

# ASUR

## Q1 2025 Earnings Call Transcript

### CORPORATE PARTICIPANTS

**Adolfo Castro**, *Chief Executive Officer*

### CONFERENCE CALL PARTICIPANTS

**Rodolfo Ramos**, *Bradesco BBI*

**Jens Spiess**, *Morgan Stanley*

**Guilherme Mendes**, *JPMorgan*

**Pablo Ricalde**, *Itaú*

**Andressa Varotto**, *UBS*

**Anton Mortenkotter**, *GBM*

**Stephen Trent**, *Citibank*

**Fernanda Recchia**, *BTG*

**Jorge Vargas**, *GMB*

**Gabriel Himelfarb**, *Scotiabank*

## **P R E S E N T A T I O N**

### **Operator**

Good day, ladies and gentlemen, and welcome to ASUR's First Quarter 2025 Results Conference Call.

My name is Daryl and I will be your operator,

At this time, all participants are in a listen-only mode. We will conduct a question-and-answer session toward the end of today's conference. If you would like to ask a question, please press star, then one. If you want to withdraw your question at any time, please press star, then two. If you're using a speakerphone, please lift a handset before making a selection.

As a reminder, today's call is being recorded.

Now, I'd like to turn this call over to Mr. Adolfo Castro, Chief Executive Officer. Please go ahead, sir.

### **Adolfo Castro**

Thank you, Daryl, and good morning, everyone.

Before I begin discussing our results, let me remind you that certain statements made during the call today may constitute forward-looking statements which are based on current Management expectations and beliefs, and are subject to several risks and uncertainties that could cause active results to differ materially, including factors that may be beyond our Company's control. Additional details about our first quarter 2025 results can be found in our press release, which was issued yesterday after market close, and is available on our website in the Investor Relations section.

Following my presentation, I will be available for Q&A.

As usual, all comparisons discussed on this call will be year-on-year, and figures are expressed in Mexican pesos unless specified otherwise.

During the quarter, we welcomed a total of 18.6 million passengers across our three countries of operations, largely flat compared to the same period last year. Continued growth in Puerto Rico and Colombia offset a softer performance in Mexico. Looking more closely at the traffic results by country, Puerto Rico was the best-performing market, maintaining a strong positive trend up nearly 11%, with international traffic expanding in the high teens and domestic traffic in the low double digits. While traffic remained resilient, we continued to expect normalization after benefiting from Frontier Airlines' expansion of operations last year.

Colombia was the next best-performing market. As anticipated, traffic in Colombia began not to normalize to more sustainable levels of 2023, rising just over 6% driven growth in international traffic in the mid-teens and domestic traffic in low single digits.

In Mexico, traffic comparisons were impacted by Easter shift, which occurred in March 2024. In turn, traffic declined nearly 5% during the quarter, reflecting a high single-digit decline in international passengers, while the trend in domestic markets improved, declining just below 1%. Cancun, our largest airport, continued to feel the effects of Tulum Airport.

Overall, traffic in Mexico continued to experience year-on-year declines from almost all regions during the quarter. Specifically, traffic from Europe decreased 0.8%, from the U.S., 10.5%, and from South America by 2.8%, while traffic from Canada remained unchanged. Domestic traffic remained affected by continued capacity limitation at Mexico City Airport since early 2024, with respect to be lifted in the second half of the year.

Together with the ongoing traffic with the engine restriction, additionally, Cancun Airport experienced a modest impact from the initial ramp-up of operations of the new Tulum Airport. For context, Tulum is projected to handle approximately 2.9 million passengers during this entire year, compared to the 1.2 million last year and over 30 million travelers that passed through Cancun in 2024, or 8 million in this quarter alone.

Looking ahead, we anticipate traffic in Mexico will begin to stabilize next year, as the impact of traffic with the engine issue fades and Tulum Airport completes its initial ramp-up phase. As I have mentioned in the past, beyond that, we expect passenger volumes at both Cancun and Tulum to expand in line with the growth dynamics specific to each region. Currently, the global macro situation is fluid and unpredictable. However, traffic disruptions, particularly related to the U.S. and the impact of travel to Mexico, have proven to be short-lived.

