

## Nemak reports 2Q18 results

- Quarterly Revenues and EBITDA of US\$1.2 billion and US\$207 million, respectively
- New contracts awarded to Nemak for US\$150 million in annual revenues

Monterrey, Mexico. July 18, 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 second quarter of 2018 ("2Q18"). What follows is an overview of the quarter's main highlights:

### Key Figures

	Second Quarter		
	2018	2017	Δ%
Volume (M. Equivalent units)	13.1	12.8	2.3
Revenues	1,239	1,165	6.4
EBITDA <sup>1</sup>	207	206	0.5
CAPEX	93	88	NA <sup>2</sup>

US\$ Millions, except Volume

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

(2) NA = Not applicable

For 2Q18, volumes were 13.1 million equivalent units ("MEU"), 2.3% higher than in 2Q17. The North America ("NA") region reported growth, while Europe ("EU") finished with lower volumes year-on-year ("y-o-y"). Revenues in the period amounted to US\$1,239 million, up 6.4% y-o-y, thanks to higher aluminum prices and volumes as well as the appreciation of the euro vis-a-vis the U.S. dollar.

2Q18 EBITDA was US\$207 million, slightly higher y-o-y but 10.1% higher excluding non-recurring income reported in 2Q17. Higher volumes and FX effects, together with a less adverse impact from "metal price lag" (the delay in passing on aluminum price changes to customers, as stipulated in the company's contracts) and operational efficiencies supported the improved result.

Capital expenditures amounted to US\$93 million during 2Q18. Nemak continued investing to meet demand and create more value in its powertrain and structural and electric vehicle components businesses. At the end of the quarter, Nemak's financial ratios were: Net Debt to EBITDA, 1.8 times; Interest Coverage, 8.2 times.

## Message from the CEO

*We capitalized on new launches this quarter of higher value-added products—including structural and electric vehicle components—achieving improved results mainly through a combination of volume growth and operational performance. Additionally, we benefited from FX effects along with a less adverse impact of metal price lag. Our North America and Europe regions led the way, achieving a better product mix while advancing initiatives to optimize manufacturing and labor costs. At the same time, we successfully worked with all our main North America-based customers to address extraordinary effects stemming from volatility in aluminum prices, implementing new pricing adjustments that will protect us against the recent divergence between primary and secondary references in the region.*

*I am also pleased to share that we continued to make inroads in our structural and electric vehicle components business. We won a contract with a new Tier-1 customer to develop and produce complex e-motor housings for premium applications in Europe. And, we entered the early launch phase of our first battery housing program in North America, which is for a premium European OEM. With dedicated teams and a broad technology portfolio focused on lightweighting and electrification, I am confident that we are building the full range of capabilities required to achieve and sustain profitable growth in this segment.*

## Automotive Industry

	Millions of Units		
	Second Quarter		
	2018	2017	% Var.
U.S. Vehicle Sales SAAR <sup>(1)</sup>	17.2	16.8	2.0
North America Vehicle Production <sup>(2)</sup>	4.4	4.5	(1.7)
North America Nemaq Customer Production <sup>(2)</sup>	3.1	3.1	(2.2)
Europe Vehicle Sales SAAR <sup>(1)</sup>	20.6	19.9	3.9
Europe Vehicle Production <sup>(2)</sup>	6.0	5.7	5.1
Europe Nemaq Customer Production <sup>(2)</sup>	3.8	3.8	0.8

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

In the quarter, SAAR for U.S. vehicle sales increased 2.0% compared to 2Q17, as higher sales of light trucks—including CUVs, SUVs, and pickups—more than compensated for lower passenger car sales. Meanwhile, North America vehicle production and Nemaq customers' vehicle production decreased 1.7% and 2.2%, respectively, as OEMs continued to reduce inventories.

In Europe, 2Q18 vehicle sales (SAAR) increased 3.9% y-o-y supported by more favorable economic conditions, particularly in Eastern Europe. Vehicle production figures saw an uptick y-o-y, as OEMs increased their exports to other regions.



## Recent Developments

- Awarded new contracts worth US\$150 million in annual revenues, approximately 25% of which represented incremental business.
- Obtained a new contract for the development and production of electric motor housings for premium vehicles in Europe.
- Reached a new production milestone in structural and electric vehicle components, surpassing 3 million parts at the close of 2Q18.
- Received the General Motors Supplier of the Year Award for outstanding performance. As a 14-time winner, Nematik is one of the ten most recognized suppliers over this award's 26-year history.

