

Nemak, S.A.B. de C.V. and Subsidiaries

Consolidated Financial Statements as of
and for the Years Ended December 31,
2024, 2023 and 2022, and Independent
Auditors' Report Dated January 31,
2025



Nemak, S.A.B. de C.V. and Subsidiaries

Independent Auditors' Report and Consolidated Financial Statements as of and for the Years Ended December 31, 2024, 2023 and 2022

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Independent Auditors' Report to the Board of Directors and Stockholders of Nemak, S.A.B. de C.V.

Opinion

We have audited the consolidated financial statements of Nemak, S.A.B. de C.V. and Subsidiaries (the "Group" or "Nemak" or the "Company"), which comprise the consolidated statements of financial position as of December 31, 2024, 2023, and 2022, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, and the explanatory notes to the consolidated financial statements, that include information on material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nemak, S.A.B. de C.V. as of December 31, 2024, 2023, and 2022, as well as their consolidated financial performance and their cash flows for the years then ended, in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the Code of Ethics issued by the Mexican Institute of Public Accountants, A.C. ("IMCP Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The accompanying consolidated financial statements have been translated from Spanish to English for the convenience of readers.

This matter has not changed our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2024 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the issues described below are the key audit matters that should be communicated in our report.



Assessment of impairment tests of goodwill and long-lived assets

As described in Notes 3 I., 10, and 12 to the consolidated financial statements, the Company performs annual impairment tests to its goodwill and its intangible assets with indefinite useful lives. We have identified the recoverable value calculation of long-lived assets and goodwill as a key audit matter, primarily because the calculation involves the application of significant judgments and estimates by the Company's management in projecting revenues and estimated gross margins in the discounted cash flow model and the selection of discount rates used to estimate the recoverable value of cash-generating units ("CGUs"). This requires a high degree of judgment, a significant increase in the degree of audit effort and the involvement of our expert valuation specialists. We performed the following audit procedures on the significant assumptions and data mentioned in the previous paragraph:

- We tested the design and implementation of controls in the determination of the recoverable value and the relevant assumptions and data used.
- With the assistance of our valuation specialists, we evaluated the reasonableness of the methodology for determining the recoverable value of tangible assets, intangible assets with indefinite useful lives and goodwill and challenged the financial projections, including the impacts of negotiations with customers on product prices and other macroeconomic assumptions that impact the recoverable value by comparing it to historical performance and trends and corroborated the explanations for the variations with Management. We also evaluated whether the revenue and the estimated gross margin projections were reasonable with respect to the budgets approved by the Board of Directors.
- We analyzed the projection assumptions used in the recoverable value, including the estimated gross margin and the long-term revenue growth assumption. We tested the mathematical accuracy, completeness and correctness of the discounted cash flow model to determine the recoverable value. Valuation specialists performed an independent sensitivity analysis to assess whether the relevant assumptions and data used by Management were reasonable.
- We performed an independent evaluation on the discount rates and compared such rates with those used by Management.

Information other than the Consolidated Financial Statements and Auditors' Report thereon

Additional information includes: i) the information that will be incorporated in the Annual Report that the Company is required to prepare in accordance with Article 33, section I, subsection b) of Title Four, Chapter One of the General Provisions Applicable to Issuers and other Participants of the Stock Market in Mexico and the Instructions that accompany these provisions (the "Provisions"). The Annual Report is expected to be available for our perusal after the date of this audit report; and ii) the other additional information, which is a measure that is not required by IFRS Accounting Standards and has been incorporated to provide an additional explanation to its investors and main readers of its consolidated financial statements to evaluate the performance of each of the operating segments and other indicators on the capacity to meet obligations regarding the earnings before interest, taxes, depreciation, amortization and impairment of assets (adjusted "EBITDA") of the Company; this information is presented in Note 27. Our opinion on the consolidated financial statements will not cover the additional information and we will not express any form of assurance about it.

In relation to our audit of the consolidated financial statements, our responsibility will be to read the additional information when it becomes available, and when we do so, consider whether the additional information contained therein is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or that seems to contain a material error. When we read the Annual Report, we will issue the declaration on its reading, required in Article 33 Section I, subsection b) number 1.2. of the Provisions. Additionally, and in relation to our audit of the consolidated financial statements, our responsibility is to read and recalculate the other additional information, which in this case, is a measure not required by IFRS Accounting Standards and in doing so consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or that seems to contain a material error. If based on the work we have performed, we conclude that there is a material error in the additional information, we would have to report this fact. We do not have anything to inform in this regarding the other additional information.



Responsibilities of Management and those charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to Entity's going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's consolidated financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain knowledge of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision, and review of the work performed for purposes of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance of the Group with a statement that we have complied with applicable ethical requirements regarding independence and have communicated with them all relationships and other matters that may reasonably be expected to affect our independence, and where applicable, the appropriate safeguards.

From the matters communicated with those charged with governance of the Entity, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S.C.

Affiliated of a Member Firm of Deloitte Touche Tohmatsu Limited



C. P. C. Jaime Núñez Valdés
Monterrey, Nuevo Leon, Mexico
January 31, 2025



Nemak, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Financial Position

As of December 31, 2024, 2023 and 2022

In thousands of U.S. dollars

		As of December 31,		
	Note	2024	2023	2022
Assets				
Current assets:				
Cash and cash equivalents	6	\$ 342,077	\$ 322,606	\$ 416,554
Restricted cash	7	664	1,039	1,554
Trade and other accounts receivable, net	8	580,174	605,658	635,873
Inventories	9	820,831	904,049	846,375
Assets held for sale	3u	-	10	5,988
Prepaid expenses	3t	29,759	28,819	19,975
Total current assets		<u>1,773,505</u>	<u>1,862,181</u>	<u>1,926,319</u>
Non-current assets:				
Property, plant and equipment, net	10	2,814,212	2,867,818	2,630,960
Right-of-use assets, net	11	89,861	98,581	88,494
Goodwill and intangible assets, net	12	471,154	549,273	558,205
Deferred income tax	25	57,800	94,173	25,626
Other non-current assets	13	34,423	35,521	34,918
Total non-current assets		<u>3,467,450</u>	<u>3,645,366</u>	<u>3,338,203</u>
Total assets		<u>\$ 5,240,955</u>	<u>\$ 5,507,547</u>	<u>\$ 5,264,522</u>
Liabilities and Stockholders' Equity				
Liabilities				
Current liabilities:				
Debt	15	\$ 83,525	\$ 303,806	\$ 106,971
Lease liability	16	28,931	27,665	15,585
Trade and other accounts payable	14	1,507,351	1,602,056	1,577,166
Income taxes payable		11,436	27,327	80,184
Other current liabilities	17	24,061	25,856	36,534
Total current liabilities		<u>1,655,304</u>	<u>1,986,710</u>	<u>1,816,440</u>
Non-current liabilities:				
Debt	15	1,679,836	1,453,628	1,439,860
Lease liability	16	76,149	86,150	85,180
Employee benefits	18	91,051	89,866	74,304
Deferred income taxes	25	67,923	103,568	113,225
Other non-current liabilities	17	14,859	16,996	7,527
Total non-current liabilities		<u>1,929,818</u>	<u>1,750,208</u>	<u>1,720,096</u>
Total liabilities		<u>3,585,122</u>	<u>3,736,918</u>	<u>3,536,536</u>
Stockholders' equity				
Capital stock	19	420,535	431,734	433,816
Share premium		641,092	641,092	641,092
Retained earnings		960,541	962,516	961,659
Other reserves		(366,335)	(264,713)	(308,581)
Total stockholders' equity		<u>1,655,833</u>	<u>1,770,629</u>	<u>1,727,986</u>
Total liabilities and stockholders' equity		<u>\$ 5,240,955</u>	<u>\$ 5,507,547</u>	<u>\$ 5,264,522</u>

The accompanying notes are an integral part of these consolidated financial statements.



Nemak, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Income

For the years ended December 31, 2024, 2023 and 2022

In thousands of U.S. dollars, except for earnings per share amounts

	Note	2024	2023	2022
Revenues	27	\$4,906,656	\$4,993,358	\$4,666,892
Cost of sales	21	(4,326,307)	(4,456,287)	(4,162,258)
Gross profit		580,349	537,071	504,634
Administrative and sales expenses	21	(351,777)	(344,181)	(292,232)
Other (expenses) income, net	22	(83,298)	(16,288)	(25,970)
Operating income		<u>145,274</u>	<u>176,602</u>	<u>186,432</u>
Financial income	23	26,681	7,399	5,715
Financial expenses	23	(156,861)	(128,870)	(74,765)
Exchange fluctuation profit (loss), net	23	37,391	(56,377)	(9,787)
Financial results, net	23	<u>(92,789)</u>	<u>(177,848)</u>	<u>(78,837)</u>
Equity in income (loss) of associates recognized using the equity method	13	<u>2,865</u>	<u>2,486</u>	<u>(508)</u>
Income before income taxes		\$ 55,350	\$ 1,240	\$ 107,087
Income taxes	25	<u>(30,301)</u>	<u>3,133</u>	<u>(56,496)</u>
Net consolidated income		<u>\$ 25,049</u>	<u>\$ 4,373</u>	<u>\$ 50,591</u>
Basic and diluted earnings per share, in U.S. dollars		<u>\$ 0.0085</u>	<u>\$ 0.0014</u>	<u>\$ 0.0166</u>
Weighted average outstanding shares (thousands)	19	<u>2,940,877</u>	<u>3,037,820</u>	<u>3,054,812</u>

The accompanying notes are an integral part of these consolidated financial statements.



Nemak, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2024, 2023 and 2022

In thousands of U.S. dollars

	Note	2024	2023	2022
Net consolidated income		<u>\$ 25,049</u>	<u>\$ 4,373</u>	<u>\$ 50,591</u>
Other comprehensive (loss) income for the year:				
<i>Items that will not be reclassified to the consolidated statements of income:</i>				
Remeasurement of employee benefit obligations, net of taxes	25	(2,399)	(2,334)	487
<i>Items that could be reclassified to the consolidated statements of income:</i>				
Effect of derivative financial instruments contracted as cash flow hedges, net of taxes	25	1,259	2,087	(2,873)
Cumulative translation effect of foreign entities	25	(104,451)	38,489	(48,784)
Total comprehensive (loss) income of the year		<u>(105,591)</u>	<u>38,242</u>	<u>(51,170)</u>
Consolidated comprehensive (loss) income		<u><u>\$ (80,542)</u></u>	<u><u>\$ 42,615</u></u>	<u><u>\$ (579)</u></u>

The accompanying notes are an integral part of these consolidated financial statements.



Nemak, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2024, 2023 and 2022

In thousands of U.S. dollars

	Capital stock	Share premium	Retained earnings	Other reserves	Total stockholders' equity
Balances as of January 1, 2022	\$ 433,866	\$ 641,092	\$ 910,360	\$ (259,961)	\$ 1,725,357
Transactions with stockholders:					
Others	(50)	-	708	2,550	3,208
	<u>433,816</u>	<u>641,092</u>	<u>911,068</u>	<u>(257,411)</u>	<u>1,728,565</u>
Net income	-	-	50,591	-	50,591
Total other comprehensive loss of the year	-	-	-	(51,170)	(51,170)
Comprehensive loss	-	-	50,591	(51,170)	(579)
Balances as of December 31, 2022	433,816	641,092	961,659	(308,581)	1,727,986
Transactions with stockholders:					
Others	(2,082)	-	(3,516)	5,626	28
	<u>431,734</u>	<u>641,092</u>	<u>958,143</u>	<u>(302,955)</u>	<u>1,728,014</u>
Net income	-	-	4,373	-	4,373
Total other comprehensive income of the year	-	-	-	38,242	38,242
Comprehensive income	-	-	4,373	38,242	42,615
Balances as of December 31, 2023	431,734	641,092	962,516	(264,713)	1,770,629
Transactions with stockholders:					
Others	(11,199)	-	(27,024)	3,969	(34,254)
	<u>420,535</u>	<u>641,092</u>	<u>935,492</u>	<u>(260,744)</u>	<u>1,736,375</u>
Net income	-	-	25,049	-	25,049
Total other comprehensive loss of the year	-	-	-	(105,591)	(105,591)
Comprehensive loss	-	-	25,049	(105,591)	(80,542)
Balances as of December 31, 2024	<u>\$ 420,535</u>	<u>\$ 641,092</u>	<u>\$ 960,541</u>	<u>\$ (366,335)</u>	<u>\$ 1,655,833</u>

The accompanying notes are an integral part of these consolidated financial statements.



Nemak, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2024, 2023 and 2022

In thousands of U.S. dollars

	2024	2023	2022
Cash flows from operating activities			
Income before income taxes	\$ 55,350	\$ 1,240	\$ 107,087
Depreciation and amortization	383,583	369,966	319,503
Gain on sale of property, plant and equipment	(1,386)	(11,330)	(222)
Impairment of property, plant and equipment and intangible assets	103,790	31,568	36,117
Gain on sale of shares	(11,971)	-	-
Unrealized exchange fluctuation, net	(37,391)	56,377	9,787
Interest expense, net	102,134	90,073	57,543
Other	(14,393)	4,800	17,355
Movements in working capital:			
Trade receivables and other accounts receivable	20,096	71,593	(119,163)
Inventories	(5,808)	(57,720)	(40,857)
Trade and other accounts payable	(48,230)	(32,795)	229,826
Income taxes paid	(81,206)	(145,196)	(36,353)
Net cash flows generated by operating activities	<u>464,568</u>	<u>378,576</u>	<u>580,623</u>
Cash flows from investing activities			
Interest collected	24,659	6,438	5,009
Cash flow in acquisitions of property, plant, and equipment	(343,741)	(488,202)	(408,367)
Cash flow in acquisition of intangible assets	(17,177)	(52,440)	(55,942)
Dividends received	1,436	1,104	1,098
Restricted cash	249	3,018	3,392
Other assets	21,508	2,084	(10,246)
Net cash flows used in investing activities	<u>(313,066)</u>	<u>(527,998)</u>	<u>(465,056)</u>
Cash flows from financing activities			
Proceeds from debt	881,437	1,890,477	1,152,283
Payments of debt	(811,550)	(1,699,807)	(1,042,016)
Lease payments	(67,844)	(41,924)	(30,937)
Interest paid	(112,039)	(84,729)	(59,258)
Repurchase of shares and others	(11,884)	(1,587)	8,671
Dividends paid	(402)	-	-
Net cash flows (used in) generated by financing activities	<u>(122,282)</u>	<u>62,430</u>	<u>28,743</u>
Net increase (decrease) in cash and cash equivalents	29,220	(86,992)	144,310
Exchange fluctuation of cash and cash equivalents	(9,749)	(6,956)	(9,472)
Cash and cash equivalents at the beginning of the year	<u>322,606</u>	<u>416,554</u>	<u>281,716</u>
Cash and cash equivalents at the end of the year	<u>\$ 342,077</u>	<u>\$ 322,606</u>	<u>\$ 416,554</u>

The accompanying notes are an integral part of these consolidated financial statements.



Nemak, S.A.B. de C.V. and Subsidiaries

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2024, 2023 and 2022

In thousands of U.S. dollars, except where otherwise indicated

1. General information

Nemak, S.A.B. de C.V. and subsidiaries (“Nemak” or the “Company”), is a leading provider of innovative lightweighting solutions for the global automotive industry, specializing in the development and manufacturing of aluminum components for e-mobility, structure and chassis, and internal combustion engine (“ICE powertrain”) applications. Nemak’s main offices are located at Libramiento Arco Vial Km. 3.8, García, Nuevo León, 66017, Mexico.

When reference is made to the controlling entity Nemak, S.A.B. de C.V. as an individual legal entity, it will be referred to as “Nemak SAB”.

Nemak SAB is a publicly traded corporation whose shares are listed on the Mexican Stock Exchange. The entire subscribed and paid-in capital of Nemak is represented by Class “I” shares in the “A” Series, common, registered, and without par value, which are listed under the ticker symbol “NEMAK”.

In the following notes to the consolidated financial statements, reference to “USD”, dollars, or “\$” refers to thousands of U.S. dollars. Reference to “MXN” or pesos is in relation to thousands of Mexican pesos. Finally, reference to “EUR” or euros will refer to thousands of euros.

2. Significant events

2024

a. Debt transaction for \$200 million

On December 17, 2024, Nemak announced the closing of a \$200,000 green loan facility, which proceeds will be used to refinance existing debt in the same amount. This transaction extends the loan’s maturity from 2027 to 2030. The refinancing was structured as a club deal green loan involving the same two financial institutions that participated in the original 2022 agreement. The facility maintains a 5-year bullet maturity and a variable SOFR-based interest rate.

b. Debt transaction for \$250 million

On September 2, 2024, Nemak announced the completion of a \$250,000 long-term debt transaction. The proceeds of this transaction will be used to refinance short-term debt, extending the maturity of its total debt profile to five years. The transaction was structured as a club deal loan among four financial institutions with a variable SOFR-based interest rate.

2023

c. Change of presentation currency of the consolidated financial statements

As of January 1, 2023, and for each subsequent reporting date, in accordance with the provisions of IAS 21, *The Effects of Changes in Foreign Exchange Rates* (“IAS 21”) under IFRS Accounting Standards (“IFRS”), the Company changed its presentation currency of its consolidated financial statements from Mexican pesos to U.S. dollars. This change was made primarily considering the following factors and objectives:

- The Company operates in a globalized economic environment and uses the U.S. dollar as its reporting and monitoring currency.
- The change in currency to U.S. dollars aligns the Company’s global strategy and facilitates the understanding of its financial information by international investors and creditors.

The consolidated financial statements, including the comparative amounts and the notes accompanying the consolidated financial statements, are shown as if the new presentation currency had always been the presentation currency of the Company, based on the requirements of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Currency translation adjustments were adjusted as of January 1, 2011, the date on which the Company transitioned to IFRS.



The translation effects for the year and the cumulative translation effects have been presented as if the Company had used the U.S. dollar as its presentation currency since January 1, 2011.

The comparative consolidated financial statements and their notes were notified by the change in the presentation currency applying the methodology established by IAS 21, using closing exchange rates for the consolidated statements of financial position and the exchange rates on the date they were accrued for the consolidated statements of income, consolidated statements of comprehensive income and consolidated statements of cash flow.

Historical capital transactions were converted at the exchange rates on the transaction date and subsequently held at historical value.

2022

d. New contracts worth \$350 million annually to supply battery housings for fully electric vehicles

On February 24, 2022, Nemak announced that it obtained new contracts worth \$350,000 a year to produce battery housings for fully electric vehicles of global customers. As a result, the Company plans to install three new manufacturing facilities spanning Europe and North America to support joining and assembly requirements for these products, with a total expected investment of approximately \$200,000.