Now, as we move to review our financial performance, recall that all reference to revenue and cost figures exclude construction. Total revenues were up 14% year-on-year to \$8.2 billion pesos, supported by solid increases across all operations. Mexico represented 73% of total revenues, posted a high single-digit upline increase.

Aeronautical revenues were up 9%, with aeronautical revenues rising 10%, reflecting strong commercial revenues per passenger. Puerto Rico contributed 15% of the total revenues and continued to deliver steady growth in the high 20s, driven by both aeronautical and non-aeronautical revenues, further supported by exchange rate benefits from weaker pesos.

Colombia accounted for 12% of total revenues, posting continuous solid top line growth in the low 30s. Growth was driven by both aeronautical and non-aeronautical revenues, which benefited from a continued recovery in domestic and international traffic, and the opening of 26 new commercial spaces over the past 12 months, also benefitted from a weaker peso.

Advancing our strategy to expand commercial offerings, we opened 40 new commercial spaces over the last 12 months. This included 11 in Mexico, three in Puerto Rico, and 26 in Colombia. As a result, total commercial revenues grew in the high single digits, with Puerto Rico posting an early 23% increase, and Colombia delivering a strong year-over-year growth of 38%. In Mexico, commercial revenues showed a low single-digit increase, marking a positive shift from the previous trend.

Commercial revenues per passenger reached nearly 147 pesos in the quarter, reflecting a strong year-on-year in the high teens. Robust growth across all three regions supported this performance. In Puerto Rico and Colombia, commercial revenues increased in the high 20s, driven by a favorable exchange rate in Mexico and in Puerto Rico, and the contribution of new commercial openings in Colombia. Mexico also delivered solid growth in the low single digits, reaching 169 pesos per passenger supported in part by currency effects.

In terms of cost, total expenses were up 18% year-on-year. In Mexico, costs increased 10%, primarily reflecting decreases in concession fees made by the Mexican government, higher administrative fees, and the impact of the 12% increase in minimum wages, effective January 1 of this year. In both, Puerto Rico and Colombia costs were up 30%, with the increase in Puerto Rico and Colombia reflecting the depreciation of the Mexican peso against the U.S. dollar and the Colombian peso.

As a result, consolidated EBITDA rose 12% year-on-year to \$5.7 billion pesos in the quarter, while Adjusted EBITDA margin, which excludes construction, stood at 70% compared with 71.4% a year ago. The decrease was attributed to a slight margin decrease in each country due to higher operating costs. Notably, Puerto Rico and Colombia posted double-digit EBITDA growth of 24% and 30%, respectively, while Mexico saw an 8% increase in EBITDA despite the lower passenger traffic.

Our balance sheet remained strong with nearly \$23 billion pesos in cash and cash equivalents, up 35% year-on-year, a net debt of EBITDA ratio of negative 0.5 times.

During the quarter, we invested \$645 million pesos in capital expenditures. Mainly deployed toward modernization and expansion efforts in our Mexican airports. Main projects during the quarter included the reconstruction and expansion of Terminal 1 of Cancun Airport, as well as the expansion of Terminal in Oaxaca Airport. In Puerto Rico, runway pavement rehabilitation was completed, and we are currently working on Taxiway Hotel. Recall that all construction activities are taking place outside the operational areas to ensure no disruption to airport operations.

As mentioned during our prior earnings call, we continue to anticipate a gradual increase in CapEx as we move forward with several strategic infrastructure projects this year. Among them, the most significant is the reconstruction and expansion of Terminal 1 of Cancun Airport, which is slated for completion in 2026. Terminal 4 of Cancun remains on track for completion by 2028.

