

Nemak reports 3Q18 results

- Quarterly revenues and EBITDA both grew 5% y-o-y to US\$1.2 billion and US\$160 million, respectively.

Monterrey, Mexico. October 15, 2018. - 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 third quarter of 2018 ("3Q18"). What follows is an overview of the quarter's highlights:

Key Figures

	Third Quarter		
	2018	2017	Δ%
Volume (M. Equivalent units)	12.3	11.7	5.1
Revenues	1,152	1,099	4.8
EBITDA ¹	160	153	4.6
CAPEX	72	93	NA ²

US\$ Millions, except Volume

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

(2) NA = Not applicable

Nemak sold 12.3 million equivalent units ("MEU") during 3Q18, up 5.1% year-on-year ("y-o-y"). The North America ("NA") and Rest of World ("RoW") regions reported growth, while Europe ("EU") showed a reduction. Revenues in the period amounted to US\$1,152 million, up 4.8% y-o-y, thanks mainly to higher volumes.

3Q18 EBITDA was US\$160 million, up 4.6% y-o-y mainly due to higher revenues and operating efficiencies, which more than compensated for incremental expenses associated with staffing for the structural and electric vehicle components business, plus higher energy costs in Mexico.

Capital expenditures amounted to US\$72 million during 3Q18. As in past quarters, Nemak continued investing to meet demand from customers for its powertrain and structural and electric vehicle components. At the end of the quarter, Nemak's financial ratios were as follows: Net Debt to EBITDA, 1.8 times; Interest Coverage, 8.4 times.

Message from the CEO

This quarter, we posted solid results on the back of higher volumes and improved operational performance. We saw similar trends in customer demand compared to the first half of the year, with strength among certain North American OEMs more than compensating for a lower diesel share in Europe. At the same time, we continued to leverage our global scale and capabilities—including our dedicated Product Development, Manufacturing, and Purchasing teams—to achieve efficiencies and cost savings across our operations. And, we made strides in our structural and electric vehicle components business, maintaining benchmark quality and delivery performance while growing our order book to a total of approximately US\$400 million in annual revenues.

We were also pleased to see the United States, Mexico, and Canada announce a new trilateral trade agreement in September. While the process of legislative review in the three countries is expected to take several months, this already marks an important step towards restoring certainty to the rules governing trade in North America. Based on our discussions with industry peers and partners, we are confident that this agreement will help to strengthen economic integration in the region.

Automotive Industry

	Millions of Units		
	Third Quarter		
	2018	2017	% Var.
U.S. Vehicle Sales SAAR ⁽¹⁾	17.0	17.2	(1.0)
North America Vehicle Production ⁽²⁾	4.1	4.0	3.2
North America Nemark Customer Production ⁽²⁾	2.9	2.8	3.7
Europe Vehicle Sales SAAR ⁽¹⁾	21.7	20.1	7.9
Europe Vehicle Production ⁽²⁾	4.8	4.9	(2.6)
Europe Nemark Customer Production ⁽²⁾	3.1	3.2	(4.9)

(1) SAAR = Seasonally Adjusted Annual Rate
(2) Production figures for 2018 are estimates

In the quarter, SAAR for U.S. vehicle sales was 17.0 million units, or 1.0% lower as higher sales in 3Q17 following hurricanes Harvey and Irma created a tough y-o-y comparison. At the same time, certain OEMs ramped up new high-volume vehicle launches, causing North America vehicle production and Nemark customer vehicle production to increase 3.2% and 3.7% respectively.

In Europe, 3Q18 vehicle sales (SAAR) was 21.7 million units, or 7.9% higher y-o-y as OEMs pulled ahead sales of certain vehicles in anticipation of new emissions testing standards in the region, which took effect September 1. However, production delays associated with these new standards caused Europe vehicle production and Nemark customer production to decrease 2.6% and 4.9%, respectively.



Recent Developments

- Nematik achieved peak volume levels of its first program to produce structural components in Slovakia, supplying several SUV and sports car models of customer Volkswagen Group.
- Earned a special recognition from Audi for its successful track record of providing structural components with zero defects for the customer's Q5 SUV.
- In Turkey, started to launch new cylinder heads business which is expected to drive the site's revenues more than 30% higher by 2020.

