

Nemak posts 2Q17 EBITDA¹ of US\$206 million

Monterrey, Mexico. July 26, 2017. - Nemak, S.A.B. de C.V. ("Nemak") (BMV: NEMAK), a leading provider of innovative lightweighting solutions for the global automotive industry, announced today its operational and financial results for the second quarter of 2017 ("2Q17"). What follows is an overview of the quarter's main highlights:

Key Figures

	Second Quarter			Six months		
	2017	2016	Δ%	2017	2016	Δ%
Volume (M. Equivalent units)	12.8	13.1	(2.3)	26.1	26.0	0.4
Revenues	1,165	1,122	3.8	2,288	2,198	4.1
EBITDA ¹	206	221	(6.8)	396	430	(7.9)
CAPEX	88	129	NA ²	231	260	NA ²

US\$ Millions, except Volume

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

(2) NA = Not applicable

For 2Q17, volumes decreased 2.3% year-over-year ("y-o-y") as a decline in North America ("NA") more than offset higher volumes in the Rest of World ("RoW") region and stable volumes in Europe ("EU"). Meanwhile, revenues were up 3.8% y-o-y, as higher average aluminum prices passed on to customers more than compensated for lower volumes. For 1H17, volume increased slightly, while revenues were 4.1% higher y-o-y mainly due to increased aluminum prices.

2Q17 EBITDA was US\$206 million, a 6.8% y-o-y decrease. In addition to a difficult comparison vis-à-vis the same period in 2016, when Nemak reported a positive effect related to the time it takes to fully pass through changes in aluminum prices to customers ("metal price lag"), Nemak saw three main negative effects this quarter: lower volumes in NA; negative metal price lag; and increased expenses associated with new programs. On the positive side, RoW reported a strong result, driven mainly by the Chinese operations. Furthermore, Nemak recognized a non-recurring gain in the amount of US\$18 million for the reversal of a provision related to a disputed tax on revenues. On a cumulative basis, 1H17 EBITDA was US\$396 million, 7.9% lower than 1H16 primarily due to the same reasons already explained.

2Q17 capex was US\$88 million as the company continued with investments to increase and adapt production capacity to meet new demand coming from recently won contracts. Likewise, resources were dedicated to the plant under construction in Slovakia, which will produce structural and electric vehicles ("EV") components starting in 2H17. For 1H17, capex amounted to US\$231 million.

Message from the CEO

This quarter, we continued to make progress in our growth strategy while at the same time weathering external headwinds—including lower demand from FCA and Ford in North America and

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

negative metal price lag due to rising aluminum prices—that weighed on our results. Higher expenses related to new program launches also hindered our financial performance, particularly in Europe. Meanwhile, our China operation remained on an upward trend, driving our RoW results higher in the quarter.

I want to emphasize our positive outlook on our business in China, where our results have gotten progressively better in recent years on the back of improved scale, product mix, and performance. Moreover, given our backlog of new programs and open bids, we expect RoW to remain our fastest-growing region through 2020.

Turning to strategic projects, I am pleased to share that we continued the scale-up of our structural and electric vehicle components businesses. This included successfully launching a new program for Alfa Romeo out of our plant in Poland and transferring production of a program for Audi’s new Q5 SUV from Poland to Mexico.

Additionally, we announced the creation of a global organization dedicated to structural and electric vehicle components, whose leader reports directly to me. We expect that this organization will help us drive growth in these promising new business lines across our regions.

Automotive Industry

	Millions of Units		
	Second Quarter		
	2017	2016	% Var.
U.S. Vehicle Sales SAAR ⁽¹⁾	16.7	17.2	(3.0)
North America Vehicle Production	4.5	4.6	(2.7)
North America Nemak Customer Production	3.1	3.2	(2.0)
Europe Vehicle Sales SAAR ⁽¹⁾	20.3	20.3	(0.0)
Europe Vehicle Production	5.7	5.9	(3.0)
Europe Nemak Customer Production	3.8	4.0	(4.1)

(1) SAAR = Seasonally Adjusted Annual Rate

In the quarter, SAAR for U.S. vehicle sales was down 3% compared to 2Q16, as a stable retail market was not enough to offset lower fleet sales. Meanwhile, North America vehicle production and Nemak customers’ vehicle production decreased 2.7% and 2.0%, respectively, mainly due to lower production of passenger cars as their demand softened.