Additionally, once Terminal 1 is operational, we expect to implement key upgrades at Terminal 2 to ease existing capacity pressures, particularly in non-aeronautical areas. This includes also designs to streamline traffic flows, particularly from South America, unlocking additional commercial revenue potential.

As part of our ongoing commitment to delivering value to shareholders, in light of our solid financial performance, subject to approval at today's Annual General Meeting, the Board of Directors proposed a total cash dividend from accumulated return earnings and shareholder tax reserve to be paid in three tranches. The first tranche includes an initial ordinary net cash dividend of 50 pesos per share, payable in May 2025, followed by two extraordinary net cash dividends of 15 pesos each, payable in September and November of 2025.

Before opening to a Q&A, note that last week we published our 2024 Sustainability Report, the Twentieth Report and the Circular Unica and encourage you to read them, all of which can be found on our website.

Let me take a brief moment to provide an update on our sustainability efforts. I am pleased to share that 2024 marked a year of meaningful progress. We took several key steps toward achieving our ESG goals, building on our long-term vision. We expanded our flagship social investment program to a third indigenous community in Yucatan, training in a sustainable tourism 59% more than the previous year.

On the climate front, following our 2023 commitment to the Science-Based Targets Initiative, we completed our first Scope 3 emissions inventory in Mexico. This milestone helped us better understand the broader impact of our value chain as we move forward to net zero emissions. Biodiversity preservation remained a top priority. In 2024, we began building long-term alliances with global organizations to protect emblematic species and restore natural ecosystems in the southeast of Mexico.

Lastly, from a governance perspective, we are proposing the appointment of a new female Board member at our upcoming Annual Shareholders' Meeting AGM. If approved, this will bring female representation on our Board to 36%, while 57% of the Board will be independent.

In closing, our first quarter 2025 performance reflected the strength of our diversified portfolio, our excellent operational performance, disciplined execution, and our continuous focus on efficiency. Despite navigating industry challenges such as the Pratt & Whitney engine, the capacity reductions at Mexico City Airport reported a 14% increase in net majority income to \$3.5 billion. All else equal, we expect the solid remainder of 2025 as we continue investing in infrastructure, elevating the passenger experience, and delivering sustainable growth. At the same time, we are cognizant of the potential macro-challenge on a global basis that we are monitoring closely.

Daryl, that concludes my prepared remarks. Please open the floor for questions.

**Operator**

Thank you. Again, to the audience, it is star then one for questions. Again, please make sure your mute function is turned off or the handset is picked up before pressing the corresponding digits. One moment, please, while we poll for your questions.

Our first questions come from the line of Rodolfo Ramos with Bradesco BBI. Please proceed with your questions.

**Rodolfo Ramos**

Good morning, Adolfo. Thanks for taking my question. I have a couple, if I may. The first one is regarding the driver of your strong commercial revenue. You made some comments on this front, but if you can elaborate a little bit more on the performance that we saw during the quarter, perhaps your outlook. The Mexican peso depreciation certainly had a role, but the growth per pax was also stronger than in the first quarter of last year when the peso appreciated. Any additional color there would be helpful.

Secondly, when you think about your CapEx, your committed investments, especially in Cancun, this year is expected to ramp up. You mentioned that you don't expect to deliver these projects until 2026. I don't know if there's anything when you look at what you've already invested so far that could impact your operating expenses, your margins, as you open more areas or more expansions. I just want to get a sense of when we could start seeing your cost structure swelling up as a result of these investments, if at all. Thank you.

**Adolfo Castro**

All right, Rodolfo. Thank you for your questions. In terms of commercial revenue, of course, the most important effect in comparison of last year is related to Puerto Rico and Colombia, and those are also affected by the positive dollar versus the peso. If we go back to the end of the first quarter of last year, the exchange rate with the dollar and the Mexican peso was 16.5. By the end of this year, we are talking about 20.4. The peso depreciation played an important role on the case of commercial revenues per passenger in Puerto Rico and also in the case of Colombia. In the case of Mexico, I would say, yes, we had a very good quarter. That has to do with the passenger mix and some of the impact for duty-free related to the peso-dollar again.

