

## Nemak posts EBITDA<sup>1</sup> of US\$182 million

Monterrey, Mexico. October 17, 2016. - 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 2016.

For the third quarter of 2016 EBITDA decreased 5.7% compared to the same period of last year mainly due to negative metal price lag in 3Q16 combined with a tough comparable base in 3Q15 which included one-offs such as positive metal price lag. Our aluminum pass-through arrangements have monthly adjustment formulas that from time to time generate a variation in results, which we call metal price lag. For the first nine months of the year, EBITDA increased 3.0% compared to the same period of last year, mainly driven by a mix of higher value-added products, plus currency effects and efficiency gains.

### Key Figures

	Third Quarter			For the nine months of:		
	2016	2015	Δ%	2016	2015	Δ%
Volume (M. Equivalent units)	12.2	12.4	(1.6)	38.2	38.3	(0.3)
Net Sales	1,063	1,094	(2.8)	3,261	3,433	(5.0)
Operating Income	103	121	(14.9)	379	381	(0.5)
EBITDA <sup>1</sup>	182	193	(5.7)	612	594	3.0
EBITDA <sup>1</sup> / Eq. Unit	14.9	15.6	(4.5)	16.0	15.5	3.2
Net Income	59	81	(27.2)	232	230	0.9
CAPEX	118	115	2.6	378	330	14.5
Net Debt <sup>2</sup>	1,331	1,199	11.0			

Expressed in millions of US Dollars

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

(2) Net Debt = Total Debt - Cash

### Message from the CEO

*During the quarter, we continued to make strides in the implementation of our growth plans. This included signing an agreement to acquire Cevher Döküm, a supplier of complex aluminum automotive castings based in Izmir, Turkey. This transaction represents another milestone in the expansion of our global manufacturing footprint and will further enhance our competitive position in Europe. In addition, we continued to invest in the construction of new facilities in Mexico and Slovakia and in capacity expansions across our regions.*

*We saw profitability down this quarter mainly due to the one-off impact of metal price lag. Volumes and revenues also decreased. These results notwithstanding, we remain on track to meet our EBITDA guidance for the year.*

*In terms of our sales backlog for the quarter, I am pleased to share that we signed new contracts to produce cylinder heads, engine blocks, and electric vehicle components worth approximately US\$200 million in annual revenues, half of which represented incremental business. These included a new contract to produce 100 percent of the battery housings for a new hybrid vehicle platform of BMW's for the North America market.*

## Automotive Industry

	Millions of Units		
	For the Third quarter of:		
	2016	2015	% Var.
U.S. Vehicle Sales SAAR <sup>(1)</sup>	17.5	17.7	(1.1)
North America Vehicle Production	4.4	4.4	0.0
North America Nematik Customer Production	3.1	3.1	0.0
Europe Vehicle Sales SAAR <sup>(1)</sup>	19.7	19.3	2.1
Europe Vehicle Production	4.7	4.8	(2.1)
Europe Nematik Customer Production	3.2	3.3	(3.0)

(1) SAAR = Seasonally Adjusted Annual Rate

During 3Q16, the seasonally adjusted annual rate (SAAR) for vehicle sales in the U.S. decreased 1.1% from 3Q15. Meanwhile, North America vehicle production and Nematik customers' vehicle production were flat. Nematik customers continued benefiting from consumer preference for large pick-ups and SUVs.

In Europe, vehicle sales SAAR in 3Q16 was up 2.1% compared to 3Q15 as growth in Western Europe more than compensated for a decrease in Eastern Europe. In contrast, vehicle production in Europe decreased 2.1% from 3Q15, and Nematik's customer production decreased 3.0% in the region. The decrease in production was mainly due to the slowdown of some our customers' platforms.

### Recent Developments

- On August 25<sup>th</sup>, Nematik announced that it has signed an agreement to acquire Cevher Döküm Sanayii A.Ş. (Cevher Döküm), a supplier of complex aluminum automotive castings based in Izmir, Turkey. Cevher Döküm exports most of its production to the European market, generating revenues of US\$70 million in 2015. The deal is expected to close before the end of this month.
- In September, Nematik was recognized by BMW as one of its most innovative global suppliers. The automaker cited Nematik's use of proprietary Rotacast™ and Sand Package technologies to drive weight reduction and efficiency improvements in vehicles.
- On October 11<sup>th</sup>, the rating agency Moody's raised its outlook on Nematik from stable to positive, citing the company's strong credit metrics and high profitability, among other factors. Nematik's rating was affirmed at Ba1, which is one notch below investment grade.

### Financial Results

**Volume** in 3Q16 was 12.2 million equivalent units, a 1.6% decrease from 3Q15. Lower volumes in North America were partially compensated by higher volumes in Europe and RoW.