In Europe, vehicle sales SAAR in 2Q17 remained flat y-o-y, as a slight increase in sales in Eastern Europe offset lower sales in Western Europe. However, vehicle production and Nemak customers’ production decreased 3.0% and 4.1%, respectively, as some OEMs adjusted their production schedules for inventory management reasons.

Recent Developments

- Nemak successfully transferred a new program to produce structural components for the Audi Q5 from Poland to Mexico. This is Nemak’s first program in NA in this business line.
- Nemak started development of E-drive housings in Europe and North America using proprietary casting processes.



- Nemak began working with an Asian customer on the development of battery tray prototypes for a new electric vehicle model slated for the North American market.

Financial Results

	Second Quarter			Six months		
	2017	2016	Δ%	2017	2016	Δ%
Volume (M. Equivalent units)	12.8	13.1	(2.3)	26.1	26.0	0.4
Revenues	1,165	1,122	3.8	2,288	2,198	4.1
Operating Income	124	142	(12.7)	237	276	(14.1)
EBITDA ¹	206	221	(6.8)	396	430	(7.9)
EBITDA ¹ / Eq. Unit	16.1	16.9	(4.7)	15.2	16.5	(7.9)
Net Income	78	77	1.3	145	174	(16.7)
CAPEX	88	129	NA ²	231	260	NA ²
Net Debt ³	1,397	1,339	4.3			

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 - Cash

What follows is an explanation of the results shown in the table above:

2Q17 total volume decreased by 2.3% y-o-y to 12.8 million equivalent units, with FCA's 2016 discontinuation of its small- and- medium-size sedan lines in NA explaining the majority of the decrease and creating a difficult y-o-y comparison. Other NemaK customers, Ford in particular, also reduced demand due to lower sales of passenger cars. Regarding Europe, 2Q17 volume was flat y-o-y. Meanwhile, in RoW, volumes reported a strong y-o-y increase mainly due to the continued ramp-up of new programs in China. Despite the decrease in NA, 1H17 volume was slightly higher than 1H16 thanks to growth in Europe and RoW.

Turning to revenues, the effect of higher aluminum prices more than compensated for declining volumes, causing NemaK's 2Q17 consolidated revenues to increase 3.8% y-o-y. Similarly, rising aluminum prices brought revenues 4.1% higher during 1H17.

2Q17 operating income decreased 12.7% y-o-y, mainly as a result of lower sales volumes, negative metal price lag, and increased expenses related to new programs. These factors were partially offset by the non-recurring gain already mentioned. The comparison vis-a-vis 2Q16 was even more difficult taking into account that the metal price lag effect had been positive that quarter. Lower operating income translated into an operating margin of 10.6%, 210 basis points below 2Q16. On a cumulative basis, 1H17 operating income was 14.1% lower than 1H16, for the reasons already explained.

The above-mentioned decrease in operating income resulted in a 6.8% y-o-y reduction in EBITDA. 2Q17 EBITDA margin was 17.7%, down from the 19.7% reported in 2Q16. 2Q17 EBITDA per equivalent unit was US\$16.10, down from US\$16.90 in 2Q16. On a cumulative basis, the lower 1H17 operating income affected 1H17 EBITDA, which was 7.9% lower than 1H16 for the reason already mentioned. 1H17 EBITDA margin and EBITDA per equivalent unit were 17.3% and US\$15.20, respectively, which compared to 19.6% and US\$16.60 in 1H16.



2Q17 net income increased 1.3% compared to 2Q16 as foreign exchange effects reduced deferred tax provisions. 1H17 net income was 16.7% lower than 1H16, mainly due to lower operating results.

