2Q26 | EARNINGS VIDEOCONFERENCE

MÔNICA RECH (IR)

Good morning, and welcome to the Frasle Mobility videoconference for the presentation of the second quarter 2026 results. Before we begin, we would like to share a few important notices. This videoconference is being recorded and, once concluded, will be made available on our website, ri.fraslemobility.com. We have simultaneous translation into English.

To access it, simply click the "Interpretation" button, represented by a globe icon at the bottom of the screen. At the end of the presentation, there will be a question-and-answer session. Questions may be submitted in two ways: via audio, by signaling interest through the "Raise Hand" icon, or in writing, through the "Q&A" button.

In addition, we would like to reinforce that some of the information covered in this videoconference is not a guarantee of performance and involves risks and uncertainties, as it refers to future events and therefore depends on circumstances that may or may not occur.

Moving quickly through today's agenda: Hemerson will cover the quarter's highlights and the Dacomsa integration; then Mariana will present operating performance and financial management; and Anderson will cover guidance and the outlook. At the end, we will move to a Q&A session moderated by Jéssica, with the participation of Esteban Angeletti, Corporate Director of Finance, IR, Strategy and FP&A at Randoncorp, and executives Anderson and Hemerson. I will now hand the floor over to Hemerson, who will begin the presentation.

HEMERSON SOUZA (BUSINESS, M&A AND IR DIRECTOR)

Good morning, everyone. Welcome to another Frasle Mobility earnings videoconference. It's a pleasure to be with you today. I'm speaking from Mexico, and we have good things to present in this second-quarter results presentation.

You can move to the chart. Well, first of all, this is the best quarter in Frasle Mobility's history in terms of margin conversion, and it could also have been the best quarter in revenue if we considered a neutral exchange-rate valuation for this period. I want to reinforce this point because the company's fundamentals, as we have been saying for a few quarters now, have not changed at all. Obviously, as a business, we have to perform and navigate certain paths within some macroeconomic scenarios that are beyond our control. Foreign exchange is one of them.

On the micro side, we had a tougher start to the year regarding system integrations and the new logistics operation and logistics automation design at Nakata, which took away a bit of revenue traction and also some results. Obviously, these are things we addressed quickly, and they were already practically stable this quarter — though still with a small impact, mainly in the month of April, when we were not yet 100% operational, or there was still some room for improvement.

In any case, as we had also mentioned before, Dacomsa's synergies as a whole, still at a fairly slow pace, I would say, still fairly small, are already beginning to flow and appear consistently in that operation's results and, obviously, later in Frasle Mobility's consolidation.

There are still some challenges, especially when we talk about heavy vehicles, but the horizon already points to a scenario of improvement, especially in the North American market, where production volumes and production forecasts already point to some small advances.

Well, we closed revenue this quarter at R$1.385 billion, an approximate growth of 2% compared with the second quarter of 2025. Our export market represented US$138 million, a growth of 7.5%, also compared with the second quarter of 2025. As I already mentioned, we closed here with an EBITDA margin of 20.4%, which is R$282 million, as I already mentioned, the best quarterly performance in the company's history. And investments were in the range of R$22.5 million, below last year, but due, among other things, to the investment schedule for these amounts.

A relevant point I like to reaffirm is that Frasle's fundamentals, which I started by talking about, remain very solid, and I think this quarter is indeed able to express that consistently.

In the next chart, I would like to give you a bit of an update on where we stand in mapping Dacomsa's synergies, updated through June 2026. I remind you that we had an initial estimate of, by the year 2029, having something like $15 million in recurring synergies within the Dacomsa integration process, and today we have approximately $24 million — therefore, $9 million above the initial figure in our business case. Of that $24 million, approximately 100% of the business case, something like $15 million, $14 million and a bit, has already been implemented.

They are no longer in the mapping and discussion phase. And when I say "implemented," it means they have already started to add to Dacomsa's income statement. Obviously, I'm not saying we already have an extra $15 million there — depending on each project, you get a twelfth of that or less at the start, until the ramp-up is complete.

So, we benefit from all of this as things happen. Once implemented — for example, we have a synergy that is a supplier swap. Just qualifying a supplier takes 2, 3, 5 months; then you place the order, that takes another 3, 4 months; then it arrives, and then you have an average inventory cost. These should show up in our income statement between 12 and 24 months, with a strong sense that this is positive and that it will materialize.

I want to reinforce to you that, at our Frasle Universe event, we will begin to show, with a clear method, how much this is already part of this operation within the results accounts. But I can also share here, although it's not public data, that our July margin — which is therefore not part of the amount we have this quarter — is already approximately 20% above the level we had at the time of the acquisition, already clearly demonstrating the impact of the full synergy potential that we are going to explore with this operation. A bit more drawn out than an acquisition made in Brazil, given the many complexities that imposes on us, but quite robust and above what we had projected.

Moving to the next chart, I also want to continue with Dacomsa.

One of the important lines we have is the addition of new revenues. And in our initial business case, these were actually among the largest synergies. It turned out that, over the course of the process, they became smaller, precisely because we achieved a very large amount in sourcing synergies, more in expense and cost reduction synergies than in the actual inclusion of new products, which take a bit more time. I reiterate that we had great success in the launch of brake blocks; we are already approaching 30% market share, up from the two points we had last year, in heavy-duty blocks.

This brings us a revenue addition on the order of about $5 million and, consequently, the impact of that on synergies and aggregate margin. But we have now launched, at the start of July, the hydraulics line under the Freetech brand. An important part of this will be made in Brazil, by our subsidiary Controil, in São Leopoldo, and part we will source from suppliers and co-manufacturers, in line with our business strategy.

I can already tell you that our business case had a very low sales forecast at the start, since it's the launch of a new line, but the results we have been receiving from customers' initial orders — which they will only receive in November — are already much, much higher than what we had projected, including for the full year of 2027.

