Volume in our Jeep brand was down year-over-year, with Renegade and Cherokee giving up some retail share in the quarter. However, Grand Cherokee, Wrangler and Compass all outperformed their respective retail segments, gaining share year-over-year. And the Gladiator pickup truck, which is off to a strong start, has already earned 7.7% share of its segment in the month of June. Now Asia-Pacific, which as you know the market particularly in China is very difficult at this moment in time. Our sales were down year-over-year and that did reflect the low sales in the Chinese market for our locally produced Jeep products, which was offset somewhat by higher sales of our imported Wranglers and Grand Cherokees. In EMEA, our sales were down primarily as a result of 3 drivers: overall industry contraction; and we had some discontinued models from last year, namely the Fiat Punto, the Alfa Romeo Mito and some variants of the Giulietta; and our continued approach to improve sales channel mix. Now although the loss of volume is somewhat explainable, I can tell you we're not happy with it, and we have work to do to recoup it. And the EMEA team is working hard with our dealers in all markets to improve our retail sales, and this will we helped by the launches of variants of our Fiat and Jeep models, that will have improved CO2. Now Latin America, we had another solid performance. We gained 60 basis points of market share in the region year-over-year and remained the market leader in Brazil, thanks to continued strong performance of our Fiat pickup truck and Jeep models, both of which led their respective segments.

And before we are to take you through the details of the financials, I want to give you an overview of the group's performance. Our total combined shipments for the quarter were down 144,000 units or 11%. This is expected and largely due to our dealer stock reductions that I mentioned earlier as well as the deterioration in the overall industry. Now despite a significant destocking, our adjusted EBIT was in line with the prior year, with our margin improving to 5.7%, largely due to improving our mix net price and continued cost control in the business. In China, we streamlined the structure of our joint venture operations and put new leadership in charge to improve the competitiveness of our business there. And our efforts to bring down cost and improve quality are making progress, and have seen signs of improvement and obviously, we still have some way to go. But I think you can see from the year-over-year performance that they are having an effect. Although during the quarter, we largely cleared out our inventory of China 5 stock, we do expect continued pricing pressure in the third quarter as the industry transitions to China 6 standards. However, with the work that we have done and continued focus from our new leadership team, our expectation is our results in the region will show a significant improvement over the last year. In EMEA, we continued to face a number of challenges, but we're taking disciplined and rigorous actions, and we are committed to returning the region to targeted levels of profitability. We have our compliance cost contained and other restructuring actions that will progressively yield benefits throughout the year. It is no doubt that the second half of the year will be challenging, particularly given the lack of new vehicle launches in the region. But the EMEA team has made progress, particularly on the cost side of our business. But clearly, we have more work to do. LATAM posted another solid quarter with Brazil and the rest of LATAM offsetting the weakness in Argentina, and I'm very pleased with the resilience of our profitability in the region, particularly when you consider the market in Argentina is down over 50% from prior year.

Now in addition, the group moved forward in some other major projects. We're currently preparing our plants to start production of new electrified vehicles, including our Melfi plant in Italy. That will build the plug-in hybrid Jeep Renegade and Compass beginning towards the end of Q1, early Q2 next year. Mirafiori plant in Turin that will build the new Fiat 500 BEV, which will start in the second quarter next year. And the Toledo North plant in Ohio that will be producing the new plug-in hybrid Jeep Wrangler in early 2020. We also received significant community support for the new assembly plant in Detroit, Michigan, that will produce next-generation Jeep vehicles that will go into high-margin segments and will start production late 2020. In addition, we announced plans for new engine plant in Brazil, which will become the largest powertrain hub in Latin America. Well, lastly, let me talk about Maserati. Maserati had a tough quarter and the results were worse than expected. Although the quarter had a number of negative one-offs in it, which explains some of the performance, the key issue remains improving our sales volume. Although year-over-year sales comparisons improved from the first quarter, our sales volume was still disappointing and remained a primary focus of our team. There were, however, some positives in the quarter. We made good progress improving our vehicle margins in North America. And our global dealer inventory has been reduced by 3,000 units. And Maserati is entering an intense period of activity as the Board approved investments in our product plan, that will ultimately lead to 10 launches between 2020 and 2023, which will include 3 refreshers, 4 product renewals and 3 white-space products. All the new products will be available in electrified versions. In addition, as you may have recently read, we've moved decisively to strengthen the Maserati organization in order to fully implement our plan. And we expect that these initiatives will build the foundation for the brand to return to profitability in 2020. I would like to take some time to thank the FCA team for the quarter they delivered. And as usual, in our business, there are things that we need to continue to work on. But overall, as I mentioned at the beginning, we're happy with the results for the quarter. And based on the momentum that contributed to the delivery of these results, which includes the continued strength in North America and LATAM, actions in EMEA to address performance and the steps we've taken to improve our business, we believe this momentum will continue in the second half of the year and therefore, we remain committed to delivering our full year 2019 guidance.

With that, I will hand over to you, Richard.

Richard K. Palmer - *Fiat Chrysler Automobiles N.V. - CFO & Head of Business Development*

Thank you, Mike. Hello to everybody. I'm going to complete Page 5. So as Mike mentioned, our shipments were down by 10% on a consolidated basis. Our net revenues, however, were down less at 3% due to positive mix and positive FX, mainly in North America business. Our adjusted EBIT was flat year-over-year at EUR 1.5 billion with our margins up, as we mentioned, slightly to 5.7%. Adjusted net profit was up 2% to EUR 928 million, with financial charges down slightly and adjusted -- the adjusted tax rate down by 1 percentage point year-over-year to 27%. Our industrial free cash flow was over EUR 750 million and included payments of nearly EUR 400 million for U.S. diesel emissions matters. Our available liquidity increased by EUR 3.2 billion, due mainly to the receipt of net proceeds of the Magneti Marelli sale. And the Q2 free cash flow reduced by the dividend payments of worth EUR 3.1 billion and debt reduction of EUR 0.2 billion. As Mike mentioned, this positive Q2 performance allows us to confirm our full year guidance.

