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

Consolidated Financial Statements as of and for the Years Ended December 31, 2023, 2022 and 2021, and Independent Auditors' Report Dated January 31, 2024

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, 2023, 2022 and 2021

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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 "Company" or "Nemak"), which comprise the consolidated statements of financial position as of December 31, 2023, 2022, and 2021, 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 notes to the consolidated financial statements, which include a summary of main 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. and Subsidiaries as of December 31, 2023, 2022, and 2021 and their consolidated financial performance and their cash flows for the years then ended, in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company 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 importance in our audit of the 2023 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.

Assessment of tests of impairment of goodwill and long-lived assets

As described in Notes 3 l., 10, and 12 to the consolidated financial statements, the Company performs impairment tests to its goodwill and its assets and long-lived assets.

We have identified the long-lived assets impairment and goodwill review as a key audit matter, mainly due to the fact that impairment tests involve the application of judgments and significant estimates by the Company's Management in income and profit projections, the discounted cash flow model, and the selection of discount rates used to estimate the recoverable value of the cash generating units ("CGUs") of the Company, as well as changes in the current economic environment caused by the conflict between Ukraine and Russia, which mainly affects increases in inflation in essential materials, and exchange rate variations, affecting the industry where the Company operates. Our review procedures require a high degree of professional judgment, a significant increase in the degree of audit effort, and the incorporation of our 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 internal controls in the determination of the recoverable value and the assumptions used.
- With the assistance of our valuation specialists, we assessed the reasonableness of the i) methodology to determine the recoverable value of tangible, intangible assets with indefinite useful lives and goodwill and ii) reviewed the financial projections including the impacts of negotiations with customers on product prices, the conflict between Ukraine and Russia and other macroeconomic assumptions that impact the recoverable amount comparing them with performance and historical trends, corroborating the explanations of the variations with Management. Likewise, we assessed whether the projections were consistent with the budgets approved by the Board.
- We reviewed the significant assumptions used in the recoverable amount, including operating margins, the multiple of earnings before interest, taxes, depreciation, and amortization ("EBITDA"), and the projected long-term income growth. We tested the mathematical accuracy, the integrity and accuracy of the discounted cash flow model to determine the recoverable amount. Valuation specialists performed an independent sensitivity analysis to assess whether the assumptions used were reasonable.
- We evaluated the discount rates independently and compared such rates with the estimates used by Management.

Emphasis Paragraphs – Significant event

As mentioned in Notes 2 c. and 2 d. to the consolidated financial statements, derived from the conflict between Ukraine and Russia, as well as global economic factors such as inflation and energy costs, has resulted in the production costs of the Company's products being affected, which has influenced the margins of the pieces that the Company produces. In response, the Company has implemented a variety of financial flexibility and operational efficiency initiatives, price negotiations with customers, helping to mitigate the effects of this situation. The Company continues to monitor its development, responding promptly to changes that arise. Our opinion has not been modified by this matter.

Other matters

As mentioned in Note 2 a., 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* under International Financial Reporting Standards ("IFRS"), the Company changed its presentation currency of its consolidated financial statements from Mexican pesos to U.S. dollars. 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 have been presented as if the Company had used the U.S. dollar as its presentation currency since that date.

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

Company's Management is responsible for additional information. 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 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 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, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 an understanding 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 Company'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 Company'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 Company 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Company and subsidiaries audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned 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 with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of 2023 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.
Member of Deloitte Touche Tohmatsu Limited

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January 31, 2024

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

Consolidated Statements of Financial Position

As of December 31, 2023, 2022 and 2021
In thousands of U.S. dollars

	Note	As of December 31 2023	2022	2021
Assets				
Current assets:				
Cash and cash equivalents	6	$ 322,606	$ 416,554	$ 281,716
Restricted cash	7	1,039	1,554	4,856
Trade and other accounts receivable, net	8	605,658	635,873	504,737
Inventories	9	904,049	846,375	825,669
Assets held for sale	3u	10	5,988	8,981
Prepaid expenses	3t	28,819	19,975	19,431
Total current assets		1,862,181	1,926,319	1,645,390
Non-current assets:				
Property, plant and equipment, net	10	2,867,818	2,630,960	2,559,282
Right-of-use assets, net	11	98,581	88,494	90,702
Goodwill and intangible assets, net	12	549,273	558,205	577,900
Deferred income tax	25	94,173	25,626	6,077
Other non-current assets	13	35,521	34,918	46,681
Total non-current assets		3,645,366	3,338,203	3,280,642
Total assets		$ 5,507,547	$ 5,264,522	$ 4,926,032
Liabilities and Stockholders' Equity				
Liabilities				
Current liabilities:				
Debt	15	$ 303,806	$ 106,971	$ 199,953
Lease liability	16	27,665	15,585	21,434
Trade and other accounts payable	14	1,602,056	1,577,166	1,369,339
Income taxes payable		27,327	80,184	34,880
Other current liabilities	17	25,856	36,534	19,036
Total current liabilities		1,986,710	1,816,440	1,644,642
Non-current liabilities:				
Debt	15	1,453,628	1,439,860	1,285,790
Lease liability	16	86,150	85,180	79,751
Employee benefits	18	89,866	74,304	70,615
Deferred income taxes	25	103,568	113,225	108,942
Other non-current liabilities	17	16,996	7,527	10,935
Total non-current liabilities		1,750,208	1,720,096	1,556,033
Total liabilities		3,736,918	3,536,536	3,200,675
Stockholders' equity	19			
Capital stock		431,734	433,816	433,866
Share premium		641,092	641,092	641,092
Retained earnings		962,516	961,659	910,360
Other reserves		(264,713)	(308,581)	(259,961)
Total stockholders' equity		1,770,629	1,727,986	1,725,357
Total liabilities and stockholders' equity		$ 5,507,547	$ 5,264,522	$ 4,926,032

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, 2023, 2022 and 2021
In thousands of U.S. dollars

	Note	2023	2022	2021
Revenues	27	$ 4,993,358	$ 4,666,892	$ 3,798,325
Cost of sales	21	(4,456,287)	(4,162,258)	(3,327,575)
Gross profit		537,071	504,634	470,750
Administrative and sales expenses	21	(344,181)	(292,232)	(246,710)
Other (expenses) income, net	22	(16,288)	(25,970)	5,212
Operating income		176,602	186,432	229,252
Financial income	23	7,399	5,715	3,475
Financial expenses	23	(128,870)	(74,765)	(111,918)
Exchange fluctuation loss, net	23	(56,377)	(9,787)	(20,059)
Financial results, net	23	(177,848)	(78,837)	(128,502)
Equity in income (loss) of associates recognized using the equity method	13	2,486	(508)	(1,019)
Income before income taxes		$ 1,240	$ 107,087	$ 99,731
Income taxes	25	3,133	(56,496)	(94,453)
Net consolidated income		$ 4,373	$ 50,591	$ 5,278
Basic and diluted earnings per share, in U.S. dollars		$ 0.0014	$ 0.0166	$ 0.0017
Weighted average outstanding shares (thousands)	19	3,037,820	3,054,812	3,055,292

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, 2023, 2022 and 2021
In thousands of U.S. dollars

	Note	2023	2022	2021
Net consolidated income		$ 4,373	$ 50,591	$ 5,278
Other comprehensive income (loss) for the year:				
Items that will not be reclassified to the consolidated statements of income:				
Remeasurement of employee benefit obligations, net of taxes	25	(2,334)	487	8,690
Items that could be reclassified to the consolidated statements of income:				
Effect of derivative financial instruments contracted as cash flow hedges, net of taxes	25	2,087	(2,873)	(945)
Cumulative translation effect of foreign entities	25	38,489	(48,784)	(3,972)
Total comprehensive income (loss) of the year		38,242	(51,170)	3,773
Consolidated comprehensive income (loss)		$ 42,615	$ (579)	$ 9,051

