

## Nemak reports 3Q 2020 EBITDA of US\$178 M

Monterrey, Mexico. October 21, 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 third quarter of 2020 ("3Q20"). What follows is a summary of the key figures for the period:

	Third Quarter			Nine months		
	2020	2019	Δ%	2020	2019	Δ%
Volume (M. Equivalent units)	10.1	10.6	(4.7)	25.0	33.8	(26.1)
Revenues	896	963	(7.0)	2,205	3,076	(28.3)
EBITDA <sup>1</sup>	178	139	28.1	282	487	(42.1)
CAPEX	49	74	NA <sup>2</sup>	188	246	NA <sup>2</sup>

US\$ Millions, except Volume

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

(2) NA = Not applicable

## Message from the CEO

*During the third quarter, we continued to implement measures to safeguard the well-being of our people and meet our customers' supply needs amidst the pandemic, while driving additional efficiencies to strengthen the long-term sustainability of our business. These efforts helped us to capitalize on the recovery in the global automotive industry, delivering volume in-line with pre-COVID levels as well as historically strong results.*

*Moreover, thanks to our positive cash flow generation and focus on prudent financial management, we were able to reduce our Net Debt by US\$110 million in the period.*

*We also made strides in strategy execution, tapping into new opportunities linked to vehicle electrification. The main highlights on this front included initiating series production of battery housings for the Ford Mustang Mach-E at a new facility in North America, along with securing our first-ever contract to supply battery housings for full-electric heavy-duty commercial trucks for the European market.*

*Given an improved outlook for our industry along with our ongoing efforts to reinforce our foundations for growth, we believe that we are well positioned to make continued progress on our financial and operating priorities into the end of the year.*

## Recent Developments

- During 3Q20, Nemak won contracts worth a total of approximately US\$230 million in annual revenue breaking down as follows: US\$20 million to produce e-mobility and structural applications; and, US\$210 million to produce powertrain applications.
- On August 17, shareholders of Nemak's parent company, ALFA, approved a proposal to transfer their entire share ownership in Nemak to a new entity to be listed on the Mexican Stock Exchange: Controladora Nemak, S.A.B. de C.V. Upon completion of the transaction, the shareholders will receive one share of Controladora Nemak for each of their ALFA shares.

## Automotive Industry

	Millions of Units		
	Third Quarter		
	2020	2019	% Var.
U.S. Vehicle Sales SAAR <sup>(1)</sup>	15.4	17.0	(9.4)
North America Vehicle Production <sup>(2)</sup>	4.0	4.0	0
North America Nemak Customer Production <sup>(2)</sup>	2.6	2.7	(3.7)
Europe Vehicle Sales SAAR <sup>(1)(2)</sup>	17.8	20.1	(11.4)
Europe Vehicle Production <sup>(2)</sup>	3.9	4.6	(15.2)
Europe Nemak Customer Production <sup>(2)</sup>	2.8	3.1	(9.7)

(1) SAAR = Seasonally Adjusted Annual Rate

(2) Source: IHS Markit and Nemak estimates

In the quarter, SAAR for U.S. light-vehicle sales finished at 15.4 million units, 9.4% lower year-on-year ("y-o-y") but showing a recovery trend compared to the previous quarter on a more favorable economic backdrop. However, light-vehicle production in North America finished flat y-o-y as automakers ramped up operations and rebuilt inventories following the easing of COVID-related lockdown measures.

In Europe, SAAR for light-vehicle sales decreased 11.4% compared to the same period last year. As in other regions, the industry recovery supported improvement on a sequential basis; key tailwinds in this regard included increased general economic activity and the implementation of stimulus packages in certain countries in the region. Light-vehicle production posted a 15.2% y-o-y reduction, roughly in line with the trend in light-vehicle sales.

## Financial Results Summary

	Third Quarter			Nine months		
	2020	2019	Δ%	2020	2019	Δ%
Volume (M. Equivalent units)	10.1	10.6	(4.7)	25.0	33.8	(26.1)
Revenues	896	963	(7.0)	2,205	3,076	(28.3)
Operating Income	100	43	132.6	52	224	(76.8)
EBITDA <sup>1</sup>	178	139	28.1	282	487	(42.1)
EBITDA <sup>1</sup> / Eq. Unit	17.6	13.1	34.4	11.3	14.4	(21.5)
Net Income	90	(2)	NA <sup>2</sup>	(48)	99	NA <sup>2</sup>
CAPEX	49	74	NA <sup>2</sup>	188	246	NA <sup>2</sup>
Net Debt <sup>3</sup>	1,405	1,221	15.1			

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

3Q20 total volume finished in-line with the Company's initial full-year Guidance, decreasing 4.7% y-o-y amidst continued effects of COVID-19 on the global automotive industry. Following the restart of operations in the industry, volume in North America and Europe recovered significantly quarter on quarter, reaching pre-COVID levels. Meanwhile, Rest of World volume benefitted from favorable industry trends in China, which more than offset effects of a softer Brazilian market.