In terms of CapEx, yes, we are working today, as I mentioned, in the remodeling and expansion of Terminal 1 that should be completed by the third quarter next year. Then you are right in the sense to say that the cost will change once this infrastructure is open. Of course, we will have new areas that we will have to maintain and clean and secure all of these new spaces. In the case of Terminal 4, as I mentioned, we are expecting to conclude the project by the end of 2028. I don't know if this answers your questions?

**Rodolfo Ramos**

Yes, thank you, Adolfo.

**Adolfo Castro**

You're welcome.

**Operator**

Thank you. Our next questions come from the line of Jens Spiess with Morgan Stanley. Please proceed with your questions.

**Jens Spiess**

Yes, hello, Adolfo. I have a question regarding capital allocation and the dividend you will be paying. In light of that, you probably saw that CCR is selling their airport assets in Brazil. Do you have interest in those, or can we read from your dividend that basically that's not part of your upcoming capital allocation? Thank you.

**Adolfo Castro**

Thank you, Jens. Good morning. Basically, if you see what we proposed to the Board, and the Board to the shareholders assembly, it's almost what we have in cash. The cash and cash equivalents for the quarter ended in \$23 billion and the dividends for the whole year will be \$24 billion. Yes, we are seeing the project and the offering of CCR. We are analyzing this carefully in the case that this will come it would be funded by debt.

**Jens Spiess**

Okay, perfect. Thank you. If I may, just one more question regarding any weakness that you're potentially seeing from airlines removing frequencies maybe due to the ongoing trade tensions and macro uncertainty, specifically the weaker demand that some of the U.S. airlines are seeing. Do you see any weakness coming from that or is it still too early to tell at this moment? Thank you.

**Adolfo Castro**

I think it's too early to tell. I don't see any effect of this at the moment. Of course, when you see the traffic in Mexico and when you see the traffic in Cancun particularly, you will see the effect of Tulum Airport. Tulum Airport, as I was saying in my initial remarks, we're expecting it to reach 2.9 million passengers this year. Roughly speaking, round numbers, if you subtract 150,000 every month from this quarter, that's 450,000, and then 75% of this is international, not just domestic. That is why we're seeing Cancun numbers decreasing. That is the most important effect I'm seeing for the moment.

**Operator**

Thank you. Our next questions come from the line of Guilherme Mendes with JPMorgan. Please proceed with your questions.

**Guilherme Mendes**

Hey, Adolfo, good morning. Thanks for taking my question. I have two follow-ups on traffic. The first one is regarding the Mexico City restrictions. You mentioned that you do expect some of the restrictions to be lifted in the second half of this year. Can you elaborate a little bit more on your expectations on how this should translate into traffic for ASUR? The second point is regarding Tulum. You mentioned 2.9 million passengers this year. Just wondering what was your expectations by the time of the MDP? If this 2.9 is in line with what was incorporated on the MDP or slightly worse? Thank you.

**Adolfo Castro**

Hi, good morning. In the case of the Mexico City Airport, you'll remember that last year, on January 8 to be precise, the government decided to impose a restriction in terms of capacity. The restriction was to have 43 operations per hour coming from 52 operations per hour. This restriction, in my opinion, is too strong considering that you have one runway and a half. One runway can sustain 50 ATMs per hour, so if we say one runway and a half, that should be 75. Today, at 43, it's really low. That's one piece of the puzzle.

The other piece of the puzzle is we saw some elimination of restrictions in the case of Toluca Airport. Toluca Airport grew really nice at the end of last year by 20% with us. Why is this so important? Because from the Valley of Mexico, it is originated 50% of the domestic traffic of the Group. It's extremely important that

Mexico City, Toluca and AIFA grow their traffic. If we go back in time, I will invite you to compare what it was in 2019 when AIFA was not in place and Mexico City Airport traffic was 51 million. If you see what the figures of last year were, you will see that after five years, almost six years, there is only a growth of one million. This is extremely important for us.

