

Nemak
1Q25 Earnings Conference Call
Thursday, February 24, 2025

Speakers

- Alberto Tamez Chief Executive Officer
- Alberto Sada, Chief Financial Officer
- Denise Reyes, Investor Relations Officer

Denise Reyes: Good morning, everyone, and welcome to Nemak's first quarter 2025 earnings webcast. I am Denise Reyes, Nemak's Investor Relations Officer, and I am pleased to host today's call, along with Armando Tamez, Nemak's CEO, and Alberto Sada, CFO, who are here this morning to discuss the Company's business performance and answer any questions that you may have. As a reminder, today's event is being recorded and will be available on the Company's Investor Relations website.

Armando Tamez, our CEO, will lead off today's call by providing an overview of business and financial highlights for the quarter. Alberto, our CFO, will then discuss our financial results in more detail. Afterwards, we will open for a Q&A session, which participants may join live or submit written questions via the Q&A function.

Before we get started, let me remind you that information discussed on today's call may include forward-looking statements regarding the Company's future financial performance and prospects, which are subject to risks and uncertainties. Actual results may differ materially, and the Company cautions you not to place undue reliance on these forward-looking statements. Nemak undertakes no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events, or otherwise.

I will now turn the call over to Armando Tamez.

Armando Tamez: Thank you, Denise. Hello everyone, and welcome to Nemak's First Quarter 2025 Earnings webcast. We began the year 2025 with positive results, driven by continued operating efficiencies and the carry-over effect of improved profitability achieved last year, despite

the volume contraction outlined in our annual guidance. EBITDA for the quarter improved 3% year-over-year, at 149 million dollars, driven by a volume of 9.8 million equivalent units.

The Company remains steadfast in focusing on its priorities, namely on margin improvement and cash flow generation, which in turn will reduce leverage. Notably, capital expenditure was reduced by 38% compared to the same period last year, as we prioritize the use of existing assets, and maintain a strategic focus on new business opportunities.

There have been notable developments in industry dynamics within North America, particularly in the trade landscape. Though the situation has been changing rapidly, Nemak remains well positioned to weather different tariff scenarios, with its favorable contractual and competitive position, the ability to comply with USMCA regional requirements, and its strategic footprint.

Contractually, our customers are the importers of record of our components, therefore they are responsible for paying tariffs and duties, as stipulated by the commercial terms within our agreements. Additionally, we hold a leading position in the ICE segment, where we provide highly engineered components, and we are the sole supplier in 90% of the contracts we have with our customers. Moreover, our global footprint includes six facilities strategically located near major automotive hubs in the United States. The combination of these elements provides a solid foundation from which we will be able to adapt to the changing environment in the region.

In addition to our strong competitive position, we are well prepared to face various scenarios, including volume and cost fluctuations resulting from changes in international trade conditions. We have a playbook of initiatives to manage volume changes and contain costs, which has proven effective in extraordinary circumstances in the past. These actions focus on adapting fixed costs, minimizing expenses, and changing sourcing when possible.

We maintain our prudent financial approach, and our liquidity position is robust. Thanks to the liability management efforts undertaken over the last years, our debt profile has been improved, with no major maturities until 2028. Our cash position at the end of this first quarter was 299 million dollars, and we have more than 400 million dollars in fully available committed credit lines. Altogether, this provides Nemak with financial flexibility and adequate liquidity to navigate potential downside scenarios.

Moving on to the commercial front, during the quarter we secured new business worth approximately 90 million dollars in annual revenue, with 90% corresponding to the ICE powertrain segment, and the remaining 10% to the e-mobility, structure, and chassis applications segment.

Additionally, we extended several contracts in the ICE segment in response to customers requesting extensions beyond 2030, and in some cases, until 2035. This dynamic is relatively new and reflects OEMs' decision to maintain their traditional internal combustion engine offering for a longer period. This is positive for Nemak, as it enables us to leverage existing capacity and maximize cash flow generation. We will continue supporting our customers in their strategies to adapt to changing consumer preferences.

During the quarter we began production of an e-motor housing for a high-end vehicle. This important project uses existing capacity at one of our facilities in Germany and marks the first e-motor housing to be produced with our patented Rotacast technology. The vehicle's engine system includes four high-complex castings provided by Nemak, showcasing our strong leading position in the automotive industry.