On December 30, 2024, Nemak announced a strategic adjustment to its operations that involves a reduction in the contracted capacity for the project, which will result in a decrease in the anticipated future revenue of this program within the e-mobility, structure, and chassis applications ("EV/SC") segment. The Company has decided to put on hold the launch of its new manufacturing facilities in Mexico and Germany, resulting in the impacts mentioned in Note 27.

e. Announcement to idle operations in Russia

On February 24, 2022, Russia launched a military offensive in Ukraine. Shortly thereafter, the automotive sector in Russia began to experience an extensive interruption of business activities, due in part to the imposition of international sanctions on Russia in response to its military actions in Ukraine. On March 3, 2022, Nemak announced its decision to halt production at its manufacturing facility in Russia, in line with similar measures announced by customers in the country. In the following months, the conflict exacerbated constraints along industry supply chains, weighing on customer light-vehicle production, and therefore Nemak volume, primarily in Europe. Additionally, the Company experienced higher energy costs and inflation, attributable in part to indirect effects of the conflict. Nemak's operations in Russia represent approximately 0.03% and 0.31% of the total revenue and 0.24% and 1.34% of the total assets of the Company for the years ended December 31, 2023, and 2022, respectively.

In line with the Company's strategy to mitigate the impact of operations in affected regions, the Company completed the sale of its operations in Russia on November 29, 2024.

3. Summary of material accounting policies

The following are the material accounting policies followed by Nemak and its subsidiaries, which have been consistently applied in the preparation of the financial information in the years presented, unless otherwise specified:

a. Basis for preparation

The accompanying consolidated financial statements of Nemak have been prepared in accordance with IFRS Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). IFRS include all International Financial Reporting Standards, International Accounting Standards ("IAS") in effect and all related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), including those previously issued by the Standing Interpretations Committee ("SIC").

The consolidated financial statements have been prepared by Management under the assumption that the Company will continue as a going concern.



The consolidated financial statements have been prepared on a historical cost basis, except for the cash flow hedges, which are measured at fair value and the net assets and the results of the operations of the Company in Argentina, an economy that is considered hyperinflationary, which are expressed in terms of the unit of current measurement as of the closing date of the reporting period.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. Additionally, it requires Management to exercise judgment in the process of applying the Company's accounting policies.

The areas involving a higher degree of judgment or complexity, or areas where judgments and estimates are significant to the consolidated financial statements are disclosed in Note 5.

b. Consolidation

i. Subsidiaries

The subsidiaries are all the entities over which the Company has control. The Company controls an entity when it is exposed or has the right to variable returns from its interest in the entity and has the ability to use its power over the entity to affect returns. When the Company's participation in subsidiaries is less than 100%, the share attributed to outside shareholders is reflected recorded as non-controlling interest. The gain or loss of the subsidiaries, as well as their assets and liabilities, are fully consolidated from the date on which control is transferred to the Company and up to the date it loses such control.

The accounting method used by the Company for business combinations is the acquisition method. The Company defines a business combination as a transaction in which it gains control of a business, and through which it is able to direct and manage the relevant activities of the set of assets and liabilities of such business with the purpose of providing a return in the form of dividends, smaller costs, or other economic benefits directly to stockholders.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable acquired assets and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree based on the share of the non-controlling interest in the net identifiable assets of the acquired entity.

The Company accounts for business combinations using the predecessor method in a jointly controlled entity. The predecessor method involves the incorporation of the carrying amounts of the acquired entity, which includes the goodwill recognized at the consolidated level with respect to the acquiree. Any difference between the carrying value of the net assets acquired at the level of the subsidiary and its carrying amount at the level of the Company are recognized in stockholders' equity.

The acquisition-related costs are recognized as expenses when incurred.

Goodwill is initially measured as excess of the sum of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets and liabilities assumed. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of income.

If the business combination is achieved in stages, the value in books at the acquisition date of the equity previously held by the Company in the acquired entity is remeasured at its fair value at the acquisition date. Any loss or gain resulting from such remeasurement is recorded in income of the year.

Transactions and intercompany balances and unrealized gains on transactions between Nemak companies are eliminated in preparing the consolidated financial statements. In order to ensure consistency with the policies adopted by the Company, the accounting policies of subsidiaries have been changed where deemed necessary.



As of December 31, 2024, 2023 and 2022 the subsidiaries included in the consolidated financial statements of Nemak were as follows:

	Country ⁽¹⁾	Percentage of ownership (%) ⁽²⁾	Functional currency
Nemak, S.A.B. de C.V. (Holding)	Mexico		U.S. dollar
Nemak Mexico, S.A.	Mexico	100	U.S. dollar
Modellbau Schönheide GmbH	Germany	100	Euro
Nemak Canada, S.A. de C.V. (Holding)	Mexico	100	U.S. dollar
Nemak of Canada Corporation	Canada	100	Canadian dollar
Camen International Trading, Inc.	USA	100	U.S. dollar
Nemak Europe GmbH	Germany	100	Euro
Nemak Exterior, S.L. (Holding)	Spain	100	Euro
Nemak Dillingen GmbH	Germany	100	Euro
Nemak Saarlouis GmbH	Germany	100	Euro
Nemak Dillingen Casting GmbH & Co. KG	Germany	100	Euro
Nemak Wernigerode GmbH	Germany	100	Euro
Nemak Wernigerode GmbH & Co. KG	Germany	100	Euro
Nemak Linz GmbH	Austria	100	Euro
Nemak Győr Kft	Hungary	100	Euro
Nemak Poland Sp. Z.o.o.	Poland	100	Euro
Nemak BSEU Sp. Z.o.o.	Poland	100	Euro
Nemak Slovakia, S.r.o.	Slovakia	100	Euro
Nemak Czech Republic, S.r.o.	Czech Republic	100	Euro
Nemak Spain, S.L.	Spain	100	Euro
Nemak Rus, LLC. ⁽³⁾	Russia	100	Russian ruble
Nemak Pilsting GmbH	Germany	100	Euro
Nemak Alumínio do Brazil Ltda.	Brazil	100	Brazilian real
Nemak Argentina, S.R.L.	Argentina	100	Argentinean peso
Nemak Nanjing Automotive Components Co., Ltd.	China	100	Chinese renminbi yuan
Nemak Chongqing Automotive Components Co, Ltd.	China	100	Chinese renminbi yuan
Nemak Shanghai Management Co., Ltd.	China	100	Chinese renminbi yuan
Nemak Aluminum Casting India Private, Ltd.	India	100	Indian rupee
Nemre Insurance Pte Ltd. ⁽⁴⁾	Singapore	100	U.S. dollar
Nemak Commercial Services, Inc.	USA	100	U.S. dollar
Nemak USA, Inc.	USA	100	U.S. dollar
Nemak USA Services, Inc.	USA	100	U.S. dollar
Nemak Automotive Castings, Inc.	USA	100	U.S. dollar
Nemak Izmir Döküm Sanayi A.Ş.	Turkey	100	Euro
Nemak Izmir Dis Ticaret A.Ş.	Turkey	100	Euro

⁽¹⁾ Country of incorporation.

⁽²⁾ Direct and indirect ownership percentage of Nemak SAB as of December 31, 2024, 2023 and 2022.

⁽³⁾ During 2024, the Company sold its entire stake in Nemak Rus, LLC.

⁽⁴⁾ During 2024, the Company liquidated its entire stake in Nemre Insurance Pte, Ltd.

As of December 31, 2024, 2023 and 2022, there are no significant restrictions on investment in shares of the subsidiary companies mentioned above.

ii. Absorption (dilution) of control in subsidiaries

The effect of absorption (dilution) of control in subsidiaries, in example, an increase or decrease in the percentage of control, is recorded in stockholders' equity, directly in retained earnings, in the period in which the transactions that cause such effects occur. The effect of absorption (dilution) of control is determined by comparing the book value of the investment before the event of dilution or absorption against the book value after the relevant event. In the case of loss of control, the dilution effect is recognized in income.



iii. Sale or disposal of subsidiaries

When the Company ceases to have control any retained interest in the entity is re-measured at fair value, and the change in the carrying amount is recognized in the consolidated statement of income. The fair value is the initial carrying value for accounting purposes for any subsequent retained interest in the associate, joint venture, or financial asset. Any amount previously recognized in comprehensive income in respect of that entity is accounted for as if the Company had directly disposed of the related assets and liabilities. This implies that the amounts recognized in comprehensive income are reclassified to income for the year.

iv. Associates

Associates are all entities over which the Company has significant influence but not control, generally, an investor must hold between 20% and 50% of the voting rights in an investee for it to be an associate. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Company's investment in associates includes goodwill identified at acquisition, net of any accumulated impairment loss.

If the equity in an associate is reduced but significant influence is maintained, only a portion of the amounts recognized in comprehensive income are reclassified to income for the year, where appropriate.

The Company's share of profits or losses of associates, post-acquisition, is recognized in the consolidated statement of income and its share in other comprehensive income of associates is recognized as other comprehensive income. When the Company's share of losses in an associate, equals or exceeds its equity in the associate, including unsecured receivables, the Company does not recognize further losses unless it has incurred obligations or has made payments on behalf of the associate.

Each reporting date, the Company assesses whether there is objective evidence that the investment in the associate is impaired.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's equity in such gains. Unrealized losses are also eliminated unless the transaction provides evidence that the asset transferred is impaired. In order to ensure consistency with the policies adopted by the Company, the accounting policies of associates have been modified. When the Company ceases to have significant influence over an associate, any difference between the fair value of the remaining investment, including any consideration received from the partial disposal of the investment and the book value of the investment is recognized in the consolidated statement of income.

c. Foreign currency translation

i. Functional and presentation currency

The amounts included in the financial statements of the Company should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in thousands of U.S. dollars.

When there is a change in the functional currency of one of the subsidiaries, according to IAS 21, this change is accounted for prospectively, translating at the date of the change of functional currency, all assets, liabilities, equity, and income items to the exchange rate on that date.

ii. Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rates prevailing at the transaction date or valuation date when the amounts are re-measured. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing exchange rates are recognized as foreign exchange gain or loss in the income statement, except for those which are deferred in comprehensive income and qualify as cash flow hedges.



Changes in the fair value of securities or monetary financial assets denominated in foreign currency classified as available for sale are divided between fluctuations resulting from changes in the amortized cost of such securities and other changes in value. Subsequently, currency fluctuations are recognized in income and changes in the carrying amount arising from any other circumstances are recognized as part of comprehensive income.

Conversion differences of non-monetary assets, for example, investments classified as available for sale, are included in other comprehensive income.

Exchange differences of monetary assets classified as financial instruments at fair value through profit or loss are recognized in the consolidated statement of income as part of the gain or loss of fair value.

Translation of recording currency other than the functional currency

The financial statements of the Company having a recording currency different from their functional currency were translated into the functional currency in accordance with the following procedure:

- a. The balances of monetary assets and liabilities denominated in the recording currency were translated at the closing exchange rates.
- b. To the historical balances of monetary assets and liabilities and stockholders' equity translated into the functional currency there were added the movements occurred during the period, which were translated at historical exchange rates. In the case of the movements of non-monetary items recognized at fair value, which occurred during the period, stated in the recording currency, these were translated using the historical exchange rates in effect on the date when the fair value was determined.
- c. Income, costs, and expenses of the periods, expressed in the recording currency, were translated at the historical exchange rate of the date they were accrued and recognized in the income statement, except when they arose from non-monetary items, in which case the historical exchange rate of the non-monetary items was used.
- d. The exchange differences were recognized in the consolidated statement of income in the period they arose.

Translation of functional currency other than the presentation currency.

The results and financial position of all Nematik entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows, depending on whether the functional currency comes from a non-hyperinflationary or hyperinflationary environment:

Non-hyperinflationary environment

- a. Assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the closing date;
- b. Stockholders' equity of each consolidated statement of financial position are translated at historical rates.
- c. Income and expenses for each statement of income are translated at an average exchange rate (when the average exchange rate is not a reasonable approximation of the cumulative effect of the rates of the transaction, to the exchange rate at the date of the transaction is used); and
- d. The resulting exchange differences are recognized in the consolidated statement of other comprehensive income.

Hyperinflationary environment

- a. Assets, liabilities, and equity in the statement of financial position, as well as income and expenses in the income statement, are translated at the closing exchange rate of the statement of financial position, after being restated in its functional currency (Note 3 d.); and
- b. Assets, liabilities, equity, income, and expenses of the comparative period are maintained according to the amount obtained in the translation of the year in question, that is, the financial statements of the preceding period. These amounts are not adjusted to subsequent exchange rates because the Company presents its financial information in U.S. dollars, which correspond to a currency of a non-hyperinflationary environment.



Goodwill and fair value adjustments arising on the acquisition date of a foreign transaction to measure them at their fair value are recognized as assets and liabilities of the foreign entity and are converted to the closing exchange rate. The exchange differences that arise are recognized in the consolidated statement of comprehensive income.

The primary exchange rates in the various translation processes are listed below:

		Currencies to U.S. dollars					
Country	Local currency	Closing exchange rate at December 31,			Average exchange for the year ended December 31,		
		2024	2023	2022	2024	2023	2022
Canada	Canadian dollar	0.6954	0.7585	0.7377	0.7344	0.7389	0.7690
Mexico	Mexican peso	0.0493	0.0592	0.0516	0.0546	0.0563	0.0497
Brazil	Brazilian real	0.1619	0.2061	0.1892	0.1858	0.1990	0.1943
Argentina	Argentinean peso	0.0010	0.0012	0.0056	0.0011	0.0039	0.0079
Czech Republic	Euro	1.0354	1.1049	1.0666	1.0838	1.0796	1.0541
Germany	Euro	1.0354	1.1049	1.0666	1.0838	1.0796	1.0541
Austria	Euro	1.0354	1.1049	1.0666	1.0838	1.0796	1.0541
Hungary	Euro	1.0354	1.1049	1.0666	1.0838	1.0796	1.0541
Poland	Euro	1.0354	1.1049	1.0666	1.0838	1.0796	1.0541
Slovakia	Euro	1.0354	1.1049	1.0666	1.0838	1.0796	1.0541
Spain	Euro	1.0354	1.1049	1.0666	1.0838	1.0796	1.0541
China	Chinese renminbi yuan	0.1370	0.1408	0.1450	0.1399	0.1409	0.1489
India	Indian rupee	0.0117	0.0120	0.0121	0.0120	0.0121	0.0128
Russia	Russian ruble	0.0088	0.0111	0.0138	0.0108	0.0119	0.0148
Turkey	Euro	1.0354	1.1049	1.0666	1.0838	1.0796	1.0541

d. Hyperinflationary effects on financial statements

As of July 1, 2018, the cumulative inflation from the prior 3 years in Argentina exceeded 100%; consequently, the Argentine peso was classified as a currency of a hyperinflationary economic environment. As a result, the financial statements of the subsidiaries located in that country, whose functional currency is the Argentine peso, have been restated and adjusted for inflation in accordance with the requirements of the International Accounting Standard 29, *Financial Information in Hyperinflationary Economies* ("IAS 29"), and have been consolidated in compliance with the requirements of IAS 21.

The purpose of applying these requirements is to consider changes in the general purchasing power of the Argentine peso in order to present the financial statements in the measuring unit effective at the date of the statement of financial position. The financial statements, before including any inflation adjustments, were prepared using the historical cost method. The Company determined the inflation adjustments in its consolidated financial statements in the following manner:

- a. The amounts corresponding to non-monetary items of each statement of financial position, which are not measured at the date of the statement of financial position at their fair value or net realizable value, as the case may be, are restated by applying to their historical cost the change of a general price index from the date of acquisition or the date of its last measurement at fair value, to the date of the statement of financial position;
- b. The amounts corresponding to monetary items of the statement of financial position are not restated;
- c. The components of stockholders' equity of each statement of financial position are restated:
 - 1) At the beginning of the first period of application of IAS 29, except for retained earnings, by applying the change of a general price index from the dates the components were originated to the date of restatement. Restated retained earnings are derived from all the other balances in the statement of financial position;
 - 2) At the end of the first period and in subsequent periods, all components of stockholders' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.



- d. Revenues and expenses are restated by applying the change in the general price index, from the date on which the expenses and revenues were recognized, up to the reporting date.
- e. Gains or losses arising from the net monetary position are recognized in the consolidated statement of income.

The Company reflects the effects of hyperinflation on the financial information of its subsidiary in Argentina using price indexes that are considered appropriate in accordance with Resolution 539/19 JG (the “Resolution”) of the Argentine Federation of Professional Councils of Economic Sciences. This resolution establishes that a combination of price indices should be used in the calculation of the effects of restatement of financial statements. Therefore, the Company has decided to use the Consumer Price Index (“CPI”) to restate balances and transactions.

The effects of the restatement of the financial statements of the subsidiary located in Argentina were not material, and they were included in the “Financial result, net” line item of the year ended December 31, 2024.

e. *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, bank deposits available for operations and other short-term investments of high liquidity with original maturities of three months or less, all of which are subject to insignificant risk of changes in value and maintain a high credit quality. Bank overdrafts are presented as loans as a part of the current liabilities.

f. *Restricted cash*

Cash and cash equivalents whose restrictions cause them not to comply with the definition of cash and cash equivalents given above, are presented in a separate line in the consolidated statement of financial position and are excluded from cash and cash equivalents in the consolidated statement cash flows.

g. *Financial instruments*

Financial assets

The Company classifies and measures its financial assets based on the Company’s business model to manage financial assets, and on the characteristics of the contractual cash flows of such assets. This way financial assets can be classified at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss. Management determines the classification of its financial assets upon initial recognition. Purchases and sales of financial assets are recognized at settlement date.

Financial assets are entirely written off when the right to receive the related cash flows expires or is transferred, and the Company has also substantially transferred all the risks and rewards of its ownership, as well as the control of the financial asset.

Classes of financial assets

i. *Financial assets at amortized cost*

Financial assets at amortized cost are financial assets that i) are held within a business model whose objective is to hold said assets in order to collect contractual cash flows; and ii) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the amount of outstanding principal.

ii. *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss, are financial assets that do not meet the characteristics to be measured at amortized cost or fair value through other comprehensive income, since i) they have a business model different to those that seek to collect contractual cash flows or collect contractual cash flows and sell the financial assets, or otherwise ii) the generated cash flows are not solely payments of principal and interest on the amount of outstanding principal.



Impairment of financial assets

The Company uses a new impairment model based on expected credit losses rather than losses incurred, applicable to financial assets subject to such assessment (i.e. financial assets measured at amortized cost and at fair value through other comprehensive income), as well as lease receivables, contract assets, certain written loan commitments, and financial guarantee contracts. The expected credit losses on these financial assets are estimated from the origin of the asset at each reporting date, taking as a reference the historical experience of the Company's credit losses, adjusted for factors that are specific to the debtors or groups of debtors, the general economic conditions, and an evaluation of both the current direction and the forecast of future conditions.

a. Trade receivables

The Company adopted the simplified expected loss calculation model, through which expected credit losses during the asset's lifetime are recognized.

