

## Nemak reports 2Q19 EBITDA of US\$174 million

Monterrey, Mexico. July 17, 2019. - 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 second quarter of 2019 ("2Q19"). A summary of the key performance indicators is presented below:

### Key Figures

	Second Quarter			Six months		
	2019	2018	Δ%	2019	2018	Δ%
Volume (M. Equivalent units)	11.2	13.1	(14.5)	23.3	26.2	(11.1)
Revenues	1,011	1,239	(18.4)	2,113	2,474	(14.6)
EBITDA <sup>1</sup>	174	207	(15.9)	349	404	(13.6)
CAPEX	76	93	NA <sup>2</sup>	172	199	NA <sup>2</sup>

US\$ Millions, except Volume and EBITDA / Eq. Unit

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

(2) NA = Not applicable

Nemak sold 11.2 million equivalent units ("MEU") during 2Q19, down 14.5% year-on-year ("y-o-y"). All regions reported reductions in volume due to less favorable industry conditions and product mix. Revenue was down 18.4% y-o-y, mainly as a result of lower volume and aluminum prices.

2Q19 EBITDA was US\$174 million, a 15.9% y-o-y decrease. This variation was due to lower volume, unfavorable exchange rate effects, and incremental expenses from new product launches in North America; these factors were partially offset by operational efficiencies in Europe as well as a non-recurring gain of US\$8 million related to the favorable resolution of a tax dispute in Brazil.

Capital expenditures amounted to US\$76 million, as the Company continued investing to ramp up production associated with new contracts. As of June 30, 2019, Net Debt amounted to US\$1,297 million, down 0.5% y-o-y. Nemak's financial ratios were as follows: Net Debt to last-twelve-months ("LTM") EBITDA, 1.9 times; Interest Coverage, 10.0 times.

### Message from the CEO

*During this reporting period, we continued tapping into efficiencies to mitigate the effects of industry headwinds, allowing us to deliver results aligned to our expectations. In particular, we achieved further progress in Europe, supported by a number of cost-savings initiatives at the plant level. With the contributions of dedicated teams in all regions, we aim to sustain and expand these efforts in the coming months.*

*We also reinforced the foundations of our structural and EV components business, advancing with new product launches spanning most of the markets we serve. Given our customer relationships and technological capabilities, we are confident that we will capture a relevant share of our US\$1.8 billion pipeline of sales prospects in this segment.*



## Automotive Industry

	Millions of Units		
	Second Quarter		
	2019	2018	% Var.
U.S. Vehicle Sales SAAR <sup>(1)</sup>	17.0	17.2	(1.2)
North America Vehicle Production <sup>(2)</sup>	4.3	4.4	(2.3)
North America Nemak Customer Production <sup>(2)</sup>	2.8	3.0	(3.3)
Europe Vehicle Sales SAAR <sup>(1)(2)</sup>	20.2	20.8	(2.9)
Europe Vehicle Production <sup>(2)</sup>	5.6	6.0	(6.7)
Europe Nemak Customer Production <sup>(2)</sup>	4.4	4.7	(6.4)

(1) SAAR = Seasonally Adjusted Annual Rate  
(2) Source: IHS Markit and Nemak estimates

In the quarter, SAAR for U.S. vehicle sales was 17.0 million units, or 1.2% lower y-o-y, due mainly to lower sales among certain U.S.-based OEMs. In turn, North America vehicle production figures were 3.3% and 2.3% lower for Nemak customers and the industry, respectively.

In Europe, 2Q19 figures were affected by softer macroeconomic conditions as well as a tough comparison with the same period last year, when the industry saw a pull-ahead effect before the implementation of new vehicle emissions testing standards. Whereas vehicle sales SAAR finished at 20.2 million units, down 2.9% y-o-y, overall vehicle production and Nemak's customer production in the region decreased 6.7% and 6.4%, respectively.

## Recent Developments

- New contracts year-to-date worth a total of US\$410 million in annual revenue, approximately 40% of which represents incremental business.
- Initiation of test production for Nemak's first facility in North America dedicated to battery applications for electric vehicles.
- Nemak was named "GM Supplier of the Year" for its outstanding performance, making it a 15-time winner in the 27-year of history of this award.