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, 2023, 2022 and 2021
In thousands of U.S. dollars

	Capital stock	Share premium	Retained earnings	Other reserves	Total stockholders' equity
Balances as of December 31, 2020	$ 436,069	$ 641,092	$ 920,635	$ (209,926)	$ 1,787,870
Transactions with stockholders:					
Others	(2,203)	-	(15,553)	(53,808)	(71,564)
	433,866	641,092	905,082	(263,734)	1,716,306
Net income	-	-	5,278	-	5,278
Total other comprehensive income of the year	-	-	-	3,773	3,773
Comprehensive income	-	-	5,278	3,773	9,051
Balances as of December 31, 2021	433,866	641,092	910,360	(259,961)	1,725,357
Transactions with stockholders:					
Others	(50)	-	708	2,550	3,208
	433,816	641,092	911,068	(257,411)	1,728,565
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
	431,734	641,092	958,143	(302,955)	1,728,014
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

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, 2023, 2022 and 2021
In thousands of U.S. dollars

	2023	2022	2021
Cash flows from operating activities			
Income before income taxes	$ 1,240	$ 107,087	$ 99,731
Depreciation and amortization	369,966	319,503	331,018
Gain on sale of property, plant and equipment	(11,330)	(222)	(39)
Impairment of property, plant and equipment	31,568	36,117	6,930
Exchange fluctuation, net	56,377	9,787	20,059
Interest expense, net	90,073	57,543	103,015
Other	4,800	17,355	13,591
Movements in working capital:			
Trade receivables and other accounts receivable	71,593	(119,163)	(49,121)
Inventories	(57,720)	(40,857)	(220,711)
Accounts payable	(32,795)	229,826	142,357
Income taxes paid	(145,196)	(36,353)	(44,444)
Net cash flows generated by operating activities	378,576	580,623	402,386
Cash flows from investing activities			
Interest collected	6,438	5,009	2,942
Cash flow in acquisitions of property, plant and equipment	(488,202)	(408,367)	(306,526)
Cash flow in acquisition of intangible assets	(52,440)	(55,942)	(53,748)
Dividends received	1,104	1,098	1,187
Restricted cash	3,018	3,392	1,228
Other assets	2,084	(10,246)	2,419
Net cash flows used in investing activities	(527,998)	(465,056)	(352,498)
Cash flows from financing activities			
Proceeds from debt	1,890,477	1,152,283	607,993
Payments of debt	(1,699,807)	(1,042,016)	(639,081)
Lease payments	(41,924)	(30,937)	(34,372)
Interest paid	(84,729)	(59,258)	(110,052)
Repurchase of shares and others	(1,587)	8,671	(23,188)
Dividends paid	-	-	(703)
Net cash flows generated by (used in) financing activities	62,430	28,743	(199,403)
Net (decrease) increase in cash and cash equivalents	(86,992)	144,310	(149,515)
Exchange fluctuation of cash and cash equivalents	(6,956)	(9,472)	(5,871)
Cash and cash equivalents at the beginning of the year	416,554	281,716	437,102
Cash and cash equivalents at the end of the year	$ 322,606	$ 416,554	$ 281,716

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

1. General information

Nemak, S.A.B. de C.V. and subsidiaries ("Nemak" or the "Company"), former subsidiary of Controladora Nemak, S.A.B. de C. V. ("Controladora Nemak"), with which it merged on August 18, 2021 (Note 2 h.), with Nemak remaining as the merging and surviving Company. Nemak 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 dollars, U.S. dollars, or "$" refers to thousands of U.S. dollars. Reference to "MXP" or Mexican pesos is in relation to thousands of Mexican pesos. Finally, reference to "EUR" or euros will refer to thousands of euros.

2. Significant events

<u>2023</u>

a. 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 International Financial Reporting 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

b. *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 million 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 total expected investment of approximately $200 million.

c. *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. As of the date of this report, Nemak production remains idled in Russia. Nemak's operations in Russia represent approximately 0.03%, 0.31% and 1.11% of the total revenue and 0.24%, 1.34%, and 1.58% of the total assets of the Company for the years ended December 31, 2023, 2022, and 2021, respectively.

2021

d. *COVID-19 impact*

On March 11, 2020, the World Health Organization declared a pandemic due to the infectious disease caused by the SARS-COV2 virus (hereinafter "COVID-19").

Through its subsidiaries, the Company takes steps to counteract the effects that COVID-19 has had on the economic markets in which it participates, focusing on (i) strengthening financial and operating performance by constantly monitoring its cost structure, key business processes, and a commitment to its employees, focusing specifically on remote-working experiences; (ii) maintaining a solid liquidity structure through detailed cash flow management; and (iii) constantly monitoring its financial position to ensure compliance with its established affirmative and negative covenants, as well as its key financial ratios.

As of December 31, 2022, the Company continues to monitor the development of its business, in accordance with the government regulations of the different countries where it operates and responding in a timely manner to changes that emerge. On May 5, 2023, the World Health Organization declared the end of the COVID-19 pandemic.

e. *Impact of the semiconductor chip shortage*

Due to the global semiconductor chip shortage, since early 2021, light vehicle production among Nemak's clients has been impacted, which has in turn influenced the demand for parts that the Company produces. In response, the Company has implemented a variety of financial flexibility and operational efficiency initiatives, helping to mitigate the effects of this situation.

f. Announcement of greenhouse gas emissions reduction targets by 2030

On March 31, 2021, Nemak announced targets to reduce by 28% its greenhouse gas (GHG) emissions by 2030. After completing a rigorous validation process with the Science-Based Targets initiative, Nemak has committed to achieving a 28% absolute reduction in Scope 1 and 2 GHG emissions (direct and certain indirect emissions, respectively) by 2030, from a 2019 baseline year. Nemak has also committed to reducing absolute Scope 3 GHG emissions from purchased goods and services by 14% over the same timeframe.

g. Placement of the first sustainability-linked bond in dollars

On June 23, 2021, Nemak announced the successful placement of its first sustainability-linked bond in international markets. The placement consisted of an issuance of Senior Notes for $500 million, with a 10-year maturity and 3.625% coupon; the proceeds were used to prepay Senior Notes with maturity date in 2025. Prior to the placement of this issuance, Nemak published a sustainability-linked bond framework in accordance with the Sustainability-Linked Bond Principles 2020, with a commitment to GHG reduction targets of 28% by 2030, approved by the Science-Based Targets initiative in March 2021. Nemak reaffirms its commitment to reduce Scopes 1 and 2 GHG emissions by incorporating in this placement a target of 18% reduction by 2026 (relative to a 2019 baseline).

h. Merger with Controladora Nemak, S.A.B. de C.V.

On June 29, 2021, Nemak announced a proposal to merge Controladora Nemak into Nemak SAB; this proposal was approved by the shareholders of each company on July 29, 2021. Controladora Nemak would cease to exist, and its shares would be canceled, while Nemak SAB would remain as the surviving entity, and its number of shares would remain outstanding without any changes.

As of September 6, 2021 (the "Merger Effective Date"), the 2,317,921,869 common, registered shares, without par value, representing the capital of Nemak SAB, that had been owned by Controladora Nemak, were transferred to Controladora Nemak's stockholders at an exchange factor of 0.472157717310754 Nemak shares per Controladora Nemak share. On this same date, the listing of the shares representing the capital stock of Controladora Nemak on the Mexican Stock Exchange was canceled and the merger process was concluded.

i. Placement of the first sustainability-linked bond in euros

On July 7, 2021, Nemak announced the successful placement in international markets of its first sustainability-linked bond in euros. The placement consisted of a EUR 500 million issuance of 7-year Senior Notes, bearing a coupon of 2.25%; the proceeds were used to finance a cash tender to purchase Nemak's 3.25% 2024 notes, which have an outstanding balance for the same amount, and the remainder was used to prepay outstanding debt and for general corporate purposes. This second placement adheres to the sustainability-linked bond framework and is in accordance with the Sustainability-Linked Bond Principles 2020. The Company reaffirms its commitment to reduce Scope 1 and 2 GHG emissions by incorporating in this placement a target of 18% reduction by 2026 (relative to a 2019 baseline) in accordance with its plans to achieve a 28% reduction by 2030, which were approved by the Science-Based Targets initiative in March 2021. This operation originated a transaction that did not generate any cash flow for the Company of $270,265 (EUR 236 million).