So, this should be another line with a fairly good success in its introduction to the Mexican market, given the brand characteristics, the product characteristics, and the competitiveness that, as Frasle Mobility, we are also able to drive. For the coming years, we already have a series of other products lined up that we will launch in the Mexican market, and that will further boost the synergies we have already mapped. Obviously, in due time, we will be able to talk more about that.

In the next chart, I invite you — today is the last day to register for our Frasle Mobility Universe, our Investor Day, which this year will be held in person in Extrema, Minas Gerais, and will also be streamed live on YouTube through our channels.

It will be on October 26th, two weeks from now, and for those who register, we will have a QR code here. We will have transportation departing from the Faria Lima area for those in São Paulo, and, of course, you can get the schedule and other details through registration. But it's a great opportunity to go back to Extrema and see all the progress we've made in logistics with Frasle Mobility, the progress we've made at the shock-absorber production plant, which is also at the same site, and an opportunity to touch on and talk a bit more about the strategy we are designing for Frasle in the coming years.

Moving to the next chart, we lay out here in a bit more detail how revenue behaved this quarter — as I already mentioned, growth of approximately 2% compared with last year. What contributed the most here, obviously, was the domestic market, driven by repair-shop traffic, which is quite stable; there was also an increase in product availability, and we worked on competitiveness, which was reflected in higher volumes. We have managed to hold steady in some lines, even gaining market share. I think the only exception here is — we didn't lose position, but the start of the year was somewhat tougher with Nakata, which still had a small effect this quarter.

We also have an improvement, compared with last year, in the performance of the commercial line in the United States, as already mentioned, showing quite clear signs of recovery for next half, and a fairly significant reduction when we talk about foreign exchange, which impacts practically all our functional currencies in each geography upon conversion when we bring it back here to reais. Argentina still contributes a bit of a drag due to IAS 29 effects, and if we excluded FX effects, we would have had revenue growing 6.5% — as I already mentioned, that would also be the best quarter in Frasle's history in revenue.

In the next chart I'll talk a bit more about these effects on the heavy line: compared with last year, we have here, in the domestic market, growth, as already mentioned, but still a decline when we talk about the export market, a drop of approximately 18% specifically for that market.

And if we look at overall vehicle production, we already see a somewhat more complex variation when we compare the first quarter with prior quarters. But in Brazil's case, we already had truck production 20% higher compared with the second quarter of 2025 — sorry, 10% lower quarter-over-quarter, but better compared with the first quarter of this year.

So, it already shows this improving bias. When we look at the American market, we still have a decline when comparing quarters, but a fairly significant improvement compared with the first quarter of 2026. Therefore, as already mentioned, the signs look more promising for the second half when we talk about the commercial line.

And I now hand the floor over to Mariana, who will talk a bit more about operating results, and I'll come back to you for the question-and-answer session at the end of this session.

MARIANA GUIMARÃES (OPERATIONS AND FINANCIAL MANAGEMENT)

Thank you, Hemerson. Good morning, everyone. It's a pleasure to have you here with us on Frasle's earnings call. On slide 10, we bring an update on the scenario of tariffs applied by the United States to Brazil.

First, it's important to stress that only 5% of Frasle's total sales are exported to the United States, in the product categories of brake linings for the heavy line and brake discs and pads for the light and heavy lines. The most recent update, from July of this year, changed the tariffs applicable to brake linings for heavy vehicles, as you can see on the lower left side of the slide. The rate that was in effect from February to July 2026, of 10% under Section 122, moved to 37.5% under Section 301, as of the end of June. It's important to stress that only 3.5% of total consolidated net revenue corresponds to exports of that product category to the United States.

Brake discs and pads for the light and heavy line saw no change in tariff, remaining at 27.5%. We remind you that exports from Brazil to the United States are on an FOB (Free on Board) basis, meaning the tariff collection is the importer's responsibility. And even with the tariff increase on heavy-duty linings, the company remains a traditional, important, and quite competitive supplier to the North American market. We will continue monitoring the topic and its potential impacts on competitiveness and trade flows.

At this time, we reinforce that there is no material impact on the business.

Moving to slide 11, we see here net revenue performance by product family. The main highlights are: in the braking line, growth in the domestic market was mainly sustained by repair-shop traffic and consistent demand for the Frasle and Fremax brands among distributors. The export market, on the other hand, was affected mainly by the exchange-rate variation, which impacted the translation of that product line's dollar revenues.

In the ride & comfort line, the advance in the domestic market reflects the stabilization of the distribution center's automation system and the consolidation of the ERP system migration, which Hemerson already mentioned, factors that affected the result in the first quarter. The decline in the export market was driven by Argentina, due to a scenario still facing pricing and shelf-space challenges.

In the powertrain line, the decline in the domestic market was driven by the Extrema operation, even though that line's volume is small; and the growth in the export market is linked to Dacomsa's operation, which closed the quarter with an advance associated with the gradual recovery of repairs on the used fleet, as Hemerson also already mentioned.

Moving to slide 12, we see EBITDA performance.

Hemerson has also already reiterated that this quarter closed with the highest quarterly EBITDA margin in history, a margin of 20.4%, representing an increase of 2.9 percentage points year over year. This improvement was driven by a combination of a favorable exchange-rate scenario for some cost lines, sales mix, capture of Dacomsa synergies, and gains from operating-efficiency initiatives already implemented over the past few quarters.

COGS had an important positive impact from the exchange-rate variation between periods, which reduced the cost of co-manufactured products and imported raw materials. We would also highlight the R$6 million impact related to extemporaneous credits, which are tax credits that were not recognized in their period of accrual and are recurring in nature for the business, although the amount recognized this quarter is larger than what has traditionally been recorded. Selling, general and administrative expenses remained stable relative to net revenue, and the other revenues and expenses line showed variation mainly from the reduction in revenues related to the Green Mobility and Innovation program, the Mover program.