On the innovation front, we are dedicating resources to enhance efficiency in the high-pressure die-casting process. Our team is at the forefront of developing cutting-edge initiatives that not only improve the existing process but also align seamlessly with our cost improvement strategies.

In parallel, we are significantly expanding our additive manufacturing capabilities, which have proven to be valuable in developing new products. We recently integrated wire arc technology, enabling the creation of aluminum functional prototypes. This important upgrade over traditional prototypes will accelerate development time and enhance overall quality. These efforts underscore Nemak's commitment to maintaining a competitive edge in the industry and delivering value to our stakeholders.

Moving on to our ESG agenda, I am pleased to share that we are exceeding our goals in our commitment to reducing emissions, as part of the Science Based Target Initiative we subscribed to in 2019. Nemak plans to reduce Scope 1 direct emissions and Scope 2 indirect emissions by 28% by 2030, with an intermediate 18% reduction by 2026. By the end of 2024, we had already achieved a 22% reduction, surpassing our intermediate target. Finally, we are committed to

reducing Scope 3 emissions by 14% by 2030, and we have already achieved a 10% reduction. Moreover, we have surpassed our goal of 25% renewable electricity purchased by 2025, by powering 30% of Nemak's electricity consumption with renewable sources in 2024.

And finally, in ESG initiatives, Nemak's "A-" rating from the Carbon Disclosure Project was reaffirmed for the second consecutive year. This improvement from management to leadership level in climate strategy implementation further highlights Nemak's commitment to help mitigate climate change. We intend to continue with these positive trends going forward. I believe these achievements reflect our unwavering dedication to sustainability and our proactive approach to environmental responsibility.

This concludes my remarks. Thank you for your attention, I will now hand the call over to Alberto.

Alberto Sada: Thank you, Armando. Good morning, everyone. I will begin with an overview of light-vehicle sales and production for the main regions where we operate, followed by a detailed discussion of our consolidated and regional financial results for the first quarter of 2025.

Overall, we had a solid start to the year. Improved margins helped offset the impact of lower volumes, in line with our guidance. On a year-over-year basis, cash flow generation was positive, supported by stronger results, lower capital expenditures, and improved working capital—key drivers of our ongoing deleveraging strategy.

Turning on to the auto industry, US light-vehicle reached 16.5 million units on a SAAR basis, representing a 7% increase year over year. This growth was partly driven by pull-ahead purchases in anticipation of potential price increases related to tariffs. In contrast, North America light-vehicle production declined 7% year-over-year to 3.7 million units as OEMs continued to implement inventory management strategies.

In Europe, light-vehicle sales declined 5% year-over-year to 15.6 million units on a SAAR basis, impacted by affordability constraints, and geopolitical uncertainty weighing on consumer confidence. Similarly, light-vehicle production in the region fell 12% year-over-year, reflecting weaker export activity to China and the US, as well as the effects of increasingly emissions regulations.

In China, light-vehicle sales reached a SAAR of 24.7 million units, up 15% from the same period of last year, driven by strong domestic demand, particularly for battery electric and plug-in hybrid vehicles. Production rose 6% year over year to 6.6 million units, supported by robust internal consumption.

In South America, light-vehicle sales increased 5% year over year to 2.3 million units SAAR, reflecting favorable macroeconomic conditions. In Brazil, production grew 5% to 500 thousand units, supported by healthy consumer demand.

Turning to our financial results: in the first quarter, Nemak's volume totaled 9.8 million equivalent units, representing a 7% decline year-over-year. This was mainly attributed to reduced vehicle production in Europe and North America driven by inventory management efforts, lower export activity, and softer production of EV components.

Revenue was 1.2 billion dollars, remaining stable on a year-over-year basis supported by product repricing, and favorable exchange rate fluctuation, in spite of the lower volume.

EBITDA was 149 million dollars, up 3% compared to the same period last year, reflecting operating efficiencies, improved commercial terms, and favorable foreign exchange effects, all of which helped offset the impact of lower volumes. As a result, EBITDA per equivalent unit rose 11% year over year to 15.2 dollars up from 13.7 dollars, in line with our full year Guidance and highlighting continued progress in profitability improvement.

Operating income stood at 50 million dollars, 9% lower year-over-year, as the increase in EBITDA was more than offset by a 5 million dollars non-cash impairment related to non-operating assets.