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 International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). IFRS include all 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 assured. 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, 2023, 2022 and 2021 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. [(3)]	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
Nemak Gas, S.A. de C.V.	Mexico	100	Mexican peso
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 Györ 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.	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.	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, 2023, 2022 and 2021.

(3) Corporativo Nemak, S.A. de C.V. and Nemak Automotive, S.A. de C.V. merged into Nemak México, S.A. on August 6, 2021.

As of December 31, 2023, 2022 and 2021, 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.

The Company assesses at each reporting date 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 Nemak 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:

		Local currency to U.S. dollars					
		Closing exchange rate at December 31,			Average exchange for the year ended December 31,		
Country	**Local currency**	**2023**	**2022**	**2021**	**2023**	**2022**	**2021**
Canada	Canadian dollar	0.7585	0.7377	0.7915	0.7389	0.7690	0.8004
Mexico	Mexican peso	16.8935	19.3615	20.5835	17.7620	20.1254	20.2813
Brazil	Brazilian real	0.2061	0.1892	0.1795	0.1990	0.1943	0.1862
Argentina	Argentinean peso	0.0012	0.0056	0.0097	0.0039	0.0079	0.0106
Czech Republic	Euro	1.1049	1.0666	1.1373	1.0796	1.0541	1.1830
Germany	Euro	1.1049	1.0666	1.1373	1.0796	1.0541	1.1830
Austria	Euro	1.1049	1.0666	1.1373	1.0796	1.0541	1.1830
Hungary	Euro	1.1049	1.0666	1.1373	1.0796	1.0541	1.1830
Poland	Euro	1.1049	1.0666	1.1373	1.0796	1.0541	1.1830
Slovakia	Euro	1.1049	1.0666	1.1373	1.0796	1.0541	1.1830
Spain	Euro	1.1049	1.0666	1.1373	1.0796	1.0541	1.1830
China	Chinese renminbi yuan	0.1408	0.1450	0.1573	0.1409	0.1489	0.1557
India	Indian rupee	0.0120	0.0121	0.0135	0.0121	0.0128	0.0136
Russia	Russian ruble	0.0111	0.0138	0.0133	0.0119	0.0148	0.0136
Turkey	Euro	1.1049	1.0666	1.1373	1.0796	1.0541	1.1830

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, 2023.

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 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 to exercise 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 remeasures 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.

l. 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, 2023, 2022 and 2021, 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, 2023, 2022 and 2021, the Company recorded a reduction in revenues associated with the amortization of these assets of $7,067, $6,907, and $7,643 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. Nemak 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 interest expense.

When there is 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 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, 2023, 2022 and 2021, $2,082, $50, and $2,203 were repurchased, respectively.

s. ***Revenue recognition***

Revenues comprise the fair value of the consideration received or to receive for the sale of goods and services 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 and payments made to customers for the purpose of accommodating goods in attractive and favorable spaces at their facilities.

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.

If the products have not been delivered by the date of the modification, 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 sale of goods and tooling (when identified as a performance obligation) at a point in time, when control of sold goods has been transferred to the customer, which is given upon delivery and acceptance of the goods promised to the customer according to the negotiated incoterm. An account receivable is recognized when the performance obligations have been met, recognizing the corresponding revenue.

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, 2023, 2022 and 2021, 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 Accounting Standards issued by the IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2023. The conclusions related to their adoption are described as follows:

IFRS 17 – Insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts. The objective of this standard, which replaces IFRS 4, Insurance Contracts, is to ensure that an entity provides relevant information that faithfully represents those contracts. This information provides a basis for users of financial statements to evaluate the effect that insurance contracts have on the financial position, financial performance, and cash flows of the Company, being applicable to both insurance companies and companies that They have reinsurance contracts.

This IFRS describes a general model, which is modified for insurance contracts with direct participation features, which is described as the variable rate approach.

The overall model is simplified if certain criteria are met when measuring liability for remaining coverage using the premium allocation method.

The overall model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and will explicitly measure the cost of that uncertainty, considering market interest rates and the impact of options and guarantees.

The Company had no implications on the adoption of this new IFRS, since it does not maintain contracts that meet the definition of an insurance contract established by IFRS 17.

Amendments to IAS 1 and Practice Statement 2 – Disclosure of accounting policies

The amendments change the requirements to IAS 1 regarding the disclosure of accounting policies. The amendment replaces the terms "significant accounting policies" with "material accounting policies information." Accounting policy information is material when it is considered that, together with other information included in the financial statements of an entity, it can influence the decision making of the primary users of the financial statements of general use and that they are made in the basis for said financial statements.

The supporting paragraphs in IAS 1 are amended to clarify information on accounting policies that relate to immaterial transactions, other events or conditions that are themselves material. Accounting policy information may be material due to the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has developed guidance and examples to explain and demonstrate the application of the "four steps of the materiality process" described in the IFRS Practice 2 Statements.

The Company carried out a process to define the accounting policies that are considered material, and not only significant. Modifications were made to Note 3 of its consolidated financial statements, maintaining those accounting policies that due to their nature and relevance, together with other information included in the consolidated financial statements, may influence decision making.

Amendments to IAS 8 – Definition of accounting estimates

The amendments replace the definition of a change in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in the financial statements that are subject to measurement uncertainty."

The definition of a change in accounting estimates was eliminated.

The Company evaluated the amendments to IAS 8 and determined that the implementation of the change in the definition of accounting estimates did not have an impact on the consolidated financial statements, because there is no current situation that implies a change in accounting estimates.

Amendments to IAS 12 – Income taxes – Deferred taxes related to assets and liabilities arising from a single transaction

The amendments introduced a further exception from the initial recognition. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences on initial recognition. Following the amendments to IAS 12, an entity is required to recognize the related deferred tax assets and liabilities, with the recognition of any deferred tax assets being subject to the recoverability criteria in IAS 12.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

The Company evaluated the amendments to IAS 12 and determined that the implementation of these amendments had no effects on its consolidated financial information, because the Entity has not previously applied the exception to initial recognition previously described.

Amendments to IAS 12 – International tax reform – Pillar Two Model Rules

The Company has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top up taxes described in those rules.

The Company applied the temporary exception to the accounting requirements for deferred taxes in IAS 12, so the Company neither recognise nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

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

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 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 Company expects that the impacts will be mainly related to the disclosures included in its consolidated financial statements, mainly due to the amendments to IAS 7 and IFRS 7. The amendments to the IFRS are included below:

- Amendments to IFRS 16 – Lease liability in a sale and leaseback (1)
- Amendments to IAS 7 and IFRS 7 – Supplier finance arrangements (1)
- Amendments to IAS 1 – Classifying liabilities as current or non-current (1)
- Amendments to IAS 1 – Classification of debt with covenants (1)
- Amendments to IAS 21 – Lack of Exchangeability (2)

(1) Effective for annual reporting periods beginning on January 1, 2024

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

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 2.11, 2.05 and 1.86 as of December 31, 2023, 2022 and 2021, 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, 2023, 2022 and 2021, financial assets and liabilities consist of the following:

	2023	**2022**	**2021**
Cash and cash equivalents	$ 322,606	$ 416,554	$ 281,716
Restricted cash	5,657	8,053	11,121
Financial assets measured at amortized cost:			
Trade and other accounts receivable	564,275	611,032	495,214
	$ 892,538	$ 1,035,639	$ 788,051
Financial liabilities measured at amortized cost:			
Debt	$ 1,757,434	$ 1,546,831	$ 1,485,743
Lease liability	113,815	100,765	101,185
Trade and accounts payable to related parties	1,125,662	1,161,958	1,004,412
	$ 2,996,911	$ 2,809,554	$ 2,591,340

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, 2023, 2022 and 2021.

