

Nemak reports 2Q21 EBITDA of US\$150 M

Monterrey, Mexico. July 19, 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 second quarter of 2021 ("2Q21"). What follows is a summary of the key figures for the period:

	Second Quarter			Six months		
	2021	2020	Δ%	2021	2020	Δ%
Volume (M. Equivalent units)	9.0	4.4	103.6	19.6	14.9	31.5
Revenues	955	403	137.0	1,993	1,309	52.3
EBITDA ¹	150	(37)	NA ²	319	105	203.8
CAPEX	72	42	NA ²	135	139	NA ²

US\$ Millions, except Volume

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

(2) NA = Not applicable

Message from the CEO

This quarter was marked by a continued recovery trend, as we harnessed new product launches—including in our e-mobility and structural applications (EV/SC) segment—together with operating efficiencies to capitalize on a more favorable industry environment, which more than offset effects of the global semiconductor shortage. At the same time, we continued to reinforce measures to keep our people safe and healthy and support our communities amidst the pandemic. Taken together, these efforts made it possible for us to maintain positive momentum in our business, as we delivered our second-highest EBITDA per equivalent unit ever for a second quarter.

We are also pleased to share that we took important steps to strengthen our foundation for growth, winning new contracts across our main product lines while advancing with the ramp-up of EV/SC production at facilities spanning Europe, North America, and Asia. We also successfully placed two sustainability-linked bonds in the international markets, which will be used to refinance outstanding debt, enabling us to reduce our financing cost and extend our debt maturity under a standard investment grade structure. Under the terms of these issuances, we will seek to reduce Scope 1 and 2 greenhouse gas emissions by 18%; this target is aligned with our plans to achieve a 28% reduction by 2030, which were approved by the Science Based Targets initiative in March 2021.

Given our outlook on our business and our industry, I am confident that we are well positioned to continue to deliver a solid performance while making further inroads in the implementation of our strategy over the second half of the year.

Recent Developments

- During 2Q21, Nemak won contracts worth approximately US\$240 million annually, out of which approximately US\$25 million were replacements for e-mobility and structural applications.
- Nemak successfully placed two sustainability-linked bonds: one issuance was comprised of US\$500 million with a 10-year maturity bearing a 3.625% coupon; the other was comprised of €500 million, with a 7-year maturity and bearing a 2.25% coupon. The proceeds of both issuances will be used to refinance outstanding debt and general corporate purposes.
- Nemak was named a GM Supplier of the Year winner in General Motors' 29th annual Supplier of the Year awards; also, one of only 26 companies to be selected as an Overdrive winner in 2020.
- Nemak's Board of Directors will present a proposal to merge Controladora Nemak into Nemak at general extraordinary shareholders' meetings to be held on July 29, 2021.

Automotive Industry

	Millions of Units Second Quarter		
	2021	2020	% Var
U.S. Vehicle Sales SAAR ⁽¹⁾	17.0	11.3	50.4
North America Vehicle Production ⁽²⁾	3.3	1.4	135.7
North America Nemak Customer Production ⁽²⁾	1.9	0.8	137.5
Europe Vehicles Sales SAAR ⁽¹⁾⁽²⁾	16.9	10.0	69.0
Europe Vehicle Production ⁽²⁾	4.3	2.2	95.5
Europe Nemak Customer Production ⁽²⁾	2.9	1.6	81.3

(1) SAAR = Seasonally Adjusted Annual Rate

(2) Source: IHS Markit and Nemak estimates

For the quarter, SAAR for U.S. light-vehicle sales was 17.0 million units, an increase of 50.4% year-over-year ("y-o-y"), whereas light-vehicle production in the region climbed 135.7% y-o-y. In the case of Europe, SAAR for light-vehicle sales rose 69.0% y-o-y to 16.9 million units, while light-vehicle production saw a 95.5% y-o-y increase. The recovery in these regions' key industry indicators is primarily attributable to improved overall conditions compared to the same period last year, which saw extended COVID-related shutdowns at automaker facilities; the deployment of government stimulus programs; and disposable income driven demand among end consumers. During 2Q21, the global semiconductor shortage weighed on light-vehicle production to a greater extent than in 1Q21, with North America accounting for most of the difference; however, on a year-over-year basis, the above-mentioned comparison effects more than compensated for the impact of the semiconductor situation by a wide margin.

Financial Results Summary

	Second Quarter			Six months		
	2021	2020	Δ%	2021	2020	Δ%
Volume (M. Equivalent units)	9.0	4.4	103.6	19.6	14.9	31.5
Revenues	955	403	137.0	1,993	1,309	52.3
Operating Income	69	(113)	NA ²	158	(49)	NA ²
EBITDA ¹	150	(37)	NA ²	319	105	203.8
EBITDA ¹ / Eq. Unit	16.7	(8.4)	NA ²	16.3	7.0	132.9
Net Income	44	(125)	NA ²	84	(138)	NA ²
CAPEX	72	42	NA ²	135	139	NA ²
Net Debt ³	1,351	1,515	(10.8)			

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

This quarter compares on a year-over-year basis against a period characterized by extraordinary customer production reductions, which at the time resulted in production stoppages across Nemak's global operations lasting approximately eight consecutive weeks, except in China, where key industry indicators held at around pre-pandemic levels in 2Q20.

