

Nemak reports 4Q18 EBITDA of US\$171 million

- Full-year revenues and EBITDA grew 5.0% and 2.7% vs 2017 to US\$4.7 billion and US\$734 million, respectively.

Monterrey, Mexico. February 13, 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 fourth quarter of 2018 ("4Q18") and full-year 2018 ("FY2018"). What follows is a summary of the main figures:

Key Figures

	Fourth Quarter			Twelve months		
	2018	2017	Δ%	2018	2017	Δ%
Volume (M. Equivalent units)	11.5	12.0	(4.2)	50.0	49.9	0.2
Revenues	1,078	1,094	(1.5)	4,704	4,481	5.0
EBITDA ¹	171	166	3.0	734	715	2.7
CAPEX	132	109	NA ²	403	433	NA ²

US\$ Millions, except Volume

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

(2) NA = Not applicable

Nemak sold 11.5 million equivalent units ("MEU") during 4Q18, down 4.2% year-on-year ("y-o-y"). While volumes were flat in North America ("NA"), the Europe ("EU") and Rest of World ("RoW") regions showed a decline. Revenues in the period amounted to US\$1,078 million, down 1.5% y-o-y, mainly due to lower volumes. However, FY2018 volume was slightly higher than the previous year due to higher sales in NA, and revenues were 5.0% higher mainly due to better average pricing.

4Q18 EBITDA was US\$171 million, up 3.0% y-o-y. This figure derived from efficiencies and one-time effects associated with a customer settlement and certain reclassifications, which combined, more than compensated for the impact of lower volumes and higher energy expenses. FY2018 EBITDA was 2.7% higher than the year before due mainly to a combination of efficiencies, a better product mix, and the factors which benefited the quarterly result.

Capital expenditures amounted to US\$132 million during 4Q18 for a full year amount of US\$403 million. During the quarter, Nemak focused on making investments to support new product launches across its main business lines. At the end of the year, Nemak's financial ratios were as follows: Net Debt to EBITDA, 1.7 times; Interest Coverage, 7.7 times.



Message from the CEO

In 2018 we performed better than the previous year, successfully leveraging operational efficiencies and a better product mix to deliver EBITDA growth of three percent. Europe accounted for most of the difference, aided by the ramp-up of new business in propulsion as well as vehicle structures applications. We saw similar trends in the quarter in terms of regional results, with North America remaining stable and Europe more than compensating for the impact of production reductions among certain customers in Asia.

I am also pleased to share that, during this quarter, we broke new ground in our structural and electric vehicle components (SC/EV) business, winning new contracts to supply complex assembled battery housings and body-in-white components as well as highly integrated e-motor housings. For the full year, we won contracts to produce SC/EV worth US\$280 million, bringing the total value of our contracts won to-date in the segment to approximately US\$600 million annually.

In 2019, we believe that evolving industry and macroeconomic conditions may continue to generate volatility in our main markets. We will remain focused on optimizing costs and capital expenditures, while at the same strengthening our leadership position in our industry in the medium-to-long term, tapping into accelerating market demand for higher value-added applications and supporting our customers' shift into lightweighting and electrification.

Automotive Industry

	Millions of Units Fourth Quarter			Millions of Units Twelve Months		
	2018	2017	% Var.	2018	2017	% Var.
U.S. Vehicle Sales SAAR ⁽¹⁾	17.7	17.8	-0.6	17.3	17.2	0.6
North America Vehicle Production	4.2	4.1	2.4	17.0	17.1	-0.6
North America Nemark Customer Production	2.9	2.9	0.0	11.8	11.9	-0.8
Europe Vehicle Sales SAAR ⁽¹⁾	18.6	20.7	-10.1	20.1	20.2	-0.5
Europe Vehicle Production	5.5	5.7	-3.5	22.0	22.2	-0.9
Europe Nemark Customer Production	3.5	3.7	-5.4	14.3	14.4	-0.7

(1) SAAR = Seasonally Adjusted Annual Rate

In the quarter, SAAR for U.S. vehicle sales was 17.7 million units, or 0.6% lower year-on-year as higher sales of light trucks nearly overcame a reduction in sales of passenger cars. At the same time, certain OEMs ramped up new high-volume vehicle launches, causing North America vehicle production to increase 2.4% while Nemark customer vehicle production remained flat.

In Europe, 4Q18 vehicle sales (SAAR) was 18.6 million units, or 10.1% lower y-o-y as OEMs experienced delays in bringing new vehicles to market in connection with new emissions testing standards in the region (WLTP), which took effect this past September 1. In turn, production was lower y-o-y, causing Europe vehicle production and Nemark customer production to decrease 3.5% and 5.4%, respectively.