Moving to slide 13, we see here cash generation and working capital through this bridge chart. We recorded a very important improvement in cash generation this quarter, with positive operating cash flow of R$308.8 million and positive free cash flow of R$170.3 million. The investments were concentrated in layout changes and the acquisition of machinery and equipment, in maintaining the manufacturing footprint, and in initiatives aimed at increasing productivity and process automation.

The financial result showed a reduction in financial expenses, mainly due to lower exchange-rate exposure and the optimization of receivables-anticipation operations. In addition, working-capital needs also showed an important reduction of 33 days compared with 2Q25, reflecting inventory optimization, efficient receivables management, and the strengthening of the company's operating financing sources.

Moving to slide 14, we now address capital discipline and the company's financial structure. The company continues with a fairly balanced capital structure. We closed the quarter with leverage of 1.3x net debt to EBITDA and a cash position of R$1.4 billion. In addition, the amortization profile remains quite comfortable, with the largest concentration of maturities in the long term, reinforcing the company's financial flexibility to sustain operations and advance its growth strategy quite responsibly.

I'll now hand the floor over to Anderson, who will address guidance and the outlook going forward.

ANDERSON PONTALTI (CEO)

Thank you, Mariana, Hemerson, Mônica. Thank you to everyone here with us. It's a privilege, once again, to be able to talk a bit about our quarter. Next slide please, Mônica.

So, it's clear that we have an additional challenge regarding net revenue guidance. On the other hand, quite the contrary, we have no challenges in the other line items, whether in EBITDA margin, export-market exposure, or investments as well: we know we were a bit more timid and austere in this first half, but we make up for it over the second half.

But we don't feel this is the time for a guidance revision. We understand there is volatility ahead regarding elections and geopolitical stability, which could push the dollar to a somewhat higher level and bring us closer to the floor of guidance more easily. We are in full acceleration mode at Nakata following the first quarter, we have new product-line wins in Mexico, Mexico's synergies generate local competitiveness that can lead us to pursue new revenues, and we don't feel it's the right time to make a revision yet, because we believe there's still a possibility of staying within guidance on the revenue side as well.

The other indicators are quite comfortable. We had a spectacular margin this quarter, largely a result of the thesis, as Hemerson mentioned; we had a first quarter with intentional adjustments, preparing the structure and the company for an even more promising future. We have to keep up with market trends, hence the need to modernize our distribution facility in Extrema, to which the invitation has already been extended for you to visit us at the end of the month. It will be a privilege to have you there.

As well as the implementation of the ERP system, so that we can capture even more of the integration of our operations. So, what I can say is that we remain very firm in our purpose of growing the company, capturing the maximum synergy, occupying shelf space in the markets, across all our lines, in all our geographies.

It's obvious that I have to highlight and mention Dacomsa, which, still timidly, as Hemerson said, is beginning to capture results in the income statement. Although captured as a project, it does take a while for that to actually materialize, but the confidence in what we had been telling you for many quarters — that in 2026 we would start to see it — and we are very optimistic about the operating result, the synergy, and the return on capital invested in this project, which is transformational for the company in North America.

Very happy with our capacity, once again, to deliver results through M&A and inorganic-growth projects. Next slide, please.

How are we seeing 2026? And I'll give a few hints on '27 as well.

As for the macro environment, we don't need to belabor the obvious here — everyone knows the great challenge we are living through, whether due to tariff policy, trade war, the China–United States conflict commercially speaking, the issue of the conflict in Iran, the Russia–Ukraine conflict — all of this still brings quite complex effects for a global company like ours. So, we always have to keep adapting, with a lot of austerity and speed, to the new governance difficulties we face in the business. But the company's model and the diversity it has taken on, the size it has, allow us to navigate a bit more calmly. And, obviously, we have the elections in Brazil, with their natural developments and volatility of an election period.

Until we know a bit more about each government's intentions for the following year, this could bring some impacts in the medium and long term. Regarding Dacomsa, I think we've already mentioned — Hemerson explored it quite well. There is still a lot to come regarding Dacomsa. What I can say is that the purchasing fronts are already quite well established, but the new-revenues front is only just beginning our journey.

That obviously takes a bit more time, to develop the portfolio, understand the go-to-market strategy, brand and price positioning. But this, little by little, will start to bring a great revenue-growth outlook in that geography as well. Brazil, as mentioned by Mariana, is very resilient. I'd say there's a temporal challenge. This temporal challenge has to do with pricing, given the natural dynamics of the business, but mainly with the tax reform. The end of the tax-substitution regime in São Paulo creates an opportunity for better performance for our distributors.

Better use of working capital by distributors as well, starting in 2027. What happens as a result? In 2026, most of them will bet on working with the lowest possible level of inventory leverage, in order to benefit from better performance in 2027. This is beneficial to our customers; consequently, they will keep service levels at the lowest possible point for now, as long as that doesn't affect, obviously, their business given the lower inventory.

It's natural for this to happen, but there is also a risk — some, by betting on carrying higher inventory in December, will see a benefit in January, but many of them may face supply difficulties. So, in the short term, we have this anomaly, but in the long term, we, as Frasle Mobility, understand it to be a major source of opportunities, since our customers will have greater cash availability for inventory investment. And premium lines tend to occupy shelf space better — they will make choices to reduce inventory in lower-return lines and lower-representation lines, in which we don't participate. Our portfolio is indispensable for Brazilian repair. And we end up strengthening ourselves in this moment as well.

On the commercial line, we've already covered this — I think there is a gradual improvement, not yet a structural improvement. I can't say, and the market can't say, that this is resilient starting in 2027. It has a lot to do with the pre-buy issue, related to new engine-emissions legislation starting next year.

So, delivery orders for Class 8 trucks are at record levels, and as they get produced, we will obviously be supplying that market. There is also an improvement in freight movement in the American market. That could indeed benefit us as well.

So, volumes already point upward, but it's hard to say whether this holds in 2027 — I think that's a bit early to say. But let's make the most of the moment, and the second half should be more favorable in that direction.

