

**Nemak**  
**2Q25 Earnings Conference Call**  
Thursday, July 17, 2025

**Speakers**

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

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

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

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

**Armando Tamez:** Thank you, Denise. Hello everyone, and welcome to Nemak's Second Quarter 2025 Earnings webcast. I am pleased to report another quarter of positive results, reflecting our continued focus on operational excellence and disciplined execution. EBITDA improved by 12% year-over-year, supported by stable revenue and sustained margin performance. These results

underscore the effectiveness of our strategy, as we remain committed to driving financial performance, which is a cornerstone of our value creation efforts.

Throughout the quarter we remained focused on executing cost-reduction initiatives across the organization. These efforts included disciplined management of SG&A expenses, optimization of manufacturing costs, and ongoing activities to improve labor efficiency. Considering our current results and the outlook for the remainder of the year, we are confident in reaffirming our full-year 2025 guidance.

Turning to the trade environment in North America, neither Nemak nor its customers are currently paying any type of tariffs on our products. We have the ability to comply with USMCA regional content requirements, and our commercial agreements establish that customers are responsible for managing the import process and any related customs obligations.

In terms of production schedules, our operations have remained stable and aligned with the volumes anticipated at the beginning of the year. We maintain close communication with our customers and continue to monitor the situation closely to address any potential shifts in volume.

Turning to strategy execution, our new facility in the Czech Republic is ramping up production of components for electric vehicles. This development reflects our ability to adapt to evolving customer needs and market dynamics, while expanding our global footprint and advanced manufacturing capabilities. The facility incorporates advanced joining and assembly technologies, and produces complex, highly engineered components that deliver significant value to our customers' electrification programs.

I would like to highlight the solid performance of our Rest of the World region, which comprises operations in Argentina, Brazil, China, and India. (PAUSE) Our local teams have consistently demonstrated strong execution, technical expertise, and a high level of commitment. Notably, the region has delivered steady EBITDA growth over the last three years, underscoring the strength of operations and the relevance of our product offer. The contributions of our Rest of the World region continue to play a key role in supporting our global strategy and reinforcing Nemak's resilience across diverse and dynamic markets.

On the innovation front, we are now expanding our efficiency projects in high-pressure die casting to other plants that use the same technology. These initiatives have already delivered strong results at pilot locations, and by scaling them across our footprint, we aim to boost productivity and reduce costs more broadly.

In parallel, we are developing innovative joining solutions to optimize cost and enhance product performance in the electromobility field. This work is being led by our outstanding Engineering Center in Frankfurt, which continues to play a key role in advancing Nemak's technical capabilities. Both initiatives represent solid progress in our strategy to strengthen operational performance through innovation.

Turning to sustainability, Nemak leverages its strong R&D capabilities and deep expertise in aluminum to drive innovation in low-carbon solutions. In this context, we joined efforts with Hydro, as both companies bring valuable experience in low-carbon aluminum development, to explore new pathways for decarbonization in our industry. This collaboration underscores our broader commitment to reducing emissions and supporting our customers in meeting their climate goals through advanced materials and process innovation.

I am also pleased to highlight that Nemak earned an "A" rating in the Supplier Engagement Rating by CDP, the global gold standard for environmental disclosure. This recognition places us among the top-performing companies worldwide in how we engage our supply chain on climate-related risks and emissions. It reflects our strong governance, transparent reporting, and direct collaboration with suppliers to reduce environmental impact. By embedding climate strategy into procurement and risk management, we are reinforcing our commitment to decarbonization across the value chain.

In 2025, Nemak was recognized as a Top Employer in Brazil, the Czech Republic, Germany, Mexico, Poland, and the United States. This recognition underscores the positive people practices we have built across our global operations—one that values our talent, supports their growth, and fosters a strong sense of purpose. It is a testament to the dedication of our teams and the work environment we have created together.

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

## Alberto Sada

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

We continued to deliver solid performance in the second quarter. EBITDA increased 12%, supported by operating efficiencies and favorable commercial terms, despite a 4% volume decline year-over-year. Cash flow improved year-over-year, as we continued to increase EBITDA, reduce capital expenditures, and streamline working capital requirements. We are still well on track to meet our Guidance for the year, and we remain vigilant about economy and industry-related developments over the next six months.