## Financial Results Summary

	Second Quarter			Six months		
	2019	2018	Δ%	2019	2018	Δ%
Volume (M. Equivalent units)	11.2	13.1	(14.5)	23.3	26.2	(11.1)
Revenues	1,011	1,239	(18.4)	2,113	2,474	(14.6)
Operating Income	90	135	(33.3)	181	244	(25.8)
EBITDA <sup>1</sup>	174	207	(15.9)	349	404	(13.6)
EBITDA <sup>1</sup> / Eq. Unit	15.5	15.8	(1.9)	15.0	15.4	(2.6)
Net Income	42	24	75.0	101	93	8.6
CAPEX	76	93	NA <sup>2</sup>	172	199	NA <sup>2</sup>
Net Debt <sup>3</sup>	1,297	1,304	(0.5)			

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

2Q19 total volume decreased 14.5% y-o-y. All regions reported lower volume y-o-y although for different reasons. In North America, volume was down mainly due to a less favorable product mix, lower exports to China, and lower production among Detroit 3 customers. In Europe, softer light-vehicle production among OEM customers affected demand for Nemak parts. And in Rest of World, the reduction was mainly due to a continued drop in customer Ford's light-vehicle sales in China.

Turning to Revenue, lower volume and lower aluminum prices drove a 18.4% y-o-y decrease in 2Q19.

Regarding Operating Income, the Company reported a 33.3% y-o-y decrease in 2Q19 as lower revenue, the impact of the depreciation of the euro against the U.S. dollar, and increased expenses on product launches more than offset operating efficiencies, as well as the non-recurring gain mentioned above. The decrease in Operating Income resulted in a 15.9% y-o-y reduction in 2Q19 EBITDA. Meanwhile, 2Q19 EBITDA per equivalent unit was US\$15.50, 1.9% lower than the US\$15.80 reported a year ago. Nemak's 2Q19 Net Income was US\$42 million, a 75.0% y-o-y increase mainly due to lower foreign exchange losses.

Capital expenditures amounted to US\$76 million in 2Q19, with a continued focus on investments to support new product launches in all regions.

As of June 30, 2019, Nemak reported Net Debt in the amount of US\$1.3 billion. Financial ratios were: Net Debt to LTM EBITDA, 1.9 times; and Interest Coverage, 10.0 times. These ratios compared to 1.8 and 8.2 times, respectively, as of quarter-end 2Q18.



## Regional Results

### North America

In 2Q19, revenue was down 18.8% y-o-y mainly due to lower volume and aluminum prices. 2Q19 EBITDA declined by 23.1% y-o-y, attributable to volume effects as well as higher expenses related to new product launches.

### Europe

2Q19 revenue decreased 14.6% y-o-y, mainly due to volume and currency effects, as well as lower aluminum prices. 2Q19 EBITDA was 13.2% lower y-o-y as lower volume and the depreciation of the euro against the U.S. dollar more than offset benefits obtained from greater operational efficiencies.

### Rest of the World

In 2Q19, revenue decreased by 28.7% y-o-y due to lower sales in China. 2Q19 EBITDA was US\$16 million; this figure includes the non-recurring gain of US\$8 million derived from the favorable resolution of a tax dispute in Brazil.

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## 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 Second Quarter 2019 Conference Call will be held on Thursday, July 18, 2019, 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](http://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. In 2018, it generated revenues of US\$4.7 billion. For more information about Nemak, visit <http://www.nemak.com>

Three pages of tables to follow



**Nemak**  
**Income Statement**  
**Millions of Dollars**

	For the second quarter of:					For the six months of:				
	2019	% of rev.	2018	% of rev.	% Var.	2019	% of rev.	2018	% of rev.	% Var.
Volume (million equivalent units)	11.2		13.1		(14.5)	23.3		26.2		(11.1)
Total revenues	1,011	100.0	1,239	100.0	(18.4)	2,113	100.0	2,474	100.0	(14.6)
Gross profit	151	14.9	218	17.6	(30.7)	316	15.0	403	16.3	(21.6)
Sales & administrative expenses	(68)	(6.7)	(82)	(6.6)	(17.1)	(143)	(6.8)	(158)	(6.4)	(9.5)
Other income (expenses) net	7	0.7	(1)	(0.1)	NA	8	0.4	(1)	(0.0)	NA
Operating Income	90	8.9	135	10.9	(33.3)	181	8.6	244	9.9	(25.8)
Interest Expenses	(20)	(2.0)	(20)	(1.6)	0.0	(41)	(1.9)	(62)	(2.5)	(33.9)
Interest Income	8	0.8	1	0.1	NA	10	0.5	4	0.2	NA
Foreign exchange gain (loss)	(8)	(0.8)	(56)	(4.5)	(85.7)	(2)	(0.1)	(47)	(1.9)	(95.7)
Financing expenses net	(20)	(2.0)	(75)	(6.1)	(73.3)	(33)	(1.6)	(105)	(4.2)	(68.6)
Participation in associates results	(1)	(0.1)	1	0.1	NA	1	0.0	6	0.2	(83.3)
Income Tax	(27)	(2.7)	(37)	(3.0)	(27.0)	(48)	(2.3)	(53)	(2.1)	(9.4)
Net Income	42	4.2	24	1.9	75.0	101	4.8	93	3.8	8.6