## Financial Results Summary

	Second Quarter			Six months		
	2018	2017	Δ%	2018	2017	Δ%
Volume (M. Equivalent units)	13.1	12.8	2.3	26.2	26.1	0.4
Revenues	1,239	1,165	6.4	2,474	2,288	8.1
Operating Income	135	124	8.9	244	237	3.0
EBITDA <sup>1</sup>	207	206	0.5	404	396	2.0
EBITDA <sup>1</sup> / Eq. Unit	15.8	16.1	(1.9)	15.4	15.2	1.3
Net Income	24	78	(69.2)	93	145	(35.9)
CAPEX	93	88	NA <sup>2</sup>	199	231	NA <sup>2</sup>
Net Debt <sup>3</sup>	1,304	1,397	(6.7)			

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:

2Q18 total volume increased 2.3% y-o-y due to higher sales in NA, which were driven by better performance among Detroit 3 automakers. In EU, Nematik's 2Q18 volumes declined y-o-y as higher sales for gasoline applications were not enough to offset lower sales for diesel applications. In RoW, South America reported higher volumes, which offset a decrease in Asia. On a cumulative basis, volumes in 1H18 were slightly higher than in 1H17, as higher NA sales more than compensated for lower volumes in EU.

Turning to Revenues, the appreciation of the euro against the U.S. dollar and higher aluminum prices, plus the increase in volumes, drove a 6.4% y-o-y increase in 2Q18. For 1H18, revenues were 8.1% higher than in 1H17, basically for the same reasons.

Regarding Operating Income, the company benefited from higher volumes, operational efficiencies, and a lower metal price lag effect, together with positive FX effects and lower depreciation. Accordingly, 2Q18 Operating Income was up 8.9% y-o-y, or up 27.4% if excluding non-recurring income reported in 2Q17, when the company cancelled a provision related to a disputed tax on revenues in Brazil. On a cumulative basis, 1H18 Operating Income was 3.0% higher (or 11.4% higher excluding the already explained non-recurring income) than 1H17, reflecting the same factors that influenced the quarterly figure.



2Q18 EBITDA was slightly higher y-o-y, or 10.1% higher excluding the non-recurring income of 2Q17. 2Q18 EBITDA per equivalent unit was US\$15.8, lower than the US\$16.1 (or higher than US\$14.7, on a comparable basis) than in 2Q17. On a cumulative basis, 1H18 EBITDA was 2.0% higher than 1H17 (6.9% higher on a comparable basis), due to the performance of Operating Income already explained. EBITDA per equivalent unit in 1H18 was US\$15.4, 1.3% higher (6.2% higher excluding the non-recurring income) than 1H17.

2Q18 Net Income decreased 69.2% compared to 2Q17 mainly due to non-cash foreign exchange losses together with higher deferred taxes. On a cumulative basis, Nematik's 1H18 Net Income was 35.9% lower than in 1H17, basically for the same reason that explained the quarterly performance, plus incremental financial expenses related to the issuance of a long-term bond during 1Q18.

Capital expenditures amounted to US\$93 million during 2Q18, for a total of US\$199 million in 1H18. As explained, investments were made in 2Q18 to support new program launches and to drive operational efficiency across the company's regions.

As of June 30, 2018, Nematik 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, 8.2 times. These ratios were the same and lower, respectively, than those reported at the end of June 2017.

## Regional Results

### North America

In 2Q18, revenues increased 5.0% y-o-y due to a combination of higher volumes and higher aluminum prices. EBITDA was 7.8% lower y-o-y; however, excluding the non-recurring income of 2Q17 already explained in the Operating Income section, EBITDA would have grown 5.7% y-o-y. In this region, the company benefited from increased volumes, a less negative metal lag effect, and operational efficiencies.

### Europe

In 2Q18, revenues increased 7.2% y-o-y driven by currency effects and higher aluminum prices. Meanwhile, 2Q18 EBITDA increased 21.4% y-o-y, as operational efficiencies and FX gains more than offset the negative impact of lower volumes.

### Rest of the World (RoW)

In 2Q18, revenues in RoW increased by 11.9% y-o-y driven by higher aluminum prices. EBITDA for the period was down US\$1 million mainly due to a less favorable product mix.