Turning to the automotive industry, during the second quarter, light-vehicle sales in the US increased 3% year-over-year on a SAAR basis, climbing to 16.1 million units. These higher sales were mainly due to anticipated purchases, as consumers sought to avoid higher prices due to the imposition of new tariffs. Commercial incentives also helped sales by offsetting affordability concerns. On the light-vehicle production side, a 4% decline year-over-year to 3.9 million units reflects inventory correction strategies on the OEMs' side, amidst the ongoing tariff uncertainty.

In Europe, light-vehicle sales grew 2% year-over-year to 16.5 million units on a SAAR basis, on the back of stable macroeconomic conditions, positive trends in the labor market, and easing inflation during the quarter. However, light-vehicle production in the region showed a 5% decrease year-over-year to 3.9 million units, affected by reduced exports, mainly from premium OEMs.

In China, light-vehicle sales on a SAAR basis increased 7% year-over-year to 27.1 million units, fueled by trade-in programs and incentives from OEMs, all of this mostly in the domestic market. Light-vehicle production increased 5% year-over-year to 7.2 million units, driven by domestic consumers, as well as exports to emerging markets.

In Brazil, light-vehicle sales increased 2% year-over-year, as demand continued stable in the region, on the back of consistent macroeconomic conditions. On the production side, OEMs increased 5% on the back of robust domestic and foreign demand.

Moving to quarterly results, during the second quarter, Nemak's volume was 9.8 million equivalent units, a 4% decrease year-over-year. This drop was primarily due to lower light-vehicle production in Europe derived from foreign trade pressures, as well as certain customers' inventory correction strategies.

Revenue was 1.27 billion dollars, up slightly from the same period last year, supported by favorable pricing and product mix, as well as the appreciation of the euro. These factors helped offset the effect from lower volume.

We continue to deliver positive EBITDA performance, with a 12% increase year-over-year to 182 million dollars, on the back of improved product mix and pricing. EBITDA per equivalent unit rose to 18.5 dollars, reflecting the aforementioned improved profitability and cost discipline.

Operating income stood at 77 million dollars, up 35% year-over-year, driven by operating efficiencies, and improved cost structure. In addition, during the second quarter of 2024, there were certain impairments of non-operating assets, which favored the year-over-year comparison.

The net result was a loss of 24 million dollars. Net income was affected by the non-cash foreign exchange effects of approximately 69 million dollars, mainly related to our euro-denominated liabilities. Excluding these impacts, the net income would have been 45 million dollars.

During the quarter, free cash flow was 57 million dollars, benefiting from higher EBITDA and improved financial expenses and lower tax payments. These indicators show the Company is in a favorable financial position and aligned with strategic priorities for the year.

In turn, by the end of June, net debt was 1.61 billion dollars, 146 million dollars lower than in the same period of last year, despite the appreciation of the Euro. This reflected our disciplined capital allocation and working capital optimization, which more than offset the foreign exchange effect on our balance sheet of our euro-denominated loans.

At the quarter end, the net debt-to-EBITDA ratio was 2.5 times, compared to 2.9 times at the end of the second quarter of last year. As we have communicated in previous periods, the Company's strategy is focused on reducing leverage. To that end, the interest coverage ratio was 4.9 times, compared to 4.7 times, respectively, in the same period of 2024.

Our cash position is 334 million dollars, which in addition to fully available committed and uncommitted credit lines, provide us with solid liquidity and financial flexibility in the short-to- mid-term.

Capital expenditures during the quarter totaled 73 million dollars, 8% below the same period of last year, as we continue to optimize investments and leverage existing assets, while maintaining a selective approach to new business.

Moving on to regional results, in North America, revenue increased 3% year-over-year to 687 million dollars, on the back of volume increases. EBITDA rose 25% to 89 million dollars, supported by operating efficiencies, and the carry-over effect of product repricing.

In Europe, revenue declined 6% to 411 million dollars driven by volume reduction, and unfavorable product mix, partly offset by the appreciation of the Euro. In turn, EBITDA remained flat at 68 million dollars, on the back of operating efficiencies, and the remainder of the commercial negotiations that were settled in 2024.

In the Rest of the World, revenue increased 9% to 171 million dollars in line with volume. EBITDA rose 3% to 25 million dollars, driven by volume and product mix improvements.