  

	2019	% of rev.	2018	% of rev.	% Var.	2019	% of rev.	2018	% of rev.	% Var.
Operating Income	90	8.9	135	10.9	(33.3)	181	8.6	244	9.9	(25.8)
Depreciation, Amortization & Other Non-Cash items	83	8.2	71	5.7	16.9	168	8.0	160	6.5	5.0
EBITDA <sup>1</sup>	174	17.2	207	16.7	(15.9)	349	16.5	404	16.3	(13.6)
CAPEX	76	7.5	93	7.5	NA <sup>2</sup>	172	8.1	199	8.0	NA <sup>2</sup>

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

(2) Not applicable

**Nemak**  
**Balance Sheet**  
**Millions of Dollars**

Assets	Jun-19	Dec-18	% Var
Cash and cash equivalents	223	181	23.2
Accounts receivable	459	521	(11.9)
Inventories	655	636	3.0
Other current assets	56	55	1.8
Total current assets	1,392	1,392	0.0
Investments in shares	42	37	13.5
Property, plant and equipment, net	2,633	2,623	0.4
Other assets	790	685	15.3
Total assets	4,858	4,738	2.5

  

Liabilities & stockholders' equity	Jun-19	Dec-18	% Var
Bank loans	107	78	37.2
Current maturities of long-term debt	62	47	31.9
Interest payable	19	17	11.8
Operating liabilities	1,179	1,206	(2.2)
Total current liabilities	1,367	1,349	1.3
Long-term debt	1,383	1,339	3.3
Labor liabilities	66	63	4.8
Other long term-liabilities	158	153	3.3
Total liabilities	2,974	2,904	2.4
Total stockholders' equity	1,884	1,834	2.7
Total liabilities & stockholders' equity	4,858	4,738	2.5



## Nemak Regional Results

### Millions of Dollars

Volume (million equivalent units)	For the second quarter of:			For the six months of:		
	2019	2018	% Var.	2019	2018	% Var.
North America	6.5	7.7	(15.6)	13.6	15.2	(10.5)
Europe	3.7	4.1	(9.8)	7.7	8.4	(8.3)
Rest of World	1.0	1.3	(23.1)	2.0	2.6	(23.1)
<b>Total</b>	<b>11.2</b>	<b>13.1</b>	<b>(14.5)</b>	<b>23.3</b>	<b>26.2</b>	<b>(11.1)</b>
<b>Total Revenues*</b>	<b>2019</b>	<b>2018</b>	<b>% Var.</b>	<b>2019</b>	<b>2018</b>	<b>% Var.</b>
North America	557	686	(18.8)	1,169	1,361	(14.1)
Europe	368	431	(14.6)	772	881	(12.4)
Rest of World	87	122	(28.7)	173	232	(25.4)
<b>Total</b>	<b>1,011</b>	<b>1,239</b>	<b>(18.4)</b>	<b>2,113</b>	<b>2,474</b>	<b>(14.6)</b>
<b>EBITDA<sup>1</sup></b>	<b>2019</b>	<b>2018</b>	<b>% Var.</b>	<b>2019</b>	<b>2018</b>	<b>% Var.</b>
North America	100	130	(23.1)	209	251	(16.7)
Europe	59	68	(13.2)	126	138	(8.7)
Rest of World	16	9	77.8	15	15	0.0
<b>Total</b>	<b>174</b>	<b>207</b>	<b>(15.9)</b>	<b>349</b>	<b>404</b>	<b>(13.6)</b>
<b>EBITDA Margin in %</b>	<b>2019</b>	<b>2018</b>	<b>% Var.</b>	<b>2019</b>	<b>2018</b>	<b>% Var.</b>
North America	18%	19%	(5.3)	18%	18%	(3.1)
Europe	16%	16%	1.6	16%	16%	4.2
Rest of World	18%	7%	149.3	9%	6%	34.1
<b>Total</b>	<b>17%</b>	<b>17%</b>	<b>3.0</b>	<b>17%</b>	<b>16%</b>	<b>1.1</b>
<b>EBITDA USD/Eq. Unit</b>	<b>2019</b>	<b>2018</b>	<b>% Var.</b>	<b>2019</b>	<b>2018</b>	<b>% Var.</b>
North America	15.4	16.9	(8.9)	15.4	16.5	(6.9)
Europe	15.9	16.6	(3.9)	16.4	16.4	(0.4)
Rest of World	16.0	6.9	131.1	7.5	5.8	30.0
<b>Total</b>	<b>15.5</b>	<b>15.8</b>	<b>(1.9)</b>	<b>14.9</b>	<b>15.4</b>	<b>(3.2)</b>