As we move on to Page 6, we show the group adjusted EBIT development year-over-year. So as we mentioned, our consolidated shipment volume was down 122,000 units, driven largely by network destocking in North America for 80,000 together with EMEA, which was also down 39,000 units of shipments. This volume impact gave us a significant negative margin year-over-year, which was largely offset by positive mix, mainly in North America. We also had positive pricing in North America, LATAM and Asia-Pacific, which were, however, offset by negative FX impacts mainly on the Canadian dollar in our North America business. In the quarter, we also had a positive impact of the U.S. CAFE fine rate finalization for EUR 150 million, which we have included here in industrial costs. Prior to this item, the industrial cost was slightly negative at group level, due to increased product cost for the newly launched Ram heavy-duty in North America and negative impacts in EMEA due to compliance and FX. The SG&A reductions in the quarter were due to cost actions across the business and particularly in North America and EMEA. The other column includes positive FX translation, mainly due to euro-dollar. To note, however, the total FX impacts year-over-year, including transactional, was only around EUR 20 million positive, due to the impacts as I mentioned before on the Canadian dollar on pricing and euro-dollar in EMEA's industrial costs.

Moving to Page 7. We show the industrial free cash flow for the quarter, which amounted to EUR 754 million, a strong performance considering it included EUR 400 million of payment for U.S. diesel emissions matters. The remaining EUR 340 million of the accrual we made for diesel emissions matters, which relates principally at this stage to extended warranty and class action payments will be spread over the next 12 to 18 months. EBITDA was in line with prior year. CapEx was just under EUR 2 billion and increasing as we forecast, consistent with our full year estimates of EUR 8.5 billion. Working capital was positive, consistent with normal Q2 seasonality and bolstered by the ramp-up of production in North America of the Gladiator and Ram heavy-duty truck as well as inventory reductions in EMEA and Latin America. The change in provisions was negative driven by the diesel payments mentioned earlier and by the CAFE provision adjustment and dealer stock reduction in the U.S. Finance charges cash out was down slightly, and cash taxes were down EUR 130 million due to timing differences on payments created by overpayments in 2018. Net industrial cash at June 30 was EUR 3.3 billion, up EUR 3.6 billion from March 31. This reflects free cash flow of EUR 0.75 billion, as mentioned, of the Marelli closing, less dividends paid and the lease additions in FX of EUR 0.4 billion. Our year-to-date free cash flow at June is EUR 0.5 billion positive, we forecast over EUR 1 billion of industrial free cash flow in the second half compared to EUR 1.9 billion last year in the same period. That comparison is driven by increased EBITDA of EUR 0.6 billion, higher CapEx of EUR 2.2 billion and better working capital and provisions of about -- of over EUR 0.7 billion.

Moving to Page 8. We show the summary of adjusted EBIT performance by segments. As mentioned, North America had a very strong Q2 and Latin America continued to perform well despite the industry in Argentina being down over 50% year-over-year. APAC is showing signs of improvement and reduced losses compared to prior year. Maserati was impacted by some nonrecurring items, as Mike mentioned, regarding dealer stock reductions and adjustments to residual values in the United States. EMEA performance continued to be around breakeven as for the last few quarters.

On Page 9, we review North America performance. Shipments were down 12% or 80,000 units, and North America's dealer stock was down by the same number. As mentioned before, sales were down 2%, in line with the market. Shipment nameplate mix was positive, both the revenues and margins with Ram heavy-duty units and Jeep Gladiator units offset by reductions in lower-margin nameplates. U.S. dealer stock finished June at 74 day supply, due both to the reduction in units of 87,000 and to a strong sales month in June. Revenues were flat with favorable mix and positive FX offsetting negative volume impact and negative pricing, which was due to the EUR 100 million negative FX on the Canadian dollar already mentioned. Adjusted EBIT was impacted by the lower shipments by over EUR 400 million, which was offset by positive mix and driven by nameplate mix, which was partially offset by negative mix due to higher fleet and Canada volumes. Industrial costs included the EUR 150 million of the CapEx fine rate reduction related to prior quarter and model year '19 shipments. Industrial efficiencies in Q2 were around EUR 200 million, offset by increased product cost mainly for the new Ram heavy-duty. The year-to-date industrial cost improvement is nearly EUR 300 million, which excluding the CAFE fine reduction, would be around EUR 200 million, where the industrial cost is offset by the increased cost on the Ram heavy-duty.

Moving to Page 10, we review Asia-Pacific results. Combined shipments were down 34%, driven by joint venture shipments, down nearly 60%. Consolidated shipments were up 10%, primarily due to the new Wrangler. Revenues were up 17%, driven by increased consolidated shipments and that's a nameplate mix as well as non-repeat of incentive increases last year, due to the China import duty changes. Adjusted EBIT improved EUR 86 million due to better volume and mix, driven by the new Wrangler volumes and the non-repeat of the incentives, I mentioned earlier. The equity pickup for the Chinese JV deteriorated by EUR 20 million, mainly due to reduced volumes.

Moving to Page 11, we show EMEA's results. Combined shipments were down 10% or around 40,000 units, due to the Fiat brand, half of which was due to discontinued Punto and Alfa brand down because of discontinued Mito, and some versions of Giulietta. The inventory levels were basically flat year-over-year. Net revenues were down 12%, substantially in line with shipment reduction. Adjusted EBIT was down EUR 22 million, with 40,000 lower shipments driving negative volume of around EUR 80 million. Positive mix due to reduced zero kilometer sales were offset by reduced retail sales and increased seasonal fleet volumes. Industrial costs were negative, driven by negative FX on euro-dollar on vehicles purchased from North America. Compliance costs increased fixed cost and absorption and some supplier claims, only partially offset by industrial efficiencies and restructuring actions in SG&A.

