

Nemak reports 1Q20 EBITDA of US\$142 million

Monterrey, Mexico. April 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 first quarter of 2020 ("1Q20"). What follows is a summary of the key figures:

Key Figures

	First Quarter		
	2020	2019	Δ%
Volume (M. Equivalent units)	10.5	12.1	(13.1)
Revenues	907	1,102	(17.7)
EBITDA ¹	142	175	(18.9)
CAPEX	97	96	NA ²

US\$ Millions, except Volume

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

(2) NA = Not applicable

Nemak sold 10.5 million equivalent units ("MEU") during 1Q20, down 13.1% year-on-year ("y-o-y"), mainly on effects of a slowdown in light-vehicle production related to the recent COVID-19 outbreak. Revenue in the period amounted to US\$907 million, down 17.7% y-o-y on lower volume and aluminum prices.

1Q20 EBITDA was US\$142 million, an 18.9% y-o-y decrease largely attributed to lower volume.

Capital expenditures amounted to US\$97 million during 1Q20. The Company invested primarily to ramp up production associated with new contracts, while advancing plans to reduce capex over the remainder of the year. As of March 31, 2020, Net Debt amounted to US\$1,210 million, down 7.3% y-o-y. Nemak's financial ratios were as follows: Net Debt to last-twelve-months ("LTM") EBITDA of 2.1 times; Interest Coverage of 8.1 times.

Message from the CEO

During the quarter, we implemented a series of measures to protect the wellbeing of our people and adapt our business to effects of the COVID-19 pandemic. Our experience at our operation in China, where we managed a temporary shutdown followed by a gradual relaunch of production starting in February, has proven instrumental to our efforts to respond to the spread of the virus in other regions. I am deeply proud of the commitment and resilience demonstrated by our people during these challenging times.

Notwithstanding the effects of the abrupt slowdown in global light-vehicle sales and production on our volume, we successfully harnessed operational efficiencies to make strides towards achieving our cost-reduction objectives. In particular, our efforts in this regard yielded benefits in Rest of World and North America, partially offsetting the impact of the above-mentioned headwinds. At the same time, we made further inroads in strategy execution, growing our order book in e-mobility and structural applications to approximately US\$820 million in annual revenue on the back of new



business to supply battery housings for plug-in hybrid applications of a European OEM. Total contract wins across product lines amounted to approximately US\$190 million in annual revenue.

Given continued uncertainty over the scope and duration of customer production stoppages associated with the pandemic, we continue to intensify efforts to conserve cash and lower costs and expenses. These include the implementation of capex and working capital reductions, flexible production schemes, and temporary idling of certain facilities, among others. Additionally, we are making the following update to our plans for the year:

- **Withdrawal of 2020 Guidance:** We will provide updated figures as soon as reliable estimates can be determined.
- **Review of 2020 dividends:** Previously scheduled dividend payments to be subject to a thorough review by Nemak's Board to provide Shareholders an updated recommendation considering the current market conditions. The implementation of updated recommendations would be subject to Shareholder approval.

We will share further details on our 1Q20 Conference Call. I am confident that the above-mentioned measures will help us to weather this extraordinary period and emerge as a stronger Nemak.

Automotive Industry

	Millions of Units		
	First Quarter		
	2020	2019	% Var.
U.S. Vehicle Sales SAAR ⁽¹⁾	15.0	16.9	(11.2)
North America Vehicle Production ⁽²⁾	3.7	4.2	(11.9)
North America Nemak Customer Production ⁽²⁾	2.5	2.9	(13.8)
Europe Vehicle Sales SAAR ⁽¹⁾⁽²⁾	17.2	19.4	(11.3)
Europe Vehicle Production ⁽²⁾	4.4	5.6	(21.4)
Europe Nemak Customer Production ⁽²⁾	2.9	3.7	(21.6)

(1) SAAR = Seasonally Adjusted Annual Rate

(2) Source: IHS Markit and Nemak estimates

In the quarter, SAAR for U.S. light-vehicle sales reached 15.0 million units, 11.2% lower y-o-y, mainly due to less favorable economic conditions brought on by the COVID-19 outbreak. Light-vehicle production in North America decreased 11.9%, as automakers scaled down production in late March seeking to minimize virus transmission.

In Europe, 1Q20 sales decreased 11.3% compared to the same period last year, largely as a result of the slowdown in economic activity linked to the spread of COVID-19 in the region. Light-vehicle production posted a 21.4% y-o-y reduction, explained largely by temporary production stoppages carried out by automakers during March to address the rapidly evolving pandemic.

Recent Developments

- During 1Q20, Nemak won contracts worth a total of approximately US\$190 million in annual revenue breaking down as follows: US\$80 million to produce e-mobility and structural applications, and US\$110 million to produce powertrain applications.