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, 2023		As of December 31, 2022		As of December 31, 2021	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities:						
Non-current liabilities before issuance and obtaining costs	$ 1,495,464	$ 1,353,666	$ 1,466,216	$ 1,255,223	$ 1,308,892	$ 1,279,193

Estimated fair values as of December 31, 2023, 2022 and 2021, 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 54% of its sales are U.S dollars denominated, 34% in Euros, and the remaining 12% 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 US 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, 2023:

	EUR	**MXP**
Financial assets	$ 167,326	$ 1,468
Financial liabilities	1,141,030	131,103
Financial position in foreign currency	$ (973,704)	$ (129,635)

The exchange rate used to convert the financial position in foreign currency from EUR and MXP 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 MXP/USD and EUR/USD, maintaining all the other variables constant, will result in an effect of $79,971 in the consolidated statement of income and of $110,334 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, 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	Bonos vinculados a la sostenibilidad	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	275		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	297		EUR	683

As of December 31, 2021

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	249	Nemak Dillingen GmbH	EUR	155
					Nemak Linz GmbH		31
					Nemak Gyor Kft		136
					Nemak Slovakia, S.r.o.		67
					Nemak Wernigerode GmbH		67
					Nemak Czech Republic, S.r.o.		58
					Nemak Poland Sp.z.o.o.		45
					Nemak Spain, S.L.		24
					Nemak Pilsting GmbH		14
					Nemak Izmir Dokum Sanayi A.S.		52
			EUR	249		EUR	649

The average coverage ratio of the Company amounted to 32.44%, 34.94% and 36.48% for the years ended December 31, 2023, 2022 and 2021, respectively. Therefore, the exchange rate fluctuation generated by the hedging instruments for the years ended December 31, 2023, 2022 and 2021 amounted to a net (loss) profit of $13,509, $(11,575), and $18,122, 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 confirms 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 increase, 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 expand the time or the amount of hedging. Given the volatility of gas prices, during October 2021, the Company entered into gas hedges for Mexico and the USA, that represented 25% of its consumption of December 2021 and January, February and March 2022. In addition, the Company entered into hedges during December for Mexico of 50% of its consumption of January, February, and March 2022; in November 2023, the Company entered into hedges for Mexico and the USA, that represented on average 32% of its consumption of 2024. As of December 31, 2023, 2022 and 2021, the fair value of the derivative financial instruments was $1,971, $4,913, and $869, 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, 2023, 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 $18,712.

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 2023, 2022 and 2021, 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, 2023, 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 ensuring 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, 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	-	-
As of December 31, 2021			
Trade and accounts payable to related parties	$ 1,004,412	$ -	$ -
Debt (excluding debt obtaining costs)	198,849	105,861	134,428
Lease liability	21,425	35,174	44,586
Sustainability-linked bond (excluding issuance costs)	32,502	162,557	1,068,623
Interest payable	7,117	-	-

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

As of December 31, 2023, 2022 and 2021, the Company has uncommitted short-term credit lines unused of more than $423,856, $532,000, and $349,000, respectively. Additionally, as of December 31, 2023, 2022 and 2021, Nemak has committed medium-term credit lines available of $422,800, $525,000, and $405,000, respectively.

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 technics 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, 2023, 2022 and 2021, 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 ("CGUs") 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 cash-generating unit (“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		
	2023	**2022**	**2021**
Cash on hand and in banks	$ 149,735	$ 110,471	$ 94,178
Short-term bank deposits	172,871	306,083	187,538
Total cash and cash equivalents	$ 322,606	$ 416,554	$ 281,716

7. Restricted cash

The value of restricted cash is composed as follows:

	December 31		
	2023	**2022**	**2021**
Current	$ 1,039	$ 1,554	$ 4,856
Non-current (Note 13)	4,618	6,499	6,265
Restricted cash[1]	$ 5,657	$ 8,053	$ 11,121

(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 US agency to promote investment in rural / low-development regions in the USA.

8. Trade and other accounts receivables, net

	December 31		
	2023	**2022**	**2021**
Trade accounts receivable	$ 416,631	$ 475,919	$318,151
Due from related parties (Note 26)	11,323	10,296	69,529
Recoverable taxes	41,383	24,841	9,523
Sundry debtors	150,142	137,221	118,595
Allowance for impairment of trade accounts receivable and related parties	(13,821)	(12,404)	(11,061)
	$ 605,658	$ 635,873	$504,737

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

	2023	**2022**	**2021**
Opening balance as of January 1	$ (12,404)	$ (11,061)	$(11,804)
Allowance for impairment of trade and related parties	(854)	(1,295)	(865)
Receivables written off during the year	739	392	1,300
Other	(1,302)	(440)	308
Final balance as of December 31	$ (13,821)	$ (12,404)	$(11,061)

The net change in the estimate of impairment of accounts receivable for the years ended December 31, 2023, 2022 and 2021 were $1,417, $1,343, and $743, 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:

	As of December 31, 2023	
Clients or group of clients	**Probability of default range**	**Severity of loss**
Automotive	0% - 1.18%[1]	99.29%
Related parties	0% - 0.36%	99.84%

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

	As of December 31, 2021	
Clients or group of clients	**Probability of default range**	**Severity of loss**
Automotive	0.0% - 5.43%[1]	99.47%
Related parties	0.0% - 0.23%	99.85%

(1) As of December 31, 2023, 2022, and 2021, 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 0.59%, 1.38% and 0.78%, 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		
	2023	**2022**	**2021**
Raw material and other consumables	$ 502,910	$ 428,609	$ 384,133
Work in process	278,741	270,116	265,495
Finished goods	122,398	147,650	176,041
	$ 904,049	$ 846,375	$ 825,669

For the years ended on December 31, 2023, 2022 and 2021, damaged, slow-moving and obsolete inventory was charged to cost of sales in the amount of $1,798, $2,285, and $1,571, respectively.

As of December 31, 2023, 2022 and 2021, 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, 2021								
Opening balance, net	$ 84,128	$ 451,570	$ 1,695,623	$ 2,064	$ 31,382	$ 254,452	$ 61,954	$ 2,581,173
Translation effect	(2,300)	(13,017)	(38,019)	(31)	(1,339)	(3,131)	(7,964)	(65,801)
Additions	-	172	10,782	-	-	295,572	-	306,526
Disposals	-	-	-	-	(257)	(74)	(2,149)	(2,480)
Impairment charge recognized in the year	-	-	(6,930)	-	-	-	-	(6,930)
Depreciation charge recognized in the year	-	(25,301)	(216,458)	(869)	(9,833)	-	(745)	(253,206)
Transfers	-	14,803	193,951	443	8,434	(218,213)	582	-
	$ 81,828	$ 428,227	$ 1,638,949	$ 1,607	$ 28,387	$ 328,606	$ 51,678	$ 2,559,282
As of December 31, 2021								
Cost	$ 81,828	$ 809,589	$ 4,492,341	$ 13,381	$ 138,260	$ 328,606	$ 55,909	$ 5,919,914
Accumulated depreciation	-	(381,362)	(2,853,392)	(11,774)	(109,873)	-	(4,231)	(3,360,632)
Net carrying amount as of December 31, 2021	$ 81,828	$ 428,227	$ 1,638,949	$ 1,607	$ 28,387	$ 328,606	$ 51,678	$ 2,559,282
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	-
	$ 80,162	$ 417,322	$ 1,606,948	$ 1,729	$ 29,725	$ 436,692	$ 58,382	$ 2,630,960
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	$ 80,162	$ 417,322	$ 1,606,948	$ 1,729	$ 29,725	$ 436,692	$ 58,382	$ 2,630,960
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	-
	$ 80,204	$ 408,714	$ 1,721,029	$ 1,904	$ 36,000	$ 549,574	$ 70,393	$ 2,867,818
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	$ 80,204	$ 408,714	$ 1,721,029	$ 1,904	$ 36,000	$ 549,574	$ 70,393	$ 2,867,818

As of December 31, 2023, 2022 and 2021, the Company capitalized borrowing costs to qualifying assets for $7,470, $2,970, and $1,597, respectively, which were not significant.