Next, on Page 12, we show LATAM performance. Shipments in the quarter were substantially in line with prior year, with Brazil up 14% or 15,000 units, offsetting Argentina down 58% or 16,000 units, in line with the market trend. Revenues were down 3% to EUR 3.1 billion, but up 1% at constant exchange, with positive net pricing in Brazil offsetting negative pricing in Argentina. Revenues also benefited from low commission of credits related to indirect taxes. Adjusted EBIT was EUR 110 million for the quarter, driven largely by the positive revenue impacts just mentioned. Industrial costs were negative due to lower tax benefits on export units from Argentina and Brazil, following changes in legislation in Q3 of last year. So we shouldn't be having these variances in the second half of the year. And input cost inflation on purchasing and negative FX due to the weaker real. SG&A was also higher due to inflation and increase in system IT cost spending.

Moving to Page 13, we look at Maserati. Maserati had a tough Q2, as Mike mentioned, with sales down 1,500 units to 7,200. We further reduced dealer stock by 3,000 units, and the plan is to reduce further in the second half of the year. Other results, shipments were down 46% and revenues were down 40%. In terms of adjusted EBIT, the destocking impacted Q2 by around EUR 60 million. In addition, Maserati adjusted its residual values in North America for a charge of around EUR 50 million in the quarter. Therefore, excluding these 2 one-off impacts, the result would have been around breakeven at a shipment level of about 7,000 units.

Lastly, on Page 14, we return to our guidance for the year. Our industry outlook is unchanged for all regions except APAC, where we have reduced full year volumes from EUR 33.8 million to EUR 32.3 million, of which China is down 900,000 units to EUR 22 million. For our key markets, the U.S. industry is forecast down 3% for the year to 17.2 million units, and the first half was down 1%. Brazil is forecasted up 5% for the year, and the first half was actually up 11%. And Italy is forecast down 4%, in line with first half performance. Based on this outlook, we confirm our financial guidance for the year, which we believe is supported by the successful industrial launches of the new Jeep Gladiator and the Ram heavy-duty in North America, the reduced dealer inventory status in North American market and the strong commercial performance of pickups in the first half in general. We also expect to see a continued positive LATAM performance in the second half, notwithstanding Argentina uncertainties.

With that, I'll hand it back to Joe. We'll go to Q&A.

Michael M. Manley - *Fiat Chrysler Automobiles N.V. - CEO & Executive Director*

Actually just before -- thanks Joe. I just want to say, before we have the Q&A. I just wanted to quickly talk about compliance in terms of CO2 emissions standards in Europe. Because obviously, last quarter, on the Q&A, we discussed that strategy to reach compliance with European emission standards for a combination of continued deployment of more fuel-efficient traditional technologies. And then I told a little bit about the progressive rollout of electrified vehicles and obviously, the use of pooling arrangements within EU. And I just want to have a little bit clarity before we go to the Q&A session.

So in 2019, we obviously continue to roll out traditional technology improvements. But we have fuel efficiency of our vehicles, and that does include our new combustion engines. So the latest GSE engines are now being rolled out progressively across Europe, which will give us a significant help. And these actions combined with the credit pooling agreement with Tesla, that I discussed before will mean that FCA will not pay fines this year. Now in 2020, we are going to launch the Fiat 500 BEV, that I mentioned earlier, along with the Jeep Compass, Renegade and Wrangler plug-in hybrids. And -- which I think will probably get to the sales mix somewhere in the order of around 5%. And these vehicles along with the increased use of non-hybrids combined with our Tesla credit pooling agreement, means that we're forecasting to be compliant in 2020, with a combination of those things.

Now in 2021, we'll add another battery electric vehicle to our fleet, another plug-in hybrid and 4 more mild hybrid applications. And that will be as we transition to meeting emissions standards in 2022 with our own products, rather than in combination with credit. So what we're looking at is really a transition from where we sit today, progressive transition, I think, with the right investments in our electrified vehicle fleet to back end of '21, '22, where we will flew our own products, as I just mentioned to be completely compliant.

So that's really the forecast for us over the next 2 to 3 Years. And with that, Joe, I will hand over to you for Q&A.

Joseph Veltri - *Fiat Chrysler Automobiles N.V. - Vice-President of IR*

Thanks, Mike, and thanks, Richard. Joanne, I think we're now ready to start going through the queue for our question and answer, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We will take our first question from the line of Dominic O'Brien from Exane.

Dominic Patrick O'Brien - *Exane BNP Paribas, Research Division - Analyst of Automotive*

The first question I had was actually just on disclosure. I see that we haven't had the net industrial cash reported anywhere for the last 2 quarters. And in my experience, this was a metric, I think, that's quite highly valued by investors, particularly looking at FCA. So can I just ask, firstly, why have you taken that disclosure out? And should we not expect to see it again?

My second question was on R&D. And it seems like the capitalization rates hit new highs in the first half. So is this something that we can expect for the rest of the year? And how sustainable is that as we go into 2020 and 2021?

And then my final question was actually on Renault, I guess, one of the more eventful things in the quarter. There's obviously, hundreds of questions we could ask with this, but the main one I wanted to ask was how you thought about this proposal with regards to the European emissions compliance? And does that proposal actually get less appealing than more you have to invest on your own in Europe?

Richard K. Palmer - *Fiat Chrysler Automobiles N.V. - CFO & Head of Business Development*

So I'll take the first couple of questions, Dominic. On disclosures in industrial cash, as we talked about in our business plan process in June, we basically wanted to focus on free cash flow generation as the key metric in terms of cash performance, rather than on the balance of net industrial cash, given that we believe that we're in a different situation than we were when we initially installed net industrial debt at that time as the key metric. And consistent with the other companies, we wanted to focus on a free cash flow metric. We have no problem, obviously, talking about net industrial cash, as I did in my comments. But I think we're trying to transition the organization to focus on cash flow generation and those elements rather than into our balance sheet -- static metric on the balance sheet. On R&D, our capitalization rate to your point is up compared to last year, but so is our overall spending. Because obviously, last year, we have a pretty low level of project activity, hence, we had a EUR 5.5 billion of CapEx with the result of that, and R&D spending was lower in terms of project-focused R&D. So now as we backup to more normal level of CapEx on new product activity, there is more capitalization than last year. It's pretty consistent I would say with the source of levels of capitalization we used to run that prior to 2018, that's sort of 60% to 65%. And that's the range I think we would expect to be in for the rest of this year, given the high level of new product introduction spending that we have. And just quickly on that one, also in terms of the income statement impacting wasn't that significant year-over-year because it's really capitalizing more but we are also spending more in terms of going back to the income statement at group level wasn't particularly material.

