

Nemak reports 2Q20 results

Monterrey, Mexico. July 16, 2020. - Nemak, S.A.B. de C.V. ("Nemak", or "the Company") (BMV: NEMAK), a leading provider of innovative lightweighting solutions for the global automotive industry, announced today its operational and financial results for the second quarter of 2020 ("2Q20"). What follows is a summary of the key figures:

Key Figures

	Second Quarter			Six months		
	2020	2019	Δ%	2020	2019	Δ%
Volume (M. Equivalent units)	4.4	11.2	(60.7)	14.9	23.3	(36.1)
Revenues	403	1,011	(60.1)	1,309	2,113	(38.1)
EBITDA ¹	(37)	174	NA ²	105	349	(69.9)
CAPEX	42	76	NA ²	139	172	NA ²

US\$ Millions, except Volume

(1) EBITDA = Operating Income + Depreciation, Amortization & other Non-Cash Charges

(2) NA = Not applicable

Nemak sold 4.4 million equivalent units ("MEU") during 2Q20, down 60.7% year-on-year ("y-o-y"), mainly due to effects of widespread shutdowns in light-vehicle production related to the COVID-19 outbreak. Revenue amounted to US\$403 million, down 60.1% y-o-y on lower volume and, to a lesser extent, aluminum prices.

The Company continued to adapt its business to evolving conditions in its industry, making substantial progress towards the implementation of additional operational efficiencies. For the period, EBITDA was negative US\$37 million, primarily derived from a lower volume and non-recurring severance expenses; however, adjusting for the latter effect, EBITDA would have been US\$1 million.

Capital expenditures amounted to US\$42 million during 2Q20. The Company focused primarily on executing essential investments to support the ramp-up of production associated with customer vehicle launches. As of June 30, 2020, Net Debt amounted to US\$1.5 billion, up 16.8% y-o-y. Nemak's financial ratios were as follows: Net Debt to last-twelve-months ("LTM") EBITDA of 4.0 times; and Interest Coverage of 4.8 times. Adjusting for the severance effect, these figures would have been 3.6 times and 5.2 times, respectively.

Message from the CEO

Our second quarter performance reflected unprecedented plant shutdowns in the global automotive industry and weakened demand for new vehicles across all regions, given the COVID-19 pandemic. We stepped up efforts to adapt to evolving industry conditions along two main fronts: safeguarding the well-being of our employees while further optimizing costs, expenses, cash flow, and liquidity.

During the period, we leveraged industry best practices to redesign work environments—from production lines to common areas—to protect the health and safety of our people. Furthermore, we ramped up a global communication and training program to reinforce the implementation of key preventive measures in this regard. These actions helped make possible the successful restart of operations at all our facilities worldwide by the end of May.

At the same time, we executed improvements to our cost structure, harnessing a project management approach to drive greater efficiency in our operations. We also took steps to enhance our liquidity and financial position, including the deferment of non-essential capex, use of credit lines, execution of amendments to loan agreements, and cancellation of dividend payments for the remainder of the year, among others.

Additionally, I would like to highlight our contributions towards supporting new vehicle launches as well as the longer-term strategies of our customers. Amid the pandemic, we continued to meet their immediate supply needs while growing our contract backlog across our main business segments.

I am confident that our progress on the above-mentioned fronts will help us to successfully navigate these extraordinary times and lay an even stronger foundation for growth and financial resiliency over the longer run.