Of the total depreciation expense, $258,897, $229,086, and $236,305 were charged to cost of sales, $131, $108, $42, to selling expenses and $13,766, $14,618, and $16,859, to administrative expenses in 2023, 2022 and 2021, respectively.

As of December 31, 2023, 2022 and 2021, 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, 2023, 2022 and 2021 is 12 years.

a) The right of use recognized in the consolidated statement of financial position as of December 31, 2023, 2022 and 2021, and in the consolidated statements of income for the years ended December 31, 2023, 2022, 2021, are as follows:

	Buildings	**Machinery and equipment**	**Vehicles**	**Other fixed assets**	**Total**
Final balances as of December 31, 2021	$ 71,107	$ 4,902	$ 12,767	$ 1,926	$ 90,702
Final balances as of December 31, 2022	$ 75,521	$ 3,931	$ 6,316	$ 2,726	$ 88,494
Final balances as of December 31, 2023	$ 74,160	$ 5,388	$ 15,729	$ 3,304	$ 98,581
Depreciation expense 2021	$(11,209)	$ (1,966)	$ (10,158)	$ (1,552)	$(24,885)
Depreciation expense 2022	$(11,279)	$ (3,031)	$ (13,664)	$ (1,740)	$(29,714)
Depreciation expense 2023	$(14,408)	$ (3,062)	$ (15,303)	$ (2,331)	$(35,104)

The additions to the net book value of the right of use assets for the years ended December 31, 2023, 2022 and 2021 amounted $44,041, $28,385, and $32,216, respectively.

b) Expenses recognized in the consolidated statements of income for the years ended December 31, 2023, 2022 and 2021, are as follows:

	December 31		
	2023	**2022**	**2021**
Rent expenses from short-term and low-value asset leases	$16,749	$12,670	$13,235

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, 2021	$ 547,909	$ 135,940	$ 17,656	$ 5,400	$ 310,499	$ 31,855	$1,049,259
Translation effects	(5,689)	(6,384)	(215)	-	(14,352)	(1,416)	(28,056)
Additions	53,134	-	314	-	-	300	53,748
Disposals	(12,283)	(8,203)	(297)	-	-	(5,631)	(26,414)
As of December 31, 2021	$ 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
Accumulated amortization							
January 1, 2021	$ (305,501)	$ (89,336)	$ (14,619)	$ (5,400)	$ -	$ (21,699)	$ (436,555)
Amortizations	(50,377)	(8,557)	(1,182)	-	-	(454)	(60,570)
Disposals	11,699	7,859	297	-	-	344	20,199
Translation effects	(220)	5,382	825	-	-	302	6,289
As of December 31, 2021	$ (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)
Disposals	(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)
Net carrying amount							
Cost	$ 583,071	$ 121,353	$ 17,458	$ 5,400	$ 296,147	$ 25,108	$1,048,537
Accumulated amortization	(344,399)	(84,652)	(14,679)	(5,400)	-	(21,507)	(470,637)
As of December 31, 2021	$ 238,672	$ 36,701	$ 2,779	$ -	$ 296,147	$ 3,601	$ 577,900
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

Of the total amortization expense, $80,278, $61,960, and $64,912, were charged to cost of sales, $16,678, $13,514 and $12,616, to administrative expenses, $216, $217, and $284 to selling expenses, and $7,067, $6,907, and $7,643 decreasing the revenues to costs incurred to obtain new agreements with clients in 2023, 2022 and 2021, 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, 2021	$ 106,821	$ 203,678	$ 310,499
Translation effect	(9)	(14,343)	(14,352)
Balance as of December 31, 2021	$ 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

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 2023, 2022 and 2021 were as follows:

		2023	
	North America	Europe	Rest of the World
Growth rate	1.50%	1.50%	2.50%
Discount rate	11.02%	10.54%	12.14%

		2022	
	North America	Europe	Rest of the World
Growth rate	1.50%	1.50%	2.50%
Discount rate	11.03%	10.12%	11.66%

		2021	
	North America	Europe	Rest of the World
Growth rate	1.50%	1.50%	2.50%
Discount rate	10.32%	9.59%	10.66%

The Company performed a sensitivity analysis considering an increase in the discount rate of 100 basis points, as well as a similar decrease in the long-term growth rate. As a result of the analysis, the Company concluded that there are no significant variations in the impairment calculations as of December 31, 2023.

13. Other non-current assets

	December 31		
	2023	2022	2021
Restricted cash (Note 7)	$ 4,618	$ 6,499	$ 6,265
Equity investments [(1)]	-	3,644	3,432
Investments in associates	22,276	18,071	25,306
Tax credits receivable	-	-	7,772
Other assets	8,627	6,704	3,906
Total other non-current assets	$ 35,521	$ 34,918	$ 46,681

(1) Equity investments are investment in shares of non-publicly traded companies. No impairment loss was recognized as of December 31, 2023, 2022 and 2021.

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

	2023	2022	2021
Net income (loss) and comprehensive income (loss)	$ 2,486	$ (508)	$ (1,019)

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

14. Trade and other accounts payable

		December 31	
	2023	2022	2021
Trade account payable	$ 1,120,172	$ 1,156,457	$ 1,002,174
Advances from customers	44,799	45,329	42,681
Other social security fees and benefits	108,248	97,673	86,979
Related parties (Note 26)	5,490	5,501	2,238
Other payables	323,347	272,206	235,267
	$ 1,602,056	$ 1,577,166	$ 1,369,339

15. Debt

		December 31	
	2023	2022	2021
Current:			
Bank loans[(1) (2) (3)]	$ 264,145	$ 86,593	$ 181,325
Current portion of non-current debt	29,116	13,289	11,511
Interest payable [(1)]	10,545	7,089	7,117
Total current debt	$ 303,806	$ 106,971	$ 199,953
Non-current debt:			
Secured bank loans	$ 73	$ 130	$ 181
Unsecured bank loans	442,966	432,763	240,085
In U.S dollars:			
Sustainability-linked bonds / Senior Notes	500,000	500,000	500,000
In Euros:			
Sustainability-linked bonds / Senior Notes	552,425	533,323	568,626
Non-current debt before debt issuance and obtaining costs	1,495,464	1,466,216	1,308,892
Less: Debt issuance and obtaining costs	(12,720)	(13,067)	(11,591)
Less: current portion of other debts	(29,116)	(13,289)	(11,511)
Non-current debt	$ 1,453,628	$ 1,439,860	$ 1,285,790

(1) As of December 31, 2023, 2022 and 2021, short-term bank loans bore interest at an average rate of 5.87%, 4.51% and 3.55%, respectively. The short-term interest payable as of December 31, 2023, 2022, and 2021 amounted to $741, $826, and $923.