Michael M. Manley - *Fiat Chrysler Automobiles N.V. - CEO & Executive Director*

Just quickly on the question regarding the attractiveness in the synergies. Obviously, as you know, the largest of the synergies was the current through purchasing, which came not just from our existing annual buy, but also from a migration in terms of the platforms between the 2 entities onto single platforms with much higher volume. So we continue to invest as an individual organization. So what that would do is delay those synergies out in the time frame, in terms of the magnitude of the synergies. I think, what we're seeing in Europe in particular is that regional volume on individual platforms is what's important. And being able to drive up that volume, but still yield very large synergies even if the movement onto those single platforms is slightly delayed. So that's kind of my top of the head answer to the question.

Operator

Your next question comes from Rod Lache from Wolfe Research.

Rod Avraham Lache - *Wolfe Research, LLC - MD & Senior Analyst*

A couple of questions. First, can you just talk a little bit more about how we should be thinking about the trajectory of the Europe industrial costs into next year's, the electrified vehicles rise to 5% of your volume? You've previously given some thoughts on industrial costs over a multiple year period.

Richard K. Palmer - *Fiat Chrysler Automobiles N.V. - CFO & Head of Business Development*

Rod, as Mike said, we're looking at up to 5% of heavy electrification next year. We've talked about in the past, expecting to recover up to 60% of that in terms of pricing. I think that's still our target. In terms of the absolute impact on our industrial costs for 2021 and rather it's going to be closer to 2020 and give you a better view of our role in EMEA than just talking about the industrial cost area. So clearly, the impact of electrification will be significant in terms of overall cost. But we're working with the teams on a lot of actions also, on our overall product cost levels going forward. And I think that's a big focus for us as it is for the rest of the industry to try and offset some of the increasing costs. So we'll give you a better view, I think, as we get closer to 2020.

Michael M. Manley - *Fiat Chrysler Automobiles N.V. - CEO & Executive Director*

I just want to add something, if it's okay. Just in terms of the overall costs to compliance in Europe. Obviously, the electrification is one element of the costs. But as I mentioned before, we're also rolling out our new GSE engines, both our 1 liter and 1.3 liter this year, which comes, obviously, with higher costs than the previous engines that yield significant CO2 benefits.

So as we go to the next 2 to 3 years, clearly, we're going to pick up a number of costs. And we've said in the past, obviously, this plan relies on a -- will be based, I think what I predicated, on a 60% recovery of the cost of electrification. But we're looking at it, I think, somewhat more broadly than that as the total cost that we believe we're being picked up in the business as we go forward. And then how and where we can look to recover that cost, some of which is our peer pricing because of the benefits of electrifications it consumes and some of which will have to come from other areas as we go forward with our business. So it's going to be a collection of things that I think recover the overall investments in terms of variable costs that we're making.

Rod Avraham Lache - *Wolfe Research, LLC - MD & Senior Analyst*

Great. And just switching to North America, two questions. One is did the -- did new Ram heavy-duty production ramp kind of come in, as you had been expecting it to, in terms of the trajectory of that launch.

And secondly, looking at the light duty, you said that the DS Ram classic will run for as long as it makes business sense, and it seems to be doing quite well. Can you just talk about longer term, how you are thinking about product planning for Warren. Eventually, I presume, you're expecting something is going to replace that line, how should we be thinking about the timing of that? And how you are thinking about what could replace that contribution margin?

Michael M. Manley - *Fiat Chrysler Automobiles N.V. - CEO & Executive Director*

So with regard to the ramp-up of heavy-duty, yes, very much on track. And same with Gladiator, in fact, ahead of where we thought that would be. So I'm very pleased with the team and thank them for the work they did getting ready for that. Obviously, we learned a lot with the light duty ramp-up and we determined not to repeat it. In terms of the classic, the intention is, as you said, as long as it makes business sense for us to continue to run it. In Warren, we facilitated, that line is being facilitated to be able to run the production line for light duty into the future. Because if I look at overall volume demand that we have today and the 3 sources that we have, even though it's true the combined volume of those 3 sources is slightly in excess of what I would call today's forward-looking demand, we seem to be growing at a relatively good pace. So I think keeping flexibility going forward is important, which means that if we make changes to the classic, it may well stay as a classic, but updated classic, if you know what I mean. Because the dynamic between that on our entry level and then DT, as we call it, was on mid- and high level, seems to be working well in our showroom now. So that kind of how we think about it.

Operator

Your next question comes from the line of Stephen Reitman with Societe Generale.

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Stephen Michael Reitman - *Societe Generale Cross Asset Research - Equity Analyst*

Looking at the margins, obviously, North America, about 102% of the overall results. So it's really all about North America with the optionality, I guess, in the other operations. How much you think you can recover -- or how much we're going to be delivering? Since you've mentioned that the cost savings will be more constrained in the second half of the year in the other regions. So how you feel on track on that?

And looking at the margins in North America, we're seeing pretty strong acceleration between Q1 and Q2. I think the guidance was very much that we'd see that much more in the second half of the year. So I mean we've seen 10% margins in the third quarter of last year. Do you think that's a consistent run rate we might see in Q3 and Q4?