Financial Results Summary

	Third Quarter			Nine months		
	2018	2017	Δ%	2018	2017	Δ%
Volume (M. Equivalent units)	12.3	11.7	5.1	38.5	37.9	1.6
Revenues	1,152	1,099	4.8	3,626	3,387	7.1
Operating Income	69	66	4.5	312	303	3.0
EBITDA ¹	160	153	4.6	563	550	2.4
EBITDA ¹ / Eq. Unit	13.0	13.1	(0.8)	14.6	14.5	0.7
Net Income	49	11	NA ²	142	156	(9.0)
CAPEX	72	93	NA ²	271	324	NA ²
Net Debt ³	1,304	1,387	(6.0)			

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

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

3Q18 total volume increased 5.1% y-o-y mainly driven by better performance among Detroit 3 customers in NA which more than offset lower EU volumes. In EU, Nematik's 3Q18 volumes declined y-o-y as higher sales of gasoline engine applications were not enough to offset the combined effect of reductions in demand for diesel engine applications and customer production delays associated with the rollout of new regional emissions testing standards. As explained in past reports, European consumers are choosing more gasoline-powered vehicles instead of diesel and the company is gradually adapting to this new circumstance. In RoW, South America reported higher y-o-y volumes, which more than offset a decrease in Asia. On a cumulative basis, Nematik's consolidated sales volume for the first nine months of 2018 were 1.6% higher than 2017, mainly due to the strength of the NA market.

Turning to revenues, higher volumes more than offset foreign exchange headwinds, driving a 4.8% y-o-y increase in 3Q18. For the first nine months of 2018, revenues were 7.1% higher than the same period of 2017 on account of the same factors as the y-o-y comparison.

Regarding Operating Income, a combination of higher volumes and operational efficiencies drove a 4.5% y-o-y increase. On a cumulative basis, Operating Income for the first nine months of 2018 was 3.0% higher, basically for the same reasons.

3Q18 EBITDA was 4.6% higher y-o-y mainly due to higher revenues and operational efficiencies. 3Q18 EBITDA per equivalent unit was US\$13.00, slightly lower than the US\$13.10 reported in



3Q17. On a cumulative basis, Nemak's EBITDA for the first nine months of 2018 was 2.4% higher than 2017. Cumulative 2018 EBITDA per unit was US\$14.60, slightly higher than the US\$14.50 reported in the same period of 2017.

3Q18 Net Income increased US\$38 million compared to 3Q17 through a combination of higher Operating Income, plus foreign exchange gains, and slightly lower deferred taxes. However, Nemak's Net Income for the first nine months of 2018 was 9% lower than in 2017, as higher Operating Income and lower deferred taxes were not enough to offset higher financial expenses, net.

Capital expenditures amounted to US\$72 million during 3Q18, for a total of US\$271 million so far in 2018. As explained, investments have been made to support new program launches and to drive operational efficiency across the company's regions.

As of September 30, 2018, Nemak reported Net Debt in the amount of US\$1.3 billion. Financial ratios were: Debt, net of Cash, to EBITDA, 1.8 times; and Interest Coverage, 8.4 times. These ratios compared to 1.9 and 10.1, respectively, in 3Q17.

Regional Results

North America

In 3Q18, revenues increased 10.6% y-o-y mainly due to higher volumes among Detroit 3 customers. EBITDA was 15.6% higher y-o-y as volumes and operational efficiencies more than compensated for the adverse impact of higher energy costs and expenditures on staffing for the company's structural and electric vehicle components business.

Europe

3Q18 revenues increased 1.6% y-o-y as higher aluminum prices drove selling prices higher, outweighing lower volumes and the depreciation of the euro against the U.S. dollar. However, 3Q18 EBITDA was 5.9% lower y-o-y due to the volume and foreign exchange effects just mentioned together with increased expenses associated with staffing for the company's structural and electric vehicle components business.

Rest of the World (RoW)

In 3Q18, revenues in RoW decreased by 13.0% y-o-y due mainly to a less favorable product mix and the depreciation of the Brazilian reais against the U.S. dollar. EBITDA for the period was down US\$5 million basically for the same reasons.



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, small differences may occur when calculating percent changes from one period to another.

Conference call information

Nemak's Third Quarter 2018 Conference Call will be held on Tuesday, October 16, 2018, 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 and body structure applications. The company employs more than 22,000 people at 38 facilities worldwide. In 2017, it generated revenues of US\$4.5 billion. 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 third quarter of:			For the nine months of:		
	2018	2017	% Var.	2018	2017	% Var.
North America	7.5	6.8	10.3	22.8	21.7	5.1
Europe	3.4	3.6	(5.6)	11.8	12.3	(4.1)
Rest of World	1.4	1.3	7.7	3.9	3.9	0.0
Total	12.3	11.7	5.1	38.5	37.9	1.6

Total Revenues*	2018	2017	% Var.	2018	2017	% Var.
North America	666	602	10.6	2,029	1,883	7.8
Europe	372	366	1.6	1,254	1,164	7.7
Rest of World	114	131	(13.0)	344	340	1.2
Total	1,152	1,099	4.8	3,626	3,387	7.1