(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 paid	Balance as of December 31, 2023	Balance as of December 31, 2022	Balance as of December 31, 2021	Inception date MM/DD/YYYY	Maturity date MM/DD/YYYY	Interest rate
Brazil	BRL	$ 73	$ -	$ 1	$ 74	$ 130	$ 181	12/15/2020	01/25/2025	6.00%
Total secured bank loans		73	-	1	74	130	181			
Bancomext LP (1)	USD	-	-	-	-	182,785	185,898	12/23/2019	12/23/2029	6.30%
Bancomext LP 2023 (1)	USD	200,000	1,065	3,487	202,422	-	-	04/11/2023	04/11/2033	SOFR 3M + 2.50%
The Bank of Nova Scotia	USD	100,000	1,086	-	98,914	99,218	-	12/22/2022	12/19/2027	SOFR 1M + 2.15%
BBVA Mexico	USD	100,000	1,216	-	98,784	99,218	-	12/22/2022	12/19/2027	SOFR 1M + 2.15%
Scotiabank Turkey	EUR	6,906	-	11	6,917	13,377	21,357	02/07/2020	10/28/2024	1.35%
Spain	EUR	2,275	-	30	2,305	2,685	3,390	12/02/2020	02/01/2028	1.50%
USA	USD	33,785	4,476	-	29,309	28,562	24,437	10/31/2020	12/21/2025	1.31%
Total unsecured bank loans		442,966	7,843	3,528	438,651	425,845	235,082			
Total bank loans		443,039	7,843	3,529	438,725	425,975	235,263			
Sustainability-linked bond / Senior Notes	USD	500,000	2,213	467	498,254	498,412	496,747	06/28/2021	06/28/2031	3.63%
Sustainability-linked bond / Senior Notes	EUR	552,425	2,664	5,809	555,570	534,979	571,340	07/20/2021	07/20/2028	2.25%
Total Senior Notes		1,052,425	4,877	6,276	1,053,824	1,033,391	1,068,087			
Total		1,495,464	12,720	9,805	1,492,549	1,459,366	1,303,350			
Less: current portion of non-current debt		(29,116)	-	-	(29,116)	(13,274)	(11,511)			
Non-current debt (including non-current interest debt payable)		$ 1,466,348	$ 12,720	$ 9,805	$ 1,463,433	$ 1,446,092	$ 1,291,839			

(1) In 2023, the Company contracted 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.

As of December 31, 2023, the annual maturities of non-current debt, gross of debt issuance and obtaining costs are the following:

	2024	2025	2026	2027	2028	2029 and thereafter	Total
Bank loans[1]	$ 29,116	$ 12,814	$ 5,697	$208,809	$ 12,792	$ 173,811	$ 443,039
Sustainability-linked bonds [2]	-	-	-	-	-	1,052,425	1,052,425
	$ 29,116	$ 12,814	$ 5,697	$208,809	$ 12,792	$1,226,236	$1,495,464

(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:

a. Interest coverage ratio: which is defined as EBITDA (Note 27) for the period of the last four complete quarters [1] divided by financial expenses, net, for the last four quarters, which shall not be less than 3.0 times.

b. 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, 3.5, and 4.75 times for the year ended December 31, 2023, 2022 and 2021, respectively.

(1) As part of the amendments to the credit agreements, EBITDA for the periods ended from the third quarter of 2020 until the second quarter of 2021, did not comprehend expenses related to COVID-19.

During 2023, 2022 and 2021, the financial ratios mentioned above were calculated in accordance with the established formulas in the credit agreements.

In 2021, the Company issued 2 Senior Notes with the characteristic of “Sustainability-Linked Bonds”:

The first one was issued in June for $500 million 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 million 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 a 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.

As of December 31, 2023, 2022 and 2021 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 Nemak 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 lease-back 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, 2023, 2022 and 2021, 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, 2023, the outstanding balance and the value of the pledged assets are approximately $73 and $307, respectively. As of December 31, 2022, the outstanding balance and the value of the pledged assets are approximately $100 and $304. As of December 31, 2021, the outstanding balance and the value of the pledged assets are approximately $200 and $310, respectively.

16. Lease liability

	December 31		
Current portion:	2023	2022	2021
USD	$ 13,114	$ 5,929	$ 11,362
EUR	9,282	8,642	7,420
Other currencies	5,269	1,014	2,652
Current lease liability	$ 27,665	$ 15,585	$ 21,434
Non-current portion:			
USD	$ 41,411	$ 26,040	$ 32,169
EUR	52,380	52,437	43,725
Other currencies	20,024	22,288	25,291
	113,815	100,765	101,185
Less; Current portion of lease liability	(27,665)	(15,585)	(21,434)
Non-current lease liability	$ 86,150	$ 85,180	$ 79,751

As of December 31, 2023, 2022 and 2021, changes in the lease liability related to the financing activities in accordance with the statement of cash flows consist of the following:

	2023	2022	2021
Beginning balance	$ 100,765	$ 101,185	$ 95,999
New contracts	44,041	28,385	32,216
Write-offs	(281)	(434)	(4,670)
Interest expense from lease liability	7,234	4,203	4,383
Lease payments	(41,924)	(30,937)	(34,372)
Exchange loss (income)	3,980	(1,637)	7,629
Ending balance	$ 113,815	$ 100,765	$ 101,185

The total of future minimum payments of leases that include non-accrued interest is analyzed as follows:

	December 31, 2023
Less than 1 year	$ 27,665
Over 1 year and less than 3 years	39,123
Over 3 year and less than 5 years	16,879
Over 5 years	30,148
Total	$ 113,815

17. Other liabilities

	December 31		
	2023	2022	2021
Current:			
Other taxes and withholdings	$ 11,233	$ 12,157	$ 6,982
Statutory employee profit sharing	11,841	18,446	10,386
Share-based payment (Note 20)	775	890	703
Derivative financial instruments (Nota 4)	1,971	4,913	869
Others	36	128	96
Total	$ 25,856	$ 36,534	$ 19,036
Non-current:			
Other[1]	$ 16,996	$ 7,527	$ 10,935
Total	$ 16,996	$ 7,527	$ 10,935

[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:

	December 31		
	2023	2022	2021
Country			
Mexico	$ 52,809	$ 40,961	$ 30,871
United States	-	-	322
Canada	4,992	3,168	5,362
Poland	12,314	10,878	10,473
Austria	10,259	8,305	9,888
Germany	6,569	5,394	8,821
Other	2,923	5,598	4,878
Total	$ 89,866	$ 74,304	$ 70,615

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

	December 31		
	2023	**2022**	**2021**
Obligations in the consolidated statement of financial position:			
Pension benefits	$ 84,511	$ 66,560	$ 63,716
Post-employment medical benefits	5,355	7,744	6,899
Liability recognized in the consolidated statement of financial position	89,866	74,304	70,615
Charge in the consolidated statements of income for:			
Pension benefits	5,531	(8,168)	(6,850)
Post-employment medical benefits	241	(235)	(486)
	5,772	(8,403)	(7,336)
Remeasurements from employee benefit obligations recognized in other comprehensive income (loss) for the year			
Pension benefits	(3,176)	(1,282)	9,690
Post-employment medical benefits	65	1,871	340
	(3,111)	589	10,030
Remeasurements accumulated in stockholders' equity	$ (9,372)	$ (6,261)	$ (6,850)

The Company manages post-employment medical benefits 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		
	2023	**2022**	**2021**
Present value of the obligations	$ 119,070	$ 101,108	$ 106,226
Fair value of plan assets	(29,204)	(26,804)	(35,611)
Net liabilities in the consolidated statement of financial position	$ 89,866	$ 74,304	$ 70,615

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

	2023	**2022**	**2021**
As of January 1	$ 101,108	$ 106,226	$ 107,853
Current service cost	6,689	7,360	14,693
Interest cost	5,457	2,867	2,564
Contributions from plan participants	28	25	49
Remeasurements:			
Actuarial remeasurements	3,216	(6,334)	(3,501)
Settlements	946	(2,290)	-
Benefits paid	(7,825)	(4,565)	(6,755)
Exchange differences	9,451	(2,181)	(8,677)
As of December 31	$ 119,070	$ 101,108	$ 106,226