Richard K. Palmer - *Fiat Chrysler Automobiles N.V. - CFO & Head of Business Development*

Stephen. Yes. So as we look at the progression into second half of the year, I think, as you mentioned, the margin performance in Q2 in NAFTA is very supportive of our second half guidance. We expect to progress up to 10% margin in both Q3 and Q4 in NAFTA. The drivers are the things we've been talking about. So we will have more heavy-duty trucks in the second half, more gladiators in the second half, I think more light duty as well. We would also have probably better retail, fleet mix, seasonality wise, improvement in pricing from the modern year launch in Q3. So all of those things together with continued focus on industrial costs, while it's true that we had launch issues through the beginning of -- in the middle of last year. But we also had a lot of launch costs while continued issues in the plants also through the end of last year. So I think we'll see industrial costs continue to be positive also in NAFTA through Q4. So all of those elements are focused for us to get to 10-plus percent margin in the second half for North America.

I think for Latin America, we also expect to continue to see improvement. I think our business in Brazil has been performing very well. We're not counting on an improvement in Argentina, but I think, the Jeep brand, the Pernambuco installation, the Fiat Toro as well, the job -- the team down there is doing a very good job. We have opportunities, I think, to continue to improve margin in Latin America, also outside of Brazil.

Maserati, in this first half, is taking a few impacts, now least of which, the residual value impact, we had this quarter, which we don't expect to repeat in the second half. It's also true that Maserati will continue to have some level I think of stock reduction in the second half. But I think we'll see some level of improvement first half to second half.

And EMEA, obviously, the issue on EMEA is also seasonality. Because as you know, Q3 has low seasonality in terms of volumes. We expect though Q4 to start to sow some of the improvement in terms of margin. So all of those things will contribute to seeing a second-half margin for the group, which should exceed around 7% to get to our guidance.

Stephen Michael Reitman - *Societe Generale Cross Asset Research - Equity Analyst*

And on Maserati, what we're seeing here, I guess, are the fruits of sort of unrealistic expectations that were set in the previous time as well. Given the asset base you have there and the volumes that you're realistically getting from these vehicles when you don't overstock the dealers. Do you think you have to look at impairments to bring these more in line with the real future sales volumes you can expect on Levante and Ghibli in vehicle partner?

Richard K. Palmer - *Fiat Chrysler Automobiles N.V. - CFO & Head of Business Development*

Well, I think, at the moment, we're looking at improving the sales rate and the margins from Maserati. Because I think, frankly, we see opportunities in terms of our performance over the last 12, 18 months. So I think it's a bit early to be talking about impairments impact. Obviously, if we say prolonged issue in terms of performance on some of the vehicle maintenance, we will have to look at those types of activities which we normally would do in our annual closing process, absent any triggers in the meantime. I think Maserati, frankly, is extremely sensitive to volume lead by geography given the margin it runs at. So it doesn't take a lot to improve if we can actually move the commercial machine and get more engagement from dealer body and better visibility on some of the products. I think now least of which Levante we talked about in the past, maybe isn't as visible as it could be. So I think we're very focused on the commercial performance first and foremost. I think in terms of our annual process, we look at the balance sheet, we'll obviously look at our business planning process as well and if there are any impacts, we'll be talking about those in the future. But at the moment, I don't think we see any big issues on Maserati.

Michael M. Manley - *Fiat Chrysler Automobiles N.V. - CEO & Executive Director*

I'm just going to add a couple of points. I think, obviously, how will you see it, from the income statement, some of our launches that were one-off that hopefully, will not be repeated going forward. But if you look, for example, at our margin particularly in NAFTA where we saw the biggest drop. NAFTA accounted for that 75% of the total drop year-over-year. And that, as you know, is an area where we had much lower margins in Maserati than we should have had. So we're setting our process in North America, particularly in advance of the new product that will start coming through next year was important for us to do that. So our margins have improved as a result of that. And I think as you know now, you saw the announcement in terms of the new teams that we've put in place. I think, obviously, we'll be looking for that team to continue to make progress, particularly on the sales front, so as Richard said, I'll just stick to his point, I think in the quarter we did a lot of tidy up work. We still got some inventory that we're going to tidy up for the balance of the year. But we're certainly getting our sales very focused on net new product that will start flowing in 2020.

Operator

Your next question comes from the line of Adam Jonas from Morgan Stanley.

Adam Michael Jonas - *Morgan Stanley, Research Division - MD*

Just a few of the one-off-oriented items I wanted to kind of clarify. I think you said in your prepared remarks that the residual value impairment at Maserati accounted for virtually all the loss. Did I hear that right that excluding that it was closer to breakeven, maybe not quite break even?

Richard K. Palmer - *Fiat Chrysler Automobiles N.V. - CFO & Head of Business Development*

Baked-in accounts are about half the loss, Adam, and the other half was the reduction in -- due to inventory.

Adam Michael Jonas - *Morgan Stanley, Research Division - MD*

Okay, okay. And then -- the combined of those 2 then you were near break even. Thanks for clarifying. Can you quantify the costs related to outside your product line, on pooling and CO2 compliance in Europe, order magnitude impact on operating margin in EMEA, we're talking 200, 300 basis points. I don't know if you could kind of quantify the margin drag in a range for us, not -- I'm not trying to get you to the decimal points. Just so as we're thinking as that evaporate.

Richard K. Palmer - *Fiat Chrysler Automobiles N.V. - CFO & Head of Business Development*

Half a point of margin.

Adam Michael Jonas - *Morgan Stanley, Research Division - MD*

Half a point of margin. Okay. And then on the CAFE fine reduction, I don't believe, sell-side analysts at least have that specifically in their models. If they did then they're clearly better analyst, more diligent than myself. That was described as a one-off. And can you quantify that again. I think I also missed that in the call.

Richard K. Palmer - *Fiat Chrysler Automobiles N.V. - CFO & Head of Business Development*

We -- for some reason, you broke up half way through. Could you just repeat the question?

Adam Michael Jonas - *Morgan Stanley, Research Division - MD*

What was the CAFE -- could you quantify the CAFE fine reduction impact year-on-year again. Was it EUR 200 million?