Recent Developments

- During 2018, Nematik won contracts in SC/EV worth a total of US\$280 million in annual revenues. This consisted primarily of new business to supply e-mobility applications of European and North American OEMs.
- For the full year, won contracts across its product lines worth a total of US\$770 million in annual revenues, approximately half of which represented incremental business.

Financial Results Summary

	Fourth Quarter			Twelve months		
	2018	2017	Δ%	2018	2017	Δ%
Volume (M. Equivalent units)	11.5	12.0	(4.2)	50.0	49.9	0.2
Revenues	1,078	1,094	(1.5)	4,704	4,481	5.0
Operating Income	94	66	42.4	406	370	9.7
EBITDA ¹	171	166	3.0	734	715	2.7
EBITDA ¹ / Eq. Unit	14.9	13.8	8.0	14.7	14.3	2.8
Net Income	38	36	5.6	180	192	(6.3)
CAPEX	132	109	NA ²	403	433	NA ²
Net Debt ³	1,251	1,271	(1.6)			

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:

4Q18 total volume decreased 4.2% y-o-y, as NA was flat but EU and RoW saw a reduction. In EU, volumes went down as demand for the Company's products continued to be affected by customer production delays associated with the rollout of new regional emissions testing standards. And, consumers continued to choose more gasoline-powered vehicles instead of diesel, a circumstance to which both OEMs and the Company are gradually adapting. In RoW, volume was down as a positive performance in Brazil was not enough to compensate for the impact of production reductions among certain customers in China. For FY2018, Nematik's volume was slightly higher than the previous year, mainly due to the strength of the NA market.

Turning to revenues, lower volumes drove a 1.5% y-o-y decrease in 4Q18. However, on a full-year basis, Nematik reported a 5.0% increase in 2018 revenues vs 2017 due mainly to better average selling prices.

Regarding Operating Income, Nematik reported a 42.4% y-o-y increase in 4Q18 aided by a one-time customer settlement in the amount of US\$7.5 million, and lower SG&A expenses, which reflected operating efficiencies and the capitalization of US\$6 million of SC/EV expenses. These factors helped to more than offset the impact of lower volumes and higher energy expenses in the quarter. For the FY2018, Operating Income was 9.7% higher than 2017, driven by operational efficiencies, product mix, and the same factors which benefited quarterly results.

4Q18 EBITDA was up 3.0% y-o-y reflecting the increase in Operating Income already explained. As per equivalent unit, quarterly EBITDA was US\$14.90, 8.0% higher than the US\$13.80 a year



ago. For the year as a whole, EBITDA was 2.7% higher than 2017 for the same reason. EBITDA per equivalent unit was US\$14.70 in 2018, 2.8% higher than the US\$14.30 reported in 2017.

Nemak's 4Q18 Net Income was US\$38 million, up 5.6% y-o-y due to the combined effect of higher operating income and less foreign exchange losses, which more than compensated for higher income taxes. FY2018 Net Income was US\$180 million, 6.3% lower than 2017. While FY2018 operating income was higher than 2017, Nemak reported a higher amount of net financial expenses and income taxes.

Capital expenditures amounted to US\$132 million during 4Q18, for a total of US\$403 million in 2018. Investments were directed towards supporting new product launches in all regions.

As of December 31, 2018, Nemak reported Net Debt in the amount of US\$1.25 billion. Financial ratios were: Debt, net of Cash, to EBITDA, 1.7 times; and Interest Coverage, 7.7 times. These ratios compared to 1.9 and 10.1 times, respectively, in 2017.

Regional Results

North America

In 4Q18, revenues increased 0.7% y-o-y as volumes were flat and pricing improved marginally. EBITDA was flat y-o-y helped by the above-mentioned capitalization which compensated for the impact of higher energy costs. FY2018 revenues and EBITDA were 6.1% and 1.6% higher than 2017 for the same reasons.

Europe

4Q18 revenues decreased 2.8% y-o-y as lower volumes outweighed higher average selling prices. In contrast, 4Q18 EBITDA was 19.4% higher, aided by a richer product mix combined with the US\$7.5 million one-time income already explained. FY2018 revenues and EBITDA were 5.1% and 12.0% higher than 2017 due mainly to efficiencies, product mix, and the above mentioned one-time income.

Rest of the World (RoW)

In 4Q18, revenues in RoW decreased by 9.5% y-o-y due mainly to lower sales in China, which more than offset positive results in Brazil. EBITDA was US\$7 million lower y-o-y, reflecting lower volumes and a less favorable sales mix. For the same reasons, FY2018, revenues and EBITDA were 1.6% and US\$17 million lower than 2017.