Automotive Industry

	Millions of Units		
	Second Quarter		
	2020	2019	% Var.
U.S. Vehicle Sales SAAR ⁽¹⁾	11.3	17.1	(33.9)
North America Vehicle Production ⁽²⁾	1.2	4.2	(71.4)
North America Nemak Customer Production ⁽²⁾	0.8	2.9	(72.4)
Europe Vehicle Sales SAAR ⁽¹⁾⁽²⁾	8.1	19.6	(58.7)
Europe Vehicle Production ⁽²⁾	1.9	5.5	(65.5)
Europe Nemak Customer Production ⁽²⁾	1.4	3.7	(62.2)

(1) SAAR = Seasonally Adjusted Annual Rate
(2) Source: IHS Markit and Nemak estimates

In the quarter, SAAR for U.S. light-vehicle sales reached 11.3 million units, 33.9% lower y-o-y, mainly due to less favorable economic conditions brought on by the COVID-19 outbreak and the implementation of restrictions on activities and lockdown measures to contain its spread. Light-vehicle production in North America decreased 72.4%, as automakers shut down production almost completely in April as well as most of May in response to the spread of the virus in the region.

In Europe, 2Q20 sales decreased 58.7% compared to the same period last year, largely as a result of the severe economic effects associated with the pandemic, as well as the impact of the suspension of non-essential activities for much of the quarter. Light-vehicle production posted a 65.5% y-o-y reduction, explained mainly by the duration of production stoppages carried out by automakers.

Recent Developments

- Nemak restarted operations at its facilities in North America and Europe in May, following shutdowns of approximately eight consecutive weeks on average.
- During 2Q20, Nemak won contracts worth a total of approximately US\$150 million in annual revenue breaking down as follows: US\$10 million to produce e-mobility and structural applications; and, US\$140 million to produce powertrain applications.
- Nemak was named “GM Supplier of the Year” for its outstanding performance as a supplier of cylinder heads and engine blocks, remaining as one of the most recognized suppliers in the award’s history.



- Nemak received the VW Group Award 2020 in the category “Launch of the Year”, for its exceptional service and outstanding innovation capacity in providing lightweighting solutions for new, mass-market plug-in hybrid vehicles.

Financial Results Summary

	Second Quarter			Six months		
	2020	2019	Δ%	2020	2019	Δ%
Volume (M. Equivalent units)	4.4	11.2	(60.7)	14.9	23.3	(36.1)
Revenues	403	1,011	(60.1)	1,309	2,113	(38.1)
Operating Income	(113)	90	NA ²	(49)	181	NA ²
EBITDA ¹	(37)	174	NA ²	105	349	(69.9)
EBITDA ¹ / Eq. Unit	(8.4)	15.5	NA ²	7.0	15.0	(53.3)
Net Income	(125)	42	NA ²	(138)	101	NA ²
CAPEX	42	76	NA ²	139	172	NA ²
Net Debt ³	1,515	1,297	16.8			

US\$ Millions, except Volume and EBITDA / Eq. Unit

(1) EBITDA = Operating Income + Depreciation, Amortization & other Non-Cash Charges

(2) NA = Not applicable

(3) Net Debt = Total Debt - Total Cash

2Q20 total volume decreased 60.7% y-o-y, as generalized light-vehicle production shutdowns related to the coronavirus pandemic weighed on Nemak volume in most regions, particularly in the months of April and May. In North America and Europe, Nemak facilities gradually restarted operations in May following shutdowns lasting approximately eight consecutive weeks on average. In Rest of World, increased volume in China, where Nemak operated normally in the quarter, was not enough to offset lower volume in South America, where shutdowns roughly coincided with those in North America.

Turning to Revenue, lower volume and, to a lesser extent, aluminum prices led to a 60.1% y-o-y reduction.

During the quarter, EBITDA decreased due mainly to lower volume and a non-recurring severance impact of US\$38 million. Operating Income was negative US\$113 million due to the same factors affecting EBITDA. In turn, 2Q20 Net Income was down on mainly the same factors described above.

Capital expenditures amounted to US\$42 million in 2Q20, comprised mainly of investments aimed at supporting new product launches.

As of June 30, 2020, Nemak reported Net Debt in the amount of US\$1.5 billion. Financial ratios were: Net Debt to LTM EBITDA, 4.0 times; and Interest Coverage, 4.8 times.

Regional Results

North America

In 2Q20, revenue was down 67.3% y-o-y, due mainly to lower volume and aluminum prices. 2Q20 EBITDA declined to negative US\$24 million mainly on volume effects and severance expenses.