As we navigate an increasingly dynamic market landscape, we remain firmly committed to delivering strong financial performance. Our focus on operational efficiency, margin expansion, and robust free cash flow generation continues to reinforce our financial flexibility. Backed by strong liquidity and a resilient strategy, we are well-positioned to create sustainable, long-term value for all our stakeholders.

With this, I would like to turn the call back over to Denise.

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

You may also place a written question using the Q&A function, also located at the bottom of your screen. We would appreciate if you could name yourself and your company. Questions will be addressed in the order that they are received. We will now open the floor for questions.

**Denise Reyes:** The first question is from Andres Cardona from Citi. Andres, please proceed with your question.

**Andres Cardona:** Hi good morning, everyone, congratulations on the second quarter results. My question is about why to reiterate the guidance at this point. We have a 231 million dollars EBITDA during the first six months. Yesterday we had the S&P update for light vehicle production forecast, and the second half was upgraded for the second time for the last couple of months, and the EBITDA per equivalent unit has been trending upward. So, for me it's hard to understand, why not to do an upgrade to the guidance at this point? Thank you.

**Armando Tamez:** Thank you, Andres, for your question. As I indicated in my remarks, we are reaffirming our guidance. We certainly had a very strong first half of the year. We need to remind you and the rest of the audience that the first half of the year in this industry represents about 55% of sales. The second part of the year is about 45%, related to normal shutdowns that customers make in their own assembly plants and engine plants, basically to change model year, plus the holidays that are normally on the second part of the year.

We are still with a certain uncertainty in the global markets. But, as always, Nemak will strive to exceed our guidance, and certainly, once we have better indication of what the volumes will be for the second part of the year, we can think if it is worth to change the guidance. But, as I indicated, we're confident on reaffirming our guidance for this year.

**Andres Cardona:** Thank you.

**Denise Reyes:** Thank you, Armando. The next question is from Jonathan Koutras, from JP Morgan. Jonathan, please proceed with your question.

**Jonathan Koutras:** Thank you, Denise. Good morning. Armando and Alberto, congrats on the quarter. I have two questions on my side. First, you mentioned the ramp up of the Czech Republic plant towards the components for electric vehicles. So, could you share how evolved you are on

this ramp up in terms of capacity being used. And could you remind us of the expected annual revenues of this plant once it's fully ramped? And the second question, SG&A remains rather lean at around 6% of our revenues, if my math is correct. So, should it remain at this level in coming quarters? Or were there any specific, perhaps one-off savings in this quarter? Thank you both.

**Armando Tamez:** Thank you, Jonathan. The startup of our plant in the Czech Republic has been outstanding. Ourselves, and also the customer is extremely happy with the performance of our colleagues in in the Czech Republic. We are making there a very sophisticated, state-of-the-art battery tray that comprises different technologies that are the state of the art. The volumes have been extremely high for the ramp up, and we're moving up. The expected revenues for this plant, once the volume is at a peak, are expected to be at 80 million euros approximately. That is what we're expecting. As I indicated, the customer is a German premium OEM that has a very successful vehicle that today has been received very well by the market, and we are very happy and excited about the progress that our team has made in that facility.

**Alberto Sada:** Jonathan, could you elaborate a little bit more on your second question?

**Jonathan Koutras:** Sure on the SG&A component right, it's been rather lean or very low in terms of year over year, in terms of how much it represents of top line. So does this represent a still remain on this level around 6%, or do you see more SG&A savings going forward?

**Alberto Sada:** Yeah, well, related to the SG&A. And I think this is consistent with what we have been communicated on previous calls. We have been focusing on generating efficiencies and reducing our cost structure to realign our position to the volatility that we have seen in the market, so, based on that, we have been actively adjusting both our fixed costs as well as our expenses to that line. In this particular quarter, we have about half of the reduction that you saw compared to last year is associated with the efficiencies and cost adjustments. The other half has to do with some reclassifications on within SG&A and COGS. But the focus has been on optimizing as much as we can and realigning our cost structure both from the cost side as well as from the expense side.

**Jonathan Koutras:** Very clear. Thank you.



**Denise Reyes:** Thank you, Alberto. The next question is from Pablo Dominguez from Debtwire, Pablo, please proceed with your question.