For the first nine months of 2016, volume decreased 0.3% to 38.2 million equivalent units. Lower volumes in RoW and North America were partially compensated by higher volumes in Europe.

**Total revenues** were US\$1.1 billion in 3Q16, a 2.8% decrease from 3Q15 mainly due to lower aluminum prices combined with lower volumes. Revenues in North America accounted for 60% of the total, while Europe contributed with 31%.

For the first nine months of 2016, total revenues decreased 5.0% compared to the first nine months of 2015 to US\$3.3 billion mainly due to lower aluminum prices.

**Gross profit** in 3Q16 was US\$171 million, an 11.4% decrease compared to 3Q15, mainly driven by negative metal price lag in 3Q16 combined with a tough comparable base in 3Q15 which included one-offs such as positive metal price lag. Gross margins in 3Q16 decreased 150 basis points compared to the same period in 2015 to 16.1% of total revenues.

For the first nine months of 2016, gross profit decreased 2.4% compared to the first nine months of 2015, to US\$577 million driven by higher depreciation and amortization. Gross margin increased 50 basis points compared to the first nine months of 2015 to 17.7% of total revenues.

**Operating income** in 3Q16 was US\$103 million, a 14.9% decrease compared to 3Q15 driven by a lower gross profit. Operating margin in 3Q16 decreased 140 basis points compared to 3Q15, to 9.7% of total revenues.

For the first nine months of 2016, operating income decreased 0.5% compared to the first nine months of 2015, to US\$379 million mainly driven by a lower gross profit. Operating margin in the first nine months of 2016 increased 50 basis points compared to the first nine months of 2015, to 11.6% of total revenues.

**EBITDA** in 3Q16 was US\$182 million, a 5.7% decrease compared to 3Q15 mainly due to negative metal price lag in 3Q16 combined with a tough comparable base in 3Q15 which included one-offs such as positive metal price lag. EBITDA margin in 3Q16 decreased 50 basis points compared to 3Q15, to 17.1% of total revenues.

For the first nine months of 2016, EBITDA increased 3.0% compared to the first nine months of 2015, to US\$612 million reflecting changes in operating income. EBITDA margin in the first nine months of 2016 increased 150 basis points compared to the first nine months of 2015, to 18.8% of total revenues.

**EBITDA per equivalent unit** decreased 4.5% compared to 3Q15, to US\$14.9 in 3Q16. For the first nine months of 2016, EBITDA per equivalent unit increased 3.2% compared to the first nine months of 2015, to US\$16.0.

**Net income** was US\$59 million in 3Q16, a 27.2% decrease compared to 3Q15, driven by a higher income taxes and lower income from operations which were partially compensated by lower financing expenses. For the first nine months of 2016, net income increased 0.9% compared to the first nine months of 2015, to US\$232 million, driven by lower financing expenses which more than compensated for higher income taxes.

**Capital expenditures** totaled US\$118 million during 3Q16. Investments were made to expand capacity, update existing production equipment, and improve operational efficiency. Furthermore, Nemak continued to develop initiatives to maximize asset utilization and to reduce investment per unit of installed capacity.

**Nemak's balance sheet** as of September 30, 2016 recorded a cash balance of US\$108 million. Short-term debt was US\$202 million, while long-term debt was US\$1.3 billion. The consolidated net debt balance was US\$1.3 billion. Financial ratios in 3Q16 were: Net Debt to EBITDA of 1.71 times and Interest Coverage of 11.0 times, which compare to 1.57 times and 10.9 times, respectively, reported in 3Q15.

## Regional Results

### North America

In 3Q16, revenues in North America decreased 5.9% compared to 3Q15 mainly due to lower volumes and lower aluminum prices. EBITDA in North America decreased 15.2% in 3Q16 compared to 3Q15 mainly due to lower volumes and negative metal price lag combined with a tough comparable figure in 3Q15 which included various one-offs such as positive metal price lag.

In the first nine months of 2016, revenues decreased 9.9% compared to the first nine months of 2015 mainly due to lower aluminum prices and lower volumes. EBITDA in North America decreased 1.2% compared to the first nine months of 2015 mainly due to lower volumes.

### Europe

In 3Q16, revenues in Europe decreased 2.7% compared to 3Q15 mainly due to lower aluminum prices. EBITDA in Europe increased 14.3% compared to 3Q15 mainly due to higher volumes, a better mix and efficiencies.

In the first nine months of the year, revenues and EBITDA increased 4.5% and 11.0%, respectively, compared to the first nine months of 2015 mainly due to higher volumes and a better sales mix which more than offset the devaluation of the euro compared to the US dollar. Excluding the translation effect of the euro, in the first nine months of 2016 revenues and EBITDA grew 5.0% and 11.7% respectively, compared to the first nine months of 2015.