During 2Q21, volume increased 103.6% y-o-y, largely supported by higher customer demand, following the overall improvement of economic conditions in the Company's main markets, as well as new product launches in its EV/SC segment.

In turn, revenue climbed 137.0% y-o-y, driven by volume growth and, to a lesser extent, higher aluminum prices and the appreciation of the euro against the U.S. dollar.

2Q21 EBITDA amounted to US\$150 million, compared to a figure of negative US\$37 million in the same period last year. EBITDA per equivalent unit in 2Q21 was the second-highest level ever recorded for a second quarter, at US\$16.7, driven by the above-mentioned volume effects, continued benefits of cost-reduction initiatives dating back to 2020, and a richer sales mix. 2Q21 Operating Income closed at US\$69 million, up from a US\$113 million loss in 2Q20 on the same factors that supported EBITDA.

Consequently, Nemak's Net Income in 2Q21 added up to US\$44 million, compared to a US\$125 million Net Loss in the same period of 2020.

Capital expenditures amounted to US\$72 million in 2Q21. These resources were allocated primarily to support new product launches, with a focus on the EV/SC segment.

As of June 30, 2021, Nemak reported Net Debt of US\$1.35 billion. Financial ratios were: Net Debt to LTM EBITDA, 2.1 times; and, Interest Coverage, 8.5 times. These ratios compare to 4.0 and 4.8 times, respectively, recorded at the end of 2Q20.

Regional Results

North America

In 2Q21, revenue increased 153.8% y-o-y, as more favorable industry conditions supported a recovery in volume; aluminum prices also influenced this trend, albeit to a lesser extent. Taken together, these factors more than compensated for adverse volume effects associated with the global semiconductor shortage in 2Q21. EBITDA improved from negative US\$24 million in 2Q20 to US\$74 million in 2Q21, on the back of higher sales volume, a more favorable product mix, and operating efficiencies.

Europe

2Q21 revenue grew 144.2% y-o-y, as light-vehicle production—supported by general economic recovery, pent-up end-consumer demand for light vehicles, and increased customer light-vehicle exports to Asia—contributed to higher volume. Aluminum prices were also a contributing factor, although to a lesser extent. 2Q21 EBITDA was US\$68 million, compared to negative US\$16 million in 2Q20, due mainly to the same factors that drove EBITDA in North America and, to a lesser extent, positive effects of the depreciation of the U.S. dollar against the euro.

Rest of the World

In 2Q21, revenue rose 72.3% y-o-y, as new product launches and better market conditions supported volume. Consequently, 2Q21 EBITDA increased 183.3% y-o-y, also related to greater operating efficiencies, volume, and an improved product mix.

Methodology for presentation of results

The report presents unaudited financial information. Figures are in Mexican pesos or US 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 2021 Conference Call will be held on Tuesday, July 20, 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: 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 <https://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 second quarter of:			For the six months of:		
	2021	2020	% Var.	2021	2020	% Var.
Volume (million equivalent units)	9.0	4.4	103.6	19.6	14.9	31.5
Total revenues	955	403	137.0	1,993	1,309	52.3
Gross profit	132	(29)	NA ²	292	109	167.9
Sales & administrative expenses	(64)	(48)	33.3	(132)	(124)	6.5
Other income (expenses) net	1	(36)	NA ²	(2)	(34)	(94.1)
Operating Income	69	(113)	NA	158	(49)	NA ²
Interest Expenses	(19)	(21)	(9.5)	(40)	(41)	(2.4)
Interest Income	1	1	0.0	2	2	0.0
Foreign exchange gain (loss)	13	(8)	NA ²	(1)	(59)	NA ²
Financing expenses net	(5)	(28)	(82.1)	(39)	(98)	(60.2)
Participation in associates results	1	(1)	NA ²	4	0	NA ²
Income Tax	(21)	17	NA ²	(39)	9	NA ²
Net Income	44	(125)	NA ²	84	(138)	NA ²

	2021	2020	% Var.	2021	2020	% Var.
Operating Income	69	(113)	NA ²	158	(49)	NA ²
Depreciation, Amortization & Other Non-Cash items	81	76	6.6	161	153	5.2
EBITDA ¹	150	(37)	NA ²	319	105	203.8
CAPEX	72	42	NA ²	135	139	NA ²

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

(2) Not applicable

Nemak
Balance Sheet
Millions of Dollars

Assets	Jun-21	Dec-20	% Var
Cash and cash equivalents	752	437	72.1
Accounts receivable	530	463	14.5
Inventories	828	633	30.8
Other current assets	35	31	12.9
Total current assets	2,144	1,564	37.1
Investments in shares	33	32	3.1
Property, plant and equipment, net	2,544	2,581	(1.4)
Other assets	752	773	(2.7)
Total assets	5,474	4,949	10.6