**Pablo Dominguez:** Hi, good morning. Can you hear me?

**Denise Reyes:** Yes, Pablo go ahead.

**Pablo Dominguez:** I have a question on a couple of items of the cash flow statement. One is the taxes paid in the past. You said that following high payments in 2023, and in the first half of 2024, for 2025 and the following years 26, 27, you were expecting around 65 to 70 million dollars in tax payments. But what we saw in the first half is much lower than that, is only 13 million in a year to date. So, I'm wondering whether you are still sticking to that outlook of 65 to 70 million per year, or maybe you are forecasting lower tax payments this year and next year. The other one is regarding the interest payments. In the first half they were much lower than in the previous quarters, around 40 million compared to more than 30 million per quarter in the previous three quarters. So, I would like to know what the reason for that is, and also, I would like to have your view on the second half of the year and 2026.

**Alberto Sada:** Thanks for your question, Pablo. Related to the comments around taxes, I think the outlook that you highlighted is aligned with our view. There are some items on the tax side that get reflected on the second half versus the first half. I think what we explained in the past is that we had provisional payments in the last couple of years, which were higher than what actually was the tax to be paid, and that was reconciled on our year-end tax filings. Going forward, we see the numbers more aligned to the number that you indicated, even though the first half was a little bit lower than what you would extrapolate for the full year. So, I think the number to plan for should be around 60 to 70 as you correctly pointed out.

And related to interest payments, as we have been generating more cash, due to improved results, as well as reduced capital expenditures and even optimizations a little bit on the working capital, we have been in the need to use less amount of debt, and that, together with lower reference rates, has allowed us to reduce our interest payments associated with the debt. So yes, you're seeing lower numbers in this, let's say the first half of the year versus what we had last year.

**Denise Reyes:** Thank you, Alberto. Our next question is from GBM. GBM please proceed with your question and present yourself.

**Alejandro Azar:** Hi guys, can you hear me?

**Denise Reyes:** Yes, we can hear you.

**Alejandro Azar:** Hi, I'm sorry I'm having trouble, my chat is disabled. So, I was not able to say that I am Alex Azar from GBM. Thank you for taking my question guys. Two questions. The first one is a follow-up on Cardona's, on the guidance, and it relates to the historical high EBITDA per unit of above \$18 dollars in this quarter. I was just wondering if during the second quarter of 2025, you had lump sums of one-time benefits from your commercial negotiations and if this is also, as our view is that you guys had some of these benefits, let's say, lump sums paid to you during the first half of 2025. That is why, you might be looking at tough comparable for the second half of 2025, and that is why you are not upgrading your guidance when you compare your EBITDA during the last twelve months of 650 versus your guidance of north of 600 million that would be my first question. I don't know if I could explain myself.

**Alberto Sada:** Yes, thanks for the question, Alex. We have been all along, I mean last year and this year, certainly being very active with our customers, looking for opportunities to compensate from some of the items that have affected our cost structure. I think we did a lot of those activities last year. There are some carryovers this year from what was done last year, so there is a little bit of a one-time effects as well in the second quarter. I would say those are mid-single digit effect in terms of millions on the EBITDA side.

And as you may recall from seeing our performance along the year in our history, it is normal to see that the second half of the year tends to be lower than the first half of the year due to the volume activity from our customers. As you're aware, on the second half, our customers during the month of July, August and the month of December, that's when they do their scheduled stoppages, and they do that for changing model year, to doing model year adjustments on the operation for the new vehicles, as well as normal vacation stoppages. So normally, the second half is lower than the first half, and if you do that computation, you will see that we will be as Armando highlighted, at our guidance as of the end of the year. So certainly, depending on how

volumes evolve, there could be, let's say, tailwinds. But at this point, we are seeing that we should be within the range of our guidance, probably on the high end.

**Alejandro Azar:** Is there any way, Alberto, to have the EBITDA per unit closer to a normalized level, or without those lump sums?

**Alberto Sada:** Well, traditionally again, the second quarter has been favorable. When you look at the EBITDA per unit of our guidance, that's around the \$15.2 to \$16 dollars per piece. Last year we were at \$16 dollars per piece on a full year basis. So, I think, even though last year we had some extraordinary this year we should be within that range, probably closer. So, I think that will give you a good view of where we stand in terms of our average profitability on a per unit basis.

There are obviously things that we need to take into consideration going forward. I mean, we need to see how volumes evolve and how exchange rates take place, and that may have a little bit of a positive or negative effect, but I would say that on average we should be at that level close to the \$16 dollars per piece.