(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:				
	2019	% of rev.	2018	% of rev.	% Var.	2019	% of rev.	2018	% of rev.	% Var.
Volume (million equivalent units)	11.2		13.1		(14.5)	23.3		26.2		(11.1)
Total revenues	19,325	100.0	23,981	100.0	(19.4)	40,507	100.0	47,144	100.0	(14.1)
Gross profit	2,896	15.0	4,250	17.7	(31.9)	6,064	15.0	7,716	16.4	(21.4)
Sales & administrative expenses	(1,307)	(6.8)	(1,589)	(6.6)	(17.7)	(2,736)	(6.8)	(3,015)	(6.4)	(9.3)
Other income (expenses) net	143	0.7	(18)	(0.1)	NA	147	0.4	(26)	(0.1)	NA
Operating Income	1,731	9.0	2,643	11.0	(34.5)	3,475	8.6	4,675	9.9	(25.7)
Interest Expenses	(387)	(2.0)	(393)	(1.6)	(1.5)	(788)	(1.9)	(1,172)	(2.5)	(32.8)
Interest Income	161	0.8	29	0.1	NA	189	0.5	79	0.2	NA
Foreign exchange gain (loss)	(149)	(0.8)	(1,090)	(4.5)	(86.3)	(43)	(0.1)	(909)	(1.9)	(95.3)
Financing expenses net	(375)	(1.9)	(1,454)	(6.1)	(74.2)	(642)	(1.6)	(2,002)	(4.2)	(67.9)
Participation in associates results	(24)	(0.1)	24	0.1	NA	19	0.0	116	0.2	(83.6)
Income Tax	(522)	(2.7)	(724)	(3.0)	(27.9)	(920)	(2.3)	(1,012)	(2.1)	(9.1)
Net Income	809	4.2	490	2.0	65.1	1,931	4.8	1,777	3.8	8.7

  

	2019	% of rev.	2018	% of rev.	% Var.	2019	% of rev.	2018	% of rev.	% Var.
Operating Income	1,731	9.0	2,643	11.0	(34.5)	3,475	8.6	4,675	9.9	(25.7)
Depreciation, Amortization & Other Non-Cash items	1,594	8.2	1,363	5.7	16.9	3,211	7.9	3,027	6.4	6.1
EBITDA <sup>1</sup>	3,325	17.2	4,006	16.7	(17.0)	6,687	16.5	7,701	16.3	(13.2)
CAPEX	1,454	7.5	1,798	7.5	NA <sup>2</sup>	3,302	8.2	3,793	8.0	NA <sup>2</sup>

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

(2) Not applicable

**Nemak**  
**Balance Sheet**  
**Millions of Pesos**

Assets	Jun-19	Dec-18	% Var
Cash and cash equivalents	4,267	3,555	20.0
Accounts receivable	8,801	10,247	(14.1)
Inventories	12,553	12,518	0.3
Other current assets	1,068	1,085	(1.6)
Total current assets	26,689	27,405	(2.6)
Investments in shares	805	733	9.8
Property, plant and equipment, net	50,467	51,629	(2.3)
Other assets	15,151	13,491	12.3
Total assets	93,112	93,258	(0.2)

  

Liabilities & stockholders' equity	Jun-19	Dec-18	% Var
Bank loans	2,053	1,427	43.9
Current maturities of long-term debt	1,188	1,039	14.3
Interest payable	360	340	5.9
Operating liabilities	22,604	23,738	(4.8)
Total current liabilities	26,205	26,544	(1.3)
Long-term debt	26,515	26,352	0.6
Labor liabilities	1,261	1,238	1.9
Other long term-liabilities	3,021	3,019	0.1
Total liabilities	57,002	57,154	(0.3)
Total stockholders' equity	36,109	36,104	0.0
Total liabilities & stockholders' equity	93,112	93,258	(0.2)

