

Nemak reports 3Q17 results

- Quarterly revenues and EBITDA of US\$1.1 billion and US\$153 million
- Won new contracts worth US\$570 million in annual revenues

Monterrey, Mexico. October 16, 2017. - 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 2017 ("3Q17"). What follows is an overview of the quarter's main highlights:

Key Figures

	Third Quarter			Nine months		
	2017	2016	Δ%	2017	2016	Δ%
Volume (M. Equivalent units)	11.7	12.2	(4.1)	37.9	38.2	(0.8)
Revenues	1,099	1,063	3.4	3,387	3,261	3.9
EBITDA ¹	153	182	(15.9)	550	612	(10.1)
CAPEX	93	118	NA ²	324	378	NA ²

US\$ Millions, except Volume

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

(2) NA = Not applicable

For 3Q17, volumes were 11.7 million equivalent units ("MEU"), 4.1% lower year-over-year ("y-o-y"), with Europe ("EU") and Rest of World ("RoW") showing healthy growth while North America ("NA") reporting a decrease. Nonetheless, revenues were US\$1,099 million up 3.4% y-o-y, as higher average aluminum prices passed on to customers more than compensated for lower volumes. Volumes for the first nine months of 2017 were 37.9 MEU, down slightly vis-a-vis 2016, while revenues were US\$ 3,387 million, 3.9% higher mainly due to the same factors affecting quarterly comparisons.

3Q17 EBITDA was US\$153 million, a 15.9% y-o-y decrease mainly due to the effect on operating income of the reduction in volumes already explained, plus negative metal price lag and increased launching expenses associated with new programs. On the positive side, EU and RoW reported solid results, driven mainly by new program launches. On a cumulative basis, EBITDA for the first nine months was US\$550 million, 10.1% lower than the same period last year primarily due to the effect of lower volumes, negative metal price lag, foreign exchange, and higher launching expenses.

3Q17 capex was US\$93 million as the company continued with investments to increase and adapt production capacity to meet new demand related to recently won contracts. Likewise, resources were invested in the continued ramp-up of new programs to produce structural and electric vehicle components in NA and EU. For the first nine months of 2017, capex amounted to US\$324 million.

Message from the CEO

We saw mixed results this quarter, as our Europe and Rest-of-World regions showed healthy growth while lower volumes weighed on North America. Nonetheless, we remained on track to meet our targets for the year, successfully launching new, high-volume programs and advancing as planned with additional efficiency initiatives. At the same time, we continued to grow our sales backlog, winning new business in the quarter across our product lines worth a total of approximately US\$570 million in annual revenues.

I am also pleased to share that we started ramping up production at our new plant in Slovakia, which is wholly dedicated to structural and electric vehicle components. This is our third facility in Europe serving these businesses.

Lastly, we provided a detailed overview of our long-term outlook at our Investor Day presentations in Mexico City and New York City on September 27 and 28, respectively. We focused on opportunities to drive growth in our core powertrain business while tapping into new trends towards vehicle lightweighting and electrification. Given our technological leadership, global reach, human capital, and financial condition, we are well positioned to successfully execute on our strategy for reaching our growth targets across our product lines.

Automotive Industry

	Millions of Units		
	Third Quarter		
	2017	2016	% Var.
U.S. Vehicle Sales SAAR ⁽¹⁾	17.2	17.5	(2.0)
North America Vehicle Production ⁽²⁾	4.1	4.4	(8.0)
North America NemaK Customer Production ⁽²⁾	2.9	3.1	(7.0)
Europe Vehicle Sales SAAR ⁽¹⁾	20.4	19.7	4.0
Europe Vehicle Production ⁽²⁾	5.0	4.7	5.4
Europe NemaK Customer Production ⁽²⁾	3.3	3.2	4.0

(1) SAAR = Seasonally Adjusted Annual Rate

(2) Production figures for 2017 are preliminary estimates

In the quarter, SAAR for U.S. vehicle sales was down 2.0% y-o-y, with retail sales remaining stable while fleet sales decreased. Meanwhile, North America vehicle production and NemaK customers' vehicle production decreased 8.0% and 7.0%, respectively, mainly due to inventory reductions by GM combined with lower passenger car production by Ford and FCA.