In addition, the Net result was a 16 million dollars loss, affected by the non-cash effect of currency exchange from our Euro denominated liabilities partially offset by lower income taxes and lower financing expenses. Year-over-year, net income compares to 25 million dollars.

Absent the effect from foreign exchange fluctuation and impairments, net income would have been 31 million dollars.

Moving to our balance sheet, by the end of the quarter, Nemak's net debt was 1.6 billion dollars, 5% below the same period of last year, on the back of positive cash flow generation.

As a result, the net-debt-to-EBITDA ratio was 2.5 times by the end of the quarter. Additionally, the interest coverage ratio was 5.0 times, compared to 2.8 times and 4.6 times, respectively in the same period of last year.

Cash flow generation remains on top of our strategic priorities. To support this, we continue optimizing capital investments, streamlining our working capital requirements, and improving our operating results. Capital expenditure in the quarter amounted to 64 million dollars, representing a 38% reduction year-over-year, on the back of the reutilization of existing assets, and selective order intake.

Related to our debt position, we do not have any major maturities this year, due to the liability management performed in 2024. This provides us with additional financial flexibility.

Moving to our regional results. During the first quarter, revenue in North America increased 4% year-over-year to 641 million dollars, despite lower volumes, as a result of higher aluminum prices, product repricing, and favorable product mix. In turn, EBITDA was 69 million dollars, 17% above year-over-year. This was favored by operating efficiencies, improved commercial terms, and favorable foreign exchange effects.

In Europe, revenue decreased 7% year-over-year to 413 million dollars due to lower volume and mix, partially offset by product repricing. In turn, EBITDA in the region was 60 million dollars, 14% lower compared to the same period of last year, due to lower volume and high comparison basis related to commercial negotiations.

In the Rest of the World, revenue increased 6% year-over-year, totaling 158 million dollars, primarily due to higher volume and improved product mix. EBITDA in the region increased 22% to 21 million dollars, benefited from volume, product mix, and sustained operating efficiencies.

As we navigate the rapidly evolving economic landscape, our commitment to creating value remains unwavering. By emphasizing efficiency, resilience, and prioritizing cash flow generation, we are strategically positioning ourselves for long-term success. Despite the challenges posed by lower volumes in certain regions, our focus on operating efficiencies, streamlining investments, and reducing our leverage enable us to remain competitive and poised for sustainable growth.

As highlighted by Armando, we remain observant on the potential effect of tariffs on the industry demand, and therefore, our volumes. We are well prepared to manage our cost structure, in the potential case where volumes are affected by these effects.

Thank you for your attention.

Denise Reyes: Thank you, Alberto. We are now ready to move on to the Q&A portion of the event; If you would like to ask your question live, please press the 'Raise Hand' button at the bottom of your screen. When it's your turn to ask a question, you will be granted permission to speak. Questions will be addressed in the order that they are received, calling the name of the next person on the line. You may also place a written question using the Q&A function, also located at the bottom of your screen. Questions will be addressed in the order they are received. We will now open the floor for questions.

Denise Reyes: Our first question is from Stefan Styk from Barclays. Stefan, please proceed with your question.

Stefan Styk: Hi everyone, this is Stefan Styk with Barclays. Thanks for the call today and congrats on the results. I have two sets of questions. The first is on Capex. I'm just wondering why there's a discrepancy between the 64 million you've reported on the press release and your cash flow statement. Is there some sort of timing issue here on cash disbursements?

Stefan Styk: Then looking at the run rate on Capex, it looks like you're coming in below guidance for the year. I was wondering if there's some cadence effect, or if you're thinking of potentially undershooting the guidance you previously gave.

Alberto Sada: Thanks for your question, Stefan. Sometimes there are differences on the capital expenditure that are reported versus the cash flow. And that's basically because of payment terms. So normally, you would see a portion of those capital expenditures booked as pending to be paid on working capital, and that's the main reason why you see a slightly different figure. Normally, you see, a small amount; this year was a little bit higher.

Alberto Sada: Related to the full year Capex guidance. As we have been highlighting, for us it's very important to maintain the Capex figures as low as possible. Within this 1st quarter it is mostly calendarization of the capital expenditures that we have. Normally, they don't necessarily follow an even amount on a quarter-by-quarter basis. There's a little bit of scheduling in this case; it's a little bit higher towards the later part of the year.