- In support of COVID-19 contingency efforts, leveraged 3-D printing and other manufacturing technologies to help increase health system capacity in Mexico.

Financial Results Summary

	First Quarter		
	2020	2019	Δ%
Volume (M. Equivalent units)	10.5	12.1	(13.1)
Revenues	907	1,102	(17.7)
Operating Income	65	91	(28.6)
EBITDA ¹	142	175	(18.9)
EBITDA ¹ / Eq. Unit	13.5	14.5	(6.9)
Net Income	(14)	58	NA
CAPEX	97	96	NA ²
Net Debt ³	1,210	1,305	(7.3)

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

1Q20 total volume decreased 13.1% y-o-y, largely attributed to light-vehicle production cuts among certain OEM customers. In North America, the main factors were the continued phase-out of certain models among Detroit 3 customers along with an overall industry slowdown fueled by the COVID-19 pandemic. Likewise, OEM light-vehicle production in Europe decreased on the spread of the virus, which in turn weighed on Nemak's volume. In Rest of World, volume was down on lower sales in China, where the Company stopped production for part of February due to the outbreak.

Turning to Revenue, lower volume and aluminum prices drove a 17.7% y-o-y reduction in 1Q20.

During the period, EBITDA decreased 18.9% y-o-y mainly due to lower volume. 1Q20 EBITDA per equivalent unit was US\$13.5, down 6.9% y-o-y. Operating Income decreased US\$65 million driven by the same factors affecting EBITDA. In turn, 1Q20 Net Income was down on the same factors described above coupled with non-cash foreign exchange losses associated with the depreciation of the Mexican peso against the U.S. dollar.

Capital expenditures amounted to US\$97 million in 1Q20, comprised mainly of investments aimed at supporting new product launches.

As of March 31, 2020, Nemak reported Net Debt in the amount of US\$1.2 billion. Financial ratios were: Net Debt to LTM EBITDA, 2.1 times; and Interest Coverage, 8.1 times. These ratios compared to 1.8 and 9.4 times, respectively, as of quarter-end 1Q19.

Regional Results

North America

In 1Q20, revenue was down 17.3% y-o-y, mostly related to lower volume and aluminum prices. 1Q20 EBITDA declined by 16.7% y-o-y on volume effects.



Europe

1Q20 revenue decreased 19.3% y-o-y, mainly due to lower volume and aluminum prices. In 1Q20, EBITDA was 31% lower, mostly given by the combined impact of volume and the depreciation of the euro against the U.S. dollar.

Rest of the World

In 1Q20, revenue finished down 13.6% y-o-y on volume headwinds linked to industry contraction from the spread of the virus in Asia. 1Q20 EBITDA was US\$5 million, higher than the same period last year, as the combined benefit of an improved mix in Brazil and efficiency initiatives more than compensated for the impact of lower volume in China.

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 First Quarter 2020 Conference Call will be held on Friday, April 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 first quarter of:

	2020	% of rev.	2019	% of rev.	% Var.
Volume (million equivalent units)	10.5		12.1		(13.1)
Total revenues	907	100.0	1,102	100.0	(17.7)
Gross profit	138	15.2	165	15.0	(16.4)
Sales & administrative expenses	(76)	(8.4)	(74)	(6.7)	2.7
Other income (expenses) net	2	0.2	0	0.0	0.0
Operating Income	65	7.2	91	8.3	(28.6)
Interest Expenses	(20)	(2.2)	(21)	(1.9)	(4.8)
Interest Income	1	0.1	1	0.1	0.0
Foreign exchange gain (loss)	(52)	(5.7)	5	0.5	NA
Financing expenses net	(71)	(7.8)	(15)	(1.4)	373.3
Participation in associates results	1	0.1	2	0.2	(50.0)
Income Tax	(7)	(0.8)	(21)	(1.9)	(66.7)
Net Income	(14)	(1.5)	58	5.3	NA

	2020	% of rev.	2019	% of rev.	% Var.
Operating Income	65	7.2	91	8.3	(28.6)
Depreciation, Amortization & Other Non-Cash items	77	8.5	84	7.6	(8.3)
EBITDA ¹	142	15.7	175	15.9	(18.9)
CAPEX	97	10.7	96	8.7	NA ²

