

Nemak reports EBITDA of US\$149 M in 2Q22

Delivers top-line growth while demonstrating business resilience amidst challenging market conditions

Monterrey, Mexico. July 13, 2022. Nemak, S.A.B. de C.V. (BMV: NEMAK) ("Nemak" or the "Company") announced today its operational and financial results for the second quarter of 2022 ("2Q22"). The following is a summary of the key figures for the period:

	Second Quarter			Six months		
	2022	2021	Δ%	2022	2021	Δ%
Volume (M. Equivalent units)	9.8	9.0	9.6	19.8	19.6	0.9
Revenues	1,197	955	25.3	2,328	1,993	16.8
EBITDA ¹	149	150	(0.7)	264	319	(17.2)
CAPEX	92	72	NA ²	181	135	NA ²

US\$ Millions, except Volume

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

(2) NA = Not applicable

Message from the CEO

We closed the first half of the year with a continued positive top-line trend, while simultaneously advancing on multiple fronts to address effects of inflation on our business performance. Volume growth remained a key driver, lifted by higher customer production in certain regions, along with new product launches. We also took steps to address ongoing inflationary pressures across our cost structure, working in tandem with our customers to develop and implement new measures to mitigate such effects, while maintaining a strict control over costs and expenses. Altogether, these efforts helped us to remain on track to meet our main goals as a company for the year.

Turning to strategy execution, during the quarter we continued to secure contracts to supply e-mobility and structural applications (EV/SC), raising our order book in this segment to US\$1.53 billion annually and, therefore, bringing us closer to our target of US\$2 billion for 2025. I am also pleased to share that this awarded business will support our efforts to adapt existing capacity and technology to meet customer needs linked to the vehicle electrification trend, helping to reinforce our groundwork for growth and profitability into the future.

Given our talent, technology, and customer relationships, I am confident that we remain well positioned to manage our business successfully amidst ongoing volatility in our industry and the broader economy, while making further strides toward the implementation of our long-term strategy to capture growth opportunities in our EV/SC segment.

Recent Developments

- During 2Q22, Nemak won contracts across its product lines worth approximately US\$240 million annually. Out of this amount, around 95% represented incremental business.
- Nemak's order book for EV/SC grew from US\$1.4 billion to US\$1.53 billion annually, representing further progress toward the Company's target of US\$2 billion by 2025.

Automotive Industry

	Millions of Units Second Quarter		
	2022	2021	% Var
U.S. Vehicle Sales SAAR ⁽¹⁾⁽²⁾	13.3	17.0	(21.4)
North America Vehicle Production ⁽²⁾	3.6	3.2	11.8
North America Nemak Customer Production ⁽²⁾	2.3	1.9	25.0
Europe Vehicles Sales SAAR ⁽¹⁾⁽²⁾	15.4	16.9	(8.9)
Europe Vehicle Production ⁽²⁾	4.0	4.0	(1.4)
Europe Nemak Customer Production ⁽²⁾	2.6	2.7	(2.7)

(1) SAAR = Seasonally Adjusted Annual Rate

(2) Source: S&P Global Mobility and Nemak estimates

For the quarter, U.S. light-vehicle SAAR was 13.3 million units, 21.4% lower year-over-year ("y-o-y"), driven by ongoing disruptions in the automotive supply chain, particularly the global semiconductor shortage, which weighed on vehicle availability. Despite such challenges, the automotive industry in the region showed signs of recovery, recording a 11.8% increase y-o-y in light vehicle production.

In Europe, light-vehicle SAAR decreased 8.9% y-o-y, closing the quarter at 15.4 million units, due to the same sector conditions that impacted performance in the U.S. Light-vehicle production remained nearly flat y-o-y, as industry participants implemented measures aimed at mitigating effects of the war in Ukraine and semiconductor shortages on supply chains.

Financial Results Summary

	Second Quarter			Six months		
	2022	2021	Δ%	2022	2021	Δ%
Volume (M. Equivalent units)	9.8	9.0	9.6	19.8	19.6	0.9
Revenues	1,197	955	25.3	2,328	1,993	16.8
Operating Income	74	69	7.2	110	158	(30.4)
EBITDA ¹	149	150	(0.7)	264	319	(17.2)
EBITDA ¹ / Eq. Unit	15.2	16.7	(9.0)	13.4	16.3	(17.8)
Net Income	30	44	NA ²	36	84	NA ²
CAPEX	92	72	NA ²	181	135	NA ²
Net Debt ³	1,183	1,351	(12.4)			

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

During 2Q22, volume increased 9.6% y-o-y, supported by higher customer production in certain regions, following a partial easing of supply chain constraints, together with new product launches.

2Q22 revenue rose 25.3% y-o-y, driven by volume growth, mainly in North America, and higher aluminum prices.