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

	2023	**2022**	**2021**
As of January 1	$ (26,804)	$ (35,611)	$ (31,676)
Interest income	(1,129)	(1,114)	(888)
Remeasurements – return from plan assets, net	(1,230)	5,553	(3,205)
Exchange differences	(1,459)	3,800	(1,026)
Contributions from plan participants	(872)	(2,685)	(345)
Employee contributions	(28)	25	(49)
Benefits paid	2,318	3,228	1,578
As of December 31	$ (29,204)	$ (26,804)	$ (35,611)

The primary actuarial assumptions were as follows:

	December 31		
	2023	2022	2021
Mexico:			
Inflation rate	4.66%	7.82%	7.36%
Wage increase rate	5.50%	5.00%	4.50%
Future wage increase	5.50%	3.50%	3.50%
Medical inflation rate	7.00%	7.00%	7.00%
Discount rate:			
Mexico	9.75%	9.25%	7.75%
Canada	4.62%	5.14%	3.07%
Austria	4.45%	4.00%	1.00%
United States	5.50%	5.10%	2.35%
Germany	3.68%	3.15%	1.35%
Poland	5.20%	6.70%	3.20%

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%	$(48,600)	$60,774

Pension benefit assets

Plan assets are comprised of the following:

	2023	2022	2021
Equity instruments	$ 8,387	$ 7,706	$ 24,097
Short and long-term fixed-income securities	20,817	19,098	11,514
	$ 29,204	$ 26,804	$ 35,611

19. Stockholders' equity

At December 31, 2023, 2022 and 2021, the fixed, capital stock of $431,734, $433,816, and $433,866, respectively, was represented by 3,037,820, 3,054,812 and 3,055,292 thousand registered common shares, "Class I" of the Series "A", without face value, fully subscribed and paid, respectively.

As of December 31, 2021, the shares were represented as follows:

Stockholder	Number of shares (In thousands)	Amount
Public investors	3,076,595	$ 436,069
Repurchase of shares	(21,303)	(2,203)
Balances as of December 31, 2021	3,055,292	$ 433,866

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	3,054,812	$ 433,816

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	3,037,820	$ 431,734

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

	Number of shares (In thousands)
Shares as of January 1, 2021	3,076,595
Repurchase of shares	(21,303)
Shares as of December 31, 2021	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

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, 2023, 2022 and 2021, the legal reserve amounted to $73,766 (MXP 1,246,171), $61,351 (MXP 1,187,853), and $57,709 (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", by 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 2023. 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, 2023, the tax value of the consolidated CUFIN and value of the Capital Contribution Account ("CUCA") amounted to $557,508 (MXP 9,418,263) and $95,393 (MXP 1,611,526), 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.**
2021	5%
2022	5%
2023 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, 2023, 2022 and 2021, the Company generated taxable income of $4,373, $50,591, and $5,278, 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 referenced to the value of its shares for senior executives of Nemak and its subsidiaries. From 2021, the compensation plan is only referenced to the value of Nemak's shares. 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 2023, 2022 and 2021 was $0.25 (MXP 4.19), $0.3 (MXP 5.78), and $0.3 (MXP 6.07), 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		
	2023	**2022**	**2021**
Short-term	$ 775	$ 890	$ 703
Long-term	1,907	2,007	1,705
Total carrying amount	$ 2,682	$ 2,897	$ 2,408

21. Expenses classified by nature

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

		December 31	
	2023	**2022**	**2021**
Raw materials	$(2,156,650)	$(2,218,264)	$(1,630,365)
Maquila (production outsourcing)	(316,057)	(275,668)	(249,486)
Employee benefit expenses (Note 24)	(1,043,245)	(848,878)	(785,847)
Personnel expenses	(5,972)	(4,508)	(3,072)
Maintenance	(245,537)	(213,125)	(193,531)
Depreciation and amortization	(369,966)	(319,503)	(331,018)
Freight charges	(47,221)	(26,689)	(23,294)
Advertising expenses	(780)	(586)	(677)
Consumption of energy and fuel	(296,903)	(272,964)	(178,246)
Travel expenses	(11,030)	(9,169)	(3,293)
Operating leases	(16,749)	(12,670)	(13,235)
Technical assistance, professional fees and administrative services	(129,667)	(108,803)	(61,270)
Other	(160,691)	(143,663)	(100,951)
Total	$(4,800,468)	$(4,454,490)	$(3,574,285)

22. Other income (expenses), net

	2023	**2022**	**2021**
Gain on sale of property, plant, and equipment (1)	$ 11,330	$ 222	$ 39
Impairment of property, plant, and equipment (Note 27)	(31,568)	(36,117)	(6,930)
Other income	3,950	9,925	12,103
Total other income (expenses), net	$ (16,288)	$ (25,970)	$ 5,212

(1) 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

	2023	2022	2021
Financial income:			
Interest income in short-term bank deposits	$ 5,116	$ 1,722	$ 1,409
Financial income with related parties (Note 26)	507	341	242
Other financial income [1]	1,776	3,652	1,824
Total financial income	$ 7,399	$ 5,715	$ 3,475
Financial expenses:			
Interest expense on bank loans [3]	$ (84,911)	$ (55,409)	$(106,788)
Other financial expenses [2]	(43,959)	(19,356)	(5,130)
Total financial expense	$ (128,870)	$ (74,765)	$(111,918)
Exchange fluctuation loss, net:			
Exchange fluctuation gain	$ 112,851	$ 224,706	$ 117,018
Exchange fluctuation loss	(169,228)	(234,493)	(137,077)
Total exchange fluctuation loss, net	$ (56,377)	$ (9,787)	$ (20,059)
Financial results, net	$ (177,848)	$ (78,837)	$(128,502)

(1) It includes interest on plan assets (Note 18) and other items.
(2) It includes the financial cost of employee benefits (Note 18).
(3) As of December 31, 2021, it includes debt prepayment costs of $28 of Senior Notes.

24. Employee benefit expenses

	2023	2022	2021
Salaries, wages and benefits	$ 890,828	$ 716,656	$ 654,921
Contributions to social security	142,075	112,314	108,036
Employee pension benefits (Note 18)	6,689	7,360	14,693
Other contributions	3,653	12,548	8,197
Total	$ 1,043,245	$ 848,878	$ 785,847

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, 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:

	2023	2022	2021
Germany	30.0%	30.0%	30.0%
Austria	24.0%	25.0%	25.0%
Brazil	34.0%	34.0%	34.0%
China	25.0%	25.0%	25.0%
Spain	24.0%	24.0%	24.0%
Slovakia	21.0%	21.0%	21.0%
United State of America	21.0%	21.0%	21.0%
Hungary	9.0%	9.0%	9.0%
Poland	19.0%	19.0%	19.0%
Turkey	20.0%	23.0%	25.0%

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

	2023	2022	2021
Current tax	$ (75,304)	$ (62,496)	$ (43,548)
Deferred tax	78,437	6,000	(50,905)
Income tax expensed	$ 3,133	$ (56,496)	$ (94,453)

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

	2023	2022	2021
Income before taxes	$ 1,240	$ 107,087	$ 99,731
Equity in losses of associates recognized through the equity method	(2,486)	508	1,019
(Loss) income before interests in associates	(1,246)	107,595	100,750
Statutory rate	30%	30%	30%
Taxes at statutory rate	374	(32,279)	(30,225)
(Add) less tax effect on:			
Inflation adjustments	(4,826)	(34,417)	(26,004)
Non-deductible expenses	(23,255)	4,099	3,501
Tax loss recovery valuation reserve	-	-	(50,835)
Non-taxable exchange effects	18,299	3,658	4,327
Other	12,541	2,443	4,783
Total income tax expense	$ 3,133	$ (56,496)	$ (94,453)
Effective rate	251%	53%	94%

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

	December 31		
	2023	2022	2021
Inventories	$ 1,044	$ -	$ -
Property, plant and equipment	78,234	(7,539)	(5,194)
Intangible assets	(34,337)	(8,549)	(2,285)
Provisions	48,528	10,226	9,818
Tax loss carryforwards	(2,674)	1,783	28,577
Other temporary differences, net	3,378	29,705	(24,839)
Deferred tax asset	$ 94,173	$ 25,626	$ 6,077
Inventories	$ (516)	$ 210	$ (448)
Property, plant and equipment	(130,120)	(96,722)	(172,493)
Intangible assets	(32,528)	(24,799)	(28,583)
Provisions	44,652	77,267	76,906
Tax loss carryforwards	3,184	24,069	174
Other temporary differences, net	11,760	(93,250)	15,502
Deferred tax liability	$ (103,568)	$ (113,225)	$ (108,942)

Tax losses as of December 31, 2023 expire in the following years:

Expiration year	Amount
2024	$ 12,945
2025	21,306
2026	21,974
2027	3,079
2028 and thereafter	40,801
No maturity	156,084
	$ 256,189

Additionally, as of December 31, 2023, the Company holds tax loss carryforwards of $247,021 and has decided to reserve the total amount.