EBITDA ¹	2018	2017	% Var.	2018	2017	% Var.
North America	104	90	15.6	355	347	2.3
Europe	48	51	(5.9)	186	171	8.8
Rest of World	7	12	(41.7)	22	32	(31.3)
Total	160	153	4.6	563	550	2.4

EBITDA Margin in %	2018	2017	% Var.	2018	2017	% Var.
North America	16%	15%	4.3	17%	18%	(5.1)
Europe	13%	14%	(7.0)	15%	15%	1.2
Rest of World	6%	9%	(30.8)	6%	9%	(30.6)
Total	14%	14%	(0.6)	16%	16%	(4.3)

EBITDA USD/Eq. Unit	2018	2017	% Var.	2018	2017	% Var.
North America	13.9	13.3	4.6	15.6	16.0	(2.7)
Europe	14.2	14.2	0.3	15.8	13.9	13.6
Rest of World	5.1	9.1	(44.1)	5.7	8.1	(29.7)
Total	13.0	13.1	(0.8)	14.6	14.5	0.7

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

* To external customers



Nemak
Income Statement
Millions of Pesos

	For the third quarter of:					For the nine months of:				
	2018	% of rev.	2017	% of rev.	% Var.	2018	% of rev.	2017	% of rev.	% Var.
Volume (million equivalent units)	12.3		11.7		5.1	38.5		37.9		1.6
Total revenues	21,864	100.0	19,580	100.0	11.7	69,008	100.0	64,085	100.0	7.7
Gross profit	2,661	12.2	2,637	13.5	0.9	10,376	15.0	10,044	15.7	3.3
Sales & administrative expenses	(1,539)	(7.0)	(1,382)	(7.1)	11.4	(4,554)	(6.6)	(4,209)	(6.6)	8.2
Other income (expenses) net	175	0.8	(75)	(0.4)	NA ²	149	0.2	(67)	(0.1)	NA ²
Operating Income	1,297	5.9	1,180	6.0	9.9	5,971	8.7	5,767	9.0	3.5
Interest Expenses	(353)	(1.6)	(345)	(1.8)	2.3	(1,526)	(2.2)	(1,046)	(1.6)	45.9
Interest Income	23	0.1	21	0.1	9.5	102	0.1	53	0.1	92.5
Foreign exchange gain (loss)	394	1.8	(123)	(0.6)	NA ²	(515)	(0.7)	(268)	(0.4)	92.2
Financing expenses net	63	0.3	(447)	(2.3)	NA ²	(1,939)	(2.8)	(1,261)	(2.0)	53.8
Participation in associates results	9	0.0	8	0.0	12.5	126	0.2	62	0.1	NA ²
Income Tax	(428)	(2.0)	(553)	(2.8)	(22.6)	(1,441)	(2.1)	(1,555)	(2.4)	(7.3)
Net Income	941	4.3	188	1.0	NA ²	2,717	3.9	3,013	4.7	(9.8)

	2018	% of rev.	2017	% of rev.	% Var.	2018	% of rev.	2017	% of rev.	% Var.
Operating Income	1,297	5.9	1,180	6.0	9.9	5,971	8.7	5,767	9.0	3.5
Depreciation, Amortization & Other Non-Cash items	1,729	7.9	1,548	7.9	11.7	4,755	6.9	4,648	7.3	2.3
EBITDA ¹	3,026	13.8	2,728	13.9	10.9	10,726	15.5	10,415	16.3	3.0
CAPEX	1,364	6.2	1,662	8.5	NA ²	5,157	7.5	6,214	9.7	NA ²

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

Nemak
Balance Sheet
Millions of Pesos

Assets	Sep-18	Dec-17	% Var
Cash and cash equivalents	2,866	3,757	(23.7)
Accounts receivable	11,951	11,406	4.8
Inventories	12,873	12,695	1.4
Other current assets	799	579	38.0
Total current assets	28,488	28,436	0.2
Investments in shares	685	576	19.0
Property, plant and equipment, net	48,880	52,274	(6.5)
Other assets	12,163	15,402	(21.0)
Total assets	90,217	96,690	(6.7)

Liabilities & stockholders' equity	Sep-18	Dec-17	% Var
Bank loans	1,506	1,007	49.5
Current maturities of long-term debt	158	155	2.1
Interest payable	150	333	(54.8)
Operating liabilities	23,433	24,015	(2.4)
Total current liabilities	25,248	25,509	(1.0)
Long-term debt	26,056	27,905	(6.6)
Labor liabilities	1,231	1,225	0.5
Other long-term liabilities	2,732	3,629	(24.7)
Total liabilities	55,267	58,267	(5.1)
Total stockholders' equity	34,950	38,423	(9.0)
Total liabilities & stockholders' equity	90,217	96,690	(6.7)