And, regarding growth, we have a combination of organic expansion, which we've explored quite a bit throughout this presentation and will be able to explore even more in the Investor Day presentation at the end of this month. But our M&A management is very active at the company, back on the agenda, since we did an exceptional job deleveraging the company over the last 14, 15 months, which allows us a bit more appetite in that direction, obviously also respecting the controlling shareholder's position. We are becoming more active again, with an eye toward inorganic growth, starting in the coming fiscal years.

That said, remember: we said, at the time of the Dacomsa acquisition, that we would need about two years to digest it. We are just keeping our promise, but the agenda is already quite active as well.

So, having said that, very happy with the quarter. The team did an exceptional job with austerity and costs, adjusting what needed to be adjusted in terms of operations. We continue the operations-improvement cycle over the coming quarters, but the company has been delivering results in a very sustainable way, reinforcing that we may have a somewhat smaller quarter, another somewhat larger one, but the thesis, the long-term view, quite the contrary, remains solid, strong, and we want to expand it with organic and inorganic growth going forward as well.

Thank you all. I'll now hand the floor back to Jéssica, who will lead the Q&A with us. Thank you, everyone.

JÉSSICA CANTELE (IR – MODERATOR)

Thank you, Anderson. We will now begin the question-and-answer session. Our first question is from sell-side analyst Gabriel Rezende, from Itaú BBA. Gabriel, we'll open your audio; you may proceed with your question.

GABRIEL REZENDE (ITAÚ BBA)

Thank you, Jéssica. Good morning, Hemerson, Pontalti, Mariana, and Mônica as well. I just wanted to follow up on Pontalti's closing comment: when we look at the horizon of the coming quarters, I'd like to understand a bit more about this temporal pricing challenge Pontalti mentioned — but here I'm talking more about market dynamics, and a bit less about the tax reform. I'd like to understand how you've been viewing the pricing drivers.

We can see in the results that Dacomsa may have provided a boost, but I wanted to understand the dynamics here a bit better, ex-Dacomsa: when should this pricing challenge inflect, and perhaps, along with that, explore a bit more the competitive dynamics, which have been changing. Whether it's a continuation of factors we've already seen over the last few quarters, or how that is also evolving. Thank you.

JÉSSICA CANTELE (IR – MODERATOR)

Thank you, Gabriel. Well, I think the questions have already been addressed to you, Anderson. So, if you could comment a bit on the pricing outlook, the main drivers, and also talk a bit about competition in general. I think Hemerson can also talk about the North American market, about the competitive dynamics specific to that geography.

ANDERSON PONTALTI (CEO)

Perfect, perfect. Thank you, Gabriel, good to hear from you, thanks for the question. I can say, yes, that pricing is a challenge, because when we have a natural demand pullback, and then the tax-reform issue comes into play too — yes, Gabriel — everyone wants to occupy shelf space.

So, it may be that some players want to defend a bit more, and we sometimes see some players with not-so-orthodox measures, and we need to be able to counter that. When demand comes in, there's always someone wanting to take up a bit more space, hold on to their volumes, and it's no different for us. But I think the lower dollar will necessarily push us to seek a repricing in the export market as well, mainly for exports from Brazil.

And we have some long-term contracts — by 2027, we'll need to start thinking about repricing some of those contracts. Obviously we have adjustment rules, and that should reflect better in '27 than in '26. So there's a bit of a challenge there too: we're not able to fully pass through the declining dollar issue, which pulls down margin a bit in some product lines, and we're not able to pass that on.

As for competition, there aren't many new factors in the market. Obviously, everyone is pursuing productivity and competitiveness, whether through investments in manufacturing plants or through sourcing in other geographies, but it's much more of the same — we don't see a very big difference from what we already had.

So Frasle is fully equipped to compete and hold its own in this market, since we have multi-plant exposure: we produce all over the world, in India, China, Brazil, Argentina, Mexico. That gives us quite considerable geopolitical protection, in addition to what we've already mentioned for a long time: our purchasing power is unmatched. That gives us a very strong ability to shield our business, regardless of our product line.

So, obviously we keep an eye on market dynamics and purchasing power. The good news is that repair-shop traffic is quite high; people at the shop still prefer premium products, premium brands — that's from a Rollemberg survey we track very carefully and calmly — the independent repair market is gaining ground relative to the original market, and higher-reputation brands are gaining ground relative to lower-reputation ones at this time.

Given the labor situation and the difficulty of repairs, due to higher repair frequency and lower availability of repair labor, nobody wants to make a mistake, and that lets us capture a premium on our product lines. I hope I answered that.

I think Hemerson can talk a bit about the United States and Mexico.

HEMERSON SOUZA (BUSINESS, M&A AND IR DIRECTOR)

Well, Gabriel, thanks for the question, and thanks for taking part in our videoconference. Talking a bit about Mexico overall: Mexico is quite a competitive market, much more open than Brazil on several fronts. Import taxes, for instance, are much lower than what we have in Brazil, and they're also unified, so it's a simpler geography to operate in. That doesn't mean it's simple to manage: you have a very diverse fleet complexity, an influx of used vehicles from the United States, vehicles we call "Chocolate cars," that come from the United States without registration, often with no history, no way of knowing whether they were bought or stolen. In short, there's a lot of complexity in the fleet, which also brings complexity to managing the business as a whole. We already knew that from when we acquired Dacomsa, and, obviously, reaffirming that competition here is tougher.

But we had modest growth, I'd say, this half. We were mainly affected by customer-related dynamics, not by our ability to move forward and seek space — major customers also had changes to their ERP systems; one of them was acquired 2, 3 years ago and is having integration difficulties. That also creates some difficulty in maintaining volumes.

But we grew, and the introduction of new lines has proven very effective given the market's overall adoption. When you have a premium brand that shows the ability to deliver, that gives all the support the market needs, the chance of moving forward is very high. The launch of the hydraulics line demonstrates this very well.