Liabilities & stockholders' equity	Jun-21	Dec-20	% Var
Bank loans	163	195	(16.4)
Current maturities of long-term debt	49	34	44.1
Interest payable	17	17	0.0
Operating liabilities	1,338	1,309	2.2
Total current liabilities	1,567	1,555	0.8
Long-term debt	1,873	1,417	32.2
Labor liabilities	81	79	2.5
Other long term-liabilities	115	110	4.5
Total liabilities	3,636	3,161	15.0
Total stockholders' equity	1,838	1,788	2.8
Total liabilities & stockholders' equity	5,474	4,949	10.6

Nemak Regional Results

Millions of Dollars

	For the second quarter of:			For the six months of:		
Volume (million equivalent units)	2021	2020	% Var.	2021	2020	% Var.
North America	4.5	2.2	104.5	10.0	8.3	20.6
Europe	3.4	1.5	124.0	7.1	4.9	44.7
Rest of World	1.1	0.7	57.1	2.5	1.7	46.5
Total	9.0	4.4	103.6	19.6	14.9	31.5
Total Revenues*	2021	2020	% Var.	2021	2020	% Var.
North America	462	182	153.8	982	689	42.5
Europe	381	156	144.2	778	479	62.4
Rest of World	112	65	72.3	233	141	65.2
Total	955	403	137.0	1,993	1,309	52.3
EBITDA ¹	2021	2020	% Var.	2021	2020	% Var.
North America	74	(24)	NA	156	67	132.8
Europe	68	(16)	NA	143	30	NA
Rest of World	8	3	183.3	20	8	150.0
Total	150	(37)	NA	319	105	NA
EBITDA ¹ Margin in %	2021	2020	% Var.	2021	2020	% Var.
North America	16%	-13%	NA	16%	10%	63.4
Europe	18%	-10%	NA	18%	6%	193.5
Rest of World	8%	5%	64.4	9%	6%	51.3
Total	16%	-9%	NA	16%	8%	99.5
EBITDA ¹ USD/Equivalent units	2021	2020	% Var.	2021	2020	% Var.
North America	16.4	(10.9)	NA	15.6	8.1	93.1
Europe	20.3	(10.7)	NA	20.2	6.1	NA
Rest of World	7.7	4.3	80.3	8.0	4.7	70.7
Total	16.7	(8.4)	NA	16.3	7.0	132.9

(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:

	2021	2020	2021	2020
Volume (million equivalent units)	9.0	4.4	19.6	14.9
Total revenues	19,141	9,171	40,266	27,011
Gross profit	2,643	(759)	5,902	1,973
Sales & administrative expenses	(1,288)	(1,134)	(2,657)	(2,626)
Other income (expenses) net	28	(801)	(44)	(762)
Operating Income	1,384	(2,694)	3,201	(1,415)
Interest Expenses	(380)	(481)	(800)	(885)
Interest Income	27	27	42	39
Foreign exchange gain (loss)	255	(174)	(22)	(1,242)
Financing expenses net	(98)	(628)	(780)	(2,088)
Participation in associates results	19	(18)	76	(8)
Income Tax	(418)	395	(785)	265
Net Income	886	(2,945)	1,712	(3,247)

	2021	2020	2021	2020
Operating Income	1,384	(2,694)	3,201	(1,415)
Depreciation, Amortization & Other Non-Cash items	1,632	1,775	3,251	3,309
EBITDA ¹	3,016	(920)	6,452	1,894
CAPEX	1,447	982	2,725	2,921

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

(2) Not applicable

Nemak
Balance Sheet
Millions of Pesos

Assets	Jun-21	Dec-20	% Var
Cash and cash equivalents	14,889	8,720	70.7
Accounts receivable	10,499	9,229	13.8
Inventories	16,388	12,630	29.8
Other current assets	691	613	12.7
Total current assets	42,467	31,192	36.1
Investments in shares	658	635	3.6
Property, plant and equipment, net	50,385	51,491	(2.1)
Other assets	14,899	15,414	(3.3)
Total assets	108,410	98,732	9.8

Liabilities & stockholders' equity	Jun-21	Dec-20	% Var
Bank loans	3,229	3,894	(17.1)
Current maturities of long-term debt	967	671	44.1
Interest payable	341	346	(1.4)
Operating liabilities	26,500	26,115	1.5
Total current liabilities	31,037	31,027	0.0
Long-term debt	37,091	28,277	31.2
Labor liabilities	1,596	1,568	1.8
Other long term-liabilities	2,281	2,193	4.0
Total liabilities	72,005	63,065	14.2
Total stockholders' equity	36,405	35,667	2.1
Total liabilities & stockholders' equity	108,410	98,732	9.8