Capital expenditures totaled US\$88 million during 2Q17. As explained, investments were made to expand capacity in various regions, and to facilitate operational efficiency. For 1H17, capital expenditures amounted to US\$231 million.

As of June 30, 2017, Nematik reported Net Debt in the amount of US\$1.4 billion, including Cash and Marketable Securities worth US\$108 million. Financial ratios were: Debt, net of Cash, to EBITDA, 1.8 times; Interest Coverage, 11.1 times. These ratios are slightly above those reported at the end of 2Q16.

Regional Results

North America

In 2Q17, revenues increased 0.8% y-o-y benefiting from higher aluminum prices, which more than compensated for the impact of lower volumes in the region. Turning to EBITDA, lower volumes and the adverse impact of metal price lag were the main causes of the 2.8% decrease y-o-y. This result includes the non-recurring revenue gain in the amount of US\$18 million derived from the reversal of a provision related to a longstanding dispute on tax on revenues in Brazil. The gain was recorded at the holding company level, which for presentation purposes has been considered a part of North America.

Europe

In 2Q17, revenues in Europe increased 1.3% y-o-y mainly due to higher aluminum prices. Meanwhile, 2Q17 EBITDA decreased 21.1% y-o-y, mainly due to the effects of negative metal price lag and increased expenses related to new programs brought on stream in the quarter, and to a lesser extent, foreign exchange effects.

Rest of the World (RoW)

In 2Q17, revenues in RoW increased by 41.6% y-o-y reflecting a solid performance in China, with sales volumes growing 30.0%. 2Q17 EBITDA in RoW increased US\$5 million in 2Q17 compared to 2Q16 due to higher profitability in Asia.



Methodology for presentation of results

The report presents unaudited financial information. Figures are in Mexican pesos or U.S. dollars, as indicated. For income statements, peso amounts were translated into dollars using the average exchange rate of the months during which the operations were recorded. For balance sheets, peso amounts were translated into dollars using the end-of-period exchange rate. Financial ratios were calculated in dollars. Due to rounding, small differences may occur when calculating percent changes from one period to another.

Conference call information

Nemak's Second Quarter 2017 Conference Call will be held on Thursday, July 27, 2017, 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) 407-0790; International: 1-201-689-8561; Mexico Toll Free: 01 800 522 0034. The conference call will be webcast live through streaming audio. If you are unable to connect, 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 and body structure applications. The company employs more than 23,000 people at 38 facilities worldwide, generating annual revenues of US\$4.3 billion in 2016. For more information about Nemak, visit <http://www.nemak.com>

Three pages of tables to follow



Nemak Regional Results

Millions of Dollars

Volume (million equivalent units)	For the second quarter of:			For the six months of:		
	2017	2016	% Var.	2017	2016	% Var.
North America	7.3	7.9	(7.6)	14.8	15.8	(6.3)
Europe	4.2	4.2	0.0	8.7	8.2	6.1
Rest of World	1.3	1.0	30.0	2.6	2.0	30.0
Total	12.8	13.1	(2.3)	26.1	26.0	0.4

Total Revenues*	2017	2016	% Var.	2017	2016	% Var.
North America	654	649	0.8	1,280	1,287	(0.5)
Europe	402	397	1.3	798	760	5.0
Rest of World	109	77	41.6	210	151	39.1
Total	1,165	1,122	3.8	2,288	2,198	4.1

EBITDA ¹	2017	2016	% Var.	2017	2016	% Var.
North America	141	145	(2.8)	257	288	(10.8)
Europe	56	71	(21.1)	120	133	(9.8)
Rest of World	10	5	100.0	20	10	100.0
Total	206	221	(6.8)	396	430	(7.9)

EBITDA Margin in %	2017	2016	% Var.	2017	2016	% Var.
North America	22%	22%	(3.6)	20%	22%	(10.3)
Europe	14%	18%	(22.1)	15%	17%	(14.1)
Rest of World	9%	7%	29.2	9%	6%	46.2
Total	18%	20%	(10.1)	17%	20%	(11.5)