I do believe that by the end of the third quarter, the government eliminates or changes this restriction to at least go back to the 52 ATMs per hour that we had at the end of '23. Also, keep in mind that next year, we will have the World Cup in Mexico, and it will be extremely important to have what would be the connectivity of Mexico City.

In the case of Tulum, as I was saying, what we expect for this year is 2.9. In the case of the MDP, it was almost the same. I was expecting probably 3 million for this year, so not too much difference of reality versus what I was expecting.

**Guilherme Mendes**

Very clear. Thank you, Adolfo.

**Adolfo Castro**

You're welcome.

**Operator**

Thank you. Our next questions come from the line of Pablo Ricalde with Itaú. Please proceed with your questions.

**Pablo Ricalde**

Hi, good morning, Adolfo. Thanks for taking my question. I have a question on Mexico tariffs. Based on my understanding, you haven't raised tariffs this year. Two questions. The first one is, which percentage of your maximum tariffs you're charging now? The second, when do you expect to raise tariffs in Mexico?

**Adolfo Castro**

The maximum tariffs or the maximum rate is measured once a year. You cannot say that you will be measuring that quarter by quarter. Last year, the maximum tariff compliance was at 99%. I would say today that the report that we disclosed yesterday to the market includes just revenues that are in accordance with the maximum rate we have today. What we will be expecting for the end of the year is almost the same result that we got last year. It's not that today we are above the maximum rate. That's not the case on the first side. On the other side, you cannot, again, measure these on a quarterly basis. Just once a year.

**Pablo Ricalde**

Perfect. Thank you.

**Adolfo Castro**

You're welcome.

**Operator**

Thank you. Our next questions come from the line of Andressa Varotto with UBS. Please proceed with your questions.

**Andressa Varotto**

Hi, good morning, Adolfo. Thanks for taking my question. I just have one here on my side. What is the expectation of MDP CapEx for this year from the first quarter figure versus our expectations? It seemed a bit low. How do you see CapEx deployment throughout the year? Thank you.

**Adolfo Castro**

You're welcome. You have the figures in the press release that we disclosed on December 13, 2023. Of course, those were investments as of December 2022. If you include the inflation factor up to the end of this year, you will reach a number close to \$7 billion in the case of Mexico. I would say \$25 million for the case of Puerto Rico and a very small amount in the case of Colombia. That is what we expect for this year.

In terms of the seasonality, you can compare the years, and you will always see that the first quarter is the lowest and the fourth is the highest.

**Operator**

Thank you. Our next questions come from the line of Anton Mortenkotter with GBM. Please proceed with your questions.

**Anton Mortenkotter**

Hi, Adolfo. Thank you for the call and congrats on the results. I just have one question. We understand that in Colombia, you were rolling out a strategy to increase the prices on some of your contracts or to do some catch-up in the commercial side. I was just wondering if the results of this quarter are a result of this and should we expect to see some more on that front going forward?

**Adolfo Castro**

Hi, Anton, good morning. In the case of Colombia, again, I do believe that we have done a very wonderful work in increasing commercial revenues for passengers. My recommendation there would be to follow since the end of 2017 the reports on Colombian pesos and then you will see the real effect of our work there. It has been really nice. The strategy today is to continue with this as we can. Of course, some of the impact that we are seeing in the first quarter has to do with exchange rate but also with additional spaces that we have opened and the strategy of business as usual that we continue to operate there in Colombia.

**Anton Mortenkotter**

Perfect. Thank you.

**Adolfo Castro**

You're welcome.

**Operator**

Thank you. Our next questions come from the line of Stephen Trent with Citibank. Please proceed with your questions.

**Stephen Trent**

Good morning, Adolfo, and thanks very much for taking my questions. First is actually just a follow-up on Tulum and the traffic you are seeing around that. Do you have a sense for the extent to which some of the draw is coming from commercial traffic as opposed to charter and private traffic going to Tulum instead of Cancun?