The Company carries out an analysis of its portfolio of accounts receivable from clients, in order to determine if there are significant clients for whom it requires an individual evaluation; on the other hand, customers with similar characteristics that share credit risks (participation in the portfolio of accounts receivable, market type, sector, geographic area, etc.), are grouped to be evaluated collectively.

For the impairment assessment, the Company may include indications that the debtors or a group of debtors are experiencing significant financial difficulties; increase in the probability of debtors entering into bankruptcy or a financial restructuring, as well as observable data indicating that there is a considerable decrease in the estimate of the cash flows to be received, including arrears.

For purposes of the previous estimate, the Company considers that the following constitutes an event of default, since historical experience indicates that financial assets are not recoverable when they meet any of the following criteria:

- The debtor fails to meet the financial covenants; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in its entirety (without considering any guarantee held by the Company).

The Company defined as the default threshold, the period from which the recovery of the account receivable subject to analysis is marginal; in this case, 271 days of delay, which is in line with internal risk management.

b. Other financial instruments

The Company recognizes credit losses expected during the asset's lifetime of all financial instruments for which credit risk has significantly increased since its initial recognition (assessed on a collective or individual basis), considering all the reasonable and sustainable information, including the one referring to the future. If as of the date of presentation of the credit risk a financial instrument has not significantly increased since its initial recognition, the Company calculates the loss allowance for that financial instrument as the amount of expected credit losses in the following 12 months.

In both cases, the Company recognizes in profit or loss of the period the decrease or increase in the expected credit loss allowance at the end of the period, as an impairment gain or loss.

The Company calculates expected credit losses of a financial instrument in such a way that reflects:

- a. an amount of weighted probability, not biased, which is determined by the assessment of a range of possible results;
- b. the time value of money; and
- c. the reasonable and sustainable information that is available without cost or disproportionate effort at the date of presentation on past events, current conditions and forecasts of future economic conditions.

In measuring the expected credit losses, the Company does not necessarily identify all the possible scenarios. However, it considers the risk or probability that a credit loss occurs, reflecting the possibility that the payment default occurs and does not occur, even if that possibility is very low. In addition, the Company determines the period for the default to occur, and the recoverability rate after default.



Management assesses the impairment model, and the inputs used therein at least once every 3 months, in order to ensure that they remain in effect based on the current situation of the portfolio.

Financial liabilities

Financial liabilities that are not derivatives are initially recognized at fair value and subsequently are valued at the amortized cost using the effective interest method. Liabilities in this category are classified as current liabilities when they must be settled within the next 12 months; otherwise, they are classified as non-current liabilities.

Accounts payable are obligations to pay for goods or services that have been acquired or received by suppliers in the ordinary course of business. Loans are initially recognized at their fair value, net of transaction costs incurred. The loans are subsequently recognized at amortized cost; any difference between the resources received (net of transaction costs) and the settlement value is recognized in the consolidated statement of income over the term of loan using the effective interest method.

Derecognition of financial liabilities

The Company derecognizes financial liabilities if, and only, the Company's liabilities are met, cancelled, or expired. The difference between the book value of the financial liabilities derecognized and the consideration, is recognized in the consolidated statement of income.

Additionally, when the Company incurs a refinancing transaction and the previous liability qualifies to be derecognized, the incurred costs of refinancing are recognized immediately in the consolidated statement of income at the extinction date of the past financial liability.

Compensation of financial assets and liabilities

Financial assets and liabilities are offset, and the net amount is presented in the consolidated statement of financial position when the right to offset the amounts recognized is legally enforceable and there is an intention to settle them on a net basis or to realize the asset and pay the liability simultaneously.

h. Derivative financial instruments and hedging activities

All derivative financial instruments are identified and classified as fair value hedges or cash flow hedges, for trading or hedging market risks and are recognized in the consolidated statement of financial position as assets and/or liabilities at fair value and subsequently measured at fair value. The fair value is determined based on recognized market prices and using valuation techniques accepted in the financial sector.

The fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

Derivative financial instruments classified as hedges are contracted for risk hedging purposes and meet all hedging requirements; their designation at the beginning of the hedging operation is documented, describing the objective, primary position, risks to be hedged and the effectiveness of the hedge relationship, characteristics, accounting recognition and how the effectiveness will be measured, applicable to this transaction.

Cash flow hedges

The changes in the fair value of derivative instruments associated to cash flow hedges are recorded in stockholders' equity. The effective portion is temporarily recorded in comprehensive income, within stockholders' equity and is reclassified to profit or loss when the hedged position affects them, the ineffective portion is immediately recorded in income.

Net investment hedge in a foreign transaction

The Company applies hedge accounting to currency risk arising from its investments in foreign transactions for variations in exchange rates arising between the functional currency of such transaction and the functional currency of the holding entity, regardless of whether the investment is maintained directly or through a sub-holding entity. Variation in exchange rates is recognized in the other items of comprehensive income as part of the translation effect when the foreign transaction is consolidated.



To this end, the Company designates the debt denominated in a foreign currency as a hedging instrument; therefore, the exchange rate effects caused by the debt are recognized in other components of comprehensive income, on the translation effects line item, to the extent that the hedge is effective. When the hedge is not effective, exchange differences are recognized in profit or loss.

Suspension of hedge accounting

The Company suspends hedge accounting when the derivative financial instrument or the non-derivative financial instrument has expired, is cancelled, or exercised, when the derivative or non-derivative financial instrument is not highly effective to offset the changes in the fair value or cash flows of the hedged item. The replacement or successive renewal of a hedging instrument for another one is not an expiration or resolution if such a replacement or renewal is part of the Company's documented risk management objective, and it is consistent with this.

On suspending hedge accounting, in the case of fair value hedges, the adjustment to the carrying amount of a hedged amount for which the effective interest rate method is used, is amortized to income over the period to maturity, in the case of cash flow hedges, the amounts accumulated in equity as a part of comprehensive income, remain in equity until the effects of the forecasted transaction affect income. In the event the forecasted transaction is not likely to occur, the income or loss accumulated in comprehensive income is immediately recognized in the consolidated statement of income. When the hedge of a forecasted transaction is satisfactory and subsequently does not meet the effectiveness test, the cumulative effects in comprehensive income in stockholders' equity are proportionally transferred to the consolidated statement of income, to the extent the forecasted transaction impacts it.

The fair value of derivative financial instruments reflected in the consolidated financial statements of the Company, is a mathematical approximation of their fair value. It is computed using proprietary models of independent third parties using assumptions based on past and present market conditions and future expectations at the closing date.

i. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the average cost method. The cost of finished goods and work-in-progress includes the cost of product design, raw materials, direct labor, other direct costs and production overheads (based on normal operating capacity), it excludes borrowing costs. The net realizable value is the estimated selling price in the normal course of business, less the applicable variable selling expenses. Costs of inventories include any gain or loss transferred from other comprehensive income corresponding to raw material purchases that qualify as cash flow hedges.

j. Property, plant and equipment

Items of property, plant and equipment are recorded at cost less the accumulated depreciation and any accrued impairment losses. Costs include expenses directly attributable to the asset acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. The carrying amount of the replaced part is derecognized. Repairs and maintenance are recognized in the consolidated statement of income during the year they are incurred. Major improvements are depreciated over the remaining useful life of the related asset.

When the Company carries out major repairs or maintenance of its property, plant and equipment assets, and the cost is recognized in the book value of the corresponding asset as a replacement, provided that the recognition criteria are met, the remaining portion of any major repair or maintenance is derecognized. The Company subsequently depreciates the recognized cost in the useful life assigned to it, based on its best estimate of useful life.



Depreciation is calculated using the straight-line method, considering each of the asset's components separately, except for land, which is not subject to depreciation. The estimated useful lives of asset classes are as follows:

Buildings and constructions	20 to 50 years
Machinery and equipment	10 to 30 years
Vehicles	4 to 20 years
Furniture and office equipment	6 to 15 years
Other assets	10 to 20 years

The spare parts to be used after one year and attributable to specific machinery are classified as property, plant and equipment in other fixed assets.

Borrowing costs related to financing of property, plant and equipment whose acquisition or construction takes a substantial period to be ready for its use (nine months or more), are capitalized as part of the cost of acquiring such qualifying assets, up to the moment when they are suitable for their intended use or sale.

Assets classified as property, plant and equipment are subject to impairment tests when events or circumstances occur indicating that the carrying amount of the assets may not be recoverable. An impairment loss is recognized in the consolidated statement of income in other expenses, net, for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

The residual value and useful lives of assets are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

Gains and losses on disposal of assets are determined by comparing the sale value with the carrying amount and are recognized in other expenses, net, in the consolidated statement of income.

k. Leases

The Company as lessee

The Company evaluates whether a contract meets the criteria for being classified as a lease agreement at the start of the agreement's term. A lease is defined as an agreement or part of an agreement that conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. The Company recognizes a right-of-use asset and the corresponding lease liability, for all lease agreements in which it acts as lessee, except in the following cases: short-term leases (defined as leases with a lease term of less than 12 months); leases of low-value assets (defined as leases of assets with an individual market value of less than \$5; and lease agreements whose payments are variable (without any contractually defined fixed payment). In these cases, the Company recognizes the rent payments as an operating expense in a straight-line method over the lease period.

The right-of-use asset comprises all lease payments discounted at present value; the direct costs to obtain a lease; the advance lease payments; and the obligations of dismantling or removal of assets. The Company depreciates the right-of-use asset over the shorter of the lease term or the useful life of the underlying asset; therefore, when the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Depreciation begins on the lease commencement date.

The lease liability is initially measured at the present value of the future minimum lease payments that have not been paid at that date, using a discount rate that reflects the cost of obtaining funds for an amount similar to the value of the lease payments, for the acquisition of the underlying asset, in the same currency and for a similar period to the corresponding contract (incremental borrowing rate). When lease payments contain non-lease components (services), the Company has chosen, for some class of assets, not to separate them and measure all payments as a single lease component; however, for the rest of the class of assets, the Company measures the lease liability only considering lease payments, while all of the services implicit in the payments, are recognized directly in the consolidated statement of income as operating expenses.

To determine the lease term, the Company considers the non-cancellable period, including the probability of exercising any right to extend and/or terminate the lease term.



Subsequently, the lease liability is measured increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the lease payments made.

When there is a modification in future lease payments resulting from changes in an index or a rate used to determine those payments, the Company measures the lease liability when the adjustment to the lease payments takes effect, without reassessing the discount rate. However, if the modifications are related to the lease term or exercising a purchase option, the Company reassesses the discount rate during the liability's remeasurement. Any increase or decrease in the value of the lease liability subsequent to this remeasurement is recognized as an adjustment to the right-of-use asset to the same extent.

Finally, the lease liability is derecognized when the Company fulfills all lease payments. When the Company determines that it is probable that it will exercise an early termination of the contract that leads to a cash disbursement, such disbursement is accounted as part of the liability's remeasurement mentioned in the previous paragraph; however, in cases in which the early termination does not involve a cash disbursement, the Company cancels the lease liability and the corresponding right-of-use asset, recognizing the difference immediately in the consolidated statement of income.

I. Goodwill and intangible assets

Intangible assets are recognized in the consolidated statement of financial position when they meet the following conditions: they are identifiable, provide future economic benefits and the Company has control over such benefits.

Intangible assets are classified as follows:

(i) Indefinite useful life

These intangible assets are not amortized and are subject to annual impairment assessment. As of December 31, 2024, 2023 and 2022, no factors have been identified limiting the life of these intangible assets.

a. Goodwill

Goodwill represents the excess of the acquisition cost of a subsidiary over the Company's equity in the fair value of the identifiable net assets acquired, determined at the date of acquisition, and is not subject to amortization. Goodwill is shown under goodwill and intangible assets and is recognized at cost less accumulated impairment losses, which are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

(ii) Finite useful life

These assets are recognized at cost less accumulated amortization and impairment losses recognized. They are amortized on a straight-line basis over their estimated useful life, determined based on the expectation of generating future economic benefits, and are subject to impairment tests when triggering events of impairment are identified.

The estimated useful lives of intangible assets with finite useful lives are summarized as follows:

Development costs	5 to 10 years
Relationships with customers	5 to 17 years
Software and licenses	3 to 11 years
Trademarks and patents	15 to 20 years

b. Development costs

Research costs are recognized in income as incurred. Expenditures on development activities are recognized as intangible assets when such costs can be reliably measured, the product or process is technically and commercially feasible, potential future economic benefits are obtained, and the Company intends and also has sufficient resources to complete the development and to use or sell the asset. Their amortization is recognized in income using straight-line method over the estimated useful life of the asset. Development expenditures that do not qualify for capitalization are recognized in income as incurred.



c. Other relationships with customers

The Company has recognized certain relationships with customers corresponding to the costs incurred to obtain new agreements with certain OEMs (Original Equipment Manufacturers), and which will be recognized as a revenue reduction over the term of these agreements. The amortization method used is based on the volume of units produced. As of December 31, 2024, 2023 and 2022, the Company recorded a reduction in revenues associated with the amortization of these assets of \$5,801, \$7,067 and \$6,907 for this item, respectively.

m. Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not depreciable or amortizable and are subject to annual impairment tests. Assets that are subject to amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels at which there are separately identifiable cash flows (cash generating units). Non-financial long-term assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

n. Income tax

The amount of income taxes in the consolidated statements of income represents the sum of the current and deferred income taxes.

The amount of income taxes included in the consolidated statements of income represents the current tax and the effects of deferred income tax assets determined in each subsidiary using the asset and liability method, applying the rate established by the legislation enacted or substantially enacted at the consolidated statement of financial position date, wherever the Company operates and generates taxable income. The applicable rates are applied to the total temporary differences resulting from comparing the accounting and tax bases of assets and liabilities, and that are expected to be applied when the deferred tax asset is realized or the deferred tax liability is expected to be settled, considering, when applicable, any tax-loss carryforwards, prior to the recovery analysis. The effect of the change in current tax rates is recognized in current income of the period in which the rate change is determined.

Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable law is subject to interpretation. Provisions are recognized when appropriate based on the amounts expected to be paid to the tax authorities.

Deferred tax assets are recognized only when it is probable that future taxable profits will exist against which the deductions for temporary differences can be taken.

The deferred income tax on temporary differences arising from investments in subsidiaries and associates is recognized unless the period of reversal of temporary differences is controlled by Nemak, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset only when a legal right exists and offset exists when taxes are levied by the same tax authority.

o. Employee benefits

i. Pension plans

Defined contribution plans:

A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to their service in the current and past periods. Contributions are recognized as employee benefit expense on the date the contribution is required.

Defined benefit plans:

A defined benefit plan is a plan, which specifies the amount of the pension an employee will receive at retirement, usually dependent on one or more factors such as age, years of service and compensation.



The liability recognized in the consolidated statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the consolidated statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rates in conformity with the IAS 19, *Employee Benefits*, that are denominated in the currency in which the benefits will be paid and have maturities that approximate the terms of the pension liability.

Actuarial gains and losses from adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income in the year they occur.

The Company determines the net finance expense (income) by applying the discount rate to the liabilities (assets) from net defined benefits.

Past-service costs are recognized immediately in the consolidated statements of income.

ii. Post-employment medical benefits

The Company provides medical benefits to retired employees after termination of employment. Eligibility for these benefits usually depends on the employee having worked up to the retirement age and having completed a minimum number of years of service. The expected costs of these benefits are accrued over the period of employment using the same criteria as those described for defined benefit pension plans.

iii. Termination benefits

Termination benefits are payable when the Company terminates the employment contract before the normal retirement date or when the employee accepts voluntary severance in exchange for these benefits. The Company recognizes termination benefits in the first of the following dates: (a) when the Company can no longer withdraw the offer of these benefits, and (b) when the Company recognizes the costs from restructuring within the scope of the IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and it involves the payment of termination benefits. If there is an offer that promotes the termination of the employment relationship voluntarily by employees, termination benefits are valued based on the number of employees expected to accept the offer. Benefits that will be paid in the long-term are discounted at their present value.

iv. Short-term benefits

The Company provides benefits to employees in the short-term, which may include wages, salaries, annual compensation, and bonuses payable within 12 months. Nematik recognizes an undiscounted provision when it is contractually obligated or when past practice has created an obligation.

v. Employee participation in profit and bonuses

The Company recognizes a liability and an expense for bonuses and employee profit sharing when it has a legal or assumed obligation to pay these benefits and determines the amount to be recognized based on the profit for the year after certain adjustments.

p. Provisions

Liability provisions represent a present legal obligation or a constructive obligation as a result of past events where an outflow of resources to meet the obligation is likely and where the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the value of money over time and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

When there are a number of similar obligations, the likelihood that an outflow will be required for settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any item included in the same class of obligations may be remote.



Provisions for legal claims are recognized when the Company has a present obligation (legal or assumed) as a result of past events, it is likely that an outflow of economic resources will be required to settle the obligation, and the amount can be reasonably estimated.

A restructuring provision is recorded when the Company has developed a formal detailed plan for the restructure, and a valid expectation for the restructure has been created between the people affected, possibly for having started the plan implementation or for having announced its main characteristics to them.

q. *Share-based payments*

The Company has compensation plans based on the market value of Nemak's shares in favor of certain senior executives and subsidiaries (Note 20). The conditions for granting such compensation to the eligible executives include compliance with certain financial metrics such as the level of profit achieved and remaining in the Company for up to 5 years, among other requirements. The Board of Directors has appointed a technical committee to manage the plan, and it reviews the estimated cash settlement of this compensation at the end of the year. The payment plan is always subject to the discretion of the senior management of Nemak. Adjustments to this estimate are charged or credited to the consolidated statement of income.

The fair value of the amount payable to employees in respect of share-based payments which are settled in cash is recognized as an expense, with a corresponding increase in liabilities, over the period of service required. The liability is included within other liabilities and is adjusted at each reporting date and the settlement date. Any change in the fair value of the liability is recognized as a compensation expense in the consolidated statement of income.

r. *Capital stock*

Nemak SAB's common shares are classified as capital stock within stockholders' equity. Incremental costs directly attributable to the issuance of new shares are included in equity as a reduction from the consideration received, net of tax. Upon the occurrence of a repurchase of its own shares, they become treasury shares, and the amount is presented as a reduction to stockholders' equity at the purchase price. These amounts are stated at their historical value. As of December 31, 2024, 2023 and 2022, \$11,199, \$2,082 and \$50 were repurchased, respectively.

s. *Revenue recognition*

Revenues comprise the fair value of the consideration received or to receive for the sale of goods in the ordinary course of the transactions, and are presented in the consolidated statements of income, net of the amount of variable considerations, which comprise the estimated amount of returns from customers, rebates and similar discounts.