**Alejandro Azar:** Okay, thank you for the color. And my second question is on the volume side. I was personally surprised by the growing year-over-year volumes in the US. If you can give us more color on what are you seeing in North America, both in Mexico and the US? How are your capacity utilizations across both regions? And also in Europe, if you are seeing let's say, a normalization of the dynamics, what is happening in Europe, and if you see that how the dynamics are going to evolve in the next couple of months?

**Armando Tamez:** Thank you, Alex, for the question. We are seeing very strong volumes in North America, from our main customers, they are running in some products 24/7 this is, for us let's say, good times in terms of the components that we are selling to them. Actually, most of the customers are requesting at full capacity, and we are making our best efforts to continue supplying them as many parts as they need. I think the Detroit 3 are very well positioned with these new regulations that the current administration in the US has imposed some tariffs on foreign products, and I think they are taking advantage, gaining market share. So that's also beneficial for us, we are confident that they will continue with the good track, gaining market share, and also continue with high levels of production. On the other hand, in Europe what we are seeing is that the European market is a little bit more stable. Actually, they have lost some volume, especially exports that they were

making to China. Those have been reduced to some extent. There are also economic uncertainties in Europe, and as everybody knows, the European consumer is a little bit more cautious about making this type of expenditures. We don't see a radical decline in volumes, just some adjustments a little bit to the downside, but we are confident that eventually those volumes should return to normal levels.

**Alejandro Azar:** Okay, thank you Armando.

**Armando Tamez:** Thank you, Alex.

**Denise Reyes:** Our next question is from Chungwei Hsia from Nuveen. Chungwei, please proceed with your question.

**Chungwei Hsia:** Yes, thank you very much. Wonder management, if you can quantify the production schedule for 3Q and 4Q. I suppose OEMs generally would give you some visibility into the future, is it possible to give us a figure what North America and Europe look like for the second half of the year? The second question is, have you heard of any progress on the USMCA negotiation? And you know, potentially, how would that impact you? The third question is a bit more long term. So, in Europe there's quite a bit of defense budget being planned by Germany. Wonder if you are interested in expanding into heavy vehicle to take advantage of this military spending in Europe? Those are my questions.

**Alberto Sada:** Thanks for the questions Chungwei. Well, related to the second half of the year, our guidance, our volume guidance is at levels of 37 to 38 million equivalent units. So, we are seeing ourselves at that level, probably at the middle of the range, slightly higher than the middle. But we are not seeing any deviation from what we saw on our guidance. It's probably a little bit more, let's say, influenced on the North America side, where we're seeing slightly higher than what we had anticipated, but that has been compensated by slightly lower figures than what we had anticipated for Europe.

**Chungwei Hsia:** Yeah, so 37 and change would be the volume that you ship to OEMs. I'm kind of curious what OEMs own production schedule a year on year. Because year to date, I think they're down 4 or 5%. And second half, what are they telling you?

**Alberto Sada:** Well, I mean they give us schedules on, let's say, in a rolling basis for the next 3 months. That's more or less the visibility that we have on a firm basis, that has been consistent. What I would say is that let's say directionally, we have been seeing higher in North America and slightly lower in Europe. So, I think that explains the reason why we're seeing ourselves, our volumes also following right now.

**Chungwei Hsia:** Got it.

**Armando Tamez:** Related to your question related to the USMCA. Certainly, we know that negotiations are being conducted already. Unfortunately, we don't have any type of details. Those will be released at a later stage. On the positive side, as everybody knows what is called the Beautiful Bill Act and for the EV Tax, we see very positive news for Nemak. This bill introduces a tax deduction up to \$10,000 for interest in vehicle loans. This is only for vehicles assembled in the US. Also, the bill also is a declared termination of the Federal EV tax credits, effective September 1<sup>st</sup>. A \$7,500 elimination, so that certainly has a benefit on vehicles that are internal combustion that would be more competitive.

Also, the elimination of the CAFE, the corporate average fuel efficiency fines. Not meeting emissions, regulations will become 0, and also the Clean Air Act waivers for California have been revoked. And so those are some of the things that, in our opinion, are positive drivers for the auto industry, and especially we see potentially higher volumes for ICE vehicles over the next few years.