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

	2023			2022			2021		
	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	$ 38,489	$ -	$ 38,489	$ (48,784)	$ -	$(48,784)	$ (3,972)	$ -	$ (3,972)
Remeasurements of obligations for employee benefits	(3,111)	777	(2,334)	589	(102)	487	10,030	(1,340)	8,690
Derivative financial instruments designated as cash flow hedges	2,942	(855)	2,087	(4,044)	1,171	(2,873)	(1,350)	405	(945)
Other comprehensive income (loss) items	$ 38,320	$ (78)	$ 38,242	$ (52,239)	$ 1,069	$(51,170)	$ 4,708	$ (935)	$ 3,773

26. Transactions with related parties

Transactions with related parties during the years ended December 31, 2023, 2022 and 2021, which were carried out in terms similar to those of arm's-length transactions with independent third parties, were as follows:

	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	MXP	12/31/2024	12.50%	$ 4,706
Associates	3,112	2,242	MXP	08/03/2025	4.25%	784
Affiliates	339	65	MXP			-
Total	$ 3,451	$ 7,872				$ 5,490

	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	MXP	12/31/2023	11.50%	$ 3,950
Associates	3,229	2,155	EUR	08/03/2023	4.25%	1,488
Affiliates	409	2	MXP			63
Total	$ 3,638	$ 6,658				$ 5,501

	December 31, 2021					
		Loans with related parties				
	Accounts receivable	Capital and Interest	Currency	Maturity date MM/DD/YYYY	Interest rate	Accounts payable
ALFA	$ -	$ 4,019	MXP	12/31/2022	6.42%	$ 1,113
Associates	3,367	2,216	EUR	03/04/2022	4.35%	1,125
Affiliates	895	-				-
Ford	59,032	-				-
Total	$ 63,294	$ 6,235				$ 2,238

Sales revenues and other related parties:

	Year ended December 31, 2023		
	Finished goods	Interest	Other
ALFA	$ -	$ 388	$ -
Associates	-	119	17,541
Affiliates	-	-	863
Total	$ -	$ 507	$ 18,404

	Year ended December 31, 2022		
	Finished goods	Interest	Other
ALFA	$ -	$ 218	$ -
Associates	-	123	20,932
Affiliates	-	-	845
Total	$ -	$ 341	$ 21,777

	Year ended December 31, 2021		
	Finished goods	Interest	Other
ALFA	$ -	$ 154	$ -
Ford	961,771	-	-
Associates	-	88	18,330
Affiliates	-	-	864
Total	$ 961,771	$ 242	$ 19,194

Cost of sales and other expenses with related parties:

	Year ended December 31, 2023		
	Administrative services	Other costs and expenses	Dividends paid
ALFA	$ 11,074	$ -	$ -
Affiliates	2,960	1,687	-
Total	$ 14,034	$ 1,687	$ -

	Year ended December 31, 2022		
	Administrative services	Other costs and expenses	Dividends paid
ALFA	$ 9,208	$ -	$ -
Affiliates	2,660	1,160	-
Total	$ 11,868	$ 1,160	$ -

	Year ended December 31, 2021		
	Administrative services	Other costs and expenses	Dividends paid
ALFA	$ 2,195	$ -	$ 728
Affiliates	2,502	1,917	-
Total	$ 4,697	$ 1,917	$ 728

For the years ended December 31, 2023, 2022 and 2021, wages and benefits received by senior management of the Company were $9,400, $7,801, and $6,410, respectively, an amount comprising base salary and other benefits associated with the Company's share-based payment plans.

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, Russia, 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:

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	$ 2,713,688	$ 1,702,006	$ 577,664	$ -	$ 4,993,358
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	$ 299,233	$ 208,872	$ 70,031	$ -	$ 578,136
Capital investments (Capex and intangibles)	$ 316,089	$ 200,857	$ 23,695	$ -	$ 540,641

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	$ 2,588,841	$ 1,514,897	$ 563,154	$ -	$ 4,666,892
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	$ 311,533	$ 189,704	$ 40,815	$ -	$ 542,052
Capital investments (Capex and intangibles)	$ 298,135	$ 125,804	$ 40,370	$ -	$ 464,309

For the year ended December 31, 2021

	North America	Europe	Rest of the world	Eliminations	Total
Statement of income					
Income by segment	$ 1,956,541	$ 1,475,093	$ 461,947	$ (95,256)	$ 3,798,325
Inter-segment income	(24,903)	(69,999)	(354)	95,256	-
Income from external customers	$ 1,931,638	$ 1,405,094	$ 461,593	$ -	$ 3,798,325
EBITDA					
Operating income	$ 86,271	$ 128,740	$ 14,241	$ -	$ 229,252
Depreciation and amortization	184,965	115,762	30,291	-	331,018
Impairment	852	3,604	2,474	-	6,930
Adjusted EBITDA	$ 272,088	$ 248,106	$ 47,006	$ -	$ 567,200
Capital investments (Capex and intangibles)	$ 207,406	$ 109,509	$ 43,359	$ -	$ 360,274

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

	2023	2022	2021
Adjusted EBITDA	$ 578,136	$ 542,052	$ 567,200
Depreciation and amortization	(369,966)	(319,503)	(331,018)
Impairment	(31,568)	(36,117)	(6,930)
Operating income	176,602	186,432	229,252
Financial results, net	(177,848)	(78,837)	(128,502)
Equity in associates	2,486	(508)	(1,019)
Income before taxes	$ 1,240	$ 107,087	$ 99,731

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	$ 2,867,818	$ 290,762	$ 357,092

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	$ 2,630,960	$ 284,411	$ 362,288

For the year ended December 31, 2021

	Property, plant and equipment, net	Goodwill	Intangible assets and right of use
North America	$ 1,361,625	$ 106,812	$ 184,521
Europe	974,130	189,335	144,377
Rest of the World	223,527	-	43,557
Total	$ 2,559,282	$ 296,147	$ 372,455

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 24%, 24%, and 24%, General Motors 15%, 18%, and 16%, Stellantis(1) 10%, 11%, and 9% and Volkswagen Group 13%, 12% and 14% in 2023, 2022 and 2021, respectively.

(1) "Stellantis" means Stellantis N.V. and its relevant subsidiaries in different countries, a new automotive group resulting from the merger of Fiat Chrysler Automobiles and PSA Group, effective as of January 2021.

28. Commitment and contingency

In the normal course of its business, the Company is involved in disputes and litigation. Although the outcome of the disputes cannot be predicted, as of December 31, 2023, the Company does not believe that there are current or threatened actions, claims or legal proceedings against it or affecting the Company that, if determined adversely to it, would significantly damage its individual or overall results of operations or financial position.

As of December 31, 2023, 2022 and 2021, 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. Following a face-to-face meeting with the CRA where Nemak presented its evidence and arguments, Nemak and its legal advisors believe the case will be resolved favorably. Consequently, 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, 2023, and through January 31, 2024, (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, 2024, 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.