## Methodology for presentation of results

The report presents unaudited financial information. Figures are in Mexican pesos or US 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 2018 Conference Call will be held on Thursday, July 19, 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](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 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**  
**Income Statement**  
Millions of Dollars

	For the second quarter of:					For the six months of:				
	2018	% of rev.	2017	% of rev.	% Var.	2018	% of rev.	2017	% of rev.	% Var.
Volume (million equivalent units)	13.1		12.8		2.3	26.2		26.1		0.4
Total revenues	1,239	100.0	1,165	100.0	6.4	2,474	100.0	2,288	100.0	8.1
Gross profit	218	17.6	201	17.3	8.5	403	16.3	382	16.7	5.5
Sales & administrative expenses	(82)	(6.6)	(78)	(6.7)	5.1	(158)	(6.4)	(146)	(6.4)	8.2
Other income (expenses) net	(1)	(0.1)	2	0.2	NA	(1)	(0.0)	1	0.0	NA
Operating Income	135	10.9	124	10.6	8.9	244	9.9	237	10.4	3.0
Interest Expenses	(20)	(1.6)	(18)	(1.5)	11.1	(62)	(2.5)	(36)	(1.6)	72.2
Interest Income	1	0.1	1	0.1	0.0	4	0.2	2	0.1	NA
Foreign exchange gain (loss)	(56)	(4.5)	(21)	(1.8)	NA	(47)	(1.9)	(9)	(0.4)	NA
Financing expenses net	(75)	(6.1)	(38)	(3.3)	97.4	(105)	(4.2)	(43)	(1.9)	NA
Participation in associates results	1	0.1	1	0.1	0.0	6	0.2	2	0.1	NA
Income Tax	(37)	(3.0)	(9)	(0.8)	NA	(52)	(2.1)	(51)	(2.2)	2.0
Net Income	24	1.9	78	6.7	(69.2)	93	3.8	145	6.3	(35.9)

  

	2018	% of rev.	2017	% of rev.	% Var.	2018	% of rev.	2017	% of rev.	% Var.
Income from Operations	135	10.9	124	10.6	8.9	244	9.9	237	10.4	3.0
Depreciation, Amortization & Other Non-Cash items	72	5.8	82	7.0	(12.2)	160	6.5	159	6.9	0.6
EBITDA <sup>1</sup>	207	16.7	206	17.7	0.5	404	16.3	396	17.3	2.0
CAPEX	93	7.5	88	7.6	NA <sup>2</sup>	199	8.0	231	10.1	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-18	Dec-17	% Var
Cash and cash equivalents	174	190	(8.6)
Accounts receivable	617	578	6.7
Inventories	696	643	8.1
Other current assets	41	29	39.2
Total current assets	1,528	1,441	6.1
Investments in shares	36	29	24.3
Property, plant and equipment, net	2,628	2,649	(0.8)
Other assets	688	781	(11.8)
Total assets	4,881	4,899	(0.4)

  

Liabilities & stockholders' equity	Jun-18	Dec-17	% Var
Bank loans	84	51	64.9
Current maturities of long-term debt	11	8	37.2
Interest payable	17	17	3.6
Operating liabilities	1,289	1,217	5.9
Total current liabilities	1,401	1,293	8.4
Long-term debt	1,392	1,414	(1.5)
Labor liabilities	63	62	1.0
Other long term-liabilities	155	184	(16.0)
Total liabilities	3,010	2,952	2.0
Total stockholders' equity	1,870	1,947	(4.0)
Total liabilities & stockholders' equity	4,881	4,899	(0.4)



## Nemak Regional Results

### Millions of Dollars

Volume (million equivalent units)	For the second quarter of:			For the six months of:		
	2018	2017	% Var.	2018	2017	% Var.
North America	7.7	7.3	5.5	15.3	14.8	3.4
Europe	4.1	4.2	(2.4)	8.4	8.7	(3.4)
Rest of World	1.3	1.3	0.0	2.5	2.6	(3.8)
<b>Total</b>	<b>13.1</b>	<b>12.8</b>	<b>2.3</b>	<b>26.2</b>	<b>26.1</b>	<b>0.4</b>

  

Total Revenues*	2018	2017	% Var.	2018	2017	% Var.
North America	687	654	5.0	1,362	1,280	6.4
Europe	431	402	7.2	881	798	10.4
Rest of World	122	109	11.9	232	210	10.5
<b>Total</b>	<b>1,239</b>	<b>1,165</b>	<b>6.4</b>	<b>2,474</b>	<b>2,288</b>	<b>8.1</b>

  

EBITDA <sup>1</sup>	2018	2017	% Var.	2018	2017	% Var.
North America	130	141	(7.8)	251	257	(2.3)
Europe	68	56	21.4	138	120	15.0
Rest of World	9	10	(10.0)	15	20	(25.0)
<b>Total</b>	<b>207</b>	<b>206</b>	<b>0.5</b>	<b>404</b>	<b>396</b>	<b>2.0</b>