**Chungwei Hsia:** Okay. And then Europe, Germany defense budget.

**Armando Tamez:** Yes, in that regard, certainly we see that as a positive to have the economy growing. Definitely, most of the European nations are increasing their defense budget. We are not in that industry. However, we have indicated in the past that we are already with contracts for electric trucks. This is a new segment for Nemak for battery trays that we're producing for several OEMs, very strong OEMs, located basically in Europe. That will require to electrify the, let's say trucks or heavy-duty vehicles, but not in the defense area.

**Chungwei Hsia:** Okay, got it. Thanks so much.

**Denise Reyes:** We have the next question from Emilio Fuentes, from GBM. Emilio. Please proceed with your question.

**Emilio Fuentes:** Hi, thank you for taking my question. I was just wondering if you could give us some color on a free cash flow expectations for the rest of the year. Seeing at the last 12 months' metrics, we can see you have generated over 250 million dollars, and you still have a negative effect from working capital, something that we have seen reverted during this year. Should we expect this trend to continue and expect a higher free cash flow generation for the rest of the year, considering your working capital needs?

**Alberto Sada:** Thanks for the question, Emilio. Yes, as you correctly point out, the cash flow generation in the last 12 months has been substantial, and for the last 12 months what we have is a very favorable second half of last year, and very favorable first half of this year, compared to how we normally see the free cash flow cycles. The second half of the year tends to be lower, contrary to what we saw last year, because last year we had the conclusion of a number of commercial negotiations and adjustments for unused capacity. So, we see that the cash flow, let's say, output for the second half following more than the seasonal effects that we normally see.

Having said that, we're expecting, as of the end of the year, to have a free cash flow generation on a net basis, to be around 130 million dollars. So that should be reflected as a net debt reduction for the full year. We compare our figure from, let's say, year over year basis. So even though again we had a much stronger free cash flow generation for the last 12 months, that has a very favorable effect of the second half of last year, favorable this year, which will normalize during the remaining months of this year.

**Emilio Fuentes:** Thank you. Very clear.

**Denise Reyes:** Thank you. There are no more live questions. We will now move on to written questions. The first question is from Stefan Styk, from Barclays, and it reads: What was your constant currency, revenue, and EBITDA growth in Europe this quarter? What are your expectations on the currency benefit this year for Europe?

**Alberto Sada:** Thank you, Stefan, for the question. There is a component of the euro appreciation in both our revenue and EBITDA figures. We had this quarter in terms of revenue in terms of

euros, close to 337 million euros, and the EBITDA figure for the second quarter was around 60 million euros. So that gives you a little bit of the effect of the euro versus US currency. If you do the math, and you see how we have performed in the previous years. You can see that the net effect on the results of the appreciation of the euro should be around 2 million dollars per every cent of currency movement, and that's a pure translation effect. The results that we have in Europe are euro denominated both from the top line as well as the cost side, so we don't have a currency effect on an intrinsic basis. But when we translate the numbers as we do with our debt that is in Euros, the number could be higher or lower, based on the exchange rate.

**Denise Reyes:** Thank you, Alberto. The next question is from Elizabeth Solis, from Iktea Capital: Do you currently have any agreements, negotiations, or ongoing projects with Chinese automotive brands, considering their growing presence in the global automotive industry?

**Armando Tamez:** The answer is, yes. We have established solid relationship with Chinese OEMs. As we have indicated in remarks, our plans in China are performing very well and definitely we are pursuing with other Chinese OEMs opportunities, and we're confident that we will get some agreements for the parts that we make.

**Denise Reyes:** Thank you. Armando. Next question is from Alondra Rivera, from Iktea Capital. Could you share an update on Nemak's current order book for electric vehicle components? How does it compare to previous quarters or years in terms of volume and value?

**Alberto Sada:** Well, yeah, as we have been highlighting, that had been a very active segment for us in the last years, we have increased our order book, both for the structural and the EV side. As of now, as we know those perspectives on the EV side have been reducing the speed with which the electrification takes place. So, we're in the process of evaluating what's going to be the effect of these delays in some projects by some OEMs on our order book. That's something that we should be communicating in due time.

But what we can tell you is the fact that we are very vigilant about the perspectives of those volumes, and whenever we see adjustments or delays, we are adjusting our Capex figures as well. So, we don't see ourselves with any, let's say, major effects on our balance sheet, other than the ones that we communicated last year and we're observing that situation closely. So, we'll be

communicating once we see more clarity on how those plans behave, but we are adjusting our Capex and assets accordingly.