To recognize revenues from contracts with customers, the comprehensive model for revenue accounting is applied, which is based on a five-step approach consisting of the following: (1) identify the contract; (2) identify performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when the company satisfies a performance obligation.

Contracts with customers are given by commercial agreements with the OEM and complemented by purchase orders, whose costs comprise the promises to produce, distribute and deliver goods based on the contractual terms and conditions set forth, which do not imply a significant judgment to be determined. When there are payments related to obtaining new contracts, they are capitalized and amortized over the term of the contract obtained.

The Company evaluates whether the agreements signed for the development of tooling, in parallel with a production contract with the OEMs, should be combined as a single contract. In cases where the two contracts meet the characteristics to be combined, the Company's Management evaluates whether the development of tooling represents a performance obligation, or a cost to fulfill a contract.

Based on the above, when determining the existence of separable performance obligations in a contract with customers, Management evaluates the transfer of control of the good or service to the customer, for the purpose of determining the moment of revenue recognition related to each performance obligation.



When there are modifications to the transaction price, it is recognized as an adjustment to income (increase or reduction) on the date of the contract modification, that is, the adjustment to income is made on a difference recovery basis with the accumulated figures.

Prices assigned to production are based on prices set forth in our customers' purchase orders that represent the stand-alone selling price. Prices are subject to adjustment for changes in aluminum raw material prices.

Changes in raw material prices are monitored, and revenues are adjusted as changes in the raw material price occur. Raw material prices are based on the raw material index at the start of the contract. Price changes are monitored, and revenues are adjusted as changes in the raw material index occur.

Revenues from changes in energy costs, labor costs, inflation, as well as compensations for not meeting consumption volume are recognized as they are negotiated with customers.

If the products have not been delivered by the date of the modification to the transaction price, the Company accounts for the effects of the modification on unsatisfied performance obligations. The Company accounts for the modification of the contract as if it were the termination of an existing one and the creation of a new one, if the pending products are different from those transferred on the date of its modification or before.

Moreover, the payment terms identified in the majority of the sources of revenue are in the short-term, with variable considerations primarily focused on discounts and rebates of goods given to customers, without financing components or significant guarantees. These discounts and incentives to customers are recognized as a reduction to income; therefore, the allocation of the price is directly on the performance obligations of production, including the effects of variable considerations.

The Company recognizes revenue from the sale of goods at a point in time when the goods have been transferred to the customer. The transfer of control occurs at the time of delivery and acceptance of the promised goods to the customer, according to the negotiated contractual terms, which mostly occurs upon delivery of the goods at the Company's facilities. Therefore, an account receivable is recognized when the performance obligations have been met, recognizing the corresponding revenue.

The Company recognizes revenue from tooling (when identified as a performance obligation) at a point in time when the tooling is contractually accepted by the OEM. At the point when the OEM agrees to the performance of the tooling, a payment right is created for the Company to receive the consideration attributable to the investment incurred by the Company. At that point, when the production stage has been initiated, the primary beneficiary of the tooling output is the OEM, and this indicates that control has been transferred, and gross profit is recognized in cost of sales.

t. Advanced payments

Advanced payments mainly comprise insurance and the corporate fee paid to suppliers. These amounts are recorded based on the contractual value and are carried to the consolidated statement of income on a monthly basis during the life to which each advanced payment corresponds; the amount that corresponds to the portion to be recognized within the next 12 months is presented in current assets and the remaining amount is presented in non-current assets.

u. Assets held for sale

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset (or disposal group) is available for immediate sale in its present condition and Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

v. Earnings per share

Earnings per share are calculated by dividing the profit attributable to the stockholders of the parent by the weighted average number of common shares outstanding during the year. As of December 31, 2024, 2023 and 2022, there are no dilutive effects from financial instruments potentially convertible into shares.



w. **Changes in accounting policies and disclosures**

i. *New standards and changes adopted.*

In the current year, the Company has applied a number of amendments to IFRS issued by the IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2024. The conclusions related to their adoption are described as follows:

Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16, adding subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine ‘lease payments’ or ‘revised lease payments’ such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognized by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognized a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15 is a lease liability.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

The Company evaluated the amendments to IFRS 16 and determined that the implementation of these amendments had no effect on its financial information, since it does not have any sale and leaseback transactions.

Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to clarify the characteristics of supplier financing arrangements and require additional disclosures about such arrangements.

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity’s liabilities and cash flows. In addition, IFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity’s exposure to concentration of liquidity risk.

The amendments contain specific transition provisions for the first annual reporting period in which the Company applies the amendments.

The Company applied these amendments to disclose the impact on its liabilities and cash flows, specifically addressing liquidity risk and associated risk management in Note 4 to its consolidated financial statements.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

In January 2020 and November 2022, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current and the classification of debt with covenants

The amendments affect the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of assets, liabilities, income or expenses, or the information disclosed about those items.



The amendments seek to clarify that liabilities are classified as current or non-current based on rights that exist at the end of the reporting period and that classification is unaffected by the entity's expectations to defer settlement of a liability, explains that rights exist if covenants are met at the end of the reporting period, and introduces a definition of 'settlement' to clarify that it refers to the transfer of cash, equity instruments, or other assets or services to the counterparty.

The amendments also specify that only covenants that an entity must meet at or after the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and should be considered in assessing the liability's classification as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed after the reporting date.

The Company evaluated the amendments to IAS 1 and reviewed the classification of its liabilities as necessary to reclassify between current and non-current and did not identify that these amendments to IAS 1 affected its current accounting policies applicable to its financial information, since it already classifies its liabilities according to contractual terms, without considering future refinancing plans defined in its liquidity financial risk management strategy.

Amendments to IAS 1 - Non-current Liabilities with Covenants

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity is only required to comply with the covenant after the reporting date. However, if the entity's right to defer payment of a liability is subject to compliance with covenants within twelve months after the reporting date, it should disclose information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of the related liabilities, and the facts and circumstances, if any, that indicate that the entity may have problems complying with the covenants.

The Company evaluated the amendments to IAS 1 and classifies liabilities as current or non-current based on what is expected to occur at the end of the period and discloses information about its covenants in Note 15 to its consolidated financial statements.

ii. New, revised and issued IFRS, but not yet effective.

As of the date of these consolidated financial statements, the Company had not applied the following amendments to the IFRS that have been issued, but are not yet effective, and the adoption of these amendments, except for IFRS 18, is not expected to have a material impact on the consolidated financial statements in future periods, considering that they are not of significant applicability. The amendments to the IFRS are included below:

- Amendments to IAS 21 – Lack of Exchangeability ⁽¹⁾
- Amendments to IFRS 7 and IFRS 9 – Classification and Measurement of Financial Instruments ⁽²⁾
- Amendments to IFRS 7 and IFRS 9 – Nature-dependent Electricity Contracts ⁽²⁾
- IFRS 19 – Subsidiaries without Public Accountability: Disclosures ⁽³⁾

(1) Effective for annual reporting periods beginning on January 1, 2025

(2) Effective for annual reporting periods beginning on January 1, 2026

(3) Effective for annual reporting periods beginning on January 1, 2027

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33.

IFRS 18 introduces new requirements to:

- Present specified categories and defined subtotals in the statement of profit or loss
- Provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- Improve aggregation and disaggregation



The IFRS 18 is effective for annual periods beginning on or after 1 January 2027. Early adoption is permitted. The amendments to IAS 7, IAS 33, IAS 8 and IFRS 7 are effective when an entity first adopts IFRS 18. An entity is required to apply IFRS 18 retrospectively by applying the temporary specific terms.

The Company is conducting an analysis to determine the applicable amendments to the presentation of the consolidated income statement and the consolidated statement of cash flows, and to identify the MPMs to be disclosed within its consolidated financial statements.

4. Financial instruments and financial risk management

The Company’s activities expose it to various financial risks; market risk (including exchange rate risk, price risk, and interest rate variation risk), credit risk and liquidity risk.

The Company has a general risk management program focused on the unpredictability of financial markets and seeks to minimize the potential adverse effects on its financial performance. The objective of the risk management program is to protect the financial health of its business, considering the volatility associated with foreign exchange and interest rates. The Company uses derivative financial instruments to hedge certain exposures to risks, including hedges of input prices.

The proposed transactions must meet certain criteria, including hedges that are lower than established risk parameters, and that they are the result of a detailed analysis and are properly documented. Additionally, sensitivity analysis and other risk analyses should be performed before the operation is conducted.

The Company’s risk management policy indicates that the hedging positions should always be lower than the projected exposure to allow an acceptable margin of uncertainty. Unhedged operations are expressly prohibited. The Company’s risk management policy indicates the maximum percentages must be hedged with respect to the projected exposure:

	Maximum coverage (as a percentage of the projected exposure)
	Current year
Commodities	100
Energy costs	75
Exchange rate for operating transactions	80
Exchange rate for financial transactions	100
Interest rates	100

Capital management

The Company’s objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to stockholders and benefits to other stakeholders, as well as maintaining an optimal capital structure to reduce cost of capital.

To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to stockholders, return equity to stockholders, issue new shares or sell assets to reduce debt.

Nemak monitors capital based on a leverage ratio. This percentage is calculated by dividing total liabilities by total equity.

The financial ratio of total liabilities / total equity was 2.17, 2.11 and 2.05 as of December 31, 2024, 2023 and 2022, respectively, resulting in a leverage ratio that complies with the Company’s management and risk policies.



Financial instruments by category

Below are the Company's financial instruments by category:

As of December 31, 2024, 2023 and 2022, financial assets and liabilities consist of the following:

	2024	2023	2022
Cash and cash equivalents	\$ 342,077	\$ 322,606	\$ 416,554
Restricted cash	4,439	5,657	8,053
Financial assets measured at amortized cost:			
Trade and other accounts receivable	508,750	564,275	611,032
	<u>\$ 855,266</u>	<u>\$ 892,538</u>	<u>\$ 1,035,639</u>
Financial liabilities measured at amortized cost:			
Debt	\$ 1,763,361	\$ 1,757,434	\$ 1,546,831
Lease liability	105,080	113,815	100,765
Trade and accounts payable to related parties	1,009,673	1,125,662	1,161,958
	<u>\$ 2,878,114</u>	<u>\$ 2,996,911</u>	<u>\$ 2,809,554</u>

Fair value of financial assets and liabilities measured at amortized cost

The amount of cash and cash equivalents, restricted cash, customers and other accounts receivable, other current assets, trade and other accounts payable, current debt, other current liabilities approximate their fair value, because their maturity date is less than twelve months. The net carrying amount of these accounts represents the expected cash flows to be received as of December 31, 2024, 2023 and 2022.

The carrying amount and estimated fair value of non-current financial assets and liabilities valued at amortized cost is presented below:

	As of December 31, 2024		As of December 31, 2023		As of December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:						
Non-current liabilities before issuance and obtaining costs	\$1,693,966	\$1,537,217	\$1,495,464	\$ 1,353,666	\$1,466,216	\$1,255,223

Estimated fair values as of December 31, 2024, 2023 and 2022, were determined based on a discounted cash flow basis. Measurement at fair value for the financial debt is considered within levels 1 and 2 of the hierarchy.

Market risks

(i) Exchange rate risk

The Company operates internationally, and is exposed to foreign exchange risk, primarily derived from the transactions and balances that the subsidiaries conduct and have in foreign currency, respectively. A foreign currency is that which is different from the functional currency of an entity. In addition, the Company is exposed to changes in the value of financial instruments arising from foreign exchange variations.

The respective exchange rates of the U.S. dollar, the Mexican peso and the Euro are very important factors for the Company due to the effect they have on its consolidated results. Nemak estimates that approximately 53% of its sales are U.S. dollars denominated, 34% in Euros, and the remaining 13% in other currencies since the price of its products is set based on such currencies.



The main risk of the Company associated with its financial instruments comes from its debt in foreign currency, mainly in euros, held by entities whose functional currency is the U.S. dollar. In addition, the Company maintains assets and liabilities denominated in foreign currency in relation to the functional currency of the subsidiaries in Mexican pesos and Euros. The monetary position in Euros and Mexican pesos have been converted to thousands of U.S. dollars at the closing exchange rate of December 31, 2024:

	EUR	MXN
Financial assets	\$ 487	\$ 122,058
Financial liabilities	102,466	115,044
Financial position in foreign currency	<u>\$ (101,979)</u>	<u>\$ 7,014</u>

The exchange rate used to convert the financial position in foreign currency from EUR and MXN to USD is described on Note 3c.

Based on the monetary positions in foreign currencies that the Company maintains, a hypothetical variation of 10% in the exchange rate MXN/USD and EUR/USD, maintaining all the other variables constant, will result in an effect of \$24,602 in the consolidated statement of income and of \$9,496 in equity.

Financial instruments to hedge net investments in foreign transactions

The Company designates certain non-current debt instruments as hedges to net investments in foreign transactions in order to mitigate the variations in exchange rates arising between the functional currency for such transactions and the functional currency of the holding or sub-holding company that maintains these investments.

The Company formally designated and documented each hedging relationship establishing objectives, Management's strategy to cover the risk, the identification of the hedging instrument, the hedged item, the nature of the risk to be hedged, and the methodology to assess the effectiveness. Given that the exchange rate hedging relationship is clear, the method that the Company used to assess the effectiveness consisted of a qualitative effectiveness test by comparing the critical terms between the hedging instruments and the hedged items. The hedging effectiveness results confirm that the hedging relationships are highly effective due to the economic relationship between hedging instrument and hedged items. For its part, when the value of the net assets of the foreign transaction is less than the notional value of the designated debt, the Company performs a rebalancing of the hedging relationship and recognizes ineffectiveness in the statement of income.

The Company maintains the following hedging relationships:

As of December 31, 2024						
Holding	Functional Currency	Hedging Instrument	Notional Value (millions of Euros)		Covered item	Net assets of the hedged item (millions of Euros)
Nemak, S.A.B. de C.V.	USD	Sustainability-Linked Bonds	EUR	329	Nemak Dillingen GmbH	EUR 194
					Nemak Linz GmbH	42
					Nemak Gyor Kft.	135
					Nemak Slovakia, S.r.o.	97
					Nemak Wernigerode GmbH	71
					Nemak Czech Republic, S.r.o.	55
					Nemak Poland Sp.z.o.o.	35
					Nemak Spain, S.L.	33
					Nemak Pilsting GmbH	14
					Nemak Izmir Dokum Sanayi A.S.	78
			<u>EUR</u>	<u>329</u>		<u>EUR 753</u>



As of December 31, 2023						
Holding	Functional Currency	Hedging Instrument	Notional Value (millions of Euros)		Covered item	Net assets of the hedged item (millions of Euros)
Nemak, S.A.B. de C.V.	USD	Sustainability-Linked Bonds	EUR	275	Nemak Dillingen GmbH	EUR 179
					Nemak Linz GmbH	38
					Nemak Gyor Kft.	138
					Nemak Slovakia, S.r.o.	85
					Nemak Wernigerode GmbH	75
					Nemak Czech Republic, S.r.o.	57
					Nemak Poland Sp.z.o.o.	45
					Nemak Spain, S.L.	29
					Nemak Pilsting GmbH	14
					Nemak Izmir Dokum Sanayi A.S.	75
						EUR 735

As of December 31, 2022						
Holding	Functional Currency	Hedging Instrument	Notional Value (millions of Euros)		Covered item	Net assets of the hedged item (millions of Euros)
Nemak, S.A.B. de C.V.	USD	Sustainability-Linked Bonds	EUR	297	Nemak Dillingen GmbH	EUR 160
					Nemak Linz GmbH	34
					Nemak Gyor Kft.	138
					Nemak Slovakia, S.r.o.	75
					Nemak Wernigerode GmbH	73
					Nemak Czech Republic, S.r.o.	58
					Nemak Poland Sp.z.o.o.	50
					Nemak Spain, S.L.	27
					Nemak Pilsting GmbH	14
					Nemak Izmir Dokum Sanayi A.S.	54
						EUR 683

The average coverage ratio of the Company amounted to 31.97%, 32.44% and 34.94% for the years ended December 31, 2024, 2023 and 2022, respectively. Therefore, the exchange rate fluctuation generated by the hedging instruments for the years ended December 31, 2024, 2023 and 2022 represented a net profit (loss) of \$17,803, \$13,509 and \$(11,575), respectively, which was recognized in other comprehensive income compensating the translation effect by each foreign investment. The results of the effectiveness of each hedging instrument confirm that the hedging relationships are highly effective due to the economic relationship between the hedging instruments and the hedging items.

(ii) Price risk commodities

a. Aluminum

Nemak utilizes significant amounts of aluminum in the form of scrap, as well as ingots as its main raw material. In order to mitigate the risks related to the volatility of the prices of this commodity, the Company has entered into agreements with its customers, whereby the variations of aluminum prices are transferred to the sales price of the products through a pre-established formula.

However, there is a residual risk since each OEM uses its own formula to estimate aluminum prices, which normally reflects market prices based on an average term that may range from one to three months. As a result, the basis used by each OEM to calculate the prices of aluminum alloys may differ from the ones used by the Company to buy aluminum, which could negatively or positively impact its business, financial position, and the results of its operations.



b. Natural gas

Nemak is an entity that uses natural gas to carry out its operating processes and develop its products. This consumption has grown as the volume of their end products increases, which causes that an increase in the price of natural gas creates negative effects on the operating cash flows. In order to mitigate its exposure to the price of this material, the Company conducts some natural gas hedging transactions using derivative instruments. Therefore, according to its risk management program, the Company enters into hedges against the exposure to the increase in natural gas prices, for future purchases by entering into swaps where variable prices are received, and a fixed price is paid. A strategy called roll-over has been implemented, through which it is analyzed each month if more derivatives should be contracted to extend the time or the amount of hedging. Given the volatility of gas prices, in November 2023, the Company entered into hedges for Mexico and the USA, that represented on average 32% of its consumption of 2024; during 2024, the Company also entered into hedges for both regions, that represented 35% of its consumption of 2025. As of December 31, 2024, 2023 and 2022, the fair value of the derivative financial instruments was \$416, \$1,971 and \$4,913, respectively.

Interest rate risk

The Company is exposed to interest rate risk mainly for long-term loans bearing interest at variable rates. Fixed-interest loans expose the Company to interest rate risk at fair value, which implies that Nemak might be paying interest at rates significantly different from those of an observable market.

As of December 31, 2024, if interest rates on variable rate are increased or decreased by 100 basis points in relation to the rate in effect, the income and stockholders' equity of the Company would change by \$18,684.

Credit risk

Credit risk represents a potential loss due to non-compliance of counterparts in their payment obligations. Credit risk is generated by cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to customers, including receivables and committed transactions.

