

Nemak reports 4Q 2020 EBITDA of US\$150 M

Monterrey, Mexico. February 10, 2021. - Nemak, S.A.B. de C.V. (BMV: NEMAK) and Controladora Nemak, S.A.B. de C.V. (BMV: NMK) (jointly, "Nemak" or "the Company") announced today their operational and financial results for the fourth quarter of 2020 ("4Q20") and full-year 2020 ("FY2020"). What follows is a summary of the key figures for the period:

	Fourth Quarter			Twelve months		
	2020	2019	Δ%	2020	2019	Δ%
Volume (M. Equivalent units)	10.1	10.2	(0.9)	35.1	44.3	(20.7)
Revenues	946	941	0.5	3,151	4,017	(21.6)
EBITDA ¹	150	133	12.8	432	621	(30.4)
CAPEX	81	97	NA ²	269	344	NA ²

US\$ Millions, except Volume

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

(2) NA = Not applicable

Message from the CEO

The fourth quarter and full-year 2020 results reflect Nemak's ability to recalibrate its operations, as well as its resilience in the face of a global environment that has posed major challenges for the automotive sector. In this regard, we have addressed the situation by proactively adopting a number of initiatives aimed at protecting the health of our team, ensuring long-term business continuity, and preserving our financial position. These efforts allowed us to capitalize on more favorable trends in the markets we serve during the second half of the year, after a first half marked by unprecedented customer production stoppages in the wake of the pandemic.

Toward the end of the year, the improvement in EBITDA per equivalent unit was particularly notable, as we achieved our best-ever mark for a second half. Moreover, we moved forward on the commercial front, closing 2020 with new contracts worth approximately US\$700 million annually, bringing the order book of our segment dedicated to e-mobility and structural applications to approximately US\$850 million annually.

For the year ahead, we will seek to maintain a disciplined deployment of capital and strict cost control to reinforce our financial position while continuing to capitalize on the global economic recovery by delivering innovative lightweighting and electrification solutions for our customers.

Recent Developments

- During 2020, Nemak won contracts worth approximately US\$700 million in annual revenue, broken down as follows: US\$110 million to produce e-mobility and structural applications; and US\$590 million to produce powertrain applications.
- On December 14, 2020, Controladora Nemak, S.A.B. de C.V., the company to which Alfa, S.A.B. de C.V. transferred its entire stock ownership in Nemak, was listed on the Mexican Stock Exchange, marking the beginning of a new chapter for Nemak as a fully independent company.

Automotive Industry

	Millions of Units Fourth Quarter			Millions of Units Twelve Months		
	2020	2019	% Var	2020	2019	% Var
U.S. Vehicle Sales SAAR ⁽¹⁾	16.0	16.9	(5.0)	14.6	17.1	(14.7)
North America Vehicle Production ⁽²⁾	3.8	3.8	(0.7)	13.0	16.3	(20.4)
North America Nemak Customer Production ⁽²⁾	2.5	2.5	(3.1)	8.4	11.0	(24.0)
Europe Vehicles Sales SAAR ⁽¹⁾⁽²⁾	17.5	19.5	(10.1)	16.4	20.6	(20.6)
Europe Vehicle Production ⁽²⁾	5.2	5.2	1.3	16.6	21.2	(21.6)
Europe Nemak Customer Production ⁽²⁾	3.4	3.4	0.8	10.9	14.0	(22.1)

(1) SAAR = Seasonally Adjusted Annual Rate

(2) Source: HIS Markit and Nemak estimates

During the quarter, SAAR for U.S. light-vehicle sales reached 16 million units, 5.0% lower year-on-year (“y-o-y”), remaining on a recovery trend compared to previous quarters on the back of more favorable economic conditions. Light-vehicle production in North America showed a slight y-o-y contraction, as efforts to restock vehicle inventories caused a smaller decrease in light-production compared to sales.

In Europe, SAAR for light-vehicle sales declined 10.1% when compared to the same period last year, due to a slowdown in demand, partly arising from effects of new restrictions to contain the pace of COVID-19 infections in certain jurisdictions. However, light-vehicle production recorded a 1.3% y-o-y increase, supported by automakers' efforts to continue restocking following the record low inventory levels seen at the beginning of the pandemic.