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 Fourth Quarter 2018 Conference Call will be held on Thursday, February 14, 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

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 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 fourth quarter of:					For the twelve months of:				
	2018	% of rev.	2017	% of rev.	% Var.	2018	% of rev.	2017	% of rev.	% Var.
Volume (million equivalent units)	11.5		12.0		(4.2)	50.0		49.9		0.2
Total revenues	1,078	100.0	1,094	100.0	(1.5)	4,704	100.0	4,481	100.0	5.0
Gross profit	156	14.5	155	14.2	0.6	699	14.9	685	15.3	2.0
Sales & administrative expenses	(61)	(5.7)	(85)	(7.8)	(28.2)	(300)	(6.4)	(308)	(6.9)	(2.6)
Other income (expenses) net	(1)	(0.1)	(4)	(0.4)	(75.0)	7	0.1	(7)	(0.2)	NA
Operating Income	94	8.7	66	6.0	42.4	406	8.6	370	8.3	9.7
Interest Expenses	(18)	(1.7)	(26)	(2.4)	(30.8)	(98)	(2.1)	(82)	(1.8)	19.5
Interest Income	1	0.1	19	1.7	(94.7)	6	0.1	22	0.5	(72.7)
Foreign exchange gain (loss)	2	0.2	(27)	(2.5)	NA	(24)	(0.5)	(43)	(1.0)	(44.2)
Financing expenses net	(15)	(1.4)	(34)	(3.1)	(55.9)	(116)	(2.5)	(103)	(2.3)	12.6
Participation in associates results	1	0.1	0	0.0	0.0	7	0.1	3	0.1	NA
Income Tax	(42)	(3.9)	4	0.4	NA	(117)	(2.5)	(78)	(1.7)	50.0
Net Income	38	3.5	36	3.3	5.6	180	3.8	192	4.3	(6.3)
	2018	% of rev.	2017	% of rev.	% Var.	2018	% of rev.	2017	% of rev.	% Var.
Income from Operations	94	8.7	66	6.0	42.4	406	8.6	370	8.3	9.7
Depreciation, Amortization & Other Non-Cash items	77	7.1	100	9.1	(23.0)	328	7.0	345	7.7	(4.9)
EBITDA ¹	171	15.9	166	15.2	3.0	734	15.6	715	16.0	2.7
CAPEX	132	12.2	109	10.0	NA ²	403	8.6	433	9.7	NA ²

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

(2) Not applicable

Nemak
Balance Sheet
Millions of Dollars

Assets	Dec-18	Dec-17	% Var
Cash and cash equivalents	181	190	(5.1)
Accounts receivable	521	578	(9.9)
Inventories	636	643	(1.1)
Other current assets	54	29	84.6
Total current assets	1,392	1,441	(3.4)
Investments in shares	37	29	27.4
Property, plant and equipment, net	2,623	2,649	(1.0)
Other assets	685	781	(12.2)
Total assets	4,738	4,899	(3.3)
	Dec-18	Dec-17	% Var
Liabilities & stockholders' equity			
Bank loans	76	54	40.3
Current maturities of long-term debt	49	5	NA
Interest payable	17	17	3.0
Operating liabilities	1,206	1,217	(0.9)
Total current liabilities	1,349	1,293	4.3
Long-term debt	1,339	1,414	(5.3)
Labor liabilities	63	62	1.3
Other long term-liabilities	152	184	(17.1)
Total liabilities	2,903	2,952	(1.7)
Total stockholders' equity	1,833	1,947	(5.9)
Total liabilities & stockholders' equity	4,738	4,899	(3.3)



Nemak Regional Results

Millions of Dollars

Volume (million equivalent units)	For the fourth quarter of:			For the twelve months of:		
	2018	2017	% Var.	2018	2017	% Var.
North America	6.9	6.9	0.0	29.7	28.6	3.8
Europe	3.5	3.8	(7.9)	15.3	16.1	(5.0)
Rest of World	1.1	1.3	(15.4)	5.0	5.2	(3.8)
Total	11.5	12.0	(4.2)	50.0	49.9	0.2

Total Revenues*	2018	2017	% Var.	2018	2017	% Var.
North America	603	599	0.7	2,633	2,482	6.1
Europe	389	400	(2.8)	1,643	1,564	5.1
Rest of World	86	95	(9.5)	428	435	(1.6)
Total	1,078	1,094	(1.5)	4,704	4,481	5.0

EBITDA ¹	2018	2017	% Var.	2018	2017	% Var.
North America	92	92	0.0	446	439	1.6
Europe	74	62	19.4	261	233	12.0
Rest of World	5	12	(58.3)	27	44	(38.6)
Total	171	166	3.0	734	715	2.7