2Q22 EBITDA was US\$149 million, down slightly y-o-y, as higher volume, commercial negotiations, and cost efficiencies nearly offset the impact of the inflationary environment on the Company's cost structure, together with the translation effect resulting from the depreciation of the euro against the US dollar. As a result, 2Q22 EBITDA per equivalent unit finished at US\$15.2, 9.0% lower y-o-y. 2Q22 Operating Income increased 7.2% y-o-y, amounting to US\$74 million, following the same dynamics discussed above.

In turn, Nemak's 2Q22 Net Income was US\$30 million, compared to US\$44 million in the same period of 2021. This variation was due mainly to the same factors affecting Operating Income, in combination with higher income tax.

Capital expenditures amounted to US\$92 million in 2Q22, compared to US\$72 million in 2Q21. During the period, the Company continued to allocate investment primarily to new product launches, with a focus on its EV/SC business.

As of June 30, 2022, Nemak reported Net Debt of US\$1.2 billion. Financial ratios were: Net Debt to LTM EBITDA, 2.3 times; and, Interest Coverage, 5.1 times. Excluding the refinancing costs of the senior notes in 2021, Interest Coverage would have been 6.7 times. These ratios compare to 2.1 and 8.5 times, respectively, recorded at the end of 2Q21.

Regional Results

North America

In 2Q22, revenue increased 43.5% y-o-y on a combination of higher volume, supported by increased customer production and new product launches, together with aluminum prices. 2Q22 EBITDA climbed 13.5% y-o-y, attributable to a combination of volume and commercial negotiations completed during the period, which enabled the Company to offset a portion of the impact of inflationary pressures in the region.

Europe

2Q22 revenue grew 3.3% y-o-y, explained mainly by higher volume and aluminum prices, which more than offset the depreciation of the euro against the U.S. dollar. 2Q22 EBITDA fell 16.6% y-o-y, as the implementation of measures to address inflationary pressures, exacerbated by increases in energy prices, partially offset such effects on the Company's performance in this region.

Rest of the World

In 2Q22, revenue rose 25.4% y-o-y, driven by higher volume, largely on the back of improved sales in Brazil, as well as aluminum prices. 2Q22 EBITDA decreased 1.9% y-o-y, reflecting effects of the inflationary environment.

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.

Earnings webcast information

Nemak's Second Quarter 2022 Conference Call will be held on Thursday, July 14, 2022, 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>.

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 2021, it generated revenue of US\$3.8 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:		
	2022	2021	% Var.	2022	2021	% Var.
Volume (million equivalent units)	9.8	9.0	9.6	19.8	19.6	0.9
Total revenues	1,197	955	25.3	2,328	1,993	16.8
Gross profit	134	132	1.5	237	292	(18.8)
Sales & administrative expenses	(71)	(64)	10.9	(139)	(132)	5.3
Other income (expenses) net	11	1	NA ²	12	(2)	NA ²
Operating Income	74	69	7.2	110	158	(30.4)
Interest Expenses	(17)	(19)	(10.5)	(33)	(40)	(17.5)
Interest Income	3	1	NA ²	4	2	NA ²
Foreign exchange gain (loss)	4	13	NA ²	6	(1)	NA ²
Financing expenses net	(10)	(5)	100.0	(23)	(39)	(41.0)
Participation in associates results	1	1	NA ²	1	4	NA ²
Income Tax	(35)	(21)	NA ²	(51)	(39)	NA ²
Net Income	30	44	NA ²	36	84	NA ²

	2022	2021	% Var.	2022	2021	% Var.
Operating Income	74	69	7.2	110	158	(30.4)
Depreciation, Amortization & Other Non-Cash items	75	81	(7.4)	155	161	(3.7)
EBITDA ¹	149	150	(0.7)	264	319	(17.2)
CAPEX	92	72	NA ²	181	135	NA ²

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

(2) Not applicable

Nemak
Balance Sheet
Millions of Dollars

Assets	Jun-22	Dec-21	% Var
Cash and cash equivalents	326	282	15.6
Accounts receivable	651	504	29.2
Inventories	913	826	10.5
Other current assets	60	33	81.8
Total current assets	1,951	1,645	18.6
Investments in shares	26	29	(10.3)
Property, plant and equipment, net	2,537	2,560	(0.9)
Other assets	671	693	(3.2)
Total assets	5,184	4,927	5.2

Liabilities & stockholders' equity	Jun-22	Dec-21	% Var
Bank loans	163	181	(9.9)
Current maturities of long-term debt	25	34	(26.3)
Interest payable	16	7	128.6
Operating liabilities	1,752	1,423	23.1
Total current liabilities	1,955	1,645	18.8
Long-term debt	1,313	1,365	(3.8)
Labor liabilities	72	71	1.4
Other long term-liabilities	120	121	(0.8)
Total liabilities	3,460	3,201	8.1
Total stockholders' equity	1,725	1,726	(0.1)
Total liabilities & stockholders' equity	5,184	4,927	5.2