We advanced much more than expected — we don't even have the product on the shelf yet to offer, we're in pre-launch, we'll be delivering in October and November, and the market has already bought in very significantly. It's been very good to see how this is playing out.

Pricing dynamics in Mexico are also quite stable; the aftermarket as a whole has similar characteristics. We pass through, obviously, the gains we're getting, and we've also been trying to bring some competitiveness to gain shelf space, to grow market share, but there are things that are just getting started.

We're going to have good news to share at our Frasle Universe event about some Dacomsa developments there, which will be key to future growth, but we still need to move forward on the plant side, make some targeted investments to gain productivity, focusing on the American market as a whole.

And, expanding a bit further into the United States: we have an aftermarket business doing very well in the engine-parts side, with the Dacomsa Eagle project strategy. But with our traditional customers as well, we've managed to hold on to a good amount of space — there isn't as much competition there in the items that have been selling for many years — and, obviously, we notice that we are very competitive coming out of Mexico in engine parts. So there's also work to be done there: we're expanding our team, building a structure to pursue a relevant market in engine parts in the United States. When I say "relevant," don't expect a huge market share — the market is so big that 1%, 2%, 3%, 5% is already very large.

And we want to pursue those levels, doubling, tripling the sales we currently have. So, there's a lot of good things still to come.

JÉSSICA CANTELE (IR – MODERATOR)

Thank you, Hemerson, Anderson. We hope we've answered your question, Rezende?

GABRIEL REZENDE (ITAÚ BBA)

Very clear.

Thank you, everyone.

JÉSSICA CANTELE (IR – MODERATOR)

Thank you, have a great day. Our next question is from Gabriel Thinen, sell-side analyst at Santander. Gabriel, your audio is open, you may ask your question.

GABRIEL TINEN (SANTANDER)

Good morning, everyone, thanks for the opportunity. The first question is more geared toward the export market: something that caught my attention was the dollar-basis year-over-year revenue growth of 8%. I think, if you could comment a bit more on how this improvement in the heavy-vehicle segment has been going, both on the replacement side and the OEM side. I'd like to hear more about this pre-buy effect.

I know Anderson commented there on the difficulty of pinning down 2027, but anything you could share on the sentiment for the second half of '26 would already be great.

And a second point here, on the cost side: if you could share with us a bit more about your approach to co-manufacturing. I recall you had plans to eventually expand co-manufacturing further at some units, Dacomsa and Controil. I'd like to hear a bit more about how that adoption has been going.

And also understand a bit about the recurrence of the profitability level, thinking further ahead — I know this quarter also benefited on the co-manufacturing side because of the exchange rate, right? So, those are the two questions, everyone.

Thank you.

JÉSSICA CANTELE (IR – MODERATOR)

Thank you, Gabriel, for your questions. Hemerson, I think you can talk a bit about the export market, the dollar-basis growth, and speak a bit about the heavy-duty segment, which is Gabriel's first question. And Anderson, on profitability and the recurrence of that profitability, I think you can comment on that, along with the co-manufacturing strategy and the evolution of that process, please.

HEMERSON SOUZA (BUSINESS, M&A AND IR DIRECTOR)

Very well, so I'll start here. Thank you, Tinen, for the question, and for always being part of our videoconferences. Well, we have a lot of good things happening when we talk about new revenues, and Dacomsa has some relevance in that, given that it has managed to explore and occupy a fairly important space in the brake-block segment in Mexico. And, obviously, we have other block customers in Mexico, important customers like Meritor, who also took advantage a bit of the space left by First Brands' exit from the North American and Mexican markets.

So, we went from approximately 2% share for Dacomsa in blocks to 27%, 30% market share in these first six months. We can't yet say for sure whether this is the regular position, because we're still building our market understanding and are still researching and gathering that information. We also know that our customer Meritor, who had a 16% share, also advanced a lot. So, in fact, today I can say we are the absolute leader in linings in Mexico.

And if I consider that the revenue addition from Dacomsa, estimated for this year, is around $5 million, with half of that already realized, since we're already halfway through the year, I can also assume a similar dynamic for our other customer, who has also grown and is doing an excellent job there with our products. So, we're very happy to have made progress there, and the introduction of new lines, like Fremax brake discs, which used to be sold in a different way, is still on a growth ramp — there's still work to be done — but the competitiveness we bring by combining the Dacomsa and Frasle Mobility businesses has also given a boost, a chance to grow volumes in some lines. And we see that as quite reasonable within what we have in terms of sales recurrence.

The American market, also on the engines side: we're already growing year over year — it used to be a more modest business, in the range of $13, $14 million a year, but we're already growing close to 20-something percent in this first half, due to the strategy change, as we've mentioned at other times, from the Eagle project we've talked about.

But we've also seen some South American countries growing volumes a bit; the North American market is still buying at similar levels, or a bit more than last year. So, as Pontalti already mentioned, we have a bias toward improvement as truck sales volumes materialize. In Europe, we have new customers there too who are also buying a bit more. I also have new product-line introductions at Juratec, in the suspension and steering area, which already have an impact within these accounts. So, it's a sum of everything — sometimes we say the growth strategy isn't so much about one single project but rather many small seeds that were planted over many decades, which are now starting to appear on the sales horizon.

So, I think that summarizes it a bit, and obviously we can't guarantee it, but we have moderate optimism that we can keep this growth bias going, especially when we talk about heavy-duty in North America. In Brazil, there's still a lot of difficulty around credit and confidence, and this is also a more unstable moment because of the elections, so it's not yet clear to us whether this will consolidate more robustly.

And, we even have Esteban here, if he'd like to add anything — Esteban, you're much more connected to the domestic market, on how trailer and even truck production is going. Feel free to add to this.

ESTEBAN ANGELETTI (RANDONCORP)

Thank you, Hemerson. And I'll take the chance to congratulate you on the results. The market, both trucks and semi-trailers, is still quite constrained by the current interest rate. So, we don't see a significant change as long as interest-rate levels stay where they are.