The Company is managed on a group basis and credit risk profile, the significant clients with whom it maintains a receivable, distinguishing those that require an individual credit risk assessment. For the rest of the clients, the Company carries out its classification according to the type of market in which they operate, according with the business management and the internal risk management. Each subsidiary is responsible for managing and analyzing credit risk for each of its new customers before setting the terms and conditions of payment. If wholesale customers are qualified independently, these are the qualifications used. If there is no independent qualification, the Company's risk control assesses the customer's credit quality, taking into account its financial position, previous experience and other factors. The maximum exposure to credit risk is given by the balances of these items as presented in the consolidated state of financial position.

Individual risk limits are determined based on internal and external ratings in accordance with limits set in the financial risk management policy. The use of credit risks is monitored regularly. During 2024, 2023 and 2022, credit limits were not exceeded.

In addition, the Company performs a qualitative evaluation of economic projections, with the purpose of determining the possible impact on probabilities of default and the rate of recovery that it assigns to its clients.

During the year ended December 31, 2024, there have been no changes in the techniques of estimation or assumption.

Liquidity risk

Projected cash flows are determined at each operating subsidiary of the Company and subsequently the finance department consolidates this information. The finance department of the Company continuously monitors the cash flow projections and liquidity requirements of the Company ensuring that sufficient cash and liquid investments are maintained to meet operating needs, and that some flexibility is maintained through unused uncommitted and committed credit lines.

The Company regularly monitors and makes decisions to ensure that the limits or covenants set forth in credit agreements are not breached. Projections consider the financing plans of the Company, compliance with covenants, compliance with minimum liquidity ratios and internal legal or regulatory requirements.

The Company's treasury department invests those funds in time deposits, with high credit quality whose maturities or liquidity allow flexibility to meet the cash flow needs of the Company.



The following table analyzes the non-derivative financial instruments, grouped according to their maturity, from the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows, including future non-accrued interests and sustainability-linked bonds.

	Less than a year	From 1 to 5 years	More than 5 years
As of December 31, 2024			
Trade and accounts payable to related parties	\$ 1,009,673	\$ -	\$ -
Debt (excluding debt obtaining costs)	92,352	734,543	74,273
Lease liability	28,931	73,013	3,136
Sustainability-linked bond (excluding issuance costs)	32,129	128,696	1,027,254
Interest payable	10,684	-	-
As of December 31, 2023			
Trade and accounts payable to related parties	\$ 1,125,662	\$ -	\$ -
Debt (excluding debt obtaining costs)	325,101	360,945	223,603
Lease liability	27,665	56,001	30,149
Sustainability-linked bond (excluding issuance costs)	32,129	141,766	1,081,014
Interest payable	10,545	-	-
As of December 31, 2022			
Trade and accounts payable to related parties	\$ 1,161,958	\$ -	\$ -
Debt (excluding debt obtaining costs)	125,662	123,751	187,021
Lease liability	15,598	42,249	42,918
Sustainability-linked bond (excluding issuance costs)	31,041	153,036	1,081,321
Interest payable	7,089	-	-

The Company expects to meet its obligations with cash flows generated by operations. Additionally, Nematik has access to credit lines with various banks to meet possible requirements.

As of December 31, 2024, 2023 and 2022, the Company has uncommitted short-term credit lines unused of more than \$688,126, \$423,856 and \$532,000, respectively. Additionally, as of December 31, 2024, 2023 and 2022, Nematik has committed medium-term credit lines available of \$402,660, \$422,800 and \$525,000, respectively.

Supplier finance arrangements

The Company operates the following types of supplier finance arrangements:

In order to ensure easy access to credit for its suppliers and facilitate early settlement, the group has entered into supplier finance arrangements that permit the suppliers to obtain payment from the banks for the amounts billed up to 7 days before the invoice due date subject to a discount between 5% and 12%. The arrangements permit the banks to early settle invoices up to the total amount published. The discount represents less than the trade discount for early repayment commonly used in the market. The group repays the banks the full invoice amount on the scheduled payment date as required by the invoice. As the arrangements do not permit the group to extend finance from the banks by paying them later than the group would have paid its suppliers, the group considers amounts payable to the banks should be presented as part of trade and other accounts payables. As of 31 December 2024, 28% of trade payables were amounts owed under these arrangements.

Below is a detailed account of supplier financing agreements and their presentation within the consolidated statement of financial position:

	December 31, 2024	December 31, 2023
Presented as part of “Trade and other accounts payables”:	<u>\$417,683</u>	<u>\$422,249</u>
Trade payables for which suppliers have already received payment from the finance provider	<u>\$347,190</u>	



Below is a breakdown of the payment date ranges for supplier financing agreements as of December 31, 2024:

	Days
For liabilities presented as part of “Trade and other accounts payables”:	
Liabilities that are part of supplier finance arrangements	96
Comparable trade payables that are not part of supplier finance arrangements	89

Changes in liabilities that are subject to supplier finance arrangements are primarily attributable to additions resulting from purchases of goods and services and subsequent cash settlements. There were no material non-cash changes in these liabilities.

The Company does not face a significant liquidity risk as a result of its supplier finance arrangements given the limited amount of liabilities subject to supplier finance arrangements and the group’s access to other sources of finance on similar terms.

Fair value hierarchy

The following is an analysis of financial instruments measured in accordance with the fair value hierarchy. The 3 different levels of the fair value hierarchy are presented below:

- Level 1: Quoted prices for identical instruments in active markets.
- Level 2: Other valuations including quoted prices for similar instruments in active markets, which are directly or indirectly observable.
- Level 3: Valuations made through techniques where one or more of their significant data inputs are unobservable.

The Company’s assets and liabilities that are measured at fair value as of December 31, 2024, 2023 and 2022, are classified within the level 2 of the fair value hierarchy.

There were no transfers between Levels 1 and 2 or between Level 2 and 3 during the period.

The specific valuation techniques used to value financial instruments include:

- Market quotations or trader quotations for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves.
- The fair value of forward exchange agreements is determined using exchange rates at the closing balance date, with the resulting value discounted at present value.
- Other techniques such as the analysis of discounted cash flows, which are used to determine fair value of the remaining financial instruments.

5. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

a. Estimated impairment of goodwill

The Company conducts annual tests to determine whether goodwill and intangible assets with indefinite useful lives have suffered any impairment (Note 12). For impairment testing, goodwill and intangibles assets with indefinite lives are allocated to those cash generating units (“CGU”) for which the Company has considered that economic and operational synergies of the business combinations are generated. The recoverable amounts of the groups of CGUs were determined based on the calculations of their value in use, which require the use of estimates, within which, the most significant are the following:



- Future gross and operating margins according to the historical performance and expectations of the industry for each CGU group.
- Discount rate based on the weighted cost of capital (“WACC”) of each CGU or CGU group.
- Long-term growth rates.

b. Recoverability of deferred tax assets

The Company has tax losses to be utilized, derived mainly from significant foreign exchange losses, which may be used in the subsequent years (Note 25). Based on income and tax revenue projections Nemak will generate in subsequent years through a structured and robust business plan, which includes the sale of non-strategic assets, new services to be provided to its subsidiaries, among others, the Company’s Management has considered that its tax loss carryforwards will be used before they expire and therefore it has been deemed appropriate to recognize a deferred tax asset for such losses.

c. Contingent liabilities

Management also makes judgments and estimates in recording provisions for matters relating to claims and litigation. Actual costs may vary from estimates for several reasons, such as changes in cost estimates for resolution of complaints and disputes based on different interpretations of the law, opinions and evaluations concerning the amount of loss.

Contingencies are recorded as provisions when it is likely that a liability has been incurred, and the amount of the loss is reasonably estimable. It is not practical to estimate sensitivity to potential losses if other assumptions were used to record these provisions, due to the number of underlying assumptions and the range of possible reasonable outcomes regarding potential actions by third parties, such as regulators, both in terms of loss probability and estimates of such loss.

d. Long-lived assets

The Company estimates the useful lives of long-lived assets in order to determine the depreciation and amortization expenses to be recorded during the reporting period. The useful life of an asset is calculated when the asset is acquired and is based on past experience with similar assets, considering anticipated technological changes or any other type of changes. Were technological changes to occur faster than estimated, or differently than anticipated, the useful lives assigned to these assets could have to be reduced. This would lead to the recognition of a greater depreciation and amortization expense in future periods. Alternatively, these types of technological changes could result in the recognition of a charge for impairment to reflect the reduction in the expected future economic benefits associated with the assets.

The Company reviews the impairment indicators for depreciable and amortizable assets annually, or when certain events or circumstances indicate that the book value may not be recovered in the remaining useful life of those assets. On the other hand, intangible assets with an indefinite useful life are subject to impairment tests at least every year and provided there is an indication that the asset could have been impaired.

To evaluate the impairment, the Company uses cash flows, which consider the administrative estimates for future transactions, including estimates for revenues, costs, operating expenses, capital expenses and debt service. In accordance with IFRS, discounted future cash flows associated with an asset or CGU would be compared to the carrying amount of the asset or CGU in question to determine whether an impairment or a reversal of impairment exists whenever such discounted future cash flows are less than their carrying amount. In such case, the carrying amount of the asset or group of assets is reduced to its recoverable amount.

e. Estimation of default probabilities and recovery rate to apply the model of expected losses in the calculation of impairment of financial assets

The Company assigns to customers with whom it maintains an account receivable at each reporting date, either individually or as a group, an estimate of the probability of default on the payment of accounts receivable and the estimated recovery rate, with the purpose of reflecting the cash flows expected to be received from the outstanding balances on such date.

f. Estimation of the discount rate to calculate the present value of future minimum income payments

The Company estimates the discount rate to be used in determining the lease liability, based on the incremental loan rate (“IBR”).



The Company uses a three-tier model, with which it determines the three elements that make up the discount rate: (i) reference rate, (ii) credit risk component and (iii) adjustment for characteristics of the underlying asset. In this model, Management also considers its policies and practices to obtain financing, distinguishing between that obtained at the corporate level (that is, by the holder), or at the level of each subsidiary. Finally, for the real estate leases or in which there is significant and observable evidence of its residual value, the Company estimates and evaluates an adjustment for the characteristics of the underlying asset, taking into account the possibility that said asset be granted as collateral or guarantee against the risk of default.

g. Estimate of the lease term

The Company defines the term of the leases as the period for which there is a contractual payment commitment, considering the non-cancelable period of the contract, as well as the renewal and early termination options that are likely to be exercised. The Company participates in lease agreements that do not have a definite forced term, a defined renewal period (if it contains a renewal clause), or automatic annual renewals, therefore, to measure the lease liability, it estimates the term of the contracts considering their contractual rights and limitations, their business plan, as well as the administration's intentions for the use of the underlying asset. Additionally, the Company considers the early termination clauses of its contracts and the probability of exercising them, as part of its estimate of the lease term.

6. Cash and cash equivalents

Cash and cash equivalents presented in the consolidated statements of financial position consist of the following:

	December 31,		
	2024	2023	2022
Cash on hand and in banks	\$ 158,482	\$ 149,735	\$ 110,471
Short-term bank deposits	183,595	172,871	306,083
Total cash and cash equivalents	<u>\$ 342,077</u>	<u>\$ 322,606</u>	<u>\$ 416,554</u>

7. Restricted cash

The value of restricted cash is composed as follows:

	December 31,		
	2024	2023	2022
Current	\$ 664	\$ 1,039	\$ 1,554
Non-current (Note 13)	3,775	4,618	6,499
Restricted cash ⁽¹⁾	<u>\$ 4,439</u>	<u>\$ 5,657</u>	<u>\$ 8,053</u>

(1) In accordance with the provisions of a credit agreement, the Company has made long-term cash deposit pursuant to a preferential loan arranged in order to participate in a financing by a United States agency to promote investment in rural / low-development regions in the USA.

8. Trade and other accounts receivables, net

	December 31,		
	2024	2023	2022
Trade accounts receivable	\$382,603	\$416,631	\$475,919
Due from related parties (Note 26)	9,979	11,323	10,296
Recoverable taxes	71,424	41,383	24,841
Sundry debtors	122,417	150,142	137,221
Allowance for impairment of trade accounts receivable and related parties	(6,249)	(13,821)	(12,404)
	<u>\$580,174</u>	<u>\$605,658</u>	<u>\$635,873</u>



Movements in the allowance for impairment of trade accounts receivable are as follows:

	2024	2023	2022
Opening balance as of January 1	\$ (13,821)	\$ (12,404)	\$ (11,061)
Allowance for impairment of trade and related parties	(2,886)	(854)	(1,295)
Receivables written off during the year	10,063	739	392
Other	395	(1,302)	(440)
Final balance as of December 31	<u>\$ (6,249)</u>	<u>\$ (13,821)</u>	<u>\$ (12,404)</u>

The net change in the estimate of impairment of accounts receivable for the years ended December 31, 2024, 2023 and 2022 were \$7,572, \$1,417 and \$1,343, respectively, it was mainly due to changes in the estimation of probabilities of default and the percentage of recovery, allocated to different customer groups in which the Company operates, which reflected an increase in credit risk over these financial assets.

The following describes the probability of default ranges and recovery rates allocated to the main customer segments with which the company has balances receivable in its different businesses:

Clients or group of clients	As of December 31, 2024	
	Probability of default range	Severity of loss
Automotive	0.0% - 1.27% ⁽¹⁾	99.04%
Related parties	0.0% - 0.51%	99.94%

Clients or group of clients	As of December 31, 2023	
	Probability of default range	Severity of loss
Automotive	0.0% - 1.18% ⁽¹⁾	99.29%
Related parties	0.0% - 0.36%	99.84%

Clients or group of clients	As of December 31, 2022	
	Probability of default range	Severity of loss
Automotive	0.0% - 5.16% ⁽¹⁾	99.42%
Related parties	0.0% - 1.93%	99.90%

(1) As of December 31, 2024, 2023, and 2022, the maximum probability of default range belongs to a single client. All the other clients of the Company maintain a maximum probability of default of 0.22%, 0.59% and 1.38%, respectively.

Increases and decreases in customer impairment estimation, when they do not imply the legal loss of an account receivable, are recognized in the consolidated statement of income within the heading of sales costs. On the other hand, when collection rights are legally lost, the Company cancels the accumulated doubtful collection estimate, with the gross amount of the account receivable.

The company does not maintain any significant collateral or guarantees that mitigate exposure to the credit risk of its financial assets.

9. Inventories

	December 31,		
	2024	2023	2022
Raw material and other consumables	\$ 410,714	\$ 502,910	\$ 428,609
Work in process	289,643	278,741	270,116
Finished goods	120,474	122,398	147,650
	<u>\$ 820,831</u>	<u>\$ 904,049</u>	<u>\$ 846,375</u>

For the years ended on December 31, 2024, 2023 and 2022, damaged, slow-moving and obsolete inventory was charged to cost of sales in the amount of \$(726), \$1,798 and \$2,285, respectively.

As of December 31, 2024, 2023 and 2022, there were no inventories pledged as collateral.



10. Property, plant, and equipment, net

	Land	Buildings and constructions	Machinery and equipment	Vehicles	Furniture and equipment	Constructions in progress	Other fixed assets	Total
For the year ended December 31, 2022								
Opening balance, net	\$ 81,828	\$ 428,227	\$ 1,638,949	\$ 1,607	\$ 28,387	\$ 328,606	\$ 51,678	\$ 2,559,282
Translation effect	(1,705)	(11,367)	(30,885)	(62)	(793)	11,075	(1,467)	(35,204)
Additions	-	134	51,837	50	121	346,135	10,090	408,367
Disposals	(4)	(156)	(17,691)	(10)	(34)	(60)	(3,601)	(21,556)
Impairment charge recognized in the year	-	-	(36,117)	-	-	-	-	(36,117)
Depreciation charge recognized in the year	-	(23,953)	(210,202)	(931)	(7,902)	-	(824)	(243,812)
Transfers	43	24,437	211,057	1,075	9,946	(249,064)	2,506	-
	<u>\$ 80,162</u>	<u>\$ 417,322</u>	<u>\$ 1,606,948</u>	<u>\$ 1,729</u>	<u>\$ 29,725</u>	<u>\$ 436,692</u>	<u>\$ 58,382</u>	<u>\$2,630,960</u>
As of December 31, 2022								
Cost	\$ 80,162	\$ 811,878	\$ 4,523,634	\$ 12,364	\$ 142,407	\$ 436,692	\$ 65,827	\$ 6,072,964
Accumulated depreciation	-	(394,556)	(2,916,686)	(10,635)	(112,682)	-	(7,445)	(3,442,004)
Net carrying amount as of December 31, 2022	<u>\$ 80,162</u>	<u>\$ 417,322</u>	<u>\$ 1,606,948</u>	<u>\$ 1,729</u>	<u>\$ 29,725</u>	<u>\$ 436,692</u>	<u>\$ 58,382</u>	<u>\$2,630,960</u>
For the year ended December 31, 2023								
Opening balance, net	\$ 80,162	\$ 417,322	\$ 1,606,948	\$ 1,729	\$ 29,725	\$ 436,692	\$ 58,382	\$ 2,630,960
Translation effect	1,107	(15,267)	33,161	591	978	42,820	1,118	64,508
Additions	-	86	29,823	56	504	441,309	12,472	484,250
Disposals	(1,162)	(2,281)	(5,447)	(15)	(17)	-	-	(8,922)
Impairment charge recognized in the year	-	(4,487)	(18,942)	-	(49)	(6,346)	(360)	(30,184)
Depreciation charge recognized in the year	-	(25,332)	(235,812)	(694)	(8,909)	-	(2,047)	(272,794)
Transfers	97	38,673	311,298	237	13,768	(364,901)	828	-
	<u>\$ 80,204</u>	<u>\$ 408,714</u>	<u>\$ 1,721,029</u>	<u>\$ 1,904</u>	<u>\$ 36,000</u>	<u>\$ 549,574</u>	<u>\$ 70,393</u>	<u>\$2,867,818</u>
As of December 31, 2023								
Cost	\$ 80,204	\$ 813,646	\$ 4,745,688	\$ 12,586	\$ 156,884	\$ 549,574	\$ 80,095	\$ 6,438,677
Accumulated depreciation	-	(404,932)	(3,024,659)	(10,682)	(120,884)	-	(9,702)	(3,570,859)
Net carrying amount as of December 31, 2023	<u>\$ 80,204</u>	<u>\$ 408,714</u>	<u>\$ 1,721,029</u>	<u>\$ 1,904</u>	<u>\$ 36,000</u>	<u>\$ 549,574</u>	<u>\$ 70,393</u>	<u>\$2,867,818</u>
For the year ended December 31, 2024								
Opening balance, net	\$ 80,204	\$ 408,714	\$ 1,721,029	\$ 1,904	\$ 36,000	\$ 549,574	\$ 70,393	\$ 2,867,818
Translation effect	(2,587)	(16,249)	(11,767)	(97)	(2,323)	9,680	(5,414)	(28,757)
Additions	-	196	5,166	121	588	358,088	7,446	371,605
Disposals	-	(640)	(13,520)	(14)	(9)	-	(17)	(14,200)
Impairment charge recognized in the year ^(Note 27)	-	-	(90,838)	-	(1,415)	-	(1,228)	(93,481)
Depreciation charge recognized in the year	-	(27,189)	(248,637)	(740)	(10,455)	-	(1,752)	(288,773)
Transfers	1,827	36,176	402,899	758	16,426	(458,795)	709	-
	<u>\$ 79,444</u>	<u>\$ 401,008</u>	<u>\$ 1,764,332</u>	<u>\$ 1,932</u>	<u>\$ 38,812</u>	<u>\$ 458,547</u>	<u>\$ 70,137</u>	<u>\$ 2,814,212</u>
As of December 31, 2024								
Cost	\$ 79,444	\$ 811,588	\$ 4,888,621	\$ 12,735	\$ 165,768	\$ 458,547	\$ 80,561	\$ 6,497,264
Accumulated depreciation	-	(410,580)	(3,124,289)	(10,803)	(126,956)	-	(10,424)	(3,683,052)
Net carrying amount as of December 31, 2024	<u>\$ 79,444</u>	<u>\$ 401,008</u>	<u>\$ 1,764,332</u>	<u>\$ 1,932</u>	<u>\$ 38,812</u>	<u>\$ 458,547</u>	<u>\$ 70,137</u>	<u>\$2,814,212</u>



As of December 31, 2024, 2023 and 2022, the Company capitalized borrowing costs to qualifying assets for \$9,042, \$7,470 and \$2,970, respectively, which were not significant.