Stefan Styk: Okay, great. That's helpful. And then, in your cost efforts, you called out some benefits you saw during the quarter. Are these a continuation of things you undertook in 2024, or are there new measures that you're taking? And then in a tariff situation, what specifically could you do to convert some of your fixed cost to variable? And can you quantify the impact you'd have on cost cutting in various volume decline scenarios? Thank you.

Alberto Sada: Yes, Stefan, let me see if I understood correctly the first part of the question. You're saying to give a little more detail on the cost adjustments that we have done on the quarter.

Stefan Styk: Yes, are those carryovers from last year? Or were there some more efforts that you made this quarter?

Alberto Sada: We continue working on efficiencies and those are, let's say, an ongoing effort all the time. So, we always have a little bit of room here and there, we saw some progress already this year versus where we were operating last year.

Stefan Styk: Alright, and then, in the case of tariffs, just trying to understand what you could do on the cost structure there, if you see a volume decline.

Alberto Sada: Yeah, absolutely. And as you know, this is an industry that has been along the years subject to a number of external effects that have been translated into volume volatility. I

mean, we saw things back in 2008 when we saw the volume declines associated with the financial crisis at the time. Then we had Covid, and then we had semiconductors and all those things. So as a company, we have done our work in terms of establishing a toolkit to adjust our cost structure whenever we see volume fluctuations. So, we work intensely to make sure that we can realign that cost structure. Our aim is to have our cost structure almost as variable as possible to volume. There are certain limitations, but we try to do our best in adjusting quickly when we have such changes. So, we have that same toolkit in place to adjust cost structure, particularly on labor and manufacturing costs. If we would see any type of steep volatility on the volume, so far that has not been the case.

Stefan Styk: Okay. Done.

Denise Reyes: Our next question is from Alfonso Salazar, from Scotiabank. Alfonso, please proceed with your question.

Alfonso Salazar: Hi, can you hear me?

Nemak: Yes, Alfonso, go ahead.

Alfonso Salazar: Excellent. Thank you. I have two questions, one follow-up on the Capex. If I understand correctly then, the mismatch between the Capex figure in your press release and the one in your financials should be reverted, or, let me say, the difference should be included in the coming quarters. Is this correct?

Alberto Sada: Yes, Alfonso, it is part of that. It's an account payable, so once it's paid, that should be booked back. You will see that as a Capex Cash flow line.

Alfonso Salazar: Exactly. Okay. Good. The second question that I have, if you can provide some outlook. You talked about these front-loaded sales of vehicles in Q1 in North America. And I guess it's the US specifically because of tariffs. What is the outlook for the coming quarters, as you see today with the information you have? And it would be very interesting to hear what you see in North America, in Europe, and the rest of the world. You know separately what the outlook for each of the regions is where you operate.

Armando Tamez: Thank you Alfonso, this is Armando. We saw especially during the first quarter, as you're indicating, in North America, an increase in demand. I think our customers, to some extent, were trying to build some inventory to potentially protect for tariffs. Actually, the month of March had a SAAR of close to 18 million, which is above the 16 million vehicles that are expected to be sold in the US for this year, according to most of the analysts that are following the industry. We have been in very close contact with all our customers, not only in North America, but also in Europe and Asia. And so far, I think our customers remain with the same, let's say, production targets for the year. Certainly, that could be varied depending on how the tariff evolves. But I think it's a little bit difficult for us to assess if there are going to be any major deviations. So far, we continue, for instance, during the month of April, with the same pace as we have before. That, of course, could be changed, but so far, we have not seen any change in customer requests for volume.

Denise Reyes: Our next question is from Emilio Fuentes, from GBM. Emilio, please proceed with your question.

Emilio Fuentes: Hi, thank you for taking my question. I just wanted to know if you could give us a little more color on your cost structure and the operating efficiencies you've seen. Where have you found these opportunities within your structure, and how much is there left to exploit on this? Thank you.