That's all I have to add.

HEMERSON SOUZA (BUSINESS, M&A AND IR DIRECTOR)

Thank you, Esteban.

ANDERSON PONTALTI (CEO)

I'll take the second part of the question, Tinen, thank you, good to hear from you. Regarding profitability and its resilience over the coming quarters, I'd say we obviously depend on macro factors, just as we had some micro situations regarding operations in the first quarters. But we understand that, within guidance, we have a comfort zone: we'll stay within the guidance range on margin. Our first quarter was slightly below.

Second quarter at the top of guidance, which already brings us to an average, a median within guidance. We have additional volume recovery coming for Nakata in the second half. If we don't have a very large exchange-rate imbalance, up or down, we should maintain the stability we have today, but we're always watching the impacts, I'd say to you, mainly regarding the volumes mentioned and regarding the tax reform. I don't see that as a negative in the long run, but it could raise some issues in the short term, in terms of revenue, and, obviously, the absorption of our costs could be affected.

I don't see anything structural, nothing compromising that would keep us from staying within this half's margins. So, still fairly cautious given the macro environment we're living through, but it's already proving itself, especially in moments of quite strong instability, to be quite resilient. We remain very firm and optimistic about the second half in terms of conversion, even though revenue is both our great challenge and our great success.

JÉSSICA CANTELE (IR – MODERATOR)

Thank you, Anderson. Connected to that question, Gabriel had asked for information about co-manufacturing, about how our planning is going regarding that development, if you could add to that.

ANDERSON PONTALTI (CEO)

Thank you for reminding us. I think Hemerson mentioned, for example, a specific project in which we'll do a mix of manufacturing and co-manufacturing cylinder and hydraulic items for Mexico. What I can say is that, opportunistically, some small production lines in Mexico make more sense for us to run through co-manufacturing; others, in Mexico, make us want to invest more locally.

And we like this 40/60, 50/60 mix for several reasons. First, to have control over what you're specifying and manufacturing, to set ourselves apart from those pure private labels that exist in the market, which end up buying from safe sources — we need to have the technical know-how of the product lines we serve the market with in order to develop even more competitive sources than the obvious, traditional ones that supply the whole world. 60% of auto parts today are produced in China, and we want to have that differentiation, but we also want to benefit from costs and efficiencies that, for now, aren't in our operations and aren't in our operations' home countries. We stay alert, we do make-or-buy analysis every day, we push ourselves to find the low-cost country, the best possible cost in the locations where we operate, but we don't have a purely manufacturing or purely in-house-production directive — we're very flexible about that.

At first, when we want to occupy market space, it's often faster to use co-manufacturing and then make the investment as volume becomes consolidated, as the high-reference and high-volume part numbers also become consolidated, which makes the investment and the proprietary capex for production more secure. So, this dynamic is our day-to-day. We don't have a preference for one side or the other; we have a preference for whatever delivers the best result for the company.

GABRIEL TINEN (SANTANDER)

Perfect, everyone, very clear. Thank you and good day.

JÉSSICA CANTELE (IR – MODERATOR)

Thank you, Gabriel. Our next question is from XP's sell-side analyst, Lucas Lang. Lucas, we've already opened your microphone, and you can ask your question.

LUCAS LANG (XP INVESTIMENTOS)

Thank you, Jéssica. Good morning, everyone. Congratulations on the results as well. I have a follow-up on the margin question.

I don't want to belabor this, but more to try to better understand the timing of things, because you talked a lot about the exchange-rate issue, right? I think you have this favorable impact on raw-material inventory, which ends up going into COGS. It's just that the natural effect we'd expect, in a context of pricing challenges like the ones you've mentioned throughout the call, is that this domestic revenue would reflect this appreciated-exchange-rate environment and margin would sort of normalize, due to the accounting matching between unit revenue and cost.

But, to understand the timing of this: whether you're already seeing, on the ground, right now, this normalization in more shelf-oriented products, with a shorter production cycle, where this matching of price to market dynamics happens faster — that wasn't entirely clear. Pontalti did mention something about contract renegotiations more toward 2027. So, I'm not sure when we should expect to see this matching between unit revenue and unit cost show up in the results, especially for these shorter-cycle products, specifically thinking about the exchange-rate dynamics. This is just to clarify this profitability point in this context of exchange-rate appreciation for the domestic market.

And a second point: we see deleveraging continuing to happen — I think it shouldn't be too far from 1x EBITDA by year end. At the same time, we have a very important year in 2027, with synergy capture and the completion, or continuation of the completion, of the Dacomsa integration process. But, thinking about what we can expect in terms of capital allocation in this deleveraging context.

Given that we're still in the context of the Dacomsa integration, perhaps M&A moves more toward 2028 onward, and then you'd accelerate the payout; or should we expect the company to run comfortably at levels even more deleveraged than 1x EBITDA? Anyway, thinking here about how to reconcile this leverage question with payout, with M&A, and in a broader context of capital allocation. So, those are the two points: this accounting exchange-rate question on margin, versus what you're seeing on the ground right now, and capital allocation given leverage. Thank you, everyone.

JÉSSICA CANTELE (IR – MODERATOR)

Thank you, Lucas, for your questions. Anderson, I think, continuing what you were answering, you can go ahead and clarify on profitability, especially connected to the domestic market. And Hemerson can comment a bit on deleveraging, payout and capital allocation, future M&As, connected to this second question, please.

ANDERSON PONTALTI (CEO)

Thank you, Lucas, for the question. I always like to remind everyone of the concept, right? When we don't have exchange-rate swings, we're at cruising altitude: the market stabilizes, the margin stabilizes, everything's fine. Our inflation is relatively under control; at this point we should have stable margins — gross margin, specifically in Brazil, more stable.