Of the total depreciation expense, \$275,321, \$258,897 and \$229,086 were charged to cost of sales, \$129, \$131 and \$108, to selling expenses and \$13,323, \$13,766 and \$14,618, to administrative expenses in 2024, 2023 and 2022, respectively.

As of December 31, 2024, 2023 and 2022, there were property, plant and equipment pledged as collateral (Note 15).

The other fixed assets are mainly made up of spare parts and long-term improvements.

11. Right-of-use assets, net

The Company leases a different set of fixed assets including buildings, machinery and equipment, vehicles, and computer equipment. The average term of the lease contracts as of December 31, 2024 is 3 years.

- a) The right of use recognized in the consolidated statement of financial position as of December 31, 2024, 2023 and 2022, and in the consolidated statements of income for the years ended December 31, 2024, 2023, 2022, are as follows:

	Buildings	Machinery and equipment	Vehicles	Other fixed assets	Total
Final balances as of December 31, 2022	<u>\$ 75,521</u>	<u>\$ 3,931</u>	<u>\$ 6,316</u>	<u>\$ 2,726</u>	<u>\$ 88,494</u>
Final balances as of December 31, 2023	<u>\$ 74,160</u>	<u>\$ 5,388</u>	<u>\$ 15,729</u>	<u>\$ 3,304</u>	<u>\$ 98,581</u>
Final balances as of December 31, 2024	<u>\$ 65,354</u>	<u>\$ 5,800</u>	<u>\$ 16,305</u>	<u>\$ 2,402</u>	<u>\$ 89,861</u>
Depreciation expense 2022	<u>\$(11,279)</u>	<u>\$ (3,031)</u>	<u>\$ (13,664)</u>	<u>\$ (1,740)</u>	<u>\$(29,714)</u>
Depreciation expense 2023	<u>\$(14,408)</u>	<u>\$ (3,062)</u>	<u>\$ (15,303)</u>	<u>\$ (2,331)</u>	<u>\$(35,104)</u>
Depreciation expense 2024	<u>\$(13,269)</u>	<u>\$ (3,333)</u>	<u>\$ (14,793)</u>	<u>\$ (2,417)</u>	<u>\$(33,812)</u>

The additions to the net book value of the right of use assets for the years ended December 31, 2024, 2023 and 2022 amounted \$28,947, \$44,041 and \$28,385, respectively.

- b) Expenses recognized in the consolidated statements of income for the years ended December 31, 2024, 2023 and 2022, are as follows:

	2024	December 31, 2023	2022
Rent expenses from short-term and low-value asset leases	\$16,701	\$16,749	\$12,670

The Company has not signed lease contracts, which at the date of the consolidated financial statements have not started.

During the year, the Company did not realize significant extensions to the term of its lease contracts.



12. Goodwill and intangible assets, net

	Development costs	Relationships with customers	Software and licenses	Intellectual property rights	Goodwill	Others	Total
Cost							
As of January 1, 2022	\$ 583,071	\$ 121,353	\$ 17,458	\$ 5,400	\$ 296,147	\$ 25,108	\$ 1,048,537
Translation effects	(28,471)	(2,554)	(753)	-	(11,736)	379	(43,135)
Additions	55,337	-	313	-	-	292	55,942
Disposals	(7,690)	(451)	(95)	-	-	(299)	(8,535)
As of December 31, 2022	\$ 602,247	\$ 118,348	\$ 16,923	\$ 5,400	\$ 284,411	\$ 25,480	\$ 1,052,809
Translation effects	5,854	2,012	235	-	6,351	(237)	14,215
Additions	48,166	3,269	595	-	-	410	52,440
Disposals	(2,676)	-	(113)	-	-	(298)	(3,087)
As of December 31, 2023	\$ 653,591	\$ 123,629	\$ 17,640	\$ 5,400	\$ 290,762	\$ 25,355	\$ 1,116,377
Translation effects	(12,891)	(2,023)	(1,253)	-	(11,571)	(369)	(28,107)
Additions	15,959	-	798	-	-	420	17,177
Disposals	(6,046)	(3,762)	(209)	-	-	(533)	(10,550)
As of December 31, 2024	\$ 650,613	\$ 117,844	\$ 16,976	\$ 5,400	\$ 279,191	\$ 24,873	\$ 1,094,897
Accumulated amortization							
As of January 1, 2022	\$ (344,399)	\$ (84,652)	\$ (14,679)	\$ (5,400)	\$ -	\$ (21,507)	\$ (470,637)
Amortizations	(44,454)	(7,083)	(928)	-	-	(419)	(52,884)
Disposals	6,664	440	95	-	-	299	7,498
Translation effects	15,804	4,915	801	-	-	(101)	21,419
As of December 31, 2022	\$ (366,385)	\$ (86,380)	\$ (14,711)	\$ (5,400)	\$ -	\$ (21,728)	\$ (494,604)
Amortizations	(60,868)	(7,046)	(749)	-	-	(472)	(69,135)
Impairment	(1,374)	-	(10)	-	-	-	(1,384)
Disposals	2,450	-	93	-	-	299	2,842
Translation effects	(2,183)	(2,534)	(197)	-	-	91	(4,823)
As of December 31, 2023	\$ (428,360)	\$ (95,960)	\$ (15,574)	\$ (5,400)	\$ -	\$ (21,810)	\$ (567,104)
Amortizations	(59,774)	(5,801)	(756)	-	-	(468)	(66,799)
Impairment ^(Note 27)	(10,309)	-	-	-	-	-	(10,309)
Disposals	2,587	1,719	209	-	-	533	5,048
Translation effects	8,650	5,593	929	-	-	249	15,421
As of December 31, 2024	\$ (487,206)	\$ (94,449)	\$ (15,192)	\$ (5,400)	\$ -	\$ (21,496)	\$ (623,743)
Net carrying amount							
Cost	602,247	118,348	16,923	5,400	284,411	25,480	1,052,809
Accumulated amortization	(366,385)	(86,380)	(14,711)	(5,400)	-	(21,728)	(494,604)
As of December 31, 2022	\$ 235,862	\$ 31,968	\$ 2,212	\$ -	\$ 284,411	\$ 3,752	\$ 558,205
Cost	653,591	123,629	17,640	5,400	290,762	25,355	1,116,377
Accumulated amortization	(428,360)	(95,960)	(15,574)	(5,400)	-	(21,810)	(567,104)
As of December 31, 2023	\$ 225,231	\$ 27,669	\$ 2,066	\$ -	\$ 290,762	\$ 3,545	\$ 549,273
Cost	650,613	117,844	16,976	5,400	279,191	24,873	1,094,897
Accumulated amortization	(487,206)	(94,449)	(15,192)	(5,400)	-	(21,496)	(623,743)
As of December 31, 2024	\$ 163,407	\$ 23,395	\$ 1,784	\$ -	\$ 279,191	\$ 3,377	\$ 471,154



Of the total amortization expense, \$79,337, \$80,278 and \$61,960, were charged to cost of sales, \$15,239, \$16,678 and \$13,514, to administrative expenses, \$234, \$216 and \$217 to selling expenses, and \$5,801, \$7,067 and \$6,907 decreasing the revenues to costs incurred to obtain new agreements with clients in 2024, 2023 and 2022, respectively.

Impairment testing of goodwill

Goodwill is allocated to operating segments that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units or groups of units, as follows:

	North America	Europe	Total
Balance as of January 1, 2022	\$ 106,812	\$ 189,335	\$ 296,147
Translation effect	18	(11,754)	(11,736)
Balance as of December 31, 2022	\$ 106,830	\$ 177,581	\$ 284,411
Translation effect	(18)	6,369	6,351
Balance as of December 31, 2023	\$ 106,812	\$ 183,950	\$ 290,762
Translation effect	-	(11,571)	(11,571)
Balance as of December 31, 2024	<u>\$ 106,812</u>	<u>\$ 172,379</u>	<u>\$ 279,191</u>

The estimated gross margin has been budgeted based on past performance and market development expectations. The growth rate used is consistent with the projections included in the industry reports. The discount rate used is before taxes and it reflects the inherent risk in future cash flows.

The recoverable amount of all cash generating units has been determined based on fair value less costs of disposal considering a market participant's perspective. These calculations use cash flow projections based on pre-tax financial budgets approved by Management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used in calculating the value in use in 2024, 2023 and 2022 were as follows:

	2024		
	North America	Europe	Rest of the World
Estimated gross margin	15.59%	12.61%	15.68%
Growth rate	2.00%	1.50%	2.50%
Discount rate	11.60%	10.85%	12.96%

	2023		
	North America	Europe	Rest of the World
Estimated gross margin	15.86%	14.02%	13.38%
Growth rate	1.50%	1.50%	2.50%
Discount rate	14.64%	12.24%	16.01%

	2022		
	North America	Europe	Rest of the World
Estimated gross margin	15.51%	14.74%	8.92%
Growth rate	1.50%	1.50%	2.50%
Discount rate	14.08%	12.26%	14.44%

The Company performed sensitivity analyses considering a potential change individually in the key assumptions, increasing the discount rate by 100 basis points, decreasing the long-term growth rate and reducing the estimated gross margin. As a result, the sensitivity analyses did not indicate a potential risk that the carrying value would exceed the recoverable value as of December 31, 2024.



13. Other non-current assets

	2024	December 31, 2023	2022
Restricted cash (Note 7)	\$ 3,775	\$ 4,618	\$ 6,499
Equity investments ⁽¹⁾	-	-	3,644
Investments in associates	23,903	22,276	18,071
Other assets	6,745	8,627	6,704
Total other non-current assets	<u>\$ 34,423</u>	<u>\$ 35,521</u>	<u>\$ 34,918</u>

(1) Equity investments are investments in shares of non-publicly traded companies. No impairment loss was recognized as of December 31, 2024, 2023 and 2022.

The accumulated summarized financial information for investments in associates accounted for under the equity method and that are not considered material, is as follows:

	2024	2023	2022
Net income (loss) , recognized using the equity method	<u>\$ 2,865</u>	<u>\$ 2,486</u>	<u>\$ (508)</u>

There are no contingent liabilities or commitments related to the Company's investments in associates.

14. Trade and other accounts payable

	2024	December 31, 2023	2022
Trade account payable	\$ 1,001,421	\$ 1,120,172	\$ 1,156,457
Advances from customers	31,196	44,799	45,329
Other social security fees and benefits	102,033	108,248	97,673
Related parties (Note 26)	8,252	5,490	5,501
Other payables	364,449	323,347	272,206
	<u>\$ 1,507,351</u>	<u>\$ 1,602,056</u>	<u>\$ 1,577,166</u>

15. Debt

	2024	December 31, 2023	2022
Current:			
Bank loans ^{(1) (2) (3)}	\$ 68,874	\$ 264,145	\$ 86,593
Current portion of non-current debt	3,967	29,116	13,289
Interest payable ⁽¹⁾	10,684	10,545	7,089
Total current debt	<u>\$ 83,525</u>	<u>\$ 303,806</u>	<u>\$ 106,971</u>
Non-current debt:			
Secured bank loans	\$ 4	\$ 73	\$ 130
Unsecured bank loans	676,237	442,966	432,763
<u>In U.S dollars:</u>			
Sustainability-linked bonds / Senior Notes	500,000	500,000	500,000
<u>In Euros:</u>			
Sustainability-linked bonds / Senior Notes	517,725	552,425	533,323
Non-current debt before debt issuance and obtaining costs	1,693,966	1,495,464	1,466,216
Less: Debt issuance and obtaining costs	(10,163)	(12,720)	(13,067)
Less: current portion of other debts	(3,967)	(29,116)	(13,289)
Non-current debt	<u>\$ 1,679,836</u>	<u>\$ 1,453,628</u>	<u>\$ 1,439,860</u>

(1) As of December 31, 2024, 2023 and 2022, short-term bank loans bore interest at an average rate of 4.65%, 5.87% and 4.51%, respectively. The short-term interest payable as of December 31, 2024, 2023, and 2022 amounted to \$801, \$741 and \$826.

(2) The fair value of bank loans approximates their current book value, due to their short maturity.

(3) During 2022, the Company made payments on current bank debt for an amount of \$70,000. This credit was fully settled at the March 2022 close.



The carrying amounts, terms and conditions of non-current debt were as follows:

Description	Contractual currency	Value (USD)	Debt issuance and obtaining costs	Interest payable	Balance as of December 31, 2024	Balance as of December 31, 2023	Balance as of December 31, 2022	Inception date MM/DD/YYYY	Maturity date MM/DD/YYYY	Interest rate
Brazil	BRL	\$ 4	\$ -	\$ 1	\$ 5	\$ 74	\$ 130	12/15/2020	01/25/2025	6.00%
Total secured bank loans		4		1	5	74	130			
Bancomext LP ⁽¹⁾	USD	-	-	-	-	-	182,785	12/23/2019	12/23/2029	6.30%
Bancomext LP 2023 ⁽¹⁾	USD	198,320	951	3,460	200,829	202,422	-	11/04/2023	11/04/2033	7.75%
Club Loan 2024 ⁽²⁾										
The Bank of Nova Scotia	USD	61,500	441	95	61,154	-	-	08/16/2024	08/15/2029	SOFR 3M + 2.10%
Scotiabank Inverlat	USD	1,000	5	1	996	-	-	08/16/2024	08/15/2029	SOFR 3M + 2.10%
BBVA Mexico	USD	62,500	446	96	62,150	-	-	08/16/2024	08/15/2029	SOFR 3M + 2.10%
Bank of America	USD	62,500	446	96	62,150	-	-	08/16/2024	08/15/2029	SOFR 3M + 2.10%
Sumitomo	USD	62,500	446	96	62,150	-	-	08/16/2024	08/15/2029	SOFR 3M + 2.10%
Green Loan 2024 ⁽³⁾										
The Bank of Nova Scotia	USD	95,000	449	146	94,697	98,914	99,218	12/17/2024	01/13/2030	SOFR 3M + 2.10%
Scotiabank Inverlat	USD	5,000	23	7	4,984	-	-	12/17/2024	01/13/2030	SOFR 3M + 2.10%
BBVA Mexico	USD	100,000	472	153	99,681	98,784	99,218	12/17/2024	01/13/2030	SOFR 3M + 2.10%
The Bank of Nova Scotia ⁽³⁾	USD	-	-	-	-	98,914	99,218	12/22/2022	12/19/2027	SOFR 1M + 2.15%
BBVA México ⁽³⁾	USD	-	-	-	-	98,784	99,218	12/22/2022	12/19/2027	SOFR 1M + 2.15%
Scotiabank Turkey	EUR	12,425	-	-	12,425	6,917	13,377	12/27/2024	12/27/2028	0.50%
Spain	EUR	1,688	-	-	1,688	2,305	2,685	12/02/2020	02/01/2028	1.50%
USA	USD	13,804	2,332	-	11,472	29,309	28,562	10/31/2020	12/21/2025	1.31%
Total unsecured bank loans		676,237	6,011	4,150	674,376	438,651	425,845			
Total bank loans		676,241	6,011	4,151	674,381	438,725	425,975			
Sustainability-linked bond / Senior Notes	USD	500,000	2,388	-	497,612	498,254	498,412	06/28/2021	06/28/2031	3.63%
Sustainability-linked bond / Senior Notes	EUR	517,725	1,764	5,726	521,687	555,570	534,979	07/20/2021	07/20/2028	2.25%
Total Senior Notes		1,017,725	4,152	5,726	1,019,299	1,053,824	1,033,391			
Total		1,693,966	10,163	9,877	1,693,680	1,492,549	1,459,366			
Less: current portion of non-current debt		(3,967)	-	-	(3,967)	(29,116)	(13,274)			
Non-current debt (including non-current interest debt payable)		<u>\$1,689,999</u>	<u>\$ 10,163</u>	<u>\$ 9,877</u>	<u>\$ 1,689,713</u>	<u>\$ 1,463,433</u>	<u>\$ 1,446,092</u>			

- (1) In 2023, the Company secured a financing with Bancomext for \$200,000 for a 10-year term at a variable rate of SOFR + 2.50. The funds received were used to prepay the unpaid balance of a loan contracted with the same institution.
- (2) In 2024, the Company secured a club loan for \$250,000 with a 5-year term at a variable rate of SOFR 3M + 2.10. The proceeds from this loan were used to repay the balance of uncommitted credit facilities.
- (3) In 2024, the Company secured a green loan for \$200,000 with a 5-year term at a variable rate of SOFR 3M + 2.10. The proceeds from this loan were used to pay off the loans of the same amount from BBVA and The Bank of Nova Scotia secured during 2022.



As of December 31, 2024, the annual maturities of non-current debt, gross of debt issuance and obtaining costs are the following:

	2025	2026	2027	2028	2029	2030 and thereafter	Total
Bank loans ⁽¹⁾	\$ 17,489	\$ 5,200	\$ 8,400	\$ 26,512	\$267,600	\$ 351,040	\$ 676,241
Sustainability-linked bonds ⁽²⁾	-	-	-	517,725	-	500,000	1,017,725
	<u>\$ 17,489</u>	<u>\$ 5,200</u>	<u>\$ 8,400</u>	<u>\$544,237</u>	<u>\$267,600</u>	<u>\$ 851,040</u>	<u>\$1,693,966</u>

(1) Interest on bank loans will be paid quarterly.