**Adolfo Castro**

Of course, some of what we see today there is related to charter flights that have a final destination very close to Tulum. They are basically switching from Cancun to Tulum. They should not fly to Cancun anymore if the final destination is very close to Tulum. That's one piece. Of course, in the case of commercial activities, you can see that American Airlines is flying there, Dubai is flying there, and (audio interference) flying there and (audio interference). Those are basically the commercial airlines, and we have one flight from Europe. They have one flight from Europe at the end of last year. It was from France.

**Stephen Trent**

Okay. That's very helpful. I appreciate it. Just a quick follow-up on the dividend. Of course, this year it's a big one, and it looks like a substantial percentage of the Company's retained earnings. How should we think about moving forward? How ASUR might potentially source future dividends? Would it come from a different piece of shareholder's equity, or should we assume a steady state? Thank you.

**Adolfo Castro**

Yes. In the case of what we have proposed to the general shareholders' assembly, it's basically a result of what we have done in the past in our financial performance. As I mentioned during the remarks and some of the questions before, we have \$23 billion pesos in cash and cash equivalents at the end of the quarter. The dividend that we're proposing for the three tranches is almost \$24 billion, so we're just paying what we have achieved in terms of the source of the Company. Going forward, we will have to see what the results are, and then we will propose something to shareholders on such.

**Stephen Trent**

Okay, I appreciate it. Thanks, Adolfo.

**Adolfo Castro**

You're welcome.

**Operator**

Thank you. Our next questions come from the line of Fernanda Recchia with BTG. Please proceed with your questions.

**Fernanda Recchia**

Hey, good morning, Adolfo. Thank you for taking my question. Just two follow-ups here from our side. Just to explore a little bit further the traffic outlook for Puerto Rico and Colombia, I think you mentioned in your remarks that you expect a normalization, but maybe if you could provide us with a bit more color on what kind of traffic you're expecting for this year and when Puerto Rico should start to normalize, is the first one.

The second on the commercial revenues in Mexico, as you mentioned, you're working on the remodeling of Terminal 2, which is expected to finish by the first half of next year. Maybe if you could give us any color on what increase in commercial revenues per pax we should anticipate because of this conclusion would be great. Thank you.

**Adolfo Castro**

Hi, Fernanda. The traffic in Puerto Rico, as I mentioned in my initial remarks, is still very strong. I was expecting this to normalize in the low single digits, but it's still strong. We're happy to see that. In the case of Colombia, now you can see that things are normalizing. You can see what the growth was for the month of March, and that's what we believe it should be for the rest of the year.

Commercial revenues, we are just expanding and remodeling Terminal 1 to alleviate the capacity problems we have today in Terminal 2. Those capacity problems are basically eliminating commercial opportunities that we have today. We know for sure that in the middle of the day, there's no chance for passengers to have a meal because all the spaces are full. Once we open Terminal 1, we will work on Terminal 2 to improve the situation, and that, of course, will increase or have an impact on commercial revenue capacity. It's not easy for me to say how much it will be. We will have to wait and see once these spaces are fully operational, and that should occur in the fourth quarter next year.

**Fernanda Recchia**

Okay. Thank you.

**Operator**

Thank you. As a reminder, if you would like to ask a question, please press star, then one on your telephone keypad.

Our next questions come from the line of Jorge Vargas with GMB. Please proceed with your questions.

**Jorge Vargas**

Hi, good morning, Adolfo. Congratulations on the results, and thank you for taking my question. Just a quick one from my side. Are there any updates on the airport to the Bavaro investment or any other international expansion opportunities being considered? Thank you.

**Adolfo Castro**

Hi, good morning. No updates on Bavaro. The situation is still the same. We are in the legal process, and that will continue for some time.

**Jorge Vargas**

Okay. Thank you.

**Adolfo Castro**

You're welcome.

**Operator**

Thank you. Our next question has come from the line of Gabriel Himelfarb with Scotiabank. Please proceed with your questions.