What happens in the first quarter: we have a significant exchange-rate drop. The first thing that happens is a margin reduction, because your costs are still at the previous exchange rate. And, in the second quarter, we have a normalization. So, I think it's worth mentioning, in your words: we already have, today, price and cost leveled out this second half, especially in the Brazilian market. We have a very important and notable margin gain at Dacomsa, which is a result of synergy. This is structural, and it's a given — I think that's very important.

In the Brazilian market, when you widen the gap too much — that is, margins grow a lot — you also get competition responding. If there's room to gain market share, we may have to defend ourselves with some pricing adjustment.

That's not the case, that's not happening now — we're not doing that. But we already know from previous cycles: when you have higher profitability, especially if you have a dollarized cost base, you'll have to make some moves. This isn't only about imports, remembering that many of our commodities are referenced to the dollar.

Resins, rubber, oil wells, plastic packaging — all of these are tied to the dollar. Obviously, some are also tied to oil, which moves in exactly the opposite direction. So, we have a somewhat greater inflationary pressure for this second half as well. We need to be able to pass through this inflationary pressure, especially on oil-linked commodities, and, consequently, also stay alert to the exchange-rate swings ahead of us. What I can tell you is that the second quarter, which is already public, brings a normalization of margins and prices.

Let's see how inflation dynamics play out, and especially competitor moves, which will require moves on our part. I'd love for us to have three quarters exactly like this one — I'd sign that contract right now. But the world isn't like that: the aftermarket is elastic, we have multiple players in the market, and various macro and micro factors that can have an effect. But, as I said before, we're quite comfortable that we'll end the year with a consolidated margin well within guidance and, certainly, far from the floor.

I think that's what we can say.

HEMERSON SOUZA (BUSINESS, M&A AND IR DIRECTOR)

Very well, Anderson. First, thank you, Lucas, for taking part, thanks for the questions, and I just wanted to add quickly to what Anderson said. We've talked a lot about synergies; there are things within a results-composition context that we could call more opportunistic, and there are others that are legacy.

The fact that we're achieving a better level of competitiveness in Mexico for the products we sell, the fact that we're introducing new lines — all of this is a cycle that feeds itself, that creates synergy not just in Mexico but across the Frasle Mobility ecosystem. When you import more brake linings from Mexico, from Brazil, you leave margin in Brazil and in Mexico. When you buy master cylinders from Controil, you improve Controil and improve Mexico. When you combine the purchasing volume of Dacomsa with Nakata, with Frasle, with Controil, you get a price that flows through all the units.

So, that's legacy — that's something we don't lose to exchange rate or anything else. We're very happy that this is happening; we already had confidence in it, it's just that the market tends to be a bit more short-term-minded, wants to see it today, and it does take a while. Between starting a negotiation, doing item validations, sometimes thousands of items, that takes time; you place the order, it takes a while, it arrives, you have inventory, you have to work through the inventory, then you start forming the average cost... anyway, it takes quite a while to show up, but it is happening.

So, on the positive side, which has nothing to do with opportunity or exchange rate, is that fundamentally, we're working the same way we always have, and that's going to become legacy, just as we've had quarters so good before that they persisted and changed the company's overall level. We're living that moment again. We've been saying this since the Dacomsa acquisition, that it's a structural acquisition that will support us in growing and maintaining very good profitability levels.

Going back to your question about deleveraging: we still maintain a fairly active agenda — Pontalti touched on this regarding M&A.

We're already, not 100% anymore, obviously still very connected to Dacomsa's performance, but we already have room; we're already working on projects that will bring us the ability to maintain our growth rate. I'll reiterate: we have, as a strategic choice, decided to be a company that grows, to be a compounder company in several respects. This particular year brought challenges for us, some operational, as already mentioned, in Nakata's case. The exchange rate was also something we hadn't foreseen at levels as low as those seen throughout this first half.

But we're a company that seeks to have a higher level of growth...

JÉSSICA CANTELE (IR – MODERATOR)

Hemerson, your audio isn't — we can't hear you.

ANDERSON PONTALTI (CEO)

We lost Hemerson.

HEMERSON SOUZA (BUSINESS, M&A AND IR DIRECTOR)

Am I back?

Sorry, sometimes the connections aren't so good.

Going back: so, we're a company that wants to maintain a good growth rate, and that involves having an active acquisitions agenda. We have a lot of room to occupy in some product lines that we don't occupy today.

So, I can tell you: we're working on things, I'm not sure if it'll still be in 2026, or if it'll be in 2027; certainly no closing will happen this year, because there's no longer enough time to run the normal cycle, but I can guarantee we're going to bring a growth base, better revenues, more synergies, and that's going to be reflected throughout the pipeline, with more ability to pay more dividends, to grow our net income, to improve the company's shareholders' equity, anyway, all of that. Deleveraging is very much connected to maintaining the growth rate, because there's still a lot of opportunity out there. So, that's the flow we want to steer toward keeping the company's growth going and, obviously, all the effects that brings on its margins.

LUCAS LANG (XP INVESTIMENTOS)

Good, great, very clear answers. Thank you, everyone. Good day to you all.

JÉSSICA CANTELE (IR – MODERATOR)

Thank you for taking part. And our last question comes from Gabriel Frazão, sell-side analyst at Bank of America. Gabriel, your audio is open, you can ask your question.

GABRIEL FRAZÃO (BANK OF AMERICA)

Hey, good morning, everyone. Thanks for the opportunity here. I think it would just be one last question about Dacomsa, specifically about the increase in expected synergy, from $15 to $24 million, which was mentioned at the start of the call. If we could hear from you: what surprised you most positively since you acquired the company?

Whether the main lever for that increase in synergy was greater cost savings, or whether you identified more opportunities to launch new products in Mexico, perhaps influenced by a somewhat more favorable competitive environment following First Brands' exit.

JÉSSICA CANTELE (IR – MODERATOR)

Thank you for the question, Gabriel. It's already well directed, Hemerson, please go ahead.