EBITDA USD/Eq. Unit	2017	2016	% Var.	2017	2016	% Var.
North America	19.3	18.4	5.1	17.3	18.2	(4.8)
Europe	13.3	16.9	(21.0)	13.8	16.2	(14.9)
Rest of World	7.4	5.2	42.0	7.7	4.9	56.2
Total	16.1	16.9	(4.5)	15.2	16.6	(8.2)

(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:				
	2017	% of rev.	2016	% of rev.	% Var.	2017	% of rev.	2016	% of rev.	% Var.
Volume (million equivalent units)	12.8		13.1		(2.3)	26.1		26.0		0.4
Total revenues	21,641	100.0	20,255	100.0	6.8	44,506	100.0	39,637	100.0	12.3
Gross profit	3,722	17.2	3,669	18.1	1.4	7,407	16.6	7,310	18.4	1.3
Sales & administrative expenses	(1,457)	(6.7)	(1,097)	(5.4)	32.8	(2,827)	(6.4)	(2,329)	(5.9)	21.4
Other income (expenses) net	39	0.2	0	0.0	0.0	8	0.0	10	0.0	(20.0)
Operating Income	2,303	10.6	2,573	12.7	(10.5)	4,587	10.3	4,990	12.6	(8.1)
Interest Expenses	(340)	(1.6)	(331)	(1.6)	2.7	(701)	(1.6)	(620)	(1.6)	13.1
Interest Income	16	0.1	(3)	(0.0)	NA	32	0.1	23	0.1	39.1
Foreign exchange gain (loss)	(383)	(1.8)	(253)	(1.2)	51.4	(144)	(0.3)	(8)	(0.0)	NA
Financing expenses net	(708)	(3.3)	(587)	(2.9)	20.6	(813)	(1.8)	(605)	(1.5)	34.4
Participation in associates results	21	0.1	22	0.1	NA	53	0.1	22	0.1	NA
Income Tax	(171)	(0.8)	(617)	(3.0)	(72.3)	(1,002)	(2.3)	(1,277)	(3.2)	(21.5)
Net Income	1,445	6.7	1,391	6.9	3.9	2,825	6.3	3,130	7.9	(9.7)

	2017	% of rev.	2016	% of rev.	% Var.	2017	% of rev.	2016	% of rev.	% Var.
Operating Income	2,303	10.6	2,573	12.7	(10.5)	4,587	10.3	4,990	12.6	(8.1)
Depreciation, Amortization & Other Non-Cash items	1,525	7.0	1,423	7.0	7.2	3,100	7.0	2,778	7.0	11.6
EBITDA ¹	3,828	17.7	3,996	19.7	(4.2)	7,687	17.3	7,768	19.6	(1.0)
CAPEX	1,630	7.5	2,320	11.5	NA ²	4,553	10.2	4,691	11.8	NA ²

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

Nemak
Balance Sheet
Millions of Pesos

Assets	Jun-17	Dec-16	% Var
Cash and cash equivalents	1,924	2,661	(27.7)
Accounts receivable	12,443	11,582	7.4
Inventories	11,437	11,784	(2.9)
Other current assets	1,017	884	15.0
Total current assets	26,821	26,911	(0.3)
Investments in shares	559	486	15.2
Property, plant and equipment, net	45,973	50,094	(8.2)
Other assets	13,166	14,401	(8.6)
Total assets	86,520	91,892	(5.8)

Liabilities & stockholders' equity	Jun-17	Dec-16	% Var
Bank loans	2,889	1,835	57.5
Current maturities of long-term debt	67	1,588	(95.8)
Interest payable	295	277	6.6
Operating liabilities	19,930	19,984	(0.3)
Total current liabilities	23,181	23,683	(2.1)
Long-term debt	24,319	25,310	(3.9)
Labor liabilities	1,046	1,058	(1.1)
Other long-term liabilities	3,316	4,770	(30.5)
Total liabilities	51,863	54,821	(5.4)
Total stockholders' equity	34,656	37,071	(6.5)
Total liabilities & stockholders' equity	86,520	91,892	(5.8)