Turning to Revenue, lower volume and aluminum prices drove a 7.0% y-o-y decrease in 3Q20.

For the period, EBITDA was 28.1% higher y-o-y, aided by reductions in costs and expenses, which derived mainly from restructuring initiatives implemented earlier in the year. Meanwhile, 3Q20 EBITDA per equivalent unit was US\$17.6, 34% higher than in 3Q19, representing a new all-time mark. Regarding Operating Income, Nemak reported a US\$57 million y-o-y increase in 3Q20, primarily attributable to the same factors dictating EBITDA performance as well as a comparison effect with 3Q19, when the Company recognized one-time charges related to the wind-down of a production facility in Windsor, Canada.

Nemak's 3Q20 Net Income finished US\$92 million higher than the same period last year, driven by the same factors benefiting Operating Income as described above, along with non-cash exchange rate effects on financial results and income taxes.

Capital expenditures amounted to US\$49 million in 3Q20, as the Company worked in tandem with its customers to make investments in support of new product launches in all regions.

As of September 30, 2020, Nemak reported a Net Debt of US\$1.4 billion. Financial ratios were: Net Debt to LTM EBITDA, 3.4 times; and Interest Coverage, 5.4 times. These ratios compared

to 1.9 and 9.3 times, respectively, as of quarter-end 3Q19. Excluding non-recurring extraordinary expenses associated with severance and COVID-related expenses, in 3Q20 these ratios were 3.1 times and 5.9 times, respectively.

## Regional Results

### North America

In 3Q20, revenue was down 11.5% y-o-y on volume and aluminum prices. 3Q20 EBITDA increased 15.4%, driven by the implementation of cost-reduction measures.

### Europe

3Q20 revenue decreased 6.8% y-o-y due to volume and aluminum prices. However, EBITDA improved 61.5% in the period, mainly reflecting the above-mentioned efficiencies along with temporary inventory effects.

### Rest of the World

In 3Q20, revenue finished 21.2% higher y-o-y on increased sales in China. 3Q20 EBITDA increased 11.1%, as top-line improvement in China more than compensated for continued effects of the pandemic on sales in Brazil.

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## 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 Third Quarter 2020 Conference Call will be held on Thursday, October 22, 2020, 12:00 p.m. Eastern Time (11:00 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](https://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 [www.nemak.com](https://www.nemak.com)



**Nemak**  
**Income Statement**  
**Millions of Dollars**

	For the third quarter of:					For the nine months of:				
	2020	% of rev.	2019	% of rev.	% Var.	2020	% of rev.	2019	% of rev.	% Var.
Volume (million equivalent units)	10.1		10.6		(4.7)	25.0		33.8		(26.1)
Total revenues	896	100.0	963	100.0	(7.0)	2,205	100.0	3,076	100.0	(28.3)
Gross profit	150	16.7	145	15.1	3.4	259	11.7	461	15.0	(43.8)
Sales & administrative expenses	(50)	(5.6)	(69)	(7.2)	(27.5)	(174)	(7.9)	(212)	(6.9)	(17.9)
Other income (expenses) net	0	0.0	(33)	(3.4)	NA <sup>2</sup>	(34)	(1.5)	(25)	(0.8)	36.0
Operating Income	100	11.2	43	4.5	132.6	52	2.4	224	7.3	(76.8)
Interest Expenses	(20)	(2.2)	(23)	(2.4)	(13.0)	(61)	(2.8)	(64)	(2.1)	(4.7)
Interest Income	1	0.1	2	0.2	(50.0)	2	0.1	12	0.4	(83.3)
Foreign exchange gain (loss)	16	1.8	(2)	(0.2)	NA <sup>2</sup>	(43)	(2.0)	(4)	(0.1)	NA <sup>2</sup>
Financing expenses net	(3)	(0.3)	(23)	(2.4)	(87.0)	(102)	(4.6)	(56)	(1.8)	82.1
Participation in associates results	(1)	(0.1)	1	0.1	NA <sup>2</sup>	(1)	(0.0)	2	0.1	(150.0)
Income Tax	(6)	(0.7)	(23)	(2.4)	(73.9)	3	0.1	(71)	(2.3)	NA <sup>2</sup>
Net Income	90	10.0	(2)	(0.2)	NA <sup>2</sup>	(48)	(2.2)	99	3.2	NA <sup>2</sup>