HEMERSON SOUZA (BUSINESS, M&A AND IR DIRECTOR)

Sorry, whenever I talk about Dacomsa I get excited — I'm here in Mexico, already had a tequila and ate some tacos here. Very well: we've been very surprised on several fronts, Gabriel.

Thank you for your question, for taking part, but, in particular, one thing: Dacomsa — we knew it was a gem, a company with a very high reputation in Mexico, with a lot of room to grow and advance, we had that clear from the start. And Kuo did the best it could with this company, but talking about auto parts, negotiating auto parts, selling auto parts, growing in auto parts wasn't their core business. It was a side business.

For Frasle, Dacomsa represents 25% to 30% of revenue. That completely changes the focus we put on it, the focus given to this operation. So, what surprised us? Finding countless opportunities, whether from a plant-process standpoint, improvements we can make quickly and that we managed to quickly put on the books.

The shift from being an importing company to a company with a co-manufacturing base, as we have today, brought a lot of synergy, and it's showing up here. And, obviously, if we look at these results we already have, they go well beyond our business case, in the sense that the cost area, cost and expense adjustments, turned out much better than we expected, thanks to the opportunity we've explored together with Frasle Mobility as a whole. And this focus on new revenues, for example, in the North American market: we expect to double our exposure to engine parts by 2030, because we focused on it, we put structure in place, we're investing in it.

As for the other areas, yes, we benefited, mainly in the heavy-brakes segment, from First Brands' exit, but First Brands wasn't active in the other engine-parts markets, and that's what we have today. So, there really is a series of good things we're doing that are driving this forward. And, from the standpoint of what we found, we have a very senior, very dedicated executive team, committed to pursuing growth, and one that, with this change, became energized and was able to see how good it is to join and be part of a group like Frasle Mobility and Randoncorp. So, it completely changed their outlook on growth, on how things are done.

We just promoted a Dacomsa director, who will become Frasle Mobility's global supply-chain director. We're going to build a structure in China with Dacomsa people, who will establish a base there. In other words, a lot of positive things for that team as well, so they can keep growing. So, that's it.

And I invite you again, Gabriel, and everyone here with us: we're going to unveil a lot of new information about Dacomsa's synergies at our Frasle Universe event. We're preparing very rich material for that, so you can also understand a bit about how we integrate a company. Thank you.

GABRIEL FRAZÃO (BANK OF AMERICA)

Got it, Hemerson.

Thank you.

That was very clear, and congratulations on the results again.

JÉSSICA CANTELE (IR – MODERATOR)

Thank you. In order to fit in our last question, I'll ask you to keep your answer brief, but Jonathan will have the floor here, please. He is the sell-side analyst from J.P. Morgan. So, our last question: please, Jonathan, go ahead.

JONATHAN (J.P. MORGAN)

Thank you, Jéssica.

Good morning, Anderson, Hemerson, and team.

Just one question from my side: looking at the P&L, the effective tax rate this quarter came in a bit above our expectations, at least in the 33% range. Could you comment on whether there was something specific this quarter that hurt it, or whether we should expect a higher expense on that line through year end, let's say?

Thank you.

JÉSSICA CANTELE (IR – MODERATOR)

Perfect. Thank you, Jonathan, for your question.

We had a non-recurring event within our income-tax rate this quarter, a change at our Dacomsa unit, in which there was a change in the office handling that tax calculation. As a result, we recognized a deferred tax, which generated a higher rate this quarter. But our expectation over the course of the year is that it will land in the 22% range, at most 25%, which is the rate the company has been working with in recent years. So, yes, we had a one-off in there, but nothing that structurally changes things going forward.

ANDERSON PONTALTI (CEO)

Remembering that this one-off should have been diluted over previous months, right, Jéssica?

JÉSSICA CANTELE (IR – MODERATOR)

Perfect.

ANDERSON PONTALTI (CEO)

During the office transition, we understood there had been some incorrect entries, and we corrected them.

HEMERSON SOUZA (BUSINESS, M&A AND IR DIRECTOR)

Very quickly: we introduced a shared-services center at Dacomsa; before, it was handled by Kuo, and since March, we've been doing this at a dedicated center. Because of that, we found a few small adjustments there, but today that is also already part of Dacomsa's year-to-date synergy. So, we already have more structured processes, like at Frasle Mobility.

JONATHAN (J.P. MORGAN)

Very clear. Congratulations on the quarter, everyone.

JÉSSICA CANTELE (IR – MODERATOR)

Thank you, Jonathan. That concludes our question-and-answer session, and I'll now hand the floor over to Anderson to close out this videoconference.

ANDERSON PONTALTI (CEO)

I'll be brief, everyone's already hungry, it's lunchtime. First, I wanted to give a special thanks: we just received, we were honored — myself personally, the company's board, and our IR team — with recognition at the Extel Awards. So, I want to thank all the analysts who recognized our work. We always try to do our best to keep you as informed as possible, in the most transparent and correct way, so that you can do your own analysis. It's very good to have you close to us. It's very good to have you close to us — you can be sure this recognition makes us very happy to receive it.

We're closing the quarter on a very positive note, always reiterating that our commitment is to the long term. The thesis remains solid, deleveraging has happened steadily, free cash generation, the operation and cash flow, the business dynamics, remain stable. The company is very solid, the thesis is very solid, and now, with even more important financial muscle, this will allow us to dream again of new and important flights going forward. I always say that Dacomsa hasn't finished capturing synergy, Nakata hasn't finished capturing synergy, Fremax hasn't finished capturing synergy, but we already have the structure and the human and financial resources to start bringing in and incorporating new businesses into our thesis.

So, we have a bigger and more comfortable momentum to move forward on that front, without losing sight of the macro dynamics ahead of us, the business challenges, and competitiveness, so that what is already ours is very well defended by the team.

Thank you, everyone, for another conference, and I hope to see you all in Extrema in a few days. Take care.