Alberto Sada: Thank you, Emilio, for the question. Yeah, certainly, and this has been something that we have constantly, as I said before, tapped on. We always test ourselves versus our own internal and external sources, to check how we're doing in terms of cost. And we're always striving to improve efficiency overall. The major cost contributors on the efficiency side come from the labor side as well as the manufacturing expenses. So those are the ones that we are working on, on two fronts: the first one is to realign that cost structure to the volume adjustments that we have guided for, and the second one is around efficiency. Those efficiencies have to do with directly how we're operating, and they are tied in some cases with a little bit of changes in the way we operate, as well as potential improvements in terms of productivity. There's also work on the discretionary spending, though the opportunity there is smaller, but certainly we work ourselves towards containing that discretionary spending as much as we can, as well as SG&A. So those

will be the ones. We still have plenty of room on those two fronts, primarily realigning the cost structure to the new volumes, as well as the productivity that we still see ourselves with opportunity based on our benchmark work.

Emilio Fuentes: Thank you. Very clear.

Denise Reyes: Our next question is from Diego Espinoza from BTG Pactual. Diego, please proceed with your question.

Diego Espinoza: Good afternoon. Thank you for taking my questions. I just want to know if you can give me more color about your target capital structure. What is the level of leverage that you're pointing out to at the end of the year, and especially after that? What levels are you feeling comfortable with? Right now you're around 2.5, so if you can give us more color on that.

Alberto Sada: Thanks for the question, Diego. Absolutely. As we have highlighted, we are targeting to continue improving the deleveraging of the company. Last year we ended up with a level of 2.4 times on a net debt to EBITDA basis. Midterm to long term, our target is to achieve 2 times or lower on a net debt to EBITDA basis. And we should be achieving that sometime next year. By the end of this year, we should be at a level slightly lower, potentially, than how we ended in 2024. So that's going to be a result of the different initiatives we have to improve our cash generation, as well as to continue improving our financial results.

Diego Espinoza: Perfect. Thank you.

Denise Reyes: Thank you, Alberto. We have a question from Jonathan Koutras from JP Morgan. Jonathan, please proceed with your question.

Jonathan Koutras: Thank you, Denise. Good morning, everyone, and congrats on the quarter. I just wanted to revert back to the SG&A Alberto mentioned, came in particularly lean this quarter at around 80 million dollars, even though the top line was somewhat flattish. So, I just want to understand how recurring this level of below 7% of top line, let's say, is going forward. And if we could expect it to revert back to, let's say, previous quarters' levels of closer to the 90 million-ish. Thank you.

Alberto Sada: Thanks, Jonathan. No, as I highlighted before, we continue with the efforts to improve all the cost structure, including the SG&A. And with the current level, we think we should be able to sustain that going forward. There may be some extraordinary items here and there, but I would say that on a yearly basis our aim is to be somewhere around that level. So we shouldn't be seeing a major return to the previous levels that we were operating before.

Jonathan Koutras: Very clear. Thank you.

Denise Reyes: Thank you, Alberto. We now have a question from Gerardo Campos from Signum Research. Gerardo, please proceed with your question.

Gerardo Campos: Hi, can you hear me?

Denise Reyes: Yes Gerardo.

Gerardo Campos: Hi everyone, thank you for taking my question. I want to know if you can give me more color on which countries are driving the remarkable results in the rest of the world, and what is the future potential in those geographies.

Alberto Sada: Gerardo, let me see if I understood correctly. You want to get more color on the nature of our results in the rest of the world region.

Gerardo Campos: Yes, and also what is the potential in those regions?

Alberto Sada: Yeah, certainly. Rest of the world for us is, as you know, South America as well as China. And I think those two regions have been operating in a very stable way. We're seeing in both regions, in general, favorable macroeconomic environments which are driving positive volume developments. I would say that we are, again, very pleased with the results in those regions. We're seeing consistent volume improvements as well as very stable operations which drive favorable net results. We should be seeing that type of behavior in the whole year.

Gerardo Campos: Perfect. I also have another question. Considering the geopolitical factors, are you maintaining your guidance, or do you plan to adjust it either upwards or downwards?

Armando Tamez: Thank you Gerardo. We are continuing with our guidance. We have no indication of any volume change. So, our guidance that we set in January is still valid.

Gerardo Campos: Thank you.

Denise Reyes: Thank you, Armando. We have a question from Alejandro Azar from GBM. Alejandro, please proceed with your question.

Alejandro Azar: Hi, thank you Denise, good morning, Alberto, Armando. My question is on what you are looking at in terms of how the OEMs manage the electric vehicle market, the powertrain market, and the releases. If I'm not mistaken, you sold around 500 million dollars last year on the EV segment. What changes are you seeing in terms of how platforms are rearranged for the next 12–18 months? And how should we see the EV/SC segment growing, let's say, over the next 12–24 months? Thank you.