**Denise Reyes:** Thank you, Alberto. The next question is from Vedant Kanade, from SG Analytics and Laura Aguirre, CFA. Could you provide some color on the impact of Trump's proposed tariffs on your business? In previous calls you mentioned that shifting more production to the US would be inefficient and costly for clients. Do you still view that as the case?

**Armando Tamez:** Yeah, thank you for your question. All our products that we make in Mexico are 100% compliant with the USMCA Act, in which we need to have more than 75% local content. We are in all products not only meeting but surpassing this percentage. Secondly, and very important: we have indicated in the past that all our contracts are related to selling our parts free on board at our plants, and it's our customers' responsibility to pick them up and transport those to the assembly or engine plants in the US. So, the customers at the end of the day, if any tariff would be applicable, which at the moment they aren't, will be responsible for the logistics, and also for any potential tariffs related to new movements from the US Government, if any. But I would like to reaffirm that our products are not paying any tariffs, and we are all also knowledgeable that our customers are not paying also a single dollar in terms of duties or taxes for the imports of our products produced in Mexico.

**Denise Reyes:** Thank you, Armando. The next question is from Juan Pablo Contró from Scotiabank: You continue generating positive free cash flow, and as you mentioned before, this is accelerating your debt reduction. I understand you are targeting reaching your goal of two times net debt to EBITDA next year before thinking about dividends. Any chance you expect reaching this goal sooner?

**Alberto Sada:** Well, certainly we're aiming to improve our free cash flow generation through the different elements that we have been discussing. On one side continue adjusting our capital expenditure schedule, tailored to the actual needs and the reduction of the speed with which electrification is picking up. We're also maintaining a prudent approach towards working capital. We have tax adjustments because of the items I disclosed earlier in the call.

So, all in all, I think we should be favoring, or we should be seeing a favorable scenario of free cash flow generation. Having said that, that is applied to debt reduction and our view, based on



our current expectations, is that we should be coming closer to the two times target somewhere next year. It's hard to tell at this point if we can anticipate that, but certainly we should be moving into that direction.

**Denise Reyes:** Thank you, Alberto. We have another written question from Laura Acosta, from Sumitomo. Do you expect any further adjustments in pricing in the US? Given the imposition of tariffs and higher expected volumes in the US?

**Armando Tamez:** As we have indicated already, we don't see any tariff effect in our products, and our customers as well. So, we don't expect any increase related to those, since they are not paying any taxes or duties on the products that we make.

**Denise Reyes:** Thank you, Armando. We have received another live question from Alejandro Azar from GBM. Alejandro, please proceed with your question.

**Alejandro Azar:** Hi guys. I just want to ask a question more on the long-term side. If we analyze your financials during the last 10 years, you see that volumes have come down from close to 50 million units to the guidance of 2025, which is around 37-38 million units. But EBITDA per unit in that same timeframe remains close to the high end with that \$16 per unit. My question is: if we think of Nemak in the next 10 to 15 years, do you guys see that you have the flexibility, you have the relationship with your clients, that as the powertrain business calms down, you'll be able to negotiate on maintaining that profitability or the returns on that business? As it, let's say, starts to lose weight in terms of across the industry? That would be my question. Thank you.

**Armando Tamez:** Thank you for your question. Certainly, what we are seeing is that our products that we are making today have higher value added than the products that we made 10 years ago. There is more content on the products, more complexity, and certainly that, at the end of the day, requires also higher prices. And we're confident that if the industry continues moving towards more electrification, that the powertrain components certainly will have to increase prices. And we are looking also to improve our profitability with higher efficiencies and also better pricing.

I think we have already negotiated in some instances with some customers. What we call a volume assurance for the next 10 years, in what we call sunset pricing, to assure that we will get

the right profitability to continue producing these parts at a lower volume, especially in regions like Europe where we see a potential decline.

**Armando Tamez:** So, that is something that we see achievable. We are confident that the company will continue moving on. And yes, we have lost certain volume over the last few years, We're expecting to recover a significant portion of this with the new products that we are launching on the structural side as well as on the electric, and to offset some, let's say, reduction that we are seeing in the ICE components.

**Alejandro Azar:** Okay. Thanks for the color, Armando.

**Armando Tamez:** Thank you.

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