

## 3Q23 Earnings Release

Saltillo Coahuila, Mexico, October 19<sup>th</sup>, 2023 -- Grupo Industrial Saltillo, S.A.B. de C.V. (BMV: GISSA) ("GIS" or "the Company"), a Mexican multinational company focused on the automotive sector, announces its results for the third quarter 2023 ("3T23").

## Financial Highlights

| Millions of USD | Third Quarter |            |             | Nine Months |             |             |
|-----------------|---------------|------------|-------------|-------------|-------------|-------------|
|                 | 2023          | 2022       | Ch. %       | 2023        | 2022        | Ch. %       |
| <b>Revenue</b>  | <b>256</b>    | <b>246</b> | <b>4</b>    | <b>788</b>  | <b>732</b>  | <b>8</b>    |
| Draxton         | 231           | 225        | 3           | 716         | 659         | 9           |
| Cinsa           | 24            | 21         | 15          | 70          | 73          | 1           |
| <b>EBITDA*</b>  | <b>17</b>     | <b>34</b>  | <b>(49)</b> | <b>59</b>   | <b>91</b>   | <b>(35)</b> |
| Draxton         | 19            | 34         | (42)        | 64          | 88          | (28)        |
| Cinsa           | 0             | 1          | (53)        | 4           | 7           | (43)        |
| Margin (%)      | 7%            | 14%        |             | 7%          | 12%         |             |
| Net Debt        |               |            |             | <b>156</b>  | <b>221</b>  |             |
| Net Debt/EBITDA |               |            |             | <b>1.7x</b> | <b>1.8x</b> |             |

Figures shown in the table above reflect the divestment of Vitromex for both periods.

\*2023 YTD EBITDA excludes non-cash charge related to goodwill impairment in 1Q23.

## Message from the CEO

Against the backdrop of a clear recovery in the automotive industry, we continue to observe growth in global vehicle production volumes. We still see growth potential in the automotive markets where we participate, driven by pent-up vehicle demand and inventory levels across the supply chain. At Draxton, having strengthened our global order book over the past 18 months, we are highly optimistic about our sales volume growth in both iron casting and machining & plating. Notably, over 80% of our portfolio remains agnostic to electrification.

In recent weeks, labor contract negotiations with the three Detroit-based North American automakers have intensified, leading to strikes at some of their plants. While Draxton's operations were not significantly impacted this quarter, we remain vigilant about the unfolding situation and are poised to respond both promptly and adaptively.

This quarter, the strengthening of the Mexican Peso has posed challenges, but we expect to mitigate these effects gradually through customer negotiations. On the other hand, Draxton's operational performance in North America showed significant improvement, despite facing extraordinary costs associated with the launch of new products and new production lines. We expect these costs to normalize in the upcoming months.

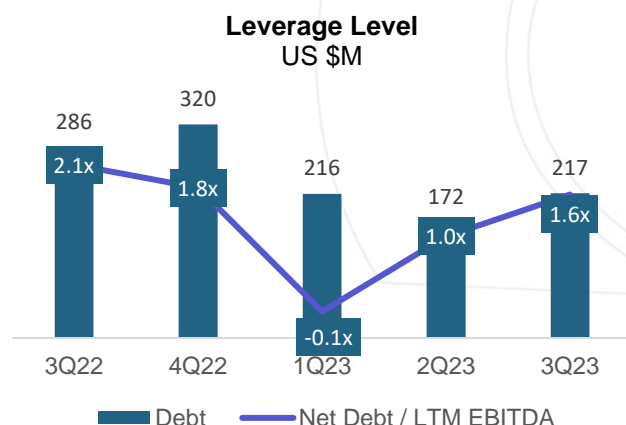
Looking ahead, Draxton is set to resume its margin growth trajectory, bolstered by cost-saving and productivity-enhancing measures we have put in place, commercial negotiations in line with evolving macroeconomic conditions, and rising production volumes across all our facilities.

**Jorge Rada**

## Quarterly Highlights

- Throughout the year, Draxton secured new business contracts equivalent to annual sales of US \$123M. This has boosted the global order book with programs in line with electrification trends, while also continuing to enhance the volume outlook for the years ahead.
- The Company initiated an expansion on the GISEderlan production facility, our joint venture with FagorEderlan. This venture has landed additional contracts for strategic components like knuckles and control arms used in suspension systems. Such contracts will lead to an increased casting volume forecast for Draxton.
- In the quarter, Draxton China earned a nomination for an important casting and machining project, focusing on differential cases for electric vehicles, from a prominent Chinese vehicle manufacturer. This venture is consistent with our strategic approach towards building a product portfolio for electric vehicles and augmenting value via the machining of complex components.
- Draxton was honored with the "Most Innovative Supplier" accolade by our client Schaeffler. This recognition accentuates our solid commitment to innovation, digital transformation, and solutions in the scope of Industry 4.0.

## Debt



Exchange rate used to convert Euros to US Dollars: 1.0535  
IFRS 16 leases amounted to US \$12.3M



\*The debt chart does not include long-term revolvers maturing in up to 3 years.

During the quarter, the Company drew on Several of its revolving credit facilities, leading to an increase in interest-bearing bank liabilities, including leases, to US \$225M. The cash balance stood at US \$68M, resulting in a Net Debt position of US \$156M.

**Industry Overview (millions of units)**

|                           | Third Quarter |      |       | Nine Months |      |       |
|---------------------------|---------------|------|-------|-------------|------|-------|
|                           | 2023          | 2022 | Ch. % | 2023        | 2022 | Ch. % |
| <b>Vehicle Production</b> |               |      |       |             |      |       |
| North America             | 3.8           | 3.6  | 4.7   | 11.8        | 10.7 | 9.7   |
| Europe                    | 3.9           | 3.6  | 8.5   | 13.2        | 11.5 | 14.7  |
| China                     | 6.8           | 7.4  | (8.4) | 19.4        | 19.1 | 1.6   |
| <b>Vehicle Sales</b>      |               |      |       |             |      |       |
| North America             | 4.7           | 4.1  | 14.0  | 13.8        | 12.2 | 13.3  |
| Europe                    | 4.2           | 3.5  | 21.4  | 13.1        | 11.0 | 19.3  |
| China                     | 6.5           | 6.8  | (4.3) | 17.9        | 18.0 | (0.4) |

**INDUSTRY**

- North America**

Vehicle production and sales continued their upward trend in the third quarter. The inventory of new vehicles in the U.S. saw an uptick, initiating October with the highest count since the early spring of 2021, at 2.21 million units. This robust inventory level prevails despite strong sales and the onset of a historic UAW union strike against the three Detroit-based automakers.

- Europe**

The region's advancement is indicative of both enhanced production and, more significantly, a surge in underlying demand, as seen in the recent uptick in inventory levels and delivery volumes. Backlogged orders are anticipated to be cleared by the upcoming spring. The region is adjusting to a new paradigm shift, now operating as a net importer of vehicles, contrasting with its historical position as a net exporter.

- China**

Following a robust performance in 2022, domestic demand stalled slightly in 2023. Conversely, export activities continue to be a potent driver of light vehicle production growth in the region this year, with expectations of maintaining this trajectory in the years ahead.



## Business Performance (millions of USD)

|                                     | Third Quarter  |                |             | Nine Months    |                |             |
|-------------------------------------|----------------|----------------|-------------|----------------|----------------|-------------|
|                                     | 2023           | 2022           | Var %       | 2023           | 2022           | Var%        |
| <b>Casting Volume<sup>1</sup></b>   | <b>119,701</b> | <b>109,691</b> | <b>9</b>    | <b>370,056</b> | <b>323,499</b> | <b>14</b>   |
| North America                       | 67,646         | 61,478         | 10          | 200,513        | 181,209        | 11          |
| Europe / Asia                       | 52,055         | 48,213         | 8           | 169,543        | 142,290        | 19          |
| <b>Machining Volume<sup>2</sup></b> | <b>3,889</b>   | <b>2,387</b>   | <b>63</b>   | <b>13,618</b>  | <b>8,759</b>   | <b>55</b>   |
| North America                       | 2,577          | 1,307          | 97          | 6,822          | 3,411          | 100         |
| Europe / Asia                       | 1,312          | 1,080          | 25          | 6,796          | 5,348          | 30          |
| <b>Revenue</b>                      | <b>231</b>     | <b>225</b>     | <b>3</b>    | <b>716</b>     | <b>659</b>     | <b>9</b>    |
| North America                       | 124            | 117            | 6           | 358            | 336            | 7           |
| Europe / Asia                       | 107            | 108            | (1)         | 358            | 323            | 11          |
| <b>EBITDA</b>                       | <b>19</b>      | <b>34</b>      | <b>(42)</b> | <b>64</b>      | <b>88</b>      | <b>(28)</b> |
| EBITDA per ton                      | 163            | 315            |             | 172            | 276            |             |
| <b>Margin</b>                       | <b>9%</b>      | <b>15%</b>     |             | <b>9%</b>      | <b>13%</b>     |             |

1. Iron casting volume (tons)
2. Iron and aluminum machining (thousands of parts)

## Volume

Draxton sustained its momentum in casting and machining volumes, witnessing a 9% and 63% increase, respectively, during the quarter. This surge is bolstered by the dynamic vehicle production across all regions and the introduction of new programs that incorporate value-added processes like machining.

- The casting volume in North America rose 10% year-over-year this quarter, with machined parts experiencing a 97% upsurge. The ramp-up of Line 6 in San Luis Potosí plant is set to maintain this growth trajectory in casting volume. Moreover, machining is poised for further expansion in upcoming quarters due to additional capacity and the launch of new programs.
- This quarter, our Europe and Asia business unit registered an 8% increase in casting volume and a 25% increase in machining volume compared to 3Q22. We are consistently integrating new programs in the commercial vehicles industry, predominantly featuring high-tech components made from specialized materials and undergoing complex machining processes.



## Revenue

Quarterly revenue increased by 3% compared to the figure reported in 3Q22. This volume upswing has facilitated a favorable revenue comparison, despite the prior year's quarter prices including higher raw material costs in their indexing formulas, surpassing those in 2Q23.

Revenue for North America stood at US \$124M, while Europe and Asia posted revenue of US \$107M.

## EBITDA

The Mexican Peso's appreciation, compounded with operational expenses linked to the roll-out of new products and facilities, pressured this quarter's financial performance. Progress in operational stabilization across both regions, alongside commercial negotiations to recognize inflationary impacts and currency fluctuations in Mexico, will positively influence EBITDA in future quarters. EBITDA for 3Q23 was USD 19 million, resulting in a margin of 9%, showing an improvement compared to the previous quarter due to the actions implemented that will continue to provide benefits in the following quarters.

## Strategic Investments Progress

The ramp-up of Line 6 in San Luis Potosí plant, is advancing on its launch trajectory, now operating in three shifts. Line 7 is on track for product validation tests in January. Evercast has also embarked on the first of two plating lines, an endeavor projected to transform it into the largest facility of its kind within the Americas, with an estimated output nearing 30 million components for braking systems. Machining capacity at this plant has also elevated, aligned with our client program rollouts.

In Europe, we continue our growth strategy towards value-added processes by expanding machining capacity with a focus on components for electric and hybrid light-vehicle platforms, as well as internal combustion and electric commercial vehicles. This approach has allowed us to boost casting and machining volumes, and consequently increasing our market share. Additionally, and with the aim of continuing to evolve our machining capabilities, we are developing a new machining hub in Poland that will allow us to increase our portfolio of value-added components for our customers.

## Business Outlook

| Short-term   | Medium – Long-term   |
|--|--|
| <ul style="list-style-type: none"> <li>Accelerate operational improvements in North America</li> <li>Initiate operations of new capacity investments during 2023-24</li> <li>Focus on the electric and commercial vehicle market</li> <li>Evaluate additional casting capacity in North America</li> </ul> | <ul style="list-style-type: none"> <li>Expanding machining and other value-added processes, propelled by outsourcing strategies adopted by OEMs and Tier 1 suppliers across all regions</li> <li>Innovate processes and materials that provide us with a competitive advantage in the EV market</li> </ul> |
| <b>2023 CAPEX: US\$115M</b>  |  |



## Other Businesses

CINSA, our kitchen and tableware business unit, generated revenue of US \$24M, facing a challenging environment in the domestic market characterized by weak consumer demand.

GISEderlan, our joint venture machining facility with Fagor Ederlan in Mexico, reported revenue of US \$18M during the period.

## Notes to the Financial Statements

We advise a thorough review of the notes accompanying the financial statements, integral to the quarterly report submitted to the Mexican Stock Exchange.

## Forward-looking Statements

This earnings release may contain certain forward-looking statements and information relating to Grupo Industrial Saltillo S.A.B., de C.V. and its subsidiaries (collectively, the "Company") that are subject to risks and uncertainties that could cause the Company's income to differ materially from management's current expectations. These risks and uncertainties include but are not limited to the development of new products and their commercialization; demand for and acceptance of the Company's products; competitor products and prices; economic conditions in the markets and geographical areas of the Company's products; changes in foreign trade rules or treaties to which Mexico is a party; and fluctuations in foreign currency, among others.

## 3Q23 Conference Call

To join the conference call to be held on October 20<sup>th</sup>, 2023, at 9:00 a.m. (Mexico City time), please follow the link below:

<http://webcast.investorcloud.net/gis/index.html>

## Annex – Consolidated Income Statement

Millions of USD

### Grupo Industrial Saltillo, S.A.B. de C.V. Consolidated Figures

|                              | Third Quarter |            |              | As of September 30 |            |              |
|------------------------------|---------------|------------|--------------|--------------------|------------|--------------|
|                              | 2023          | 2022       | Ch. %        | 2023               | 2022       | Ch. %        |
| <b>Revenue</b>               | <b>256</b>    | <b>246</b> | <b>4%</b>    | <b>788</b>         | <b>732</b> | <b>8%</b>    |
| Draxton                      | 231           | 225        | 3%           | 716                | 659        | 9%           |
| Cinsa                        | 24            | 21         | 15%          | 70                 | 73         | (4%)         |
| Cost of Sales                | 227           | 207        | 8%           | 515                | 419        | 23%          |
| General Expenses             | 33            | 24         | 41%          | 95                 | 73         | 31%          |
| Other Expenses (Income), Net | (4)           | (4)        | (10%)        | (16)               | (12)       | N/A          |
| <b>EBIT</b>                  | <b>(1)</b>    | <b>19</b>  | <b>N/A</b>   | <b>(34)</b>        | <b>44</b>  | <b>N/A</b>   |
| Draxton                      | 2             | 19         | (90%)        | 14                 | 43         | (68%)        |
| Cinsa                        | (0)           | 0          | N/A          | 1                  | 5          | (73%)        |
| <b>EBITDA</b>                | <b>17</b>     | <b>34</b>  | <b>(49%)</b> | <b>59</b>          | <b>91</b>  | <b>(35%)</b> |
| Draxton                      | 19            | 34         | (42%)        | 64                 | 88         | (27%)        |
| Cinsa                        | 0             | 1          | (53%)        | 3                  | 7          | (49%)        |
| <b>CFR</b>                   | <b>7</b>      | <b>2</b>   | <b>227%</b>  | <b>6</b>           | <b>12</b>  | <b>(53%)</b> |
| Income Tax                   | (2)           | 9          | N/A          | (15)               | 17         | N/A          |
| <b>Net Income</b>            | <b>(7)</b>    | <b>8</b>   | <b>N/A</b>   | <b>19</b>          | <b>20</b>  | <b>(4%)</b>  |
| Non-controlling interest     | 0             | (1)        | N/A          | 1                  | (4)        | N/A          |
| <b>Controlling interest</b>  | <b>(7)</b>    | <b>7</b>   | <b>N/A</b>   | <b>20</b>          | <b>16</b>  | <b>28%</b>   |

Note 1: Revenue and EBITDA breakdown by business unit includes a corporate item to match the consolidated figure.

Note 2: The increase in General Expenses is primarily due to the effects of exchange rate volatility and the inflationary pressures on wages and salaries.

**Annex – Consolidated Balance Sheet**

Millions of USD

**Grupo Industrial Saltillo, S.A.B. de C.V.  
Consolidated Figures**

| <b>ASSETS</b>  | <b>Sep-23</b> | <b>Dec-22</b> |
|--|---------------|---------------|
| <b>Current Assets</b>                                    | <b>334</b>    | <b>318</b>    |
| Cash and cash equivalents                                | 68            | 66            |
| Accounts receivable                                      | 118           | 118           |
| Inventories  | 148           | 134           |
| <b>Property, plant &amp; equipment, net</b>              | <b>455</b>    | <b>405</b>    |
| <b>Investment in shares</b>                              | <b>14</b>     | <b>12</b>     |
| Goodwill   | 145           | 190           |
| Other assets   | 255           | 468           |
| <b>TOTAL ASSETS</b>                                      | <b>1,203</b>  | <b>1,393</b>  |
| <b>LIABILITIES</b>                                       |               |               |
| <b>Current liabilities</b>                               | <b>443</b>    | <b>495</b>    |
| Current interest-bearing liabilities                     | 94            | 87            |
| Suppliers  | 194           | 193           |
| Other current liabilities (income tax, ESPS, and others) | 155           | 215           |
| <b>Non-current liabilities</b>                           | <b>170</b>    | <b>275</b>    |
| Non-current interest-bearing liabilities                 | 114           | 218           |
| Tax consolidation liabilities                            | 2             | 3             |
| Other non-current liabilities                            | 54            | 54            |
| <b>TOTAL LIABILITIES</b>                                 | <b>613</b>    | <b>770</b>    |
| <b>TOTAL SHAREHOLDER'S EQUITY</b>                        | <b>590</b>    | <b>623</b>    |
| <b>TOTAL LIABILITIES AND EQUITY</b>                      | <b>1,203</b>  | <b>1,393</b>  |

**Annex – Information on Derivatives and Forwards**

Contracts effective as of the date of this earnings release

| Type               | For                  | Contracting party | Amount      | Expiration date | Currency | Line covered    |
|--------------------|----------------------|-------------------|-------------|-----------------|----------|-----------------|
| Forward            | Natural Gas Price    | GISSA             | 720,000     | 31-Ago-24       | MMBTU's  | NG price        |
| Forward            | Local currency needs | Cinsa             | 655,000     | 31-Ago-24       | USD      | Cash flow       |
| Forward            | Local currency needs | Draxton Mx        | 192,000,000 | 31-Dec-23       | MXN      | Cash flow       |
| Interest Rate Swap | Syndicated loan      | GISSA             | 78,400,000  | 11-Sep-25       | USD      | Syndicated loan |