**Gabriel Himelfarb**

Hi, Adolfo. Thanks for the call. Just a question. Based on your experience, in the cases of U.S. recession, how much do you think it might drop international traffic and visitors coming from the U.S. and Canada to Cancun? I know it's difficult to forecast, but based on your past experience.

**Adolfo Castro**

Hi, Gabriel. Well, let me tell you a story. If you see the presentation that we have in ASUR webpage, where we are presenting our traffic since 1990, that is the same chart that I used 25 years ago to make the IPO process of this Company. We decided to go back to 1990, because that was, at the moment, the last U.S. economic recession, to see what was the effect of the U.S. economic recession in the international passenger traffic. If you see the charts, international traffic grew from 2.6 million to 2.8 million, even with the U.S. economic recession. In that sense, at the moment, we were resilient for the U.S. economic recession. I don't know what will happen today and if the recession will be there or not.

But on the other side, I have to say that what we are seeing today in the case of the United States is a very strong decrease of tourism towards these countries. If we can catch up some of these effects, it would be great for us. Let me say, the case of Canada is decreasing significantly for the summer. Let's say, for the case of Europe, and, let's say, North Asia and South America. Again, if we can catch some of these decreases, it will be excellent for us. You know why they are not willing to go there. We will try to relocate our commercial activities to focus on this market, to reinforce the commercial or the marketing activities on this market.

**Gabriel Himelfarb**

Okay. Have you seen any kind of ramp-up from Canadian traffic? You're moving from the U.S. to Canada, but from traveling to the U.S. instead of traveling to Mexico?

**Adolfo Castro**

If you see what I said during the initial remarks, the only region that was flat for the quarter was Canada.

**Gabriel Himelfarb**

Okay. Thank you.

**Adolfo Castro**

You're welcome.

**Operator**

Thank you. Our next questions come from the line of Jens Spiess with Morgan Stanley. Please proceed with your questions.

**Jens Spiess**

Yes, thank you. Just one follow-up on Pablo's question regarding the max tariff. I know that compliance is annual, so quarterly we shouldn't be worrying. But for the first quarter, I think you published that the unit tariff was 352, which I think is very close to the maximum tariff, if I'm not mistaken. Given all the FX volatility that might be ahead, and I know that more recently the business appreciated, so it plays in your favor. But regardless, there's a lot of volatility. Do you think that there should be a bit more cushion just to factor that in, or do you feel comfortable with the current level? Thank you.

**Adolfo Castro**

Let me try to explain the case of the maximum rates. I'm just going to say numbers to be more clear and make sense. If we say that maximum rate is 100, and we, during the quarter, obtain, let's say, 105, what we report is just 100, and the other five goes to the maximum tariff itself. You will not see the five in the P&L for the quarter. If the maximum rate is 100, and the result is 98, what you are going to see in the P&L is 98. In terms of the exchange rate, just to put this very clear, the end of the first quarter last year, the

exchange rate was at 16.5. The end of '24 was 20.78. The end of March was 20.43, and the current exchange rate is around 19.5. Coming from 16.5 to 19.5 today gives us a lot of room to maneuver. That is why I was saying that we expect for this year almost the same as in terms of maximum tariff compliance of what we got last year.

**Jens Spiess**

Okay. That's clear. Thank you, Adolfo.

**Adolfo Castro**

You're welcome.

**Operator**

Thank you. As a reminder, if you would like to ask a question, please press star, one on your telephone keypad.

Thank you. I'm showing no further questions at this time. That does conclude the question-and-answer portion of today's conference call. I would like to turn the call back over to Mr. Castro for closing remarks.

**Adolfo Castro**

Thank you, Daryl, and thank you all again for joining us today for the first quarter 2025 conference call. We wish you a good day and goodbye. Now you may disconnect.

**Operator**

Thank you. That does conclude today's teleconference. We appreciate your participation. You may disconnect your lines at this time. Enjoy the rest of your day.