	2020	% of rev.	2019	% of rev.	% Var.	2020	% of rev.	2019	% of rev.	% Var.
Operating Income	100	11.2	43	4.5	132.6	52	2.4	224	7.3	(76.8)
Depreciation, Amortization & Other Non-Cash items	77	8.6	96	10.0	(19.8)	231	10.5	263	8.6	(12.2)
EBITDA1	178	19.9	139	14.4	28.1	282	12.8	487	15.8	(42.1)
CAPEX	49	5.5	74	7.7	NA <sup>2</sup>	188	8.5	246	8.0	NA <sup>2</sup>

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

**Nemak**  
**Balance Sheet**  
**Millions of Dollars**

Assets	Sep-20	Dec-19	% Var
Cash and cash equivalents	644	312	106.4
Accounts receivable	485	417	16.3
Inventories	559	591	(5.4)
Other current assets	31	26	19.2
Total current assets	1,719	1,348	27.5
Investments in shares	29	33	(12.1)
Property, plant and equipment, net	2,544	2,554	(0.4)
Other assets	764	774	(1.3)
Total assets	5,055	4,709	7.3

Liabilities & stockholders' equity	Sep-20	Dec-19	% Var
Bank loans	377	108	NA
Current maturities of long-term debt	22	17	29.4
Interest payable	6	17	(64.7)
Operating liabilities	1,095	1,203	(9.0)
Total current liabilities	1,500	1,344	11.6
Long-term debt	1,642	1,375	19.4
Labor liabilities	70	75	(6.7)
Other long term-liabilities	121	113	7.1
Total liabilities	3,333	2,907	14.7
Total stockholders' equity	1,723	1,800	(4.3)
Total liabilities & stockholders' equity	5,055	4,709	7.3

## Nemak Regional Results

Millions of Dollars

	For the third quarter of:			For the nine months of:		
Volume (million equivalent units)	2020	2019	% Var.	2020	2019	% Var.
North America	5.9	6.3	(6.3)	14.2	19.9	(28.5)
Europe	3.1	3.3	(6.1)	8.0	11.0	(27.5)
Rest of World	1.1	1.0	10.0	2.8	2.9	(3.5)
<b>Total</b>	<b>10.1</b>	<b>10.6</b>	<b>(4.7)</b>	<b>25.0</b>	<b>33.8</b>	<b>(26.1)</b>
Total Revenues*	2020	2019	% Var.	2020	2019	% Var.
North America	491	555	(11.5)	1,181	1,724	(31.5)
Europe	301	323	(6.8)	780	1,091	(28.5)
Rest of World	103	85	21.2	244	261	(6.5)
<b>Total</b>	<b>896</b>	<b>963</b>	<b>(7.0)</b>	<b>2,205</b>	<b>3,076</b>	<b>(28.3)</b>
EBITDA <sup>1</sup>	2020	2019	% Var.	2020	2019	% Var.
North America	105	91	15.4	172	299	(42.5)
Europe	63	39	61.5	93	165	(43.6)
Rest of World	10	9	11.1	18	24	(25.0)
<b>Total</b>	<b>178</b>	<b>139</b>	<b>28.1</b>	<b>282</b>	<b>487</b>	<b>(42.1)</b>
EBITDA <sup>1</sup> Margin in %	2020	2019	% Var.	2020	2019	% Var.
North America	21%	16%	30.4	15%	17%	(16.0)
Europe	21%	12%	73.3	12%	15%	(21.2)
Rest of World	10%	11%	(8.3)	7%	9%	(19.8)
<b>Total</b>	<b>20%</b>	<b>14%</b>	<b>37.6</b>	<b>13%</b>	<b>16%</b>	<b>(19.2)</b>
EBITDA <sup>1</sup> USD/Equivalent units	2020	2019	% Var.	2020	2019	% Var.
North America	17.8	14.4	23.2	12.1	15.0	(19.5)
Europe	20.3	11.8	72.0	11.7	15.0	(22.2)
Rest of World	9.1	9.0	1.0	6.4	8.3	(22.3)
<b>Total</b>	<b>17.6</b>	<b>13.1</b>	<b>34.4</b>	<b>11.3</b>	<b>14.4</b>	<b>(21.5)</b>