(2) Interest on Sustainability-linked bonds will be paid semiannually.

Some of the loan contracts and debt agreements contain restrictions, primarily regarding the compliance with certain financial ratios, including:

- Interest coverage ratio: which is defined as EBITDA (Note 27) for the period of the last four complete quarters divided by financial expenses, net, for the last four quarters, which shall not be less than 3.0 times.
- Leverage ratio: which is defined as consolidated debt at that date, being the gross debt or net debt appropriate, divided by EBITDA (Note 27) for the period of the last four complete quarters⁽¹⁾, which shall not be more than 3.5 times.

During 2024, 2023 and 2022, the financial ratios mentioned above were calculated in accordance with the established formulas in the credit agreements.

In 2021, the Company issued two Senior Notes with the characteristic of “Sustainability-Linked Bonds”:

The first one was issued in June for \$500,000 with a fixed rate of 3.625% and a 10-year maturity, and its use was to prepay the Senior Notes issued for the same amount in January 2018.

The second one was issued in July for EUR 500,000 with a fixed rate of 2.25% and a 7-year maturity, and its use was to prepay the Senior Notes issued for the same amount in March 2017.

Both issuances were contracted without financial obligations and without joint and several obligors under an investment grade structure.

Both issuances incorporate a measurement for the year concluding December 31, 2026 to achieve at least an 18% reduction of CO2 emissions, if the goal is not achieved, the interest coupons shall increase 25 basis points as of June 28, 2027, with respect to the Sustainability-Linked Bonds in dollars and as of July 20, 2027, with respect to the Sustainability-Linked Bond in euros. This goal is consistent with our sustainability commitment to reduce GHG emissions in 28% by 2030, which were approved by the Science-Based Targets initiative (“SBTi”) in 2021.

In 2022, the Company secured a loan of \$200,000 with two banks featuring a five-year bullet repayment. Under the terms of the loan, the banks provided \$100,000 each. This transaction represents the Company’s first-ever green bank loan, with the proceeds being used to finance the installation of new plants dedicated to the production of components for electric vehicles of global customers. These plants are located in Mexico, Germany, and the Czech Republic.

In August 2024, the Company secured a term loan with four banks for \$250,000 over five years with a single payment at maturity. In this credit facility, each bank contributed \$62,500. The proceeds were mainly used to pay short-term debt.

In December 2024, the Company secured a green loan from two banks in the amount of \$200,000 for a term of five years, repayable in a single payment upon maturity. In this credit facility, each bank contributed \$100,000. The proceeds from this loan were used to pay a green loan for the same amount secured in 2022.



As of December 31, 2024, 2023 and 2022 and the date of issuance of these consolidated financial statements, the Company is in compliance with all obligations and affirmative and negative covenants contained in its credit agreements; such obligations, among other conditions are subject to certain exceptions, and require or limit the ability of the Company to:

- Provide certain financial information;
- Maintain books and records;
- Maintain assets in appropriate conditions, except for those that cannot be expected to have a substantially adverse effect;
- Comply with applicable laws, rules and regulations, whose compliance may have a substantially adverse effect;
- Incur additional indebtedness, except if it is in compliance with affirmative and negative covenants in credit agreements;
- Pay dividends (only applicable to Nemark SAB), except if it is in compliance with affirmative and negative covenants in credit agreements;
- Grant liens on assets when the amount of secured obligations exceeds a percentage of total consolidated assets, as defined in each case;
- Enter into certain transactions with affiliates that are not in market conditions;
- Perform a consolidation or merger, except if the Company is the surviving one, and
- Carry out sale of assets, including sale and leaseback operations, whose value exceeds the amount determined in each case, except if it involves obsolete or abandoned assets, or such sale is performed according to ordinary course of business, fair market price and market conditions.

As of December 31, 2024, 2023 and 2022, there are no assets pledged as collateral for any of the subsidiaries, except for some assets, pledged as collateral in a long-term debt granted by a Brazilian government entity to promote investment (by its acronym in Portuguese, "BNDES"). As of December 31, 2024, the outstanding balance and the value of the pledged assets are approximately \$4 and \$253, respectively. As of December 31, 2023, the outstanding balance and the value of the pledged assets are approximately \$73 and \$307. As of December 31, 2022, the outstanding balance and the value of the pledged assets are approximately \$100 and \$304, respectively.

16. Lease liability

	December 31,		
	2024	2023	2022
<u>Current portion:</u>			
USD	\$ 14,974	\$ 13,114	\$ 5,929
EUR	10,082	9,282	8,642
Other currencies	3,875	5,269	1,014
	<u>\$ 28,931</u>	<u>\$ 27,665</u>	<u>\$ 15,585</u>
Current lease liability			
<u>Non-current portion:</u>			
USD	\$ 38,532	\$ 41,411	\$ 26,040
EUR	49,437	52,380	52,437
Other currencies	17,111	20,024	22,288
	<u>105,080</u>	<u>113,815</u>	<u>100,765</u>
Less: Current portion of lease liability	<u>(28,931)</u>	<u>(27,665)</u>	<u>(15,585)</u>
Non-current lease liability	<u>\$ 76,149</u>	<u>\$ 86,150</u>	<u>\$ 85,180</u>



As of December 31, 2024, 2023 and 2022, changes in the lease liability related to the financing activities in accordance with the statement of cash flows consist of the following:

	2024	2023	2022
Beginning balance	\$ 113,815	\$ 100,765	\$ 101,185
New contracts	28,947	44,041	28,385
Write-offs	(72)	(281)	(434)
Interest expense from lease liability	6,779	7,234	4,203
Lease payments	(67,844)	(41,924)	(30,937)
Exchange loss (income)	23,455	3,980	(1,637)
Ending balance	<u>\$ 105,080</u>	<u>\$ 113,815</u>	<u>\$ 100,765</u>

The maturity of the lease liability that include non-accrued interest is analyzed as follows:

	December 31, 2024
Less than 1 year	\$ 28,931
Over 1 year and less than 3 years	57,079
Over 3 year and less than 5 years	15,934
Over 5 years	<u>3,136</u>
Total	<u>\$ 105,080</u>

17. Other liabilities

	2024	December 31, 2023	2023
Current:			
Other taxes and withholdings	\$ 10,889	\$ 11,233	\$ 12,157
Statutory employee profit sharing	12,289	11,841	18,446
Share-based payment (Note 20)	373	775	890
Derivative financial instruments (Nota 4)	416	1,971	4,913
Others	<u>94</u>	<u>36</u>	<u>128</u>
Total	<u>\$ 24,061</u>	<u>\$ 25,856</u>	<u>\$ 36,534</u>
Non-current:			
Other ⁽¹⁾	<u>\$ 14,859</u>	<u>\$ 16,996</u>	<u>\$ 7,527</u>
Total	<u>\$ 14,859</u>	<u>\$ 16,996</u>	<u>\$ 7,527</u>

⁽¹⁾ It includes share-based payments (Note 20).

18. Employee benefits

The valuation of employee benefits for retirement plans is based primarily on their years of service, current age, and estimated salary at retirement date.

Subsidiaries of the Company have established funds for the payment of retirement benefits through irrevocable trusts.



Employee benefit obligations recognized in the consolidated statement of financial position are shown below:

Country	December 31,		
	2024	2023	2022
Mexico	\$ 54,321	\$ 52,809	\$ 40,961
Canada	4,807	4,992	3,168
Poland	11,655	12,314	10,878
Austria	9,653	10,259	8,305
Germany	6,820	6,569	5,394
Other	3,795	2,923	5,598
Total	<u>\$ 91,051</u>	<u>\$ 89,866</u>	<u>\$ 74,304</u>

Below is a summary of the primary financial data of these employee benefits:

	December 31,		
	2024	2023	2022
Obligations in the consolidated statement of financial position:			
Pension benefits	\$ 85,894	\$84,511	\$66,560
Post-employment medical benefits	<u>5,157</u>	<u>5,355</u>	<u>7,744</u>
Liability recognized in the consolidated statement of financial position	<u>91,051</u>	<u>89,866</u>	<u>74,304</u>
Charge in the consolidated statements of income for:			
Pension benefits	2,536	5,531	(8,168)
Post-employment medical benefits	<u>(206)</u>	<u>241</u>	<u>(235)</u>
	<u>2,330</u>	<u>5,772</u>	<u>(8,403)</u>
Remeasurements from employee benefit obligations recognized in other comprehensive (loss) income for the year			
Pension benefits	(3,366)	(3,176)	(1,282)
Post-employment medical benefits	<u>22</u>	<u>65</u>	<u>1,871</u>
	<u>(3,344)</u>	<u>(3,111)</u>	<u>589</u>
Remeasurements accumulated in stockholders' equity	<u>\$(12,716)</u>	<u>\$(9,372)</u>	<u>\$(6,261)</u>

The Company manages post-employment medical benefits, primarily in Mexico and Canada. The accounting method, assumptions and frequency of valuations are similar to those used for benefits defined in pension schemes.

Amounts recognized in the consolidated statement of financial position are determined as follows:

	December 31,		
	2024	2023	2022
Present value of the obligations	\$ 120,826	\$ 119,070	\$ 101,108
Fair value of plan assets	<u>(29,775)</u>	<u>(29,204)</u>	<u>(26,804)</u>
Net liabilities in the consolidated statement of financial position	<u>\$ 91,051</u>	<u>\$ 89,866</u>	<u>\$ 74,304</u>



The movement in the defined benefit obligation during the year was as follows:

	2024	2023	2022
As of January 1	\$ 119,070	\$ 101,108	\$ 106,226
Current service cost	7,556	6,689	7,360
Interest cost	4,022	5,457	2,867
Contributions from plan participants	24	28	25
Remeasurements:			
Actuarial remeasurements	11,407	3,216	(6,334)
Settlements	(2,109)	946	(2,290)
Benefits paid	(20,525)	(7,825)	(4,565)
Exchange differences	1,381	9,451	(2,181)
As of December 31	<u>\$ 120,826</u>	<u>\$ 119,070</u>	<u>\$ 101,108</u>

The movement in the fair value of plan assets for the year was as follows:

	2024	2023	2022
As of January 1	\$ (29,204)	\$ (26,804)	\$ (35,611)
Interest income	(1,062)	(1,129)	(1,114)
Remeasurements – return from plan assets, net	(974)	(1,230)	5,553
Exchange differences	(34)	(1,459)	3,800
Contributions from plan participants	(799)	(872)	(2,685)
Employee contributions	24	(28)	25
Benefits paid	2,274	2,318	3,228
As of December 31	<u>\$ (29,775)</u>	<u>\$ (29,204)</u>	<u>\$ (26,804)</u>

The primary actuarial assumptions were as follows:

	December 31,		
	2024	2023	2022
Mexico:			
Inflation rate	4.21%	4.66%	7.82%
Wage increase rate	6.00%	5.50%	5.00%
Future wage increase	3.75%	5.50%	3.50%
Medical inflation rate	7.00%	7.00%	7.00%
Discount rate:			
Mexico	10.50%	9.75%	9.25%
Canada	4.65%	4.62%	5.14%
Austria	4.25%	4.45%	4.00%
United States	5.15%	5.50%	5.10%
Germany	3.62%	3.68%	3.15%
Poland	5.30%	5.20%	6.70%

The sensitivity analysis of the main assumptions for defined benefit obligations discount rate were as follows:

	Impact on defined benefit obligations		
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate	1%	\$4,335	\$23,732

Pension benefit assets

Plan assets are comprised of the following:

	2024	2023	2022
Equity instruments	\$ 5,330	\$ 8,387	\$ 7,706
Short and long-term fixed-income securities	24,445	20,817	19,098
	<u>\$ 29,775</u>	<u>\$ 29,204</u>	<u>\$ 26,804</u>



19. Stockholders' equity

At December 31, 2024, 2023 and 2022, the fixed, capital stock of \$420,535, \$431,734 and \$433,816, respectively, was represented by 2,940,877, 3,037,820 and 3,054,812 thousand registered common shares, "Class I" of the Series "A", without face value, fully subscribed and paid, respectively.

As of December 31, 2022, the shares were represented as follows:

Stockholder	Number of shares	
	(In thousands)	Amount
Public investors	3,055,292	\$ 433,866
Repurchase of shares	(480)	(50)
Balances as of December 31, 2022	<u>3,054,812</u>	<u>\$ 433,816</u>

As of December 31, 2023, the shares were represented as follows:

Stockholder	Number of shares	
	(In thousands)	Amount
Public investors	3,054,812	\$ 433,816
Repurchase of shares	(16,992)	(2,082)
Balances as of December 31, 2023	<u>3,037,820</u>	<u>\$ 431,734</u>

As of December 31, 2024, the shares were represented as follows:

Stockholder	Number of shares	
	(In thousands)	Amount
Public investors	3,037,820	\$ 431,734
Repurchase of shares	(96,943)	(11,199)
Balances as of December 31, 2024	<u>2,940,877</u>	<u>\$ 420,535</u>

The movement in outstanding shares for the year was as follows:

	Number of shares (In thousands)
Shares as of January 1, 2022	3,055,292
Repurchase of shares	(480)
Shares as of December 31, 2022	3,054,812
Repurchase of shares	(16,992)
Shares as of December 31, 2023	3,037,820
Repurchase of shares	(96,943)
Shares as of December 31, 2024	<u>2,940,877</u>

The profit for the period is subject to the legal provision requiring at least 5% of the profit for each period to be set aside to increase the legal reserve until it reaches an amount equivalent to 20% of the capital stock. As of December 31, 2024, 2023 and 2022, the legal reserve amounted to \$61,992 (MXN 1,256,471), \$73,766 (MXN 1,246,171), and \$61,351 (MXN 1,187,853), respectively, which is included in retained earnings.

Dividends paid are not subject to ISR tax if paid from Net Tax Profit Account ("CUFIN", for its acronym in Spanish). Any dividends paid in excess of this account will cause a tax equivalent to 42.86% if they are paid in 2024. This tax is payable by the Company and may be credited against its income tax in the same year or the following two years or, if applicable, against the flat tax of the period. Dividends paid from profits, which have previously paid income tax are not subject to tax withholding or to any additional tax payment. As of December 31, 2024, the tax value of the consolidated CUFIN and value of the Capital Contribution Account ("CUCA") amounted to \$1,457,737 (MXN 29,545,856) and \$536,117 (MXN 10,866,183), respectively.



The incentive is applicable provided that such dividends or profits were generated in 2014, 2015 and 2016 and are reinvested in the legal entity that generated such profits, and consists of a tax credit equal to the amount obtained by applying the dividend or profits distributed, which corresponds to the year in which such amounts are distributed as follows:

Year of distribution of dividend or profit	Percentage of application to the amount of dividend or profit distributed.
2022	5%
2023	5%
2024 onwards	5%

The tax credit will be used against the additional 10% income tax that the Company must withhold and pay.

To apply the tax credit, the Company must meet the following requirements:

- Must identify in its accounting records the corresponding records to the profits or dividends generated in 2014, 2015 and 2016 and the respective distributions.
- Present in the notes to the consolidated financial statements information for the period in which profits were generated, dividends that were reinvested or distributed.

Entities distributing dividends or profits in respect of shares placed among the investing public should inform brokerage firms, credit institutions, investment firms, the people who carry out the distribution of shares of investment companies, or any other intermediary, the necessary details for these brokers to be able to make the corresponding withholding. For the years ended December 31, 2024, 2023 and 2022, the Company generated taxable income of \$25,049, \$4,373 and \$50,591, respectively, which may be subject to this withholding.

In the case of a capital reduction, Mexican tax law establishes that any excess of stockholders' equity over capital contributions be given the same tax treatment as applicable to dividends.

20. Share-based payments

The Company has a compensation plan relating to the value of its shares for senior executives of Nemak and its subsidiaries. According to the terms of the plan, eligible executives will receive a cash payment conditional on the achievement of certain quantitative and qualitative metrics based on the following financial measures:

- Improved share price
- Improvement in net income
- Tenure of the executives in the Company

The bonus will be paid in cash over the next five years, i.e. 20% each year based on the average price per share for the month of December of each year. The average share's price considered for the compensation's measurement in U.S. dollars in 2024, 2023 and 2022 was \$0.11 (MXN 2.32), \$0.25 (MXN 4.19) and \$0.3 (MXN 5.78), the measurement is considered to be within level 1 of the fair value hierarchy.

Short and long-term liability are included in Other liabilities (Note 17) and are integrated as follows:

	December 31,		
	2024	2023	2022
Short-term	\$ 373	\$ 775	\$ 890
Long-term	983	1,907	2,007
Total carrying amount	<u>\$ 1,356</u>	<u>\$ 2,682</u>	<u>\$ 2,897</u>



21. Expenses classified by nature

The total cost of sales and administrative and sales expenses, classified by nature, were as follows:

	2024	December 31 2023	2022
Raw materials	\$(2,057,701)	\$(2,156,650)	\$(2,218,264)
Maquila (production outsourcing)	(301,881)	(316,057)	(275,668)
Employee benefit expenses (Note 24)	(1,077,313)	(1,043,245)	(848,878)
Personnel expenses	(3,308)	(5,972)	(4,508)
Maintenance	(257,917)	(245,537)	(213,125)
Depreciation and amortization	(383,583)	(369,966)	(319,503)
Freight charges	(45,154)	(47,221)	(26,689)
Advertising expenses	(529)	(780)	(586)
Consumption of energy and fuel	(222,240)	(296,903)	(272,964)
Travel expenses	(8,518)	(11,030)	(9,169)
Operating leases	(16,701)	(16,749)	(12,670)
Technical assistance, professional fees and administrative services	(114,363)	(129,667)	(108,803)
Other	(188,876)	(160,691)	(143,663)
Total	<u>\$(4,678,084)</u>	<u>\$(4,800,468)</u>	<u>\$(4,454,490)</u>

22. Other (expenses) income, net

	2024	2023	2022
Gain on sale of property, plant, and equipment ⁽¹⁾	\$ 1,386	\$ 11,330	\$ 222
Impairment of property, plant, and equipment (Note 27)	(103,790)	(31,568)	(36,117)
Other income	19,106	3,950	9,925
Total other (expenses) income, net	<u>\$ (83,298)</u>	<u>\$ (16,288)</u>	<u>\$ (25,970)</u>

(1) For the year ended as of December 31, 2023, the gain on sale of property, plant and equipment corresponds mainly to the sale of building of the subsidiary Nemak of Canada Corporation.