### Rest of the World (RoW)

In 3Q16, revenues in RoW increased by 21.7% compared to 3Q15 mainly due to higher volumes and better product mix in Asia. EBITDA in RoW increased US\$5 million in 3Q16 compared to 3Q15 as higher profitability in Asia more than compensated for lower volumes in South America.

In the first nine months of the year, revenues in RoW decreased 3.1% compared to the first nine months of 2015 mainly due to lower volumes in South America and lower aluminum prices. EBITDA in RoW increased US\$5 million in the first nine months of 2016 compared to the first nine months of 2015 mainly due to higher profitability in Asia which more than compensated for lower volumes in South America.

## Conference call information

Nemak's Third Quarter 2016 Conference Call will be held on: Tuesday, October 18th, 2016, 11:30 a.m. Eastern Time (10:30 a.m. Mexico City Time). To participate in the conference call, please dial: Domestic US: (877) 407-0784; International: (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 connect, the conference call audio and script will be available on our website. For more information, please visit [www.nemak.com/investors](http://www.nemak.com/investors)

## 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. As of year-end 2015, the company employed more than 21,000 people at 35 facilities worldwide and generated revenues of US\$4.5 billion. For more information about Nemak, visit <http://www.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 us. 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.

## Methodology for presentation of results

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

Three pages of tables to follow

## Income Statement Millions of Dollars

	For the third quarter of:					For the nine months of:				
	2016	% of rev.	2015	% of rev.	% Var.	2016	% of rev.	2015	% of rev.	% Var.
Volume (million equivalent units)	12.2		12.4		(1.6)	38.2		38.3		(0.3)
Total revenues	1,063	100.0	1,094	100.0	(2.8)	3,261	100.0	3,433	100.0	(5.0)
Gross profit	171	16.1	193	17.6	(11.4)	577	17.7	591	17.2	(2.4)
Sales & administrative expenses	(68)	(6.4)	(70)	(6.4)	(2.9)	(199)	(6.1)	(212)	(6.2)	(6.1)
Other income (expenses) net	0	0.0	(2)	(0.2)	0.0	1	0.0	2	0.1	(50.0)
Income from operations	103	9.7	121	11.1	(14.9)	379	11.6	381	11.1	(0.5)
Interest Expenses	(15)	(1.4)	(17)	(1.6)	(11.8)	(50)	(1.5)	(54)	(1.6)	(7.4)
Interest Income	1	0.1	1	0.1	0.0	2	0.1	2	0.1	0.0
Foreign exchange gain (loss)	(1)	(0.1)	(16)	(1.5)	(93.8)	0	0.0	(23)	(0.7)	NA
Financing expenses net	(15)	(1.4)	(32)	(2.9)	(53.1)	(48)	(1.5)	(75)	(2.2)	(36.0)
Participation in associates results	1	0.1	1	0.1	0.0	2	0.1	2	0.1	0.0
Income Tax	(30)	(2.8)	(9)	(0.8)	NA	(101)	(3.1)	(78)	(2.3)	29.5
Net Income	59	5.6	81	7.4	(27.2)	232	7.1	230	6.7	0.9

  

	2016	% of rev.	2015	% of rev.	% Var.	2016	% of rev.	2015	% of rev.	% Var.
Income from Operations	103	9.7	121	11.1	(14.9)	379	11.6	381	11.1	(0.5)
Depreciation, Amortization & Other non-Cash items	79	7.4	72	6.6	9.7	233	7.1	213	6.2	9.4
EBITDA <sup>1</sup>	182	17.1	193	17.6	(5.7)	612	18.8	594	17.3	3.0
CAPEX	118	11.1	115	10.5	2.6	378	11.6	330	9.6	14.5

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

## Nemak Balance Sheet Millions of Dollars

Assets	Sep-16	Dec-15	% Var
Cash and cash equivalents	108	104	3.6
Accounts receivable	728	584	24.6
Inventories	595	562	5.9
Other current assets	43	74	(42.4)
Total current assets	1,474	1,324	11.3
Investments in shares	19	22	(11.5)
Property, plant and equipment, net	2,384	2,224	7.2
Other assets	679	616	10.2
Total assets	4,556	4,186	8.9

  

Liabilities & stockholders' equity	Sep-16	Dec-15	% Var
Bank loans	168	13	NA
Current maturities of long-term debt	29	27	9.0
Interest payable	5	13	(58.5)
Operating liabilities	1,019	1,038	(1.9)
Total current liabilities	1,221	1,091	11.9
Long-term debt	1,249	1,265	(1.2)
Labor liabilities	48	45	6.2
Other long term liabilities	219	161	36.2
Total liabilities	2,738	2,562	6.9
Total stockholders' equity	1,818	1,624	11.9
Total liabilities & stockholders' equity	4,556	4,186	8.9