Nemak Regional Results

Millions of Dollars

Volume (million equivalent units)	For the second quarter of:			For the six months of:		
	2022	2021	% Var.	2022	2021	% Var.
North America	5.3	4.5	17.8	10.6	10.0	5.7
Europe	3.4	3.4	0.3	6.8	7.1	(3.6)
Rest of World	1.2	1.1	4.5	2.4	2.5	(5.2)
Total	9.8	9.0	9.6	19.8	19.6	0.9

Total Revenues*	2022	2021	% Var.	2022	2021	% Var.
North America	663	462	43.5	1,265	982	28.8
Europe	394	381	3.3	784	778	0.7
Rest of World	140	112	25.4	280	233	20.1
Total	1,197	955	25.3	2,328	1,993	16.8

EBITDA ¹	2022	2021	% Var.	2022	2021	% Var.
North America	84	74	13.5	152	156	(2.8)
Europe	57	68	(16.6)	97	143	(31.9)
Rest of World	8	8	(1.9)	15	20	(23.7)
Total	149	150	(0.7)	264	319	(17.2)

EBITDA ¹ Margin in %	2022	2021	% Var.	2022	2021	% Var.
North America	13%	16%	(20.9)	12%	16%	(24.5)
Europe	14%	18%	(19.3)	12%	18%	(32.4)
Rest of World	6%	8%	(21.8)	5%	9%	(36.5)
Total	12%	16%	(20.7)	11%	16%	(29.2)

EBITDA ¹ USD/Equivalent units	2022	2021	% Var.	2022	2021	% Var.
North America	15.8	16.4	(3.6)	14.3	15.6	(8.0)
Europe	16.9	20.3	(16.8)	14.2	20.2	(29.4)
Rest of World	7.2	7.7	(6.2)	6.5	8.0	(19.5)
Total	15.2	16.7	(9.0)	13.4	16.3	(17.8)

(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:		
	2022	2021	% Var.	2022	2021	% Var.
Volume (million equivalent units)	9.8	9.0	9.6	19.8	19.6	0.9
Total revenues	23,991	19,141	25.3	47,208	40,266	17.2
Gross profit	2,679	2,643	1.4	4,794	5,902	(18.8)
Sales & administrative expenses	(1,430)	(1,288)	11.0	(2,822)	(2,657)	6.2
Other income (expenses) net	226	28	NA ²	240	(44)	NA ²
Operating Income	1,474	1,384	6.5	2,212	3,201	(30.9)
Interest Expenses	(346)	(380)	(8.9)	(673)	(800)	(15.9)
Interest Income	67	27	148.1	79	42	88.1
Foreign exchange gain (loss)	79	255	NA ²	124	(22)	NA ²
Financing expenses net	(200)	(98)	104.1	(470)	(780)	(39.7)
Participation in associates results	13	19	NA ²	16	76	NA ²
Income Tax	(693)	(418)	NA ²	(1,032)	(785)	NA ²
Net Income	594	886	NA ²	726	1,712	NA ²

	2022	2021	% Var.	2022	2021	% Var.
Operating Income	1,474	1,384	6.5	2,212	3,201	(30.9)
Depreciation, Amortization & Other Non-Cash items	1,507	1,632	(7.7)	3,140	3,251	(3.4)
EBITDA ¹	2,981	3,016	(1.2)	5,352	6,452	(17.0)
CAPEX	1,843	1,447	NA ²	3,676	2,725	NA ²

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

(2) Not applicable

Nemak
Balance Sheet
Millions of Pesos

Assets	Jun-22	Dec-21	% Var
Cash and cash equivalents	6,524	5,799	12.5
Accounts receivable	13,011	10,389	25.2
Inventories	18,254	16,995	7.4
Other current assets	1,194	685	74.3
Total current assets	38,982	33,868	15.1
Investments in shares	518	592	(12.5)
Property, plant and equipment, net	50,694	52,679	(3.8)
Other assets	13,411	14,257	(5.9)
Total assets	103,605	101,395	2.2

Liabilities & stockholders' equity	Jun-22	Dec-21	% Var
Bank loans	3,251	3,732	(12.9)
Current maturities of long-term debt	500	693	(27.9)
Interest payable	312	146	113.7
Operating liabilities	35,018	29,281	19.6
Total current liabilities	39,082	33,853	15.4
Long-term debt	26,234	28,093	(6.6)
Labor liabilities	1,430	1,454	(1.7)
Other long term-liabilities	2,395	2,482	(3.5)
Total liabilities	69,141	65,882	4.9
Total stockholders' equity	34,464	35,513	(3.0)
Total liabilities & stockholders' equity	103,605	101,395	2.2