EBITDA Margin in %	2018	2017	% Var.	2018	2017	% Var.
North America	15%	15%	(0.9)	17%	18%	(4.1)
Europe	19%	15%	23.6	16%	15%	6.6
Rest of World	6%	13%	(56.1)	6%	10%	(37.1)
Total	16%	15%	4.5	16%	16%	(2.2)

EBITDA USD/Eq. Unit	2018	2017	% Var.	2018	2017	% Var.
North America	13.3	13.3	(0.2)	15.0	15.3	(2.0)
Europe	21.3	16.3	30.7	17.0	14.5	17.9
Rest of World	4.4	9.3	(53.1)	5.4	8.4	(35.7)
Total	14.9	13.8	8.0	14.7	14.3	2.8

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

* To external customers



Nemak
Income Statement
Millions of Pesos

	For the fourth quarter of:					For the twelve months of:				
	2018	% of rev.	2017	% of rev.	% Var.	2018	% of rev.	2017	% of rev.	% Var.
Volume (million equivalent units)	11.5		12.0		(4.2)	50.0		49.9		0.2
Total revenues	21,319	100.0	20,694	100.0	3.0	90,327	100.0	84,779	100.0	6.5
Gross profit	3,073	14.4	2,924	14.1	5.1	13,449	14.9	12,967	15.3	3.7
Sales & administrative expenses	(1,193)	(5.6)	(1,608)	(7.8)	(25.8)	(5,746)	(6.4)	(5,818)	(6.9)	(1.2)
Other income (expenses) net	(28)	(0.1)	(67)	(0.3)	(58.2)	120	0.1	(134)	(0.2)	NA
Operating Income	1,852	8.7	1,248	6.0	48.4	7,823	8.7	7,015	8.3	11.5
Interest Expenses	(347)	(1.6)	(497)	(2.4)	(30.2)	(1,873)	(2.1)	(1,542)	(1.8)	21.5
Interest Income	22	0.1	364	1.8	(94.0)	124	0.1	417	0.5	(70.3)
Foreign exchange gain (loss)	44	0.2	(507)	(2.4)	NA	(471)	(0.5)	(774)	(0.9)	(39.1)
Financing expenses net	(282)	(1.3)	(640)	(3.1)	(55.9)	(2,220)	(2.5)	(1,899)	(2.2)	16.9
Participation in associates results	11	0.1	(1)	(0.0)	NA	137	0.2	60	0.1	NA
Income Tax	(835)	(3.9)	71	0.3	NA	(2,276)	(2.5)	(1,484)	(1.8)	53.4
Net Income	746	3.5	678	3.3	10.0	3,464	3.8	3,692	4.4	(6.2)

	2018	% of rev.	2017	% of rev.	% Var.	2018	% of rev.	2017	% of rev.	% Var.
Operating Income	1,852	8.7	1,248	6.0	48.4	7,823	8.7	7,015	8.3	11.5
Depreciation, Amortization & Other Non-Cash items	1,526	7.2	1,883	9.1	(19.0)	6,281	7.0	6,531	7.7	(3.8)
EBITDA ¹	3,378	15.8	3,131	15.1	7.9	14,104	15.6	13,546	16.0	4.1
CAPEX	2,629	12.3	2,065	10.0	NA ²	7,786	8.6	8,279	9.8	NA ²

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

(2) Not applicable

Nemak
Balance Sheet
Millions of Pesos

Assets	Dec-18	Dec-17	% Var
Cash and cash equivalents	3,555	3,757	(5.4)
Accounts receivable	10,247	11,406	(10.2)
Inventories	12,518	12,695	(1.4)
Other current assets	1,085	579	87.4
Total current assets	27,405	28,436	(3.6)
Investments in shares	733	576	27.2
Property, plant and equipment, net	51,629	52,274	(1.2)
Other assets	13,490	15,402	(12.4)
Total assets	93,258	96,690	(3.5)

Liabilities & stockholders' equity	Dec-18	Dec-17	% Var
Bank loans	1,494	1,069	39.8
Current maturities of long-term debt	972	93	NA
Interest payable	340	333	2.4
Operating liabilities	23,738	24,015	(1.2)
Total current liabilities	26,545	25,509	4.1
Long-term debt	26,352	27,905	(5.6)
Labor liabilities	1,238	1,225	1.1
Other long-term liabilities	3,019	3,629	(16.8)
Total liabilities	57,154	58,267	(1.9)
Total stockholders' equity	36,104	38,423	(6.0)
Total liabilities & stockholders' equity	93,258	96,690	(3.5)