## Nemak Regional Results

### Millions of Dollars

	For the third quarter of:			For the nine months of:		
	2016	2015	% Var.	2016	2015	% Var.
<b>Volume (million equivalent units)</b>						
North America	7.6	8.0	(5.0)	23.4	24.4	(4.1)
Europe	3.4	3.3	3.0	11.6	10.6	9.4
Rest of World	1.2	1.1	9.1	3.2	3.3	(3.0)
<b>Total</b>	<b>12.2</b>	<b>12.4</b>	<b>(1.6)</b>	<b>38.2</b>	<b>38.3</b>	<b>(0.3)</b>
<b>Total Revenues*</b>						
North America	633	673	(5.9)	1,920	2,132	(9.9)
Europe	329	338	(2.7)	1,089	1,042	4.5
Rest of World	101	83	21.7	252	260	(3.1)
<b>Total</b>	<b>1,063</b>	<b>1,093</b>	<b>(2.7)</b>	<b>3,261</b>	<b>3,434</b>	<b>(5.0)</b>
<b>EBITDA<sup>1</sup></b>						
North America	123	145	(15.2)	411	416	(1.2)
Europe	48	42	14.3	181	163	11.0
Rest of World	10	5	100.0	20	15	33.3
<b>Total</b>	<b>182</b>	<b>193</b>	<b>(5.7)</b>	<b>612</b>	<b>594</b>	<b>3.0</b>

(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:				
	2016	% of rev.	2015	% of rev.	% Var.	2016	% of rev.	2015	% of rev.	% Var.
Volume (million equivalent units)	12.2		12.4		(1.6)	38.2		38.3		(0.3)
Total revenues	19,928	100.0	17,973	100.0	10.9	59,565	100.0	53,359	100.0	11.6
Gross profit	3,220	16.2	3,178	17.7	1.3	10,530	17.7	9,205	17.3	14.4
Sales & administrative expenses	(1,288)	(6.5)	(1,156)	(6.4)	11.4	(3,617)	(6.1)	(3,292)	(6.2)	9.9
Other income (expenses) net	5	0.0	(28)	(0.2)	NA	14	0.0	25	0.0	(44.0)
Income from operations	1,937	9.7	1,994	11.1	(2.9)	6,927	11.6	5,938	11.1	16.7
Interest Expenses	(289)	(1.5)	(277)	(1.5)	4.3	(909)	(1.5)	(837)	(1.6)	8.6
Interest Income	12	0.1	17	0.1	(29.4)	35	0.1	32	0.1	9.4
Foreign exchange gain (loss)	(1)	(0.0)	(255)	(1.4)	(99.6)	(8)	(0.0)	(375)	(0.7)	(97.9)
Financing expenses net	(278)	(1.4)	(515)	(2.9)	(46.0)	(882)	(1.5)	(1,180)	(2.2)	(25.3)
Participation in associates results	14	0.1	12	0.1	16.7	34	0.1	32	0.1	6.3
Income Tax	(563)	(2.8)	(159)	(0.9)	NA	(1,839)	(3.1)	(1,198)	(2.2)	53.5
Net Income	1,110	5.6	1,332	7.4	(16.7)	4,240	7.1	3,592	6.7	18.0

  

	2016	% of rev.	2015	% of rev.	% Var.	2016	% of rev.	2015	% of rev.	% Var.
Income from Operations	1,937	9.7	1,994	11.1	(2.9)	6,927	11.6	5,938	11.1	16.7
Depreciation, Amortization & Other non-Cash items	1,474	7.4	1,184	6.6	24.5	4,253	7.1	3,312	6.2	28.4
EBITDA <sup>1</sup>	3,411	17.1	3,178	17.7	7.3	11,180	18.8	9,250	17.3	20.9
CAPEX	2,199	11.0	1,887	10.5	16.5	6,890	11.6	5,130	9.6	34.3

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

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

Assets	Sep-16	Dec-15	% Var
Cash and cash equivalents	2,103	1,793	17.3
Accounts receivable	14,186	10,048	41.2
Inventories	11,601	9,667	20.0
Other current assets	850	1,272	(33.2)
Total current assets	28,740	22,780	26.2
Investments in shares	374	374	0.0
Property, plant and equipment, net	46,496	38,263	21.5
Other assets	13,240	10,601	24.9
Total assets	88,850	72,018	23.4

  

Liabilities & stockholders' equity	Sep-16	Dec-15	% Var
Bank loans	3,274	227	NA
Current maturities of long-term debt	570	462	23.3
Interest payable	105	223	(52.9)
Operating liabilities	19,860	17,859	11.2
Total current liabilities	23,809	18,771	26.8
Long-term debt	24,364	21,758	12.0
Labor liabilities	938	779	20.5
Other long term liabilities	4,295	2,771	55.0
Total liabilities	53,406	44,079	21.2
Total stockholders' equity	35,444	27,939	26.9
Total liabilities & stockholders' equity	88,850	72,018	23.4