Financial Results Summary

	Fourth Quarter			Twelve months		
	2020	2019	Δ%	2020	2019	Δ%
Volume (M. Equivalent units)	10.1	10.2	(0.9)	35.1	44.3	(20.7)
Revenues	946	941	0.5	3,151	4,017	(21.6)
Operating Income	55	33	66.7	107	257	(58.4)
EBITDA ¹	150	133	12.8	432	621	(30.4)
EBITDA ¹ / Eq. Unit	14.9	13.1	13.7	12.3	14.0	(12.1)
Net Income	14	31	NA ²	(34)	130	NA ²
CAPEX	81	97	NA ²	269	344	NA ²
Net Debt ³	1,227	1,206	1.7			

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

4Q20 total volume decreased 0.9% y-o-y, in line with pre-pandemic levels, as increased volume in Europe and Rest of the World nearly offset lower volume in North America associated with lower light-vehicle production among certain customers, a less favorable product mix, and the impact of the closure of the manufacturing operations in Canada. Nemak's FY2020 volume decreased 20.7% y-o-y, mainly due to effects of light-vehicle production stoppages linked to COVID-19 in 1H20.

Meanwhile, aluminum prices and positive exchange rate effects from Euro-denominated sales supported a 0.5% y-o-y increase in 4Q20 revenue. Compared to 2019, revenue decreased 21.6% in FY2020 on effects of lower volume in 1H20.

During 4Q20, EBITDA increased 12.8% y-o-y, driven by cost and expense savings, primarily derived from restructuring initiatives implemented in the first half of the year. 4Q20 EBITDA per equivalent unit was US\$14.9, 13.7% higher than in 4Q19. Turning to Operating Income, Nemak reported an annual increase of US\$22 million in 4Q20, largely attributable to the same factors that contributed to EBITDA performance. FY2020 EBITDA and Operating Income were 30.4% and 58.4% lower compared to 2019, respectively; these figures reflect the same factors that affected revenue in 1H20, along with non-recurring items associated with severance payments and other COVID-related expenses incurred during the year.

Nemak's 4Q20 Net Income closed down US\$17 million against the same period last year, as the factors benefiting Operating Income were not sufficient to compensate for a combination of incremental taxes and non-cash exchange rate effects on financial results. FY2020 Net Loss was US\$34 million, down from the US\$130 million Net Income reported in the previous year, mainly due to the effects just mentioned in 4Q20, along with the same factors that weighed on Operating Income in 1H20.

Capital expenditures totaled US\$81 million in 4Q20, as the Company continued to work with its customers to carry out investments to support new product launches in all regions. FY2020 capital expenditures amounted to US\$269 million, compared to US\$344 million in 2019.

As of December 31, 2020, Nemak reported a Net Debt of US\$1.2 billion. Financial ratios were: Net Debt to LTM EBITDA, 2.8 times; and Interest Coverage, 5.6 times. These ratios compare to 1.9 and 8.6 times, respectively, as of quarter-end 4Q19. When adjusted for non-recurring items associated with severance payments and other COVID-related expenses incurred during the year, these ratios were 2.5 times and 6.0 times, respectively.

Regional Results

North America

In 4Q20, revenue dropped 5.3% y-o-y, mainly due to volume effects. 4Q20 EBITDA increased 13.2%, driven by the implementation of cost reduction initiatives. FY2020 revenue and EBITDA fell 25.6% and 32.3% y-o-y, respectively, largely attributed to the effects on volume resulting from customer plant closures in the region during 1H20.

Europe

4Q20 revenue increased 6.2% y-o-y, mainly due to volume and exchange rate effects. EBITDA improved 14.3% y-o-y in the period, reflecting greater operational efficiencies. FY2020 revenue and EBITDA were largely impacted by lower volume attributable to customer plant shutdowns in 1H20, recording a contraction of 20.4% and 28.6% y-o-y, respectively.

Rest of the World

In 4Q20, revenue was 9.8% higher than reported in the same period last year, mainly as a result of higher sales in China. 4Q20 EBITDA decreased 11.1% y-o-y, as top-line improvement in China partially offset the effects of lower sales in Brazil and launching expenses in China. FY2020 revenue dropped 2.1% y-o-y, primarily derived from the effects of customer plant shutdowns on the Company's 1H20 volume. FY2020 EBITDA decreased 21.2% y-o-y, mostly due to the effects of lower volume in 1H20 and launching expenses in China in 2H20.

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 Fourth Quarter 2020 Conference Call will be held on Thursday, February 11, 2021, 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 or <https://controladora.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.

Controladora Nemak information

The main purpose of Controladora Nemak is to own and control shares or stakes in other companies. Since the main asset of Controladora Nemak are shares representing Nemak's capital, the business of Controladora Nemak is substantially similar to the business of Nemak, and therefore is subject to the same operating and financial results. The operating and financial results of Nemak that are reported here are therefore also those of Controladora Nemak.