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

(2) Not applicable



Nemak
Balance Sheet
Millions of Dollars

Assets	Mar-20	Dec-19	% Var
Cash and cash equivalents	772	312	147.4
Accounts receivable	331	417	(20.6)
Inventories	577	591	(2.4)
Other current assets	23	27	(14.8)
Total current assets	1,703	1,348	26.3
Investments in shares	24	33	(27.3)
Property, plant and equipment, net	2,519	2,554	(1.4)
Other assets	798	774	3.1
Total assets	5,043	4,709	7.1
Liabilities & stockholders' equity	Mar-20	Dec-19	% Var
Bank loans	452	104	334.6
Current maturities of long-term debt	23	21	9.5
Interest payable	6	17	(64.7)
Operating liabilities	1,147	1,203	(4.7)
Total current liabilities	1,628	1,344	21.1
Long-term debt	1,499	1,375	9.0
Labor liabilities	67	75	(10.7)
Other long term-liabilities	165	114	44.7
Total liabilities	3,359	2,908	15.5
Total stockholders' equity	1,684	1,801	(6.5)
Total liabilities & stockholders' equity	5,043	4,709	7.1



Nemak Regional Results
Millions of Dollars

	For the first quarter of:		
Volume (million equivalent units)	2020	2019	% Var.
North America	6.1	7.1	(13.9)
Europe	3.4	4.0	(14.0)
Rest of World	1.0	1.0	(4.0)
Total	10.5	12.1	(13.1)
Total Revenues*	2020	2019	% Var.
North America	508	614	(17.3)
Europe	323	400	(19.3)
Rest of World	76	88	(13.6)
Total	907	1,102	(17.7)
EBITDA ¹	2020	2019	% Var.
North America	91	109	(16.7)
Europe	46	67	(31.0)
Rest of World	5	(1)	NA
Total	142	175	(18.9)
EBITDA ¹ Margin in %	2020	2019	% Var.
North America	18%	18%	0.6
Europe	14%	17%	(14.6)
Rest of World	7%	-1%	NA
Total	16%	16%	(1.4)
EBITDA ¹ USD/Equivalent units	2020	2019	% Var.
North America	14.9	15.4	(3.3)
Europe	13.4	16.9	(20.8)
Rest of World	5.2	(1.4)	NA
Total	13.5	14.5	(6.9)

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

* To external customers



Nemak
Income Statement
Millions of Pesos

For the first quarter of:

	2020	% of rev.	2019	% of rev.	% Var.
Volume (million equivalent units)	10.5		12.1		(13.1)
Total revenues	17,841	100.0	21,183	100.0	(15.8)
Gross profit	2,732	15.3	3,169	15.0	(13.8)
Sales & administrative expenses	(1,492)	(8.4)	(1,429)	(6.7)	4.4
Other income (expenses) net	39	0.2	4	0.0	875.0
Operating Income	1,279	7.2	1,744	8.2	(26.7)
Interest Expenses	(405)	(2.3)	(401)	(1.9)	1.0
Interest Income	11	0.1	28	0.1	(60.7)
Foreign exchange gain (loss)	(1,068)	(6.0)	106	0.5	NA
Financing expenses net	(1,462)	(8.2)	(267)	(1.3)	447.6
Participation in associates results	10	0.1	43	0.2	(76.7)
Income Tax	(130)	(0.7)	(398)	(1.9)	(67.3)
Net Income	(303)	(1.7)	1,122	5.3	NA

	2020	% of rev.	2019	% of rev.	% Var.
Operating Income	1,279	7.2	1,744	8.2	(26.7)
Depreciation, Amortization & Other Non-Cash items	1,535	8.6	1,618	7.6	(5.1)
EBITDA ¹	2,814	15.8	3,362	15.9	(16.3)
CAPEX	1,939	10.9	1,848	8.7	NA ²

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

(2) Not applicable

Nemak
Balance Sheet
Millions of Pesos

Assets	Mar-20	Dec-19	% Var
Cash and cash equivalents	18,154	5,883	208.6
Accounts receivable	7,776	7,860	(1.1)
Inventories	13,564	11,146	21.7
Other current assets	549	514	6.8
Total current assets	40,044	25,403	57.6
Investments in shares	554	615	(9.9)
Property, plant and equipment, net	59,216	48,140	23.0
Other assets	18,765	14,586	28.7
Total assets	118,580	88,744	33.6

Liabilities & stockholders' equity	Mar-20	Dec-19	% Var
Bank loans	10,619	1,955	443.2
Current maturities of long-term debt	538	394	36.5
Interest payable	151	320	(52.8)
Operating liabilities	26,959	22,664	19.0
Total current liabilities	38,267	25,332	51.1
Long-term debt	35,246	25,921	36.0
Labor liabilities	1,571	1,407	11.7
Other long term-liabilities	3,891	2,140	81.8
Total liabilities	78,975	54,800	44.1
Total stockholders' equity	39,605	33,943	16.7
Total liabilities & stockholders' equity	118,580	88,744	33.6