Europe

2Q20 revenue decreased 57.6% y-o-y, due mainly to lower volume and aluminum prices. In 2Q20, EBITDA was negative US\$16 million, mostly a result of the impact of volume and severance expenses.

Rest of the World

In 2Q20, revenue finished down 25.3% y-o-y as increased volume in China partially offset volume reductions in South America. In turn, 2Q20 EBITDA was US\$3 million due mainly to lower sales in South America. Additionally, there was a tough comparison with the same period last year, when the Company recorded a non-recurring gain of US\$8 million in the region.

Methodology for presentation of results

The report presents unaudited financial information. Figures are in Mexican pesos or U.S. dollars, as indicated. For income statement items, peso amounts were translated into dollars using the average exchange rate of the months during which the operations were recorded. For balance sheet items, peso amounts were translated into dollars using the end-of-period exchange rate. Financial ratios were calculated in dollars. Due to rounding, minor differences may occur when calculating percent changes from one period to another.

Conference call information

Nemak's Second Quarter 2020 Conference Call will be held on Friday, July 17, 2020, 11:30 a.m. Eastern Time (10:30 a.m. Mexico City Time). To participate in the conference call, please dial: Domestic U.S.: (877) 407-0784; International: 1-201-689-8560; Mexico Toll Free: 01 800 522 0034. The conference call will be webcast live through streaming audio. If you are unable to participate, the conference call audio and script will be available on Nemak's website. For more information, please visit investors.nemak.com

Forward-looking statements

This report may contain certain forward-looking statements concerning Nemak's future performance that should be considered as good faith estimates made by the Company. These forward-looking statements reflect management's expectations and are based upon currently available data and analysis. Actual results are subject to future events and uncertainties, which could materially impact Nemak's actual performance and results.

About Nemak

Nemak is a leading provider of innovative lightweighting solutions for the global automotive industry, specializing in the development and manufacturing of aluminum components for powertrain, e-mobility, and structural applications. In 2019, it generated revenue of US\$4.0 billion. For more information about Nemak, visit <http://www.nemak.com>

Four pages of tables to follow



Nemak
Income Statement
Millions of Dollars

	For the second quarter of:					For the six months of:				
	2020	% of rev.	2019	% of rev.	% Var.	2020	% of rev.	2019	% of rev.	% Var.
Volume (million equivalent units)	4.4		11.2		(60.7)	14.9		23.3		(36.1)
Total revenues	403	100.0	1,011	100.0	(60.1)	1,309	100.0	2,113	100.0	(38.1)
Gross profit	(29)	(7.2)	151	14.9	NA ²	109	8.3	316	15.0	(65.5)
Sales & administrative expenses	(48)	(11.9)	(68)	(6.7)	(29.4)	(124)	(9.5)	(143)	(6.8)	(13.3)
Other income (expenses) net	(36)	(8.9)	7	0.7	NA ²	(34)	(2.6)	8	0.4	NA ²
Operating Income	(113)	(28.0)	90	8.9	NA ²	(49)	(3.7)	181	8.6	NA ²
Interest Expenses	(21)	(5.2)	(20)	(2.0)	5.0	(41)	(3.1)	(41)	(1.9)	0.0
Interest Income	1	0.2	8	0.8	(87.5)	2	0.2	10	0.5	(80.0)
Foreign exchange gain (loss)	(8)	(2.0)	(8)	(0.8)	0.0	(59)	(4.5)	(2)	(0.1)	2,850.0
Financing expenses net	(28)	(6.9)	(20)	(2.0)	40.0	(98)	(7.5)	(33)	(1.6)	197.0
Participation in associates results	(1)	(0.2)	(1)	(0.1)	0.0	0	0.0	1	0.0	NA ²
Income Tax	17	4.2	(27)	(2.7)	NA ²	9	0.7	(48)	(2.3)	NA ²
Net Income	(125)	(31.0)	42	4.2	NA ²	(138)	(10.5)	101	4.8	NA ²
	2020	% of rev.	2019	% of rev.	% Var.	2020	% of rev.	2019	% of rev.	% Var.
Operating Income	(113)	(28.0)	90	8.9	NA ²	(49)	(3.7)	181	8.6	NA ²
Depreciation, Amortization & Other Non-Cash items	76	18.9	83	8.2	(8.4)	153	11.7	168	8.0	(8.9)
EBITDA ¹	(37)	(9.2)	174	17.2	NA ²	105	8.0	349	16.5	(69.9)
CAPEX	42	10.4	76	7.5	NA ²	139	10.6	172	8.1	NA ²