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 2020, it generated revenue of US\$3.2 billion. For more information about Nemak, visit www.nemak.com

Nemak
Income Statement
Millions of Dollars

	For the fourth quarter of:					For the twelve months of:				
	2020	% of rev.	2019	% of rev.	% Var.	2020	% of rev.	2019	% of rev.	% Var.
Volume (million equivalent units)	10.1		10.2		(0.9)	35.1		44.3		(20.7)
Total revenues	946	100.0	941	100.0	0.5	3,151	100.0	4,017	100.0	(21.6)
Gross profit	130	13.7	114	12.1	14.0	389	12.3	575	14.3	(32.3)
Sales & administrative expenses	(61)	(6.4)	(65)	(6.9)	(6.2)	(235)	(7.5)	(277)	(6.9)	(15.2)
Other income (expenses) net	(14)	(1.5)	(15)	(1.6)	NA ²	(48)	(1.5)	(41)	(1.0)	17.1
Operating Income	55	5.8	33	3.5	66.7	107	3.4	257	6.4	(58.4)
Interest Expenses	(21)	(2.2)	(20)	(2.1)	5.0	(81)	(2.6)	(84)	(2.1)	(3.6)
Interest Income	1	0.1	1	0.1	0.0	3	0.1	13	0.3	(76.9)
Foreign exchange gain (loss)	(7)	(0.7)	4	0.4	NA ²	(50)	(1.6)	1	0.0	NA ²
Financing expenses net	(27)	(2.9)	(15)	(1.6)	80.0	(128)	(4.1)	(70)	(1.7)	82.9
Participation in associates results	0	0.0	0	0.0	NA ²	(1)	(0.0)	2	0.0	(150.0)
Income Tax	(15)	(1.6)	12	1.3	NA	(12)	(0.4)	(59)	(1.5)	NA ²
Net Income	14	1.5	31	3.3	NA ²	(34)	(1.1)	130	3.2	NA ²

	2020	% of rev.	2019	% of rev.	% Var.	2020	% of rev.	2019	% of rev.	% Var.
Operating Income	55	5.8	33	3.5	66.7	107	3.4	257	6.4	(58.4)
Depreciation, Amortization & Other Non-Cash items	94	9.9	100	10.6	(6.0)	325	10.3	363	9.0	(10.5)
EBITDA ¹	150	15.9	133	14.1	12.8	432	13.7	621	15.5	(30.4)
CAPEX	81	8.6	97	10.3	NA ²	269	8.5	344	8.6	NA ²

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

Nemak
Balance Sheet
Millions of Dollars

Assets	Dec-20	Dec-19	% Var
Cash and cash equivalents	437	312	40.1
Accounts receivable	463	417	11.0
Inventories	633	591	7.1
Other current assets	31	27	14.8
Total current assets	1,564	1,348	16.0
Investments in shares	32	33	(3.0)
Property, plant and equipment, net	2,581	2,554	1.1
Other assets	773	774	(0.1)
Total assets	4,949	4,709	5.1

Liabilities & stockholders' equity	Dec-20	Dec-19	% Var
Bank loans	195	104	87.5
Current maturities of long-term debt	34	21	61.9
Interest payable	17	17	0.0
Operating liabilities	1,309	1,203	8.8
Total current liabilities	1,555	1,344	15.7
Long-term debt	1,417	1,375	3.1
Labor liabilities	79	75	5.3
Other long term-liabilities	110	113	(2.7)
Total liabilities	3,161	2,908	8.7
Total stockholders' equity	1,788	1,801	(0.7)
Total liabilities & stockholders' equity	4,949	4,709	5.1

Nemak Regional Results

Millions of Dollars

	For the fourth quarter of:			For the twelve months of:		
Volume (million equivalent units)	2020	2019	% Var.	2020	2019	% Var.
North America	5.3	5.9	(9.7)	19.5	25.8	(24.4)
Europe	3.4	3.3	3.3	11.4	14.5	(21.3)
Rest of World	1.4	1.0	35.9	4.2	4.0	6.1
Total	10.1	10.2	(0.9)	35.1	44.3	(20.7)
Total Revenues*	2020	2019	% Var.	2020	2019	% Var.
North America	464	490	(5.3)	1,645	2,210	(25.6)
Europe	360	339	6.2	1,140	1,433	(20.4)
Rest of World	123	112	9.8	366	374	(2.1)
Total	946	941	0.5	3,151	4,017	(21.6)
EBITDA ¹	2020	2019	% Var.	2020	2019	% Var.
North America	77	68	13.2	249	368	(32.3)
Europe	64	56	14.3	157	220	(28.6)
Rest of World	8	9	(11.1)	26	33	(21.2)
Total	150	133	12.8	432	621	(30.4)
EBITDA ¹ Margin in %	2020	2019	% Var.	2020	2019	% Var.
North America	17%	14%	19.6	15%	17%	(9.1)
Europe	18%	17%	7.6	14%	15%	(10.3)
Rest of World	7%	8%	(19.1)	7%	9%	(19.5)
Total	16%	14%	12.2	14%	15%	(11.3)
EBITDA ¹ USD/Equivalent units	2020	2019	% Var.	2020	2019	% Var.
North America	14.5	11.6	25.4	12.8	14.3	(10.4)
Europe	18.8	17.0	10.6	13.8	15.2	(9.4)
Rest of World	5.7	8.7	(34.6)	6.2	8.3	(25.7)
Total	14.9	13.1	13.7	12.3	14.0	(12.1)