23. Financial results, net

	2024	2023	2022
Financial income:			
Interest income in short-term bank deposits	\$ 4,559	\$ 5,116	\$ 1,722
Financial income with related parties (Note 26)	406	507	341
Other financial income ⁽¹⁾	21,716	1,776	3,652
Total financial income	<u>\$ 26,681</u>	<u>\$ 7,399</u>	<u>\$ 5,715</u>
Financial expenses:			
Interest expense on bank loans ⁽³⁾	\$ (108,372)	\$ (84,911)	\$ (55,409)
Other financial expenses ⁽²⁾	(48,489)	(43,959)	(19,356)
Total financial expense	<u>\$ (156,861)</u>	<u>\$ (128,870)</u>	<u>\$ (74,765)</u>
Exchange fluctuation gain (loss), net:			
Exchange fluctuation gain	\$ 322,764	\$ 112,851	\$ 224,706
Exchange fluctuation loss	(285,373)	(169,228)	(234,493)
Total exchange fluctuation gain (loss), net	<u>\$ 37,391</u>	<u>\$ (56,377)</u>	<u>\$ (9,787)</u>
Financial results, net	<u>\$ (92,789)</u>	<u>\$ (177,848)</u>	<u>\$ (78,837)</u>

(1) It includes interest on plan assets (Note 18) and other items.

(2) It includes the financial cost of employee benefits (Note 18).



24. Employee benefit expenses

	2024	2023	2022
Salaries, wages and benefits	\$ 906,438	\$ 890,828	\$ 716,656
Contributions to social security	152,003	142,075	112,314
Employee pension benefits (Note 18)	7,556	6,689	7,360
Other contributions	11,316	3,653	12,548
Total	<u>\$ 1,077,313</u>	<u>\$ 1,043,245</u>	<u>\$ 848,878</u>

Holiday Labor Reform

On December 27, 2022, the amendments of the articles 76 and 78 of the Federal Labor Law (“LFT”, by its acronym in Spanish) were published in Mexico and is effective as of January 1, 2023. The amendments resulting from this labor reform consider the increase in the minimum annual vacation period for workers with more than one year of service.

The Company evaluated the accounting impacts generated by this labor reform and determined that the increases in the vacation and vacation premium provision, as a result of the increase of vacation days, were not significant as of December 31, 2024, 2023 and 2022.

25. Income taxes

The Company is subject to income tax, whose rate is 30% in Mexico. The statutory income tax rates applicable to the main foreign subsidiaries were as follows:

	2024	2023	2022
Germany	30%	30%	30%
Austria	23%	24%	25%
Brazil	34%	34%	34%
China	25%	25%	25%
Spain	24%	24%	24%
Slovakia	21%	21%	21%
United State of America	21%	21%	21%
Hungary	9%	9%	9%
Poland	19%	19%	19%
Turkey	25%	20%	23%

a) Income tax recognized in the consolidated statements of income:

	2024	2023	2022
Current tax	\$ (23,261)	\$ (75,304)	\$ (62,496)
Deferred tax	<u>(7,040)</u>	<u>78,437</u>	<u>6,000</u>
Income tax expensed	<u>\$ (30,301)</u>	<u>\$ 3,133</u>	<u>\$ (56,496)</u>

The Company adopted in 2023 the amendments to IAS 12, *Income Taxes*, applicable to income taxes arising from tax laws enacted or substantially enacted to implement the Pillar Two model rules published by the Organization for Economic Cooperation and Development (“OECD”), including tax laws implementing qualified national minimum taxes described in those standards.

The Company continues to apply the temporary exception to the accounting requirements for deferred taxes in IAS 12, so the Company does not recognize or disclose information about deferred tax assets and liabilities related to Pillar Two model income taxes.

The Company does not estimate material effects; however it will continue to evaluate the impact of the Pillar Two model income tax legislation on its future financial performance.



b) The reconciliation between the statutory and effective income tax rates was as follows:

	2024	2023	2022
Income before taxes	\$ 55,350	\$ 1,240	\$ 107,087
Equity in losses of associates recognized through the equity method	(2,865)	(2,486)	508
Income (loss) before interests in associates	52,485	(1,246)	107,595
Statutory rate	30%	30%	30%
Taxes at statutory rate	(15,746)	374	(32,279)
(Add) less tax effect on:			
Inflation adjustments	(7,423)	(4,826)	(34,417)
Non-deductible expenses	(19,613)	(23,255)	4,099
Non-taxable exchange effects	(1,970)	18,299	3,658
Other	14,451	12,541	2,443
Total income tax expense	\$ (30,301)	\$ 3,133	\$ (56,496)
Effective rate	58%	251%	53%

c) The detail of the deferred income tax asset and liability is as follows:

	December 31		
	2024	2023	2022
Inventories	\$ (1,730)	\$ 1,044	\$ -
Property, plant and equipment	(44,675)	78,234	(7,539)
Intangible assets	(36,846)	(34,337)	(8,549)
Provisions	54,863	48,528	10,226
Tax loss carryforwards	34,324	(2,674)	1,783
Other temporary differences, net	51,864	3,378	29,705
Deferred tax asset	\$ 57,800	\$ 94,173	\$ 25,626
Inventories	\$ 296	\$ (516)	\$ 210
Property, plant and equipment	(69,901)	(130,120)	(96,722)
Intangible assets	(12,811)	(32,528)	(24,799)
Provisions	42,318	44,652	77,267
Tax loss carryforwards	494	3,184	24,069
Other temporary differences, net	(28,319)	11,760	(93,250)
Deferred tax liability	\$ (67,923)	\$ (103,568)	\$ (113,225)

Tax losses as of December 31, 2024 expire in the following years:

Expiration year	Amount
2025	\$ 12,630
2026	11,382
2027	-
2028	14,182
2029 and thereafter	5,545
No maturity	296,602
	<u>\$ 340,341</u>

Additionally, as of December 31, 2024, the Company holds tax loss carryforwards of \$224,280 and has decided to reserve the total amount.



d) The tax charge/(credit) related to comprehensive (loss) income is as follows:

	2024			2023			2022		
	Before taxes	Tax charged/ (credited)	After taxes	Before taxes	Tax charged/ (credited)	After taxes	Before taxes	Tax charged/ (credited)	After taxes
Translation effect of foreign entities	\$(104,451)	\$ -	\$(104,451)	\$ 38,489	\$ -	\$ 38,489	\$ (48,784)	\$ -	\$ (48,784)
Remeasurements of obligations for employee benefits	(3,344)	945	(2,399)	(3,111)	777	(2,334)	589	(102)	487
Derivative financial instruments designated as cash flow hedges	<u>1,766</u>	<u>(507)</u>	<u>1,259</u>	<u>2,942</u>	<u>(855)</u>	<u>2,087</u>	<u>(4,044)</u>	<u>1,171</u>	<u>(2,873)</u>
Other comprehensive (loss) income items	<u>\$(106,029)</u>	<u>\$ 438</u>	<u>\$(105,591)</u>	<u>\$ 38,320</u>	<u>\$ (78)</u>	<u>\$ 38,242</u>	<u>\$ (52,239)</u>	<u>\$ 1,069</u>	<u>\$ (51,170)</u>

26. Transactions with related parties

Transactions with related parties during the years ended December 31, 2024, 2023 and 2022, which were carried out at market values, were as follows:

	2024	2023	2022
Interest revenue:			
Alfa	\$ 318	\$ 388	\$ 218
Associates	88	119	123
Other revenue:			
Associates	18,982	17,541	20,932
Affiliates	<u>889</u>	<u>863</u>	<u>845</u>
Total	<u>\$ 20,277</u>	<u>\$ 18,911</u>	<u>\$ 22,118</u>
Administrative services expenses:			
Alfa	\$ 9,324	\$ 11,074	\$ 9,208
Affiliates	2,898	2,960	2,660
Associates	13	-	-
Other expenses:			
Affiliates	<u>2,620</u>	<u>1,687</u>	<u>1,160</u>
Total	<u>\$ 14,855</u>	<u>\$ 15,721</u>	<u>\$ 13,028</u>

For the years ended December 31, 2024, 2023 and 2022, wages and benefits received by senior management of the Company were \$8,403, \$9,400, and \$7,801, respectively, an amount comprising base salary and other benefits associated with the Company's share-based payment plans.



As of December 31, 2024, 2023, and 2022, the balances with related parties are as follows:

December 31, 2024						
Loans with related parties						
	Accounts receivable	Capital and Interest	Currency	Maturity date MM/DD/YYYY	Interest rate	Accounts payable
ALFA	\$ -	\$ 4,920	MXN	12/31/2025	12.10%	\$ 6,333
Associates	2,734	2,061	EUR	08/03/2025	4.35%	1,170
Affiliates	257	7	MXN			749
Total	<u>\$ 2,991</u>	<u>\$ 6,988</u>				<u>\$ 8,252</u>
December 31, 2023						
Loans with related parties						
	Accounts receivable	Capital and Interest	Currency	Maturity date MM/DD/YYYY	Interest rate	Accounts payable
ALFA	\$ -	\$ 5,565	MXN	12/31/2024	12.50%	\$ 4,706
Associates	3,112	2,242	EUR	08/03/2025	4.25%	784
Affiliates	339	65	MXN			-
Total	<u>\$ 3,451</u>	<u>\$ 7,872</u>				<u>\$ 5,490</u>
December 31, 2022						
Loans with related parties						
	Accounts receivable	Capital and Interest	Currency	Maturity date MM/DD/YYYY	Interest rate	Accounts payable
ALFA	\$ -	\$ 4,501	MXN	12/31/2023	11.50%	\$ 3,950
Associates	3,229	2,155	EUR	08/03/2023	4.25%	1,488
Affiliates	409	2	MXN			63
Total	<u>\$ 3,638</u>	<u>\$ 6,658</u>				<u>\$ 5,501</u>

27. Segment financial information

Segment information is presented consistently with the internal reporting provided to the chief executive officer who is the highest authority in operational decision-making, resource allocation and assessment of operating segment performance.

The Company manages and evaluates its operation through its primary operating segments, which are:

- North America, in which Mexican and United States operations are grouped.
- Europe operations include the plants in Germany, Spain, Hungary, Czech Republic, Austria, Poland, Slovakia, and Turkey.
- Operating segments that do not meet the threshold established by the standard itself to be reported separately, such as Asia (including plants in China and India), South America (including plants in Brazil and Argentina), and other less significant operations, are added and shown under the “rest of the world”.

Transactions between operating segments are performed at market value and the accounting policies with which the financial information by segments is prepared are consistent with those described in Note 3.

The Company evaluates the performance of each of the operating segments based on income before financial results, income taxes, depreciation and amortization (“EBITDA”), considering that this indicator is a good metric to evaluate operating performance and the ability to meet principal and interest obligations with respect to indebtedness, and the ability to fund capital expenditures and working capital requirements. Nevertheless, EBITDA is not a measure of financial performance under IFRS and should not be considered as an alternative to net income as a measure of operating performance or cash flows as a measure of liquidity.

The Company has defined the Adjusted EBITDA by also adjusting for the impacts of asset impairment.



Below is the condensed financial information on these operating segments as of and for the years ended December 31, 2024, 2023 and 2022:

For the year ended December 31, 2024

	North America	Europe	Rest of the world	Eliminations	Total
Statement of income					
Income by segment	\$ 2,610,290	\$ 1,756,181	\$ 633,642	\$ (93,457)	\$ 4,906,656
Inter-segment income	(29,363)	(62,771)	(1,323)	93,457	-
Income from external customers	<u>\$ 2,580,927</u>	<u>\$ 1,693,410</u>	<u>\$ 632,319</u>	<u>\$ -</u>	<u>\$ 4,906,656</u>
EBITDA					
Operating income	\$ 71,442	\$ 28,325	\$ 45,507	\$ -	\$ 145,274
Depreciation and amortization	225,731	124,895	32,957	-	383,583
Impairment ⁽¹⁾	30,651	71,136	2,003	-	103,790
Adjusted EBITDA	<u>\$ 327,824</u>	<u>\$ 224,356</u>	<u>\$ 80,467</u>	<u>\$ -</u>	<u>\$ 632,647</u>
Capital investments (Capex and intangibles)	<u>\$ 201,081</u>	<u>\$ 132,766</u>	<u>\$ 27,072</u>	<u>\$ -</u>	<u>\$ 360,919</u>

- (1) As part of a strategic adjustment in its operations during 2024, the Company decided to postpone the launch of its new production facilities, originally intended to support the production of battery housings for fully electric vehicles. Nematik recognized an impairment charge of \$69,866, \$18,733, \$11,918 and \$3,273 in the operations in Germany, the United States, Mexico and other countries, respectively.

For the year ended December 31, 2023

	North America	Europe	Rest of the world	Eliminations	Total
Statement of income					
Income by segment	\$ 2,736,969	\$ 1,764,320	\$ 578,668	\$ (86,599)	\$ 4,993,358
Inter-segment income	(23,281)	(62,314)	(1,004)	86,599	-
Income from external customers	<u>\$ 2,713,688</u>	<u>\$ 1,702,006</u>	<u>\$ 577,664</u>	<u>\$ -</u>	<u>\$ 4,993,358</u>
EBITDA					
Operating income	\$ 64,814	\$ 69,968	\$ 41,820	\$ -	\$ 176,602
Depreciation and amortization	228,346	113,409	28,211	-	369,966
Impairment	6,073	25,495	-	-	31,568
Adjusted EBITDA	<u>\$ 299,233</u>	<u>\$ 208,872</u>	<u>\$ 70,031</u>	<u>\$ -</u>	<u>\$ 578,136</u>
Capital investments (Capex and intangibles)	<u>\$ 316,089</u>	<u>\$ 200,857</u>	<u>\$ 23,695</u>	<u>\$ -</u>	<u>\$ 540,641</u>

For the year ended December 31, 2022

	North America	Europe	Rest of the world	Eliminations	Total
Statement of income					
Income by segment	\$ 2,614,396	\$ 1,574,639	\$ 563,654	\$ (85,797)	\$ 4,666,892
Inter-segment income	(25,555)	(59,742)	(500)	85,797	-
Income from external customers	<u>\$ 2,588,841</u>	<u>\$ 1,514,897</u>	<u>\$ 563,154</u>	<u>\$ -</u>	<u>\$ 4,666,892</u>
EBITDA					
Operating income (loss)	\$ 125,404	\$ 72,192	\$ (11,164)	\$ -	\$ 186,432
Depreciation and amortization	183,158	105,660	30,685	-	319,503
Impairment	2,971	11,852	21,294	-	36,117
Adjusted EBITDA	<u>\$ 311,533</u>	<u>\$ 189,704</u>	<u>\$ 40,815</u>	<u>\$ -</u>	<u>\$ 542,052</u>
Capital investments (Capex and intangibles)	<u>\$ 298,135</u>	<u>\$ 125,804</u>	<u>\$ 40,370</u>	<u>\$ -</u>	<u>\$ 464,309</u>



The reconciliation between “Adjusted EBITDA” and income before tax is as follows:

	2024	2023	2022
Adjusted EBITDA	\$ 632,647	\$ 578,136	\$ 542,052
Depreciation and amortization	(383,583)	(369,966)	(319,503)
Impairment	(103,790)	(31,568)	(36,117)
Operating income	145,274	176,602	186,432
Financial results, net	(92,789)	(177,848)	(78,837)
Equity in associates	2,865	2,486	(508)
Income before taxes	<u>\$ 55,350</u>	<u>\$ 1,240</u>	<u>\$ 107,087</u>

For the year ended December 31, 2024

	Property, plant and equipment, net	Goodwill	Intangible assets and right of use
North America	\$ 1,703,088	\$ 106,812	\$ 145,036
Europe	918,936	172,379	111,267
Rest of the World	192,188	-	25,521
Total	<u>\$ 2,814,212</u>	<u>\$ 279,191</u>	<u>\$ 281,824</u>

For the year ended December 31, 2023

	Property, plant and equipment, net	Goodwill	Intangible assets and right of use
North America	\$ 1,646,128	\$ 106,812	\$ 183,927
Europe	1,014,421	183,950	140,098
Rest of the World	207,269	-	33,067
Total	<u>\$ 2,867,818</u>	<u>\$ 290,762</u>	<u>\$ 357,092</u>

For the year ended December 31, 2022

	Property, plant and equipment, net	Goodwill	Intangible assets and right of use
North America	\$ 1,486,474	\$ 106,830	\$ 181,809
Europe	937,615	177,581	143,795
Rest of the World	206,871	-	36,684
Total	<u>\$ 2,630,960</u>	<u>\$ 284,411</u>	<u>\$ 362,288</u>

Nemak’s clients are automotive companies, known as OEMs, some of them consolidate into major automotive groups. The Company has the following global clients whose transactions represent more than 10% of the consolidated sales: Ford 28%, 24%, and 24%, General Motors 15%, 15%, and 18%, Stellantis 10%, 10%, and 11% and Volkswagen Group 11%, 13% and 12%, each in 2024, 2023 and 2022, respectively.

28. Commitments and contingencies

In the normal course of its business, the Company is involved in disputes and litigation. While the outcomes of these disputes cannot be predicted, as of December 31, 2024, the Company does not believe that there are any current or threatened actions, claims or legal proceedings against it or affecting the Company that, if determined adversely to the Company, would significantly damage its individual or overall results of operations and/or financial position.



As of December 31, 2023 and 2022, the Company had the following contingency:

Nemak México, S.A. received a claim from the Canada Revenue Agency (“CRA”) for a tax credit for approximately \$77,800 (including interest) related to alleged Goods and Services Tax (“GST”) and the Harmonized Sales Tax (“HST”) liabilities on certain assets delivered in Canada. However, the Company disputed the claim before the CRA's Audit Division arguing that its clients in Canada acted as importers and that the deliveries occurred outside Canadian territory. As of December 31, 2024, the contingency with the CRA has been resolved favorably for Nemak, and it is no longer an active contingency.

As of December 31, 2024, the Company had the following contingency:

The Brazilian Federal Tax Authority issued a notice stating that Nemak Alumínio do Brasil Ltda. Made incorrect deductions of costs (fictitious purchases of aluminum) for the calculation of income tax and improperly claimed value-added tax credits for \$60,000. At the request of the Tax Authority, the Company provided all supporting documentation to prove that the transactions are legitimate and in compliance with the law. The procedure is still in the administrative phase and the Company has already submitted its response. Nemak, together with its legal advisors, believes the case will conclude favorably, and therefore, no provision has been recognized in its statement of financial position.

29. Subsequent events

In preparing the consolidated financial statements the Company has evaluated the events and transactions for recognition or disclosure subsequent to December 31, 2024, and through January 31, 2025, (issuance date of the consolidated financial statements), and has concluded that there are no subsequent events that require recognition or disclosure.

30. Authorization to issue the consolidated financial statements

The issuance of the consolidated financial statements was authorized on January 31, 2025, by Armando Tamez Martínez, as Chief Executive Officer and Alberto Sada Medina, as Chief Financial Officer.

These consolidated financial statements are subject to the approval of the Company's shareholders' meeting.