(1) EBITDA = Operating Income + Depreciation, Amortization & other Non-Cash items

(2) Not applicable



Nemak
Balance Sheet
Millions of Dollars

Assets	Jun-20	Dec-19	% Var
Cash and cash equivalents	636	312	103.8
Accounts receivable	348	417	(16.5)
Inventories	591	591	0.0
Other current assets	26	27	(3.7)
Total current assets	1,602	1,348	18.8
Investments in shares	26	33	(21.2)
Property, plant and equipment, net	2,519	2,554	(1.4)
Other assets	761	774	(1.7)
Total assets	4,908	4,709	4.2

Liabilities & stockholders' equity	Jun-20	Dec-19	% Var
Bank loans	476	104	357.7
Current maturities of long-term debt	22	21	4.8
Interest payable	17	17	0.0
Operating liabilities	949	1,203	(21.1)
Total current liabilities	1,464	1,344	8.9
Long-term debt	1,634	1,375	18.8
Labor liabilities	69	75	(8.0)
Other long term-liabilities	123	114	7.9
Total liabilities	3,290	2,908	13.1
Total stockholders' equity	1,618	1,801	(10.2)
Total liabilities & stockholders' equity	4,908	4,709	4.2

Nemak Regional Results
Millions of Dollars

	For the second quarter of:			For the six months of:		
Volume (million equivalent units)	2020	2019	% Var.	2020	2019	% Var.
North America	2.2	6.5	(66.2)	8.3	13.6	(39.0)
Europe	1.5	3.7	(59.5)	4.9	7.7	(36.4)
Rest of World	0.7	1.0	(30.0)	1.7	2.0	(15.0)
Total	4.4	11.2	(60.7)	14.9	23.3	(36.1)
Total Revenues*	2020	2019	% Var.	2020	2019	% Var.
North America	182	557	(67.3)	689	1,171	(41.2)
Europe	156	368	(57.6)	479	768	(37.6)
Rest of World	65	87	(25.3)	141	175	(19.4)
Total	403	1,011	(60.1)	1,309	2,113	(38.1)
EBITDA ¹	2020	2019	% Var.	2020	2019	% Var.
North America	(24)	100	(124.0)	67	209	(67.9)
Europe	(16)	59	(127.1)	30	126	(76.2)
Rest of World	3	16	(81.3)	8	15	(46.7)
Total	(37)	174	(121.3)	105	349	(69.9)
EBITDA ¹ Margin in %	2020	2019	% Var.	2020	2019	% Var.
North America	-13%	18%	(173.5)	10%	18%	(45.5)
Europe	-10%	16%	(164.0)	6%	16%	(61.8)
Rest of World	5%	18%	(74.9)	6%	9%	(33.8)
Total	-9%	17%	(153.3)	8%	17%	(51.4)
EBITDA ¹ USD/Equivalent units	2020	2019	% Var.	2020	2019	% Var.
North America	(10.9)	15.4	(170.9)	8.1	15.4	(47.5)
Europe	(10.7)	15.9	(166.9)	6.1	16.4	(62.6)
Rest of World	4.3	16.0	(73.2)	4.7	7.5	(37.3)
Total	(8.4)	15.5	(154.2)	7.0	15.0	(53.3)

(1) EBITDA - Operating Income + Depreciation, Amortization & other Non-Cash items