Armando Tamez: Yes, thank you, Alex for your question. What we are seeing, especially in North America and Europe as well, is that the EV growth that was expected is not materializing as customers were expecting. We have already indicated that customers, especially in North America, are to some extent going back to ICE, internal combustion engines, as well as hybrids. We are repurposing some of our plants to produce some of the castings required to produce both ICE and hybrid components. We see that gaining a lot of traction, especially in the US, and probably that will continue for the next following years.

In Europe, we also see a similar approach from the customers; to some extent the penetration of EVs is not as high as everybody anticipated, and the growth is marginal. In China, certainly that is a different market, and it continues with certain growth on the EV side. So based on that, Alex, we are well prepared. We have the flexibility to produce the three different types of propulsion needed by customers: ICE, as you know, this is our core business. As we speak, we are producing a lot of components for hybrid vehicles, and we also have the capacity and capabilities to respond

to EV components. I think we're working in parallel to support customers as the demand of the different customers is required.

Alejandro Azar: Okay, Armando, and one more, if I may. Are you guys seeing overcapacity in Europe? I want to ask more about if you are able to rationalize capacity, perhaps close one plant in order to transfer the utilization to another one and be more productive. Is that something that you could easily do? Because I understand it's tough to do given supply chains. And how are you managing that overcapacity in Europe? That would be my second question. Thank you.

Armando Tamez: Thank you, Alex. Good question. Certainly, Nemak is always looking at how we can improve our footprint, and if there is any opportunity for consolidation. So far, what I can tell you is that in the short term, we don't see any need to close any of our facilities in Europe. But certainly, we are doing some analysis, and it may be required midterm-long term to rationalize some of our facilities. Once we are ready to proceed, we will share those plans with this group. But at this point in time, not in the short term, we don't need that. Our facilities are operating at the proper scale as needed by the customers. We have not seen any significant volume reduction that would put us in a position to close any of our European facilities.

Alejandro Azar: Okay, thank you. Thank you, Armando. And one more, if I may. I don't know if it was in the fourth quarter of last year, but on your press release, when you show production volumes and Nemak customer production volumes, we saw a dramatic increase in the share. It looked like you won a new client, you used to have a 60% share, and now it's closer to 80–90%. Can you elaborate more on that? Is that a new client that you are serving, and that's why you increased that share?

Armando Tamez: Yes, thank you, Alex, for the question. Certainly, we are gaining traction and new customers, especially in the heavy-duty vehicle market. As we have already indicated, this is a new segment for us, and we have been very successful, especially on the EV side. And again, that's something that we see as very promising, because new regulations in Europe require heavy trucks to have zero emissions. We already have several contracts to produce battery housings for this type of vehicle. The beauty of this is that they require from 15 to 20 battery trays per commercial vehicle. And yes, that's part of the increase in revenues in Europe. Those are new customers, and certainly we are targeting additional potential targets. We are already in

conversations with them at the advanced engineering level, and we are very optimistic that we will be gaining additional orders with these new customers.

Alejandro Azar: Thank you, Armando. I have no further questions.

Denise Reyes: Our next question is from Angel De la Hoz from Altha Capital. Angel, please proceed with your question.

Angel De la Hoz: Hello, everybody, and thank you for your results. I just have a quick question. You previously reported that you guys approved 1 billion Mexican pesos of share buyback for this year. I was just wondering if you have any initiatives or something for bond buybacks or bond repurchases? Or have you ever thought about it?

Armando Tamez: Yeah, thank you, Angel. Certainly, the entire management and our board truly believe that our stock price is undervalued significantly. So based on that, we are committed to continuing repurchasing some of our stock. At this point in time, we don't see on the bond side a need to repurchase, but we are open if an opportunity comes at the right price. Certainly, one of the elements, as Alberto indicated, is to reduce our leverage ratio, and that is one of our main objectives — to go as soon as possible to a net debt-to-EBITDA below two times. That is an important target that we are following.

Angel De la Hoz: Great. Thank you.

Armando Tamez: Thank you.

Denise Reyes: Thank you, Armando. There are no more live questions, so we will move on to the written questions.

Denise Reyes: The first question is from Vanessa Quiroga from Eternal Capital Group: What is your view on how your clients' competitiveness will evolve in the short and medium term? What type of scenario would be the best case for Nemak's clients in the different regions where you operate?