In Europe, vehicle sales SAAR in 3Q17 increased 4.0% y-o-y, with increased sales across Western and Eastern Europe. In turn, vehicle production and NemaK customers' production increased 5.4% and 4.0%, respectively, which was in-line with industry demand.



Recent Developments

- During the quarter, Nematik won new contracts across its main product lines worth US\$570 million in annual revenues. So far in 2017, it has won new contracts worth US\$695 million in annual revenues.
- Successfully completed the ramp-up of a new program to produce structural components for the Audi Q5 in Mexico.
- Won a new program to produce battery housings for a high-performance hybrid platform of a North American OEM.

Financial Results Summary

	Third Quarter			Nine months		
	2017	2016	Δ%	2017	2016	Δ%
Volume (M. Equivalent units)	11.7	12.2	(4.1)	37.9	38.2	(0.8)
Revenues	1,099	1,063	3.4	3,387	3,261	3.9
Operating Income	66	103	(35.9)	303	379	(20.1)
EBITDA ¹	153	182	(15.9)	550	612	(10.1)
EBITDA ¹ / Eq. Unit	13.1	14.9	(12.1)	14.5	16.0	(9.4)
Net Income	11	58	(81.0)	156	232	(32.8)
CAPEX	93	118	NA ²	324	378	NA ²
Net Debt ³	1,387	1,331	4.2			

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 - Cash

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

3Q17 total volume decreased by 4.1% y-o-y mainly due to lower demand for Nematik components from Ford and GM, with the former reducing production of small vehicles and the latter adjusting overall inventories. Another factor explaining the volume decrease was the comparative impact of FCA's 2016 discontinuation of its small- and- medium-size sedan lines, as explained in past reports.

Regarding Europe, 3Q17 volume increased 5.9% y-o-y reflecting the strength of the market. Meanwhile, RoW reported a strong y-o-y volume increase mainly due to the continued ramp-up of new programs in China and improved industry performance in Brazil. For the first nine months, Nematik's overall volume was slightly lower compared to the same period in 2016 with EU and RoW showing healthy growth while NA recording a decrease.

Turning to revenues, the effect of higher aluminum prices more than compensated for declining volumes, causing Nematik's 3Q17 consolidated revenues to increase 3.4% y-o-y. Similarly, rising aluminum prices brought revenues 3.9% higher year to date ("YTD").

3Q17 operating income decreased 35.9% y-o-y, mainly as a result of lower sales volumes, negative metal price lag, and increased expenses related to new program launches. In turn, lower operating income translated into an operating margin of 6.0%, 360 basis points below 3Q16. On a cumulative basis, operating income was 20.1% lower than the same period in 2016, for the reasons already explained.



The above-mentioned decrease in operating income resulted in a 15.9% y-o-y reduction in EBITDA. 3Q17 EBITDA margin was 13.9%, down from the 17.1% reported in 3Q16. 3Q17 EBITDA per equivalent unit was US\$13.10, down from US\$14.90 in 3Q16. On a cumulative basis, the lower YTD operating income affected YTD EBITDA, which was 10.1% lower than the same period in 2016 for the reasons already mentioned. YTD EBITDA margin and EBITDA per equivalent unit were 16.2% and US\$14.50, respectively, which compared to 18.8% and US\$16.00 in the same period last year.

3Q17 net income decreased 81.0% compared to 3Q16 mainly due to lower operating income combined with higher interest expenses and foreign exchange losses. YTD net income was 32.8% lower than the same period in 2016.

Capital expenditures totaled US\$93 million during 3Q17. As explained, investments were made to expand capacity and to facilitate operational efficiency across the company's regions. For the first nine months of the year, capital expenditures amounted to US\$324 million.

As of September 30, 2017, Nemak reported Net Debt in the amount of US\$1.4 billion, including Cash and Marketable Securities worth US\$130 million. Financial ratios were: Debt, net of Cash, to EBITDA, 1.9 times; Interest Coverage, 10.1 times. These ratios are similar to those reported at the end of 3Q16.

Regional Results

North America

In 3Q17, revenues decreased 4.9% y-o-y as the impact of lower volumes in the region more than offset higher selling prices. Turning to EBITDA, lower volumes was the main cause of the 26.8% decrease y-o-y; the adverse impact of metal price lag was also a factor, albeit to a lesser extent.

Europe

In 3Q17, revenues in Europe increased 11.2% y-o-y mainly due to new program launches and higher selling prices. Meanwhile, