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PRESENTATION

Operator

Good morning, everyone, and welcome to Nemak Third Quarter 2018 Earnings Call. Armando Tamez, Nemak's CEO; Alberto Sada, CFO; and Adrian Althoff, Investor Relations Officer, are here this morning to discuss the company's performance and answer any questions you may have.

As a reminder, today's conference is being recorded and will be available on the company's Investor Relations website.

I will now turn the call over to Adrian Althoff.

Adrian Althoff - *Nemak, S. A. B. de C. V. - IR Officer*

Thank you, operator. Good morning, and welcome, everyone. We very much appreciate your participation. Armando Tamez, our CEO, will lead off today's call by providing an overview of our business and financial highlights. Alberto Sada, our CFO, will then discuss key industry trends and our third quarter financial results in more detail. Afterward, we will open up for a Q&A session.

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 not to place undue reliance on these forward-looking statements. Nemak undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

I will now turn the call over to Armando Tamez.

Armando Tamez Martínez - *Nemak, S. A. B. de C. V. - CEO*

Thank you, Adrian. Hello, everyone, and welcome to Nemak's third quarter 2018 conference call. During the quarter, the results [in our clients] and our business compared to the first half of the year with a combination of operational efficiencies and volumes driving a better result. We also continued to make progress in our structural and electric vehicle component segments, winning new contracts to supply premium applications of European OEMs and achieving peak production milestones at the new high pressure die-casting plants in Mexico, Slovakia and Poland.

Consolidated volumes were up 5.1%, as the strength commenced the Detroit 3 automakers in North America, more than compensated for the impact of headwinds in Europe. In particular, lower sales for diesel applications and customer production delays associated with the roll-off of a new European Union emission testing standard. In turn, higher volumes supported 4.8% growth in revenues.

Moving on to EBITDA. Improved volumes together with efficiencies accounted for most of the 4.6% year-over-year improvement. While the structural and electric vehicle component business is still at an early growth stage, our track record so far suggest that we are already delivering benchmark quality and customer service in these components. This quarter, I am pleased to share that we were recognize by Audi for superior performance in providing the structural components for its Q5 platform, having produced more than 600,000 parts to date with zero defects.

We also reached peak volumes levels of our first structural product components in Slovakia, supplying more than 400,000 parts to date for several SUVs of the Volkswagen Group, the Touareg, Q7, Porsche Cayenne, and Lamborghini Urus. In addition to our customer expertise, we also are receiving positive customer feedback on our capabilities in the secondary processes that are critical for the production of these components, including heat treatment, machining, strengthening and subassemblies.

In turn, our success to date in managing our structural and electric vehicle component launches continue to open doors with existing and potential new customers alike. Taking into account new business awarded this quarter, which consisted of 2 new programs of premium electric vehicle applications, one to produce battery housings and the other to produce structural components, the total size of our order book in this segment is now around $400 million in annual revenues. Additionally, we are currently bidding for new contracts to produce structural and electric vehicle components worth approximately $1.2 billion in annual revenues, more than double the amount we reported at the start of the year.

I would also like to highlight our operation in Turkey. Since entering the country almost 2 years ago, we have seen a steady progress not only in terms of operational performance but also our pipeline of awarded business. We are currently in the process of ramping up 3 new programs to produce complex cylinder heads for the European market, which we expect will drive revenue as well as a richer profit mix at the site through 2020.

And given the team's technical expertise and long-standing customer relationships and confidence, that we will remain well positioned to continue expanding there in the coming year.

I would now like to move on to the recently announced United States, Mexico, Canada agreement or USMCA. In our view, this agreement represents a positive step forward, leading to much needed certainty to the future of trade in North America. As you may already be aware, one of the USMCA's key provisions is an increase in the regional value content, which I will call RVC, from 62.5% to 75% for these cities and parts made in North America, to be exempt of tariffs. I believe this increase creates a potential opportunity for the regional auto parts industry to grow as some automakers may have to produce more in the region to qualify for the exemption.

Our company, whose RVC stands at 90% plus, is in a unique position to serve that potential future market. Consider that approximately 3 million vehicles are imported each year from outside the region, mostly from Asia and Europe; taking into account that the USMCA, together with the potential for additional trade actions by the U.S. government, we believe it is possible that automakers will consider relocating part of its production to North America in the coming years.

And we also like to emphasize 2 main points related to the new label buyer contract or LBC requirement. According to which, between 40% and 45% of the value of the vehicle will need to be produced with the production wage rate that is at least [$16] per hour, one. It falls on the OEMs exclusively, not on the auto parts suppliers. And two, based on consultations with industry specialists, we estimate that the main clients in North America are already well positioned to meet these requirements into their existing footprint.

In conclusion, while the agreement is still pending, the businesses' approval in the 3 countries, we believe that it represents a potentially positive development both in terms of Nemak as well as the prospect portfolio economic integration in the region.

I will now hand off the call to Alberto Sada, Nemak's CFO.

Alberto Sada Medina - *Nemak, S. A. B. de C. V. - CFO*

Thank you, Armando, and good morning everyone. I will start my section by providing a brief overview of the auto industry performance in our main regions and provide additional context for our results in the quarter.

Beginning with North America, U.S. vehicle sales SAAR decreased 1% year-on-year, which was in line with analyst expectations. Meanwhile, Nemak's customers' production showed a 3.7% year-on-year increase, supported by new vehicle launches among the Detroit 3 OEMs, particularly in the crossover and SUV segment.

Regarding Europe, on the one hand, vehicle sales SAAR increased 7.9% year-on-year as OEMs accelerate vehicle registrations in anticipation of new emission testing standards in the region, which took effect on September 1. On the other hand, Nemak's customers' production showed a decrease of 4.9%, due in part to the fact that the rollout of the emissions testing standards is causing OEMs to take longer to bring new vehicles to market. At the same time, we have continued to see consumers buying more gasoline engine vehicles instead of diesel, a trend that continued during the third quarter of '18, albeit at a slower rate than in the first half of the year. We estimate diesel share of the market has come down to 37% from the near 45% it had a year ago.

Nemak's total third quarter '18 sales volume was 12.3 million equivalent units, up 5.1% year-on-year, supported by higher sales volumes in North America and Rest of the World. Consistent with the industry -- normal industry standards, volumes in the third quarter are lower than earlier quarters in the years as customers conduct planned stoppages to adapt production lines for new model year vehicles. As a result, the quarter-on-quarter comparison is not representative of full year volume performance.

Revenues were $1.15 billion, an increase of 4.8% year-on-year driven mainly by volume gain. Nemak reported consolidated operating income of $69 million, 4.5% higher than the year ago figure. The main reasons for the increase were higher volumes and operational efficiencies. Those line items more than offset increased energy costs and expenses related to our dedicated structural and electric vehicle component organization, which is continuing to step up its engineering, manufacturing and sales and marketing teams to drive new product launches as well as quotation processes with customers.

The increase in operating income reflected in our EBITDA, which amounted to $160 million, up 4.6% from last year. EBITDA per equivalent unit was $13, just shy of the $13.10 reported last year. Our third quarter 2018 net income benefited from a higher operating income as more reduction in deferred taxes and a non-cash foreign exchange gain of $21 million. The last variation was mainly caused by fluctuations between functional currency and the currencies in which debt is held at the subsidiary level. As a result, net income was $49 million, $38 million more than the third quarter of '17.

Capital expenditures totaled $72 million during the quarter as we continued investing to support new program launches in all our product lines as well as to increase our efficiency. Our financial condition remained strong during the quarter with ratios finishing as follows: Net debt to EBITDA was 1.8x; interest coverage was 8.4x. Those ratios are similar to the ones last year.

Now let me cover our regional results. As mentioned before, the North American auto industry performed well during the quarter, reporting better sales figures than expected at the beginning of the year, although still slightly below 2017 levels. We reported a 10.3% increase in volume in the region, reflecting continued strength among some of our Detroit 3 customers.

Our revenues in North American region were also supported by higher volumes and aluminum prices, showing a 10.6% year-on-year increase. EBITDA for the quarter was $104 million, 15.6% higher than last year on the back of increased sales volumes and operational efficiencies that more than compensated for higher energy costs and expenses related to the staffing of structural and electrical vehicle component business.

In Europe, we reported a 5.6% decrease in volumes during the third quarter of '18, mainly due to the lower sales to diesel engine applications plus the production delays caused by the new emission testing standards, which I mentioned before. We continue to see higher volumes in gasoline engine parts, but this was not sufficient to bridge the entire gap.

The volume decrease, coupled with the depreciation of the euro vis-à-vis the dollar, and increased staffing-related expenses affected third quarter '18 EBITDA, which was 5.9% lower year-on-year.

Our volume in Rest of the World was 7% in 3 quarter '18 as the strong demand in Brazil more than compensated for lower volumes in China, where one of our main customers reduced demand while it works on refreshing its product portfolio in the country.

Revenues were down 13%, affected by an unfavorable product mix and the depreciation of the Brazilian real against the dollar. For the same reasons, third quarter EBITDA was $5 million lower year-on-year.

With that, I conclude my comments. And I will -- and we will now open the call for Q&A. Operator, please instruct the participants on how to place their questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Vanessa Quiroga, Credit Suisse.

Vanessa Quiroga - *Crédit Suisse AG, Research Division - Head of Mexico Equity Research & Co-Head of the Housing & Infrastructure in LatAm excluding Brazil*

My question is regarding the volumes that we saw for the -- I mean, for the U.S. emissions as the Detroit 3 being very strong, do you think that this volume for this performance by the Detroit 3 are sustainable going forward?

Armando Tamez Martínez - *Nemak, S. A. B. de C. V. - CEO*

We are still seeing very strong fundamentals in the U.S. economy. The lowest unemployment rate in many, many years, we understand that it is one of the lowest, 3.7%. Despite of some interest, slight decreases, we still see that it is possible the income of the American consumer is strong, so we're expecting that this trend will continue, at least, strong for the next -- or the near-term future.

Vanessa Quiroga - *Crédit Suisse AG, Research Division - Head of Mexico Equity Research & Co-Head of the Housing & Infrastructure in LatAm excluding Brazil*

Okay, okay. But do you see that your main customer will continue outperforming the industry going forward in the U.S.?

Armando Tamez Martínez - *Nemak, S. A. B. de C. V. - CEO*

The, let's say, releases of all of that we are getting from our customers from North America are still at a very healthy level, Vanessa, even a little bit better than originally expected at the beginning of the year.

Operator

Our next question comes from Luis Miranda, Santander Bank.

Luis Miranda Valenzuela - *Santander Investment Securities Inc., Research Division - Head of Food and Beverage*

Just a couple of questions. But the first one a follow-up to Vanessa's. I don't know if you could give us some sense in terms of relative performance in the Mexican operations versus the U.S. operations, have you seen any material difference in terms of performance with regards to this 10% volume growth? My second question is, you mentioned this $1.2 billion in bidding -- potential bidding contracts that you're working on, do you think that this could accelerate -- or do you have any timeframe for this project to be -- to have news on whether you were successful or not in terms of the bidding process?

Armando Tamez Martínez - *Nemak, S. A. B. de C. V. - CEO*

Okay. Luis, the first part related to volumes in North America. We are seeing a significant higher volume than originally expected from some customers in the U.S. market, mainly pickup trucks that are selling very, very well, very strong market in the U.S. So we are experiencing a nice volumes in the U.S. as well as in Mexico. We are seeing, let's say, a strong demand and healthy demand from our main customers, which are the Detroit 3 as well as Nissan and Hyundai, the Korean auto parts. And related to the second part, Luis, of the $1.2 billion. What we are seeing is a dramatic explosion on the request for quotation, especially coming from Europe, and this is related to new regulations in Europe that are going to be significantly more strict than they are today. They are at 95 grams, and the European Union just announced that they're willing to increase, let's say, the reduction of CO2 by 30% and that puts our European customers in a situation in which they need to electrify more. We're seeing out of this $1.2 billion, approximately 2/3 that is coming from electric vehicle components and 1/3 coming from structural parts. Certainly, we have proven already to the market, and that's why I wanted to give you also a highlight about our great performance from the operational point of view with the example of the Audi, in which we have been producing, so far, more than 600 parts delivered to our customer planned with zero defects, and that certainly is a testament that our performance is very strong. And we are confident that we will continue gaining their trust and gaining their orders.

Operator

Our next question comes from Marcelo Inoue, Citi.

Marcelo Inoue - *Citigroup Inc, Research Division - Research Analyst*

And I have a question regarding Europe, specifically. I understand that volumes to automakers were impacted by the production delays as WLTP is implemented. So could you comment if that impact had started early in the quarter or if it was more concentrated in the back half of the quarter and when do you expect volumes to Europe to normalize? And also -- and as we consider this has been the [first] year for volumes in Europe overall, with the testing procedures and lower sales of these new applications. So broadly speaking, when do you expect to start seeing easy comps or easy base comps of volumes and growth to resume in Europe?

Armando Tamez Martínez - *Nemak, S. A. B. de C. V. - CEO*

Yes. Marcelo, related to your question, we saw that we have suffered some volume decline in Europe. You're absolutely right, the first one was related to the switch from diesel to gasoline in some of the customers in Europe, which in the past, they were -- approximately 50%, let's say, shared of diesel, now is at the rate of about 34%, and this switching in preference by consumers in Europe has created certain bottlenecks, especially for the OEMs, which certainly are trying to become more flexible and produce more petrol or the gasoline products. But in this transition, which is coming relatively fast, certainly, some of our customers have had to stop. And the second question related to the WLTP that stands for Worldwide Harmonized Light Vehicle Test Procedure. This is something that the European Union is becoming more strict and certainly, they are asking all the automakers in Europe to test all their vehicles with different combination of engines and transmission. Even if they change, let's say, wheels on the vehicle or add some additional weight on the vehicle, they need to be tested. We think that, apparently, some of our main customers were caught in this bottleneck, they had to test every single combination. We believe, Marcelo, that this is going to have a temporary effect. Eventually, all our customers will have to go to this strict testing and once they solve these bottleneck issues, eventually, volumes will come back to normal levels.

Operator

Our next question comes from Marcelo Motta, JPMorgan.

Marcelo Garaldi Motta - *JP Morgan Chase & Co, Research Division - Research Analyst*

Two questions as well. The first, if you guys could comment a little bit about the staff-related expenses in Europe. So we saw margins down instantly, of course, but is consequential of lower volumes, but I'm wondering if there was a part that was related to those staff-related expenses, and then how big they were this quarter? And the second quarter is about the Rest of the World operation, especially in Brazil, you guys commented about the real depreciation as one of the impacts for the reduction on margin. Should that be temporary? I mean, do you have a pricing power to compensate and offset this real depreciation with the clients in the region?

Alberto Sada Medina - *Nemak, S. A. B. de C. V. - CFO*

Sure, Marcelo, this is Alberto. Related to your first question in Europe. As you commented, we saw a reduction of $3 million in terms of EBITDA, if you compare last year's third quarter versus this year. A significant part of that has to do with the volume that we just explained but also we had additional investments associated with structural components and EVs. Those, as we have recalled, are, let's say, expenses and investments that we want to do to prepare better to be able to capture new business in this ongoing market. We have a global team, which is very well staffed and that explains part of the reason why we have a little bit less margin in Europe as well as in North America. Related to the -- to your comments on Rest of the World, what we saw there is the combination of 2 factors. The first one is -- well, actually, 3 factors. The first one is increasing volumes in Brazil, which unfortunately when you see revenues, that is, to a certain extent, reduced by the effect of the depreciation of the real. The real normally -- I mean, we sell our products in local currency of Brazil but we have procedures with our customers to update our pricing both for inflation and any potential effect of the valuation in the region. Those negotiations have been on a yearly basis, so we should have no issue to adjust our pricing to both inflation and the currency effect that we saw. Another important element that took place in role is the fact that our performance in China was affected by reduction of volumes from one customer in China, which is currently going through a phase where they are retooling and transforming their operations to bring new product lineups. When they do that, normally they reduce their volumes, do the adequate changes to their equipment to be ready to produce new model years. That, unfortunately, was also a negative and that was more negative than the positive effect we saw in Brazil for the additional volumes.

Armando Tamez Martínez - *Nemak, S. A. B. de C. V. - CEO*

Let me just add, Alberto, if I may. In the South American region, Marcelo, we are also experiencing a very nice development. South America, especially Brazil, is moving to a higher complex power trend. In the past, they were using more simple engines and transmissions. Now, they are catching up with their European and North American concept by launching significantly modern powertrains, and that is a very good news for us. We are experiencing, certainly as we speak, launches of new products with significantly more complexity and certainly, they will convey, in our opinion, higher profitability than in the past.

Operator

(Operator Instructions) Our next question comes from Augusto Ensiki, HSBC Global Asset Management.

Augusto Akihito Ensiki - *HSBC, Research Division - Latin America Analyst*

Just a question, if you can follow up a little bit on the staffing costs. You put it that -- I'll just ask, you guys had it both for North America and for Europe, sorry, can you isolate that a little bit, just kind of -- so we can see the total impact in the quarter? And then secondly, can I also ask how much the revenue contribution was from structural components and -- sorry, structural and EV components for the quarter?

Armando Tamez Martínez - *Nemak, S. A. B. de C. V. - CEO*

Yes, sure, Augusto. Related to the staffing expenses, we're in line with what we shared at the beginning of the year. We're seeing, all together, on a yearly basis, close to $20 million worth of additional expenses for the structural components and EVs, and that's broken down into expenses that we have at the global level, which are booked in North America, and then the regional ones, which are booked on each individual region. So for the quarter, it was somewhere in the neighborhood of $5 million to $6 million of that expense when we compare that to last year.

Augusto Akihito Ensiki - *HSBC, Research Division - Latin America Analyst*

And sorry, just on that, is it primarily focused in Europe?

Armando Tamez Martínez - *Nemak, S. A. B. de C. V. - CEO*

Yes, the efforts are global, but we have, obviously, an important staff in Europe that is part of our global team. They do both, they support the functions for supporting vehicle structures and EV sales in all regions in the world. Yes. And then your second question related to the size of our sales for structural components and EV? Yes, for the quarter, it is around $40 million for this particular quarter, and that's part of, let's say, the sales that we're expecting for the full year to be -- just right here, around $150 million of sales.

Operator

Our next question comes from Alejandro Azar, GBM.

Alejandro Azar Wabi - *GBM Grupo Bursátil Mexicano, S.A. de C.V. Casa de Bolsa, Research Division - Research Analyst*

The first one, I just want to reaffirm, the $1.2 billion in bidding for contracts are for powertrain or just the structural components or are mixed?

Armando Tamez Martínez - *Nemak, S. A. B. de C. V. - CEO*

Alejandro, the $1.2 billion is related to our new product lines, which are composed of electric vehicle components as well as structural components. In that $1.2 billion, we are not considering any powertrain potential additional business.

Alejandro Azar Wabi - *GBM Grupo Bursátil Mexicano, S.A. de C.V. Casa de Bolsa, Research Division - Research Analyst*

Okay. Perfect. And I have a second one. Trying to understand more the market in Europe, could you give us industry inventories? Because we have seen sales grow around 3%, 5% year-to-date when production seems to be down around 2%, 3%. I don't know if we could expect production to increase in the next -- in 2009 (sic) [2019], given lower inventories, I don't know if you can give us a figure on that?

Armando Tamez Martínez - *Nemak, S. A. B. de C. V. - CEO*

Yes. One of the things, Alejandro, that we are seeing in Europe is that related to this WLTP testing, a lot of our -- our customer have a lot of, let's say, inventory that still needs to be validated or vehicles that are in the process. As I was indicating, this European test, which was, let's say, set for September 1 created a huge bottleneck, especially from our German customers. They are, let's say, in line to test all these vehicle combinations, and they have a lot of, let's say, units just waiting for them to be approved. Once they break these bottlenecks and they are approved, we will start seeing, let's say, vehicles delivered to customers. So we expect that eventually will normalize in the next few months.

Alejandro Azar Wabi - *GBM Grupo Bursátil Mexicano, S.A. de C.V. Casa de Bolsa, Research Division - Research Analyst*

But I just want to understand, that would affect only sales because you already send the engine block or the cylinder head to that vehicle. You already counted that vehicle, right? Or I'm wrong?

Armando Tamez Martínez - *Nemak, S. A. B. de C. V. - CEO*

I think it's also affecting production. In some instances, for instance, a customer had decided to produce what is already approved, and they have, let's say, to some extent, delay in certain vehicles because they are not validating for a certain combination of powertrains, engines and submissions and so on.

Alejandro Azar Wabi - *GBM Grupo Bursátil Mexicano, S.A. de C.V. Casa de Bolsa, Research Division - Research Analyst*

Okay. And did you -- would you be able to give us an inventory figure, inventory sales figure, I don't know, or at least tell us if the market, it's more than 2 months or lower than 2 months in terms of sales?

Alberto Sada Medina - *Nemak, S. A. B. de C. V. - CFO*

Yes, we'll have to follow-on on that, Alejandro, to give you a precise figure. We don't have it here in front of us.

Alejandro Azar Wabi - *GBM Grupo Bursátil Mexicano, S.A. de C.V. Casa de Bolsa, Research Division - Research Analyst*

Okay. And one more, if I may, on China. We have seen that your volumes in China might be lower than expected. I remember that you were -- China was one of your catalyst. I don't know -- in 2015, you were saying that you were going to double the business till 2020. What can you comment on the slowdown in China during 2018?

Armando Tamez Martínez - *Nemak, S. A. B. de C. V. - CEO*

Yes, that's a very good question, Alejandro. First, we are still, let's say, confident that we will reach an increase in revenues or double our sales with the contract that we have. We have been affected this year, mainly with one single customer, which is Ford Motor Company. They are in the process of retooling for the new vehicles, and they have, so far, significant, let's say, volume reduction as it has been already in the past. As we speak, they are launching 2, 3 new vehicles that they are confident that eventually will regain some of the share that they lost in the market. So yes, we have expectations that in the next months, volumes for us will continue increasing. In relation to that, I think we have been gaining orders with some European OEMs that make us believe that we're in a good path to double our revenues in that region.

Operator

Our next question comes from Luis Miranda, Santander Bank.

Luis Miranda Valenzuela - *Santander Investment Securities Inc., Research Division - Head of Food and Beverage*

Yes, two forward questions. The first one is on costs. I just wanted to double check if there was any material or any relevant impact from aluminum in your costs in terms of the increase year-over-year? And the second one is with the information that you have at this point and considering that usually, third quarter is a relatively softer quarter in terms of seasonality, it seems that your guidance for the year might be a little bit conservative. I just want to understand your point of view there.

Armando Tamez Martínez - *Nemak, S. A. B. de C. V. - CEO*

Sure, Luis. Related to your first question, aluminum did not have any material effect in the quarter, it was pretty much neutral. Related to the guidance, certainly, we have started the year with better results than originally anticipated. We are confident that we will beat our guidance. But at this point in time, there are still uncertainties and based on that, we will continue with the same guidance even though we are confident that we will surpass our, let's say, EBITDA guidance, and we are in line with the CapEx that we set at the beginning of the year.

Operator

Our next question comes from Mauricio Serna, UBS.

Mauricio Serna Vega - *UBS Investment Bank, Research Division - Analyst*

Sorry, I joined a little bit late, so sorry if this was already asked. But I wanted to know if you could provide us an idea of the amount that was expensed on the additional staffing in both Europe and North America? And does have to do maybe, I guess, that fixed rate, your long-term objective or near-term objective of reaching the $1 million backlog of sales from the new businesses for 2022?

Alberto Sada Medina - *Nemak, S. A. B. de C. V. - CFO*

Yes. Sure, no problem, Mauricio. Yes, the amount. I mean, we continue with the schedule that we laid out for staffing our group to support the vehicle structure and EV. And the expenses or let's say, investments, because that's the way we see it, was in the neighborhood of $6 million for the quarter, and that was both for what we expensed in Europe as well as what we did in North America and Asia.

Armando Tamez Martínez - *Nemak, S. A. B. de C. V. - CEO*

Related to -- or the objective or goal that we set, Mauricio, to reach $1 billion in revenues by 2022, we are still confident that we will reach those levels as we explained in our presentation. We are quoting, as we speak, $1.2 billion worth of new electric vehicle components as well as the structural parts. And certainly, the investment that Alberto mentioned in staffing, that is related that we want to create, let's say, in the industry, a statement that we are very solid in terms of product development, in terms of quality and in terms of launching new product, which is going to be key, let's say, to create the confidence in the customers to award the business. We are creating the same reputation that we have in the industry for heads and blocks and transmission housing, and that's why we are investing in this separate, let's say, organization or dedicated, I should say, rather than separate dedicated organization that is very strong from the commercial, engineering and product development areas as well as, of course, manufacturing. So yes, we are confident, and I think in the next quarters, we will start notifying or informing you about new orders because we are confident that we will be getting some nice and attractive contracts.

Operator

Our next question comes from Jean Bruny, BBVA.

Jean Baptiste Bruny - *BBVA Corporate and Investment Bank, Research Division - Chief Analyst*

Just to confirm with you, the backlog for structural and EV equal to that [$400 million] not the end September? It was coming from $380 million at the end of June, just to confirm the number with you guys?

Armando Tamez Martínez - *Nemak, S. A. B. de C. V. - CEO*

That is correct.

Operator

There are no further questions at this time. And I would like to turn the conference back over to Mr. Althoff, for any additional or concluding remarks. Sir?

Adrian Althoff - *Nemak, S. A. B. de C. V. - IR Officer*

Thank you, operator. I would just like to thank everyone for participating in today's call. Please feel free to contact us if you have any follow-up questions or comments. Have a good day.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.