Richard K. Palmer - *Fiat Chrysler Automobiles N.V. - CFO & Head of Business Development*

The impact of the recalculation was EUR 150 million.

Adam Michael Jonas - *Morgan Stanley, Research Division - MD*

EUR 150 million. And we should not have anymore of that -- there should be no further year-on-year impact certainly for this year, correct? Or is that a one-off?

Richard K. Palmer - *Fiat Chrysler Automobiles N.V. - CFO & Head of Business Development*

Correct. Yes.

Adam Michael Jonas - *Morgan Stanley, Research Division - MD*

Yes. And then finally, Mike and Richard, again, echoing an earlier question, it was a very eventful quarter in terms of strategically with the discussions with Renault and Jean-Dominique and the French government and Nissan and probably the most significant news event of the year in terms of strategic and consolidation. And I'm just wondering a lot of investors and I'm sure a lot of employees and suppliers and customers and partners and labor representatives are just looking, thinking you kind of showed your courage or you clearly are looking to be opportunistic and add value through consolidation. We suspect that mantra has not gone away just because of the political climate wasn't there. How do you kind of draw a line -- or how do we leave -- what's the message to investors on consolidation and where you stand now? Is it still a very much a priority for the organization? I'm just wondering how much distraction -- whether it is or isn't, how much distraction that, as unquantifiable as it is, could be having an impact on your organization, your business? If you could just comment high -- even high level, I would appreciate it.

Michael M. Manley - *Fiat Chrysler Automobiles N.V. - CEO & Executive Director*

Adam, this is Mike. I'm going to give you my -- I'd give you my answer to the question, but feel free to probe if I'm not quite getting to the things that you want to. Immediately after we withdrew, frankly, we had a town hall with the people because I wanted to make sure that they have the message directly from me. And I think I was very clear. The message that I gave them was that the opportunity was obviously a great opportunity for us. And we believe a very good opportunity for Renault. It was not a necessary step for us in terms of how we develop our business going forward.

As you know, we have, I think, a relatively robust business plan that survives with or without a -- that type of merger. But it clearly added very, very significant synergies. And when you think about the alignment of us and them as organization, the impact from the people's perspective would have been relatively minor as well. So in terms of is our mantra going forward we must have it? The answer is no for those reasons. We have said and we'll continue to say that we are open to opportunities and that remains true. But I think, our people and hopefully, our shareholders and stakeholders recognize that if we do something, we will only do it in their interests and a strong belief that we're creating value for everybody. And then I think if that - if they believe that, which, from my opinion, they should believe it, but I don't think it necessarily causes a day-to-day distraction in the business.

Operator

Your next question comes from the line of Martino Ambroggi from Equita.

Martino De Ambroggi - *Equita SIM S.p.A., Research Division - Analyst*

I have a follow-up on the previous question. So it requires just a qualitative answer. But do you perceive any change in the attitude of the sector after your very detailed proposal for the merger deal with Renault? I'm not asking you, is someone else is proposing it also. But do you perceive the doors are more open, more closer, locked compared to the recent past? Because this move would have radically -- would have significantly changed the competitive landscape. So maybe some -- just putting a bit of pressure on other players.

Michael M. Manley - *Fiat Chrysler Automobiles N.V. - CEO & Executive Director*

Yes. This is Mike. I think my assessment of the situation is just recently many things are recognized that in Europe, particular partnerships, corporations and even mergers are going to be necessary going forward to maintain some people's profitability in the marketplace, particularly if you're very, very heavily exposed to the European market. And you've seen a number of companies announced different corporations or announced that they're open to corporations or partnerships or platform sharing. So I think in general, partly because the concept of global volume has probably been replaced now with a bigger focus on regional volume. Because the regions are obviously developing very, very differently means a number of people are open to looking at those things. I don't know if you like that comment.

Martino De Ambroggi - *Equita SIM S.p.A., Research Division - Analyst*

Okay. And if I may have a more specific question because if I look at the public statements coming from Renault. It seems they're still interested in restart negotiation with you. And I should pose my personal feeling, this is also the case for you in certain circumstances. But what are the minimum conditions required for you in order to potentially restart a negotiation with Renault?

Michael M. Manley - *Fiat Chrysler Automobiles N.V. - CEO & Executive Director*

Martino, this is Mike. I'm not surprised people are interested on both sides, the synergies were very compelling in the industrial logic. I think it's still the right industrial logic for today. If I don't -- if you don't mind, what I don't particularly want to do is get into negotiation in terms of what conditions may or may not be the right conditions on this course. So I'm going to be as polite as I can, but refrain from answering that question apart from saying I have no doubt why they still be interested in it.

Martino De Ambroggi - *Equita SIM S.p.A., Research Division - Analyst*

And the last is on the EMEA regional sales. Sorry, if you already discussed that in the call, I missed the portion of the call. But I remember in the previous call you mentioned the 3% was the target for the EBIT margin in Q4. Is it still the case for EMEA?

Michael M. Manley - *Fiat Chrysler Automobiles N.V. - CEO & Executive Director*

I can tell you that the EMEA team is very focused on that number. When I gave that number out as the target to them to get themselves back to it, they clearly embraced it. They clearly -- equally, I'm more happy with their performance today. They do recognize the progress that they've made, that they're working and driving as hard as they possibly can in the business to continue to make that progress.

What I would tell you is that 3% margin in the fourth quarter would be incredibly challenging for them, given how the year is developing. But we'll not stop our teams from driving for it, they embrace their targets and they will do everything they possibly can to get there. I'm just giving you the reality of the fact that it would be difficult for them to achieve. And what I can tell you is embedded in our confirmation of guidance is not a 3% return to profitability in the full -- whichever term. Because we've got teams that love competition, don't like letting others beat them. And they're very, very focused to deliver what they can deliver and we'll give them all the support we can.

Operator

Your next question comes from the line of Thomas Besson from Kepler Cheuvreux.