Armando Tamez: Thank you, Vanessa. Thank you for your question. We don't see a major shift, especially in the short and medium term, from the different customers. I think customers are trying to assess the potential impact of tariffs, and as everybody knows, this is changing very rapidly — almost every day there is new information about tariffs. I think our customers are trying first to assess and understand what the tariff scenario will be, and so far, to our knowledge, they don't have major changes. Probably with the exception of a few moves from some of the OEMs based in North America, where they are trying to increase some of the capacity, especially on assembly vehicles and maybe other powertrain to plants in the US when they have open capacity. But we don't see any major shift, at least not in the short or medium term. Since this is very dynamic, our customers are trying to understand and assess what the tariffs are going to be, but it is changing very rapidly.

Denise Reyes: Thank you, Armando. The next question is from Declan Hanlon from Santander: Thank you for the call. Can you give us a sense of how your customers, particularly the US OEMs, are managing operations against the backdrop of tariff uncertainty? How are you evaluating the potential need for shifting the sources of production to minimize incremental costs? While your contracts shield Nemak from direct tariff imposition, your customers may obviously need to reevaluate sourcing location, etc. I realize this is all very uncertain; however, your bonds are being negatively impacted by these potential scenarios, and any color you can provide here is helpful.

Armando Tamez: Yeah, thank you. As I have indicated in the previous question, our customers are trying to assess the tariff scenario. So far, to our knowledge, they have not been hit, especially for the ones that are located in North America. As I indicated, we don't see major changes, but the customers certainly are assessing. They have asked us, for instance, we have six manufacturing facilities in the US, and some of our customers are trying to understand what would be the cost difference for us moving some of the products that we're manufacturing in our plants in Mexico to the US. We have shared that Nemak would only move production from Mexico to the US if that makes economic sense — in other words, if it is with the right profitability, and we would be very sensitive about any additional capex needed. Those are the main elements. You can understand that this is very dynamic and almost every day the US administration is making changes in the tariffs. So far, we have not been hit because our customers are the importer of record; they are buying the parts in our facilities and exporting them. Also very important to tell

you that we are USMCA compliant, we have a content of more than 75% in all the products that we produce in our facilities.

Denise Reyes: Thank you, Armando. The next question is from Iñigo Cossio from Kpitalia. There are two questions. The first one reads: Given that market demand in Europe appears to be slowing at a faster rate, combined with the region's more ambitious targets for phasing out internal combustion engine vehicles compared to the US, are there any strategic plans in place for European facilities over the coming years? Have you considered repurposing production capacity toward other aluminum applications, such as components for hybrid or fully electric vehicles, or diversifying into other product segments?

Armando Tamez: Thank you, Iñigo. I think we already responded to some extent that question. We are already looking for new opportunities in different markets, such as heavy-duty vehicle production, and we have already been successful. We are already producing in our facilities — not only in Europe, but also in North America — components for hybrid vehicles as well as ICE. We are seeing, as I have already indicated, that the demand for ICE is getting stronger, and certainly the projections that some customers in Europe had to get rid of the ICE engine by 2035 may potentially be extended. They are working in other applications, working on improving emissions and developing synthetic fuels so that they can continue with ICE vehicles, because customers in Europe and in North America prefer over the EV side.

Denise Reyes: Thank you, Armando. The next question is from William Mansfield from Polus Capital. If North American SAAR declines from 16.5 to 15 million run rate, as a result of tariff-related price increases or recession, how would that affect your EBITDA on an annual basis?

Alberto Sada: Yes, thanks for the question, William. As indicated, we are following the take rates and the production schedules from our customers to react in case there are adjustments to the level of production associated with sales. At this point, it is really hard to give a precise answer on the potential impact on EBITDA. What I can tell you is that, as I said before, we would adjust our cost structure as quickly as we can to deal with any potential fluctuations. So far, we are not receiving any major change from any customer. We are producing as what we have, and we remain attentive to any type of adjustment that productions may have to adjust our cost structure.

Denise Reyes: Thank you, Alberto. There are no further questions at this time, and with that, we conclude today's event. I would just like to take this opportunity to thank everyone for participating. Please feel free to contact us if you have any follow-up questions or comments. This does conclude today's earnings webcast. Have a good day.