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

* To external customers

Nemak
Income Statement
Millions of Pesos

	For the fourth quarter of:					For the twelve months of:				
	2020	% of rev.	2019	% of rev.	% Var.	2020	% of rev.	2019	% of rev.	% Var.
Volume (million equivalent units)	10.1		10.2		(0.9)	35.1		44.3		(20.7)
Total revenues	19,548	100.0	18,155	100.0	7.7	66,325	100.0	77,363	100.0	(14.3)
Gross profit	2,711	13.9	2,199	12.1	23.3	7,982	12.0	11,087	14.3	(28.0)
Sales & administrative expenses	(1,258)	(6.4)	(1,255)	(6.9)	0.2	(4,980)	(7.5)	(5,328)	(6.9)	(6.5)
Other income (expenses) net	(274)	(1.4)	(296)	(1.6)	NA ²	(1,035)	(1.6)	(794)	(1.0)	30.4
Operating Income	1,179	6.0	648	3.6	81.9	1,967	3.0	4,964	6.4	(60.4)
Interest Expenses	(430)	(2.2)	(379)	(2.1)	13.5	(1,746)	(2.6)	(1,613)	(2.1)	8.2
Interest Income	20	0.1	18	0.1	11.1	76	0.1	242	0.3	(68.6)
Foreign exchange gain (loss)	(127)	(0.6)	84	0.5	NA ²	(1,020)	(1.5)	4	0.0	NA ²
Financing expenses net	(537)	(2.7)	(277)	(1.5)	93.9	(2,690)	(4.1)	(1,367)	(1.8)	96.8
Participation in associates results	(1)	(0.0)	(3)	(0.0)	NA ²	(29)	(0.0)	41	0.1	(170.7)
Income Tax	(303)	(1.6)	224	1.2	NA	(181)	(0.3)	(1,145)	(1.5)	NA ²
Net Income	338	1.7	591	3.3	NA ²	(933)	(1.4)	2,493	3.2	NA ²

	2020	% of rev.	2019	% of rev.	% Var.	2020	% of rev.	2019	% of rev.	% Var.
Operating Income	1,179	6.0	648	3.6	81.9	1,967	3.0	4,964	6.4	(60.4)
Depreciation, Amortization & Other Non-Cash items	1,938	9.9	1,921	10.6	0.9	6,959	10.5	6,994	9.0	(0.5)
EBITDA ¹	3,117	15.9	2,568	14.1	21.4	8,926	13.5	11,958	15.5	(25.4)
CAPEX	1,655	8.5	1,877	10.3	NA ²	5,655	8.5	6,616	8.6	NA ²

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

(2) Not applicable

Nemak
Balance Sheet
Millions of Pesos

Assets	Dec-20	Dec-19	% Var
Cash and cash equivalents	8,720	5,883	48.2
Accounts receivable	9,229	7,860	17.4
Inventories	12,630	11,146	13.3
Other current assets	613	514	19.3
Total current assets	31,192	25,403	22.8
Investments in shares	635	615	3.3
Property, plant and equipment, net	51,491	48,140	7.0
Other assets	15,414	14,586	5.7
Total assets	98,732	88,744	11.3

Liabilities & stockholders' equity	Dec-20	Dec-19	% Var
Bank loans	3,894	1,955	99.2
Current maturities of long-term debt	671	394	70.3
Interest payable	346	320	8.1
Operating liabilities	26,115	22,664	15.2
Total current liabilities	31,027	25,332	22.5
Long-term debt	28,277	25,921	9.1
Labor liabilities	1,568	1,407	11.4
Other long term-liabilities	2,193	2,136	2.7
Total liabilities	63,065	54,800	15.1
Total stockholders' equity	35,667	33,943	5.1
Total liabilities & stockholders' equity	98,732	88,744	11.3