Thomas Besson - *Kepler Cheuvreux, Research Division - Head of Automobile Sector*

Just have a couple of questions, please. Firstly, I'd like to come back to Maserati, to just make sure I clarify your comment. Do you expect the second half to still be loss-making at Maserati and come back to breakeven-plus next year? Or is it too negative view of which you said on Maserati? And the second question is about the pickup truck market share you got to. Do you see further room for runs and dips share to rise? Or do you think you are as high as you can go?

Michael M. Manley - *Fiat Chrysler Automobiles N.V. - CEO & Executive Director*

Just on Maserati, we're still back to the second quarter. As Richard said, if it wasn't for the one-offs in the second quarter, Maserati, I think, Richard's point broken even than slightly positive even in that low volume, which I think indicates a couple of things that breakeven point being low and their margins improving significantly year-over-year.

So when I think about the next 2 quarters, and we've already mentioned that we want to bring Maserati in a very competitive level of inventory at the end of the year, getting ready for the start of the new products that you'll see the first one in Geneva next year. We can get there in 2 ways. Obviously, we can get there in terms of further production drops or improving our sales volume, the team -- frankly, it will take a combination of both to the end of the year. So I would say third and fourth quarter, relatively difficult for Maserati, but in a very good shape as we get into 2020.

Thomas Besson - *Kepler Cheuvreux, Research Division - Head of Automobile Sector*

Okay. And then on the pickup trucks...

Richard K. Palmer - *Fiat Chrysler Automobiles N.V. - CFO & Head of Business Development*

So I think, we do see -- we will see a good improvement compared to this quarter because of the one-off nature of the residual value charge that we took in the U.S. So I think we'll see a much better performance in Q3 and Q4. But obviously, the target is to start making money, that's not necessarily going to be the case in the second half. I think it will be much better than Q2 there. Have we lost you, Thomas? Joanne, why don't you go to the next question, please?

Operator

Our next question comes from the line of George Galliers from Goldman Sachs.

George Anthony Galliers-Pratt - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

First question, just on NAFTA, you've obviously done a tremendous job destocking during the first half. Is it now opportunity to actually restock a little bit, particularly on the light-duty truck? As we go through the second half of the year?

Michael M. Manley - *Fiat Chrysler Automobiles N.V. - CEO & Executive Director*

George, this is Mike. When I look at the inventory level, I think that as you know, my background very much coming from the sales side of the business. So when I look at the inventory, I'm a strong believer that there is a need to have the right balance, which is not too little and not too much. And I think in total, we're about there now for North America, but there are clearly pockets where I think there is opportunity for some inventory growth because capital pressure is not always a bad thing, sometimes it works in your favor.

I really -- now having had a very strong quarter on trucks, just want to see the team continue that performance and how they deliver the third quarter, before we really look at getting up to what I would call traditional domestic type stock level. So potentially an opportunity but probably not going to be taken in the short term.

George Anthony Galliers-Pratt - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Okay. And then Mike, another area right now you're very focused on is improving the sales channel mix in Europe. Could you perhaps talk to kind of what level of opportunity do you see that as it is to the tens of millions of euros or more than that and when should we expect to see it start to flow through. And will it be in the sort of volume and mix buckets or net pricing or a combination of the two?

Michael M. Manley - *Fiat Chrysler Automobiles N.V. - CEO & Executive Director*

Well, I think, this -- let me just talk about, if I can, George, in general a little bit more about EMEA. And I'll expand on some of the things that I told you about before. At this moment in time, we can't really see an income statement because, as Richard detailed there, quite a lot of moving pieces in their income statement. But they have done, I think, some very good and significant work on the cost side of their business and in terms of their efficiency. So if I look at the ratio, as for example, of people, vehicle sales, I think, that's been a huge focus in that area.

EMEA, historically, have, partly because of the segments that they're in, have used a lot of lower-margin channels making the move from those into our margin channels is something that is taking a little bit longer than I had expected at the beginning of the year. And I think we'll benefit from some of the new products that they'll receive in the next 2 years. Because obviously today, we sit with relatively old share win in EMEA. So I think, the upside opportunity is very significant. And I believe that we have opportunity within our portfolio to make that move. And that move by the way is not just channel it's also country, where we need to become less reliant on Italy. And improve our sales and obviously some of the other major markets within EMEA. And we'll be helped significantly as we get into new model launches in the coming 12 and 18 months for the marketplace. But if you look at some of our competitors, we've had a much better cadence of model launches in segments that are outside of the A segment, and that, by the way, is our strategy. You will see that they've had fairly significant success. And it isn't just about new vehicles and driving out their average transaction price, it is obviously controlling the variable costs. So it's always that balance between driving down a variable cost and making sure our brands are positioned correctly. So our strategy is not complicated. I think the teams are very clear what they need to deliver, but they will get significant help once we start renewing next fleet for them.

George Anthony Galliers-Pratt - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Great. And if I can just sneak in a final one on Maserati which seems to be the flavor of the call. There was a quote from Harald Wester in one of the auto magazines where he said, "You don't want to go down, you want to go up", referring to vehicle size. And I think some journalists may have interpreted that as Maserati backing away from the midsize UV, which was presented in last year's Capital Markets Day. Could you just clarify that the midsize UV does remain part of the product plan at Maserati.

Michael M. Manley - *Fiat Chrysler Automobiles N.V. - CEO & Executive Director*

Not only does it remain part of the product line for Maserati. It's very important and that product is under development as we speak.

Operator

Your next question comes from the line of Philippe Houchois from Jefferies.

Philippe Jean Houchois - *Jefferies LLC, Research Division - Equity Analyst*

Two questions. The first one is a very simply one. This movement on the CAFE benefit in the U.S., I'm assuming it's just that you over provisioned last year and right now, you're reversing some of the provision, but there was no cash exchange. If you can confirm that, that would be great.

Richard K. Palmer - *Fiat Chrysler Automobiles N.V. - CFO & Head of Business Development*

That's correct, Philippe.