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

\* To external customers

**Nemak**  
**Income Statement**  
**Millions of Pesos**

	For the third quarter of:					For the nine months of:				
	2020	% of rev.	2019	% of rev.	% Var.	2020	% of rev.	2019	% of rev.	% Var.
Volume (million equivalent units)	10.1		10.6		(4.7)	25.0		33.8		(26.1)
Total revenues	19,767	100.0	18,700	100.0	5.7	46,778	100.0	59,208	100.0	(21.0)
Gross profit	3,299	16.7	2,824	15.1	16.8	5,272	11.3	8,888	15.0	(40.7)
Sales & administrative expenses	(1,097)	(5.5)	(1,337)	(7.1)	(18.0)	(3,723)	(8.0)	(4,073)	(6.9)	(8.6)
Other income (expenses) net	1	0.0	(645)	(3.4)	NA <sup>2</sup>	(761)	(1.6)	(498)	(0.8)	52.8
Operating Income	2,203	11.1	841	4.5	162.0	788	1.7	4,316	7.3	(81.7)
Interest Expenses	(430)	(2.2)	(444)	(2.4)	(3.2)	(1,316)	(2.8)	(1,234)	(2.1)	6.6
Interest Income	17	0.1	35	0.2	(51.4)	55	0.1	224	0.4	(75.4)
Foreign exchange gain (loss)	349	1.8	(38)	(0.2)	NA <sup>2</sup>	(893)	(1.9)	(80)	(0.1)	NA <sup>2</sup>
Financing expenses net	(64)	(0.3)	(447)	(2.4)	(85.7)	(2,154)	(4.6)	(1,090)	(1.8)	97.6
Participation in associates results	(20)	(0.1)	26	0.1	NA <sup>2</sup>	(28)	(0.1)	44	0.1	(163.6)
Income Tax	(143)	(0.7)	(449)	(2.4)	(68.2)	122	0.3	(1,370)	(2.3)	NA <sup>2</sup>
Net Income	1,976	10.0	(29)	(0.2)	NA <sup>2</sup>	(1,271)	(2.7)	1,901	3.2	NA <sup>2</sup>

  

	2020	% of rev.	2019	% of rev.	% Var.	2020	% of rev.	2019	% of rev.	% Var.
Operating Income	2,203	11.1	841	4.5	162.0	788	1.7	4,316	7.3	(81.7)
Depreciation, Amortization & Other Non-Cash items	1,711	8.7	1,862	10.0	(8.1)	5,021	10.7	5,074	8.6	(1.0)
EBITDA <sup>1</sup>	3,915	19.8	2,703	14.5	44.8	5,809	12.4	9,390	15.9	(38.1)
CAPEX	1,078	5.5	1,436	7.7	NA <sup>2</sup>	4,000	8.6	4,738	8.0	NA <sup>2</sup>

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

(2) Not applicable

**Nemak**  
**Balance Sheet**  
**Millions of Pesos**

Assets	Sep-20	Dec-19	% Var
Cash and cash equivalents	14,458	5,883	145.8
Accounts receivable	10,902	7,860	38.7
Inventories	12,545	11,146	12.6
Other current assets	698	514	35.8
Total current assets	38,603	25,403	52.0
Investments in shares	642	615	4.4
Property, plant and equipment, net	57,131	48,140	18.7
Other assets	17,155	14,585	17.6
Total assets	113,531	88,744	27.9

  

Liabilities & stockholders' equity	Sep-20	Dec-19	% Var
Bank loans	8,466	2,028	NA
Current maturities of long-term debt	485	321	51.1
Interest payable	144	320	(55.0)
Operating liabilities	24,581	22,664	8.5
Total current liabilities	33,676	25,333	32.9
Long-term debt	36,875	25,921	42.3
Labor liabilities	1,579	1,407	12.2
Other long term-liabilities	2,709	2,140	26.6
Total liabilities	74,840	54,800	36.6
Total stockholders' equity	38,691	33,943	14.0
Total liabilities & stockholders' equity	113,531	88,744	27.9