* To external customers

Nemak
Income Statement
Millions of Pesos

	For the second quarter of:					For the six months of:				
	2020	% of rev.	2019	% of rev.	% Var.	2020	% of rev.	2019	% of rev.	% Var.
Volume (million equivalent units)	4.4		11.2		(60.7)	14.9		23.3		(36.1)
Total revenues	9,171	100.0	19,325	100.0	(52.5)	27,011	100.0	40,507	100.0	(33.3)
Gross profit	(759)	(8.3)	2,896	15.0	NA ²	1,973	7.3	6,064	15.0	(67.5)
Sales & administrative expenses	(1,134)	(12.4)	(1,307)	(6.8)	(13.2)	(2,626)	(9.7)	(2,736)	(6.8)	(4.0)
Other income (expenses) net	(801)	(8.7)	143	0.7	NA ²	(762)	(2.8)	147	0.4	NA ²
Operating Income	(2,694)	(29.4)	1,731	9.0	NA ²	(1,415)	(5.2)	3,475	8.6	NA ²
Interest Expenses	(481)	(5.2)	(387)	(2.0)	24.3	(885)	(3.3)	(788)	(1.9)	12.3
Interest Income	27	0.3	161	0.8	(83.2)	39	0.1	189	0.5	(79.4)
Foreign exchange gain (loss)	(174)	(1.9)	(149)	(0.8)	16.8	(1,242)	(4.6)	(43)	(0.1)	2,788.4
Financing expenses net	(628)	(6.8)	(375)	(1.9)	67.5	(2,088)	(7.7)	(642)	(1.6)	225.2
Participation in associates results	(18)	(0.2)	(24)	(0.1)	(25.0)	(8)	(0.0)	19	0.0	NA ²
Income Tax	395	4.3	(522)	(2.7)	NA ²	265	1.0	(920)	(2.3)	NA ²
Net Income	(2,945)	(32.1)	809	4.2	NA ²	(3,247)	(12.0)	1,931	4.8	NA ²

	2020	% of rev.	2019	% of rev.	% Var.	2020	% of rev.	2019	% of rev.	% Var.
Operating Income	(2,694)	(29.4)	1,731	9.0	NA ²	(1,415)	(5.2)	3,475	8.6	NA ²
Depreciation, Amortization & Other Non-Cash items	1,775	19.4	1,594	8.2	11.4	3,309	12.3	3,211	7.9	3.1
EBITDA ¹	(920)	(10.0)	3,325	17.2	NA ²	1,894	7.0	6,687	16.5	(71.7)
CAPEX	982	10.7	1,454	7.5	NA ²	2,921	10.8	3,302	8.2	NA ²

(1) EBITDA = Operating Income + Depreciation, Amortization & other Non-Cash items
(2) Not applicable

Nemak
Balance Sheet
Millions of Pesos

Assets	Jun-20	Dec-19	% Var
Cash and cash equivalents	14,618	5,883	148.5
Accounts receivable	7,998	7,860	1.8
Inventories	13,579	11,146	21.8
Other current assets	608	514	18.3
Total current assets	36,803	25,403	44.9
Investments in shares	593	615	(3.6)
Property, plant and equipment, net	57,862	48,140	20.2
Other assets	17,483	14,586	19.9
Total assets	112,741	88,744	27.0

Liabilities & stockholders' equity	Jun-20	Dec-19	% Var
Bank loans	10,926	1,955	458.9
Current maturities of long-term debt	508	394	28.9
Interest payable	388	320	21.3
Operating liabilities	21,807	22,664	(3.8)
Total current liabilities	33,628	25,332	32.7
Long-term debt	37,546	25,921	44.8
Labor liabilities	1,582	1,407	12.4
Other long term-liabilities	2,824	2,140	32.0
Total liabilities	75,580	54,800	37.9
Total stockholders' equity	37,161	33,943	9.5
Total liabilities & stockholders' equity	112,741	88,744	27.0