Philippe Jean Houchois - *Jefferies LLC, Research Division - Equity Analyst*

Yes. and the other question is, maybe a bit more complicated, is I'm just looking at -- so if I look at your roadmap to -- towards CO2 compliance in 2020, the limited data have so far shows that the CO2 sales in Europe in the first half of this year haven't gone down at all compared to 2018 across the market. I assume it's the same for you. The most OEMs are now working towards making their stock of vehicles at the end of 2019 as CO2 compliant as they can. So they can start selling cars early in 2020 to meet the target. Again, I'm assuming that you'll be behind on this, but I'd love to know what kind of progress you're doing because most of your compliance effort this year for 2020 is going to be on the ICE side. So I'm just trying to understand if I'm right that you're CO2 footprint last year was about 124 grams in Europe, what -- by how much can you crush your CO2 production output in the second half of this year to try to get close to compliance.

Michael M. Manley - *Fiat Chrysler Automobiles N.V. - CEO & Executive Director*

This is Mike. I'm going to just try to be a little bit more specific for the purpose of this. I've seen loads of different comparisons of our CO2 performance against our target compared to other people and where they are. And I think there's no doubt that the factual point in time measures. I think sometimes, some of the things that have driven currently output is not been taken into account. For example, we are just in the process of rolling out our 1 liter and our 1.3 liter new-generation engine, and we will see other CO2 improvements in our existing fleets. So those things will help us progressively this year, and they will contribute towards the achievement of the targets that we've got to hit by the end of this year. And then the remaining difference will be covered by our pooling agreement that we have with Tesla. So that's why I said in the beginning, combination of the things. As we see it today, and you know it's very dynamic, it's something that's looked down there, certainly a daily, weekly basis of income to our committees every month. Because as we see it today, the combination of things will get us compliant in 2019.

Obviously, you got to think beyond the year that you're in and set your fleets off as best you can for the coming year. I'm trying to make sure that you're compliant clearly. We will not be in a position to do that because the vehicles that will contribute to our improvement next year will not be in production as we get into January to some extent, given the levels of penetration that we need to achieve, I'm not overly concerned by that. And that's why we extended our credit pooling into next year to take into account, the fact, those vehicles are not going to production on January 1. So we will get our fleet as compliant with the conventional technologies by the end of this year. And then it will we complemented in the first and second quarter next year with our plug-in hybrid and our battery electric 500.

THOMSON REUTERS

Operator

Our final question comes from the line of John Murphy from Bank of America.

John Joseph Murphy - *BofA Merrill Lynch, Research Division - MD and Lead United States Auto Analyst*

I just want to follow-up on one question. On Slide 9, when we look at the industrial cost benefit year-over-year in North America, I think, Richard, you alluded to or mentioned directly that the EUR 150 million of the CAFE fine reduction was in that number. Is that correct on a year-over-year basis, that's in there?

Richard K. Palmer - *Fiat Chrysler Automobiles N.V. - CFO & Head of Business Development*

Yes.

John Joseph Murphy - *BofA Merrill Lynch, Research Division - MD and Lead United States Auto Analyst*

Okay. And then the question is, obviously, your year-over-year comparison, but is that an actual reversal of the accrual that was a net benefit in the quarter or is that just a year-over-year delta?

Richard K. Palmer - *Fiat Chrysler Automobiles N.V. - CFO & Head of Business Development*

It's a reversal of an accrual made on model year '19 vehicles.

John Joseph Murphy - *BofA Merrill Lynch, Research Division - MD and Lead United States Auto Analyst*

Okay. And then as we stay on that slide and think about sort of more broadly, even absent that North America was very strong. As you look at the industry potentially weakening here and has already started to do so and coming down, you had a stock adjustment, yet mix is very strong for you and given product launches should remain so. As you think of about the balance of volume declines offset by mix improvement. Mike, How do you kind of balance that going forward. And could you may potentially get maybe a little bit more aggressive on pricing to drive better mix over time or do you think your product cadence and what you're introducing to market will be good enough. You won't need to really make any adjustments on price and your mix will just net offset a lot of the lower volume. Just trying to understand sort of your sensitivity to volume declines and how much your mix will benefit you.

Michael M. Manley - *Fiat Chrysler Automobiles N.V. - CEO & Executive Director*

Well, the experience that we are seeing today in terms of our mix, which from my point of view, needs to continue into the second half. If you just take our light-duty truck, we have seen a significant improvement in our transaction process year-over-year, something in the order of, I think, 10%, on light duty. And that really has been driven from the approach at our product and our design and engineering team did in terms of making a natural workup because historically, our mix as you know has been much, much lower than Ford both on light and heavy and we've always wanted to get to that sort of mix because we know the margin impact. So we've seen movement on light in that direction. We've seen strong movement on our new heavy in that direction as well. And I think that will continue as we get into the second half of the year. So that will help us no doubt. And then obviously, gladiator, I think, has got off to a very good start. It plays in the high-end of that segment as you know from a pricing point of view. So technically, I guess this mix is already high. But obviously, we'll benefit in the second half from full production from gladiator as well. So combination of those things I think will remain strong. But I think about Jeep as I mentioned before, being Renegade and Cherokee, we lost some segment share in the first half. And frankly, when I stand back and look at what's happened to our margins. I'm not too concerned about the trade of that segment share loss compared to what I've seen improvements in terms of our margin in those 2 vehicles. And obviously, we've gained share with the rest of them. So from an SUV perspective, I think the second half will be as competitive as the first half has been. And I think we'll continue to take the same approach and that is we're very, very focused on delivering those 10% margin that Richard mentioned earlier.

Operator

That will conclude the question-and-answer session. I would now like to turn the call back to Joe Veltri for any additional or closing remarks.

Joseph Veltri - *Fiat Chrysler Automobiles N.V. - Vice-President of IR*

Thank you, Joanne. And with that, I think we're going to conclude today's call. Again, I would like to thank you all for joining us, and have a pleasant day.

Operator

That will conclude today's conference call. Thank you for your participation, ladies and gentlemen, you may now disconnect.