  

EBITDA Margin in %	2018	2017	% Var.	2018	2017	% Var.
North America	19%	22%	(12.1)	18%	20%	(8.2)
Europe	16%	14%	13.1	16%	15%	4.3
Rest of World	7%	9%	(16.6)	7%	9%	(31.1)
<b>Total</b>	<b>17%</b>	<b>18%</b>	<b>(5.8)</b>	<b>16%</b>	<b>17%</b>	<b>(5.8)</b>

  

EBITDA USD/Eq. Unit	2018	2017	% Var.	2018	2017	% Var.
North America	16.9	19.3	(12.5)	16.4	17.3	(5.5)
Europe	16.5	13.3	24.0	16.4	13.8	19.2
Rest of World	6.8	7.4	(7.3)	6.0	7.7	(21.1)
<b>Total</b>	<b>15.8</b>	<b>16.1</b>	<b>(1.9)</b>	<b>15.4</b>	<b>15.2</b>	<b>1.3</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:				
	2018	% of rev.	2017	% of rev.	% Var.	2018	% of rev.	2017	% of rev.	% Var.
Volume (million equivalent units)	13.1		12.8		2.3	26.2		26.1		0.4
Total revenues	23,981	100.0	21,641	100.0	10.8	47,144	100.0	44,506	100.0	5.9
Gross profit	4,250	17.7	3,722	17.2	14.2	7,716	16.4	7,407	16.6	4.2
Sales & administrative expenses	(1,589)	(6.6)	(1,457)	(6.7)	9.1	(3,015)	(6.4)	(2,827)	(6.4)	6.7
Other income (expenses) net	(18)	(0.1)	38	0.2	NA	(26)	(0.1)	8	0.0	NA
Operating Income	2,643	11.0	2,303	10.6	14.8	4,675	9.9	4,587	10.3	1.9
Interest Expenses	(393)	(1.6)	(340)	(1.6)	15.6	(1,172)	(2.5)	(701)	(1.6)	67.2
Interest Income	29	0.1	16	0.1	81.3	79	0.2	32	0.1	NA
Foreign exchange gain (loss)	(1,090)	(4.5)	(383)	(1.8)	NA	(909)	(1.9)	(144)	(0.3)	NA
Financing expenses net	(1,453)	(6.1)	(707)	(3.3)	NA	(2,002)	(4.2)	(813)	(1.8)	NA
Participation in associates results	24	0.1	20	0.1	20.0	116	0.2	53	0.1	NA
Income Tax	(724)	(3.0)	(171)	(0.8)	NA	(1,012)	(2.1)	(1,002)	(2.3)	1.0
Net Income	490	2.0	1,445	6.7	(66.1)	1,777	3.8	2,825	6.3	(37.1)

  

	2018	% of rev.	2017	% of rev.	% Var.	2018	% of rev.	2017	% of rev.	% Var.
Operating Income	2,643	11.0	2,303	10.6	14.8	4,675	9.9	4,587	10.3	1.9
Depreciation, Amortization & Other Non-Cash items	1,363	5.7	1,525	7.0	(10.6)	3,027	6.4	3,100	7.0	(2.4)
EBITDA <sup>1</sup>	4,006	16.7	3,828	17.7	4.6	7,702	16.3	7,687	17.3	0.2
CAPEX	1,798	7.5	1,630	7.5	NA <sup>2</sup>	3,793	8.0	4,553	10.2	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-18	Dec-17	% Var
Cash and cash equivalents	3,457	3,757	(8.0)
Accounts receivable	12,255	11,406	7.4
Inventories	13,815	12,695	8.8
Other current assets	831	579	43.5
Total current assets	30,358	28,436	6.8
Investments in shares	721	576	25.2
Property, plant and equipment, net	52,203	52,274	(0.1)
Other assets	13,670	15,402	(11.2)
Total assets	96,952	96,690	0.3

  

Liabilities & stockholders' equity	Jun-18	Dec-17	% Var
Bank loans	1,671	1,007	65.9
Current maturities of long-term debt	212	155	36.8
Interest payable	345	333	3.7
Operating liabilities	25,600	24,015	6.6
Total current liabilities	27,828	25,509	9.1
Long-term debt	27,653	27,905	(0.9)
Labor liabilities	1,246	1,225	1.7
Other long-term liabilities	3,089	3,629	(14.9)
Total liabilities	59,816	58,267	2.7
Total stockholders' equity	37,136	38,423	(3.3)
Total liabilities & stockholders' equity	96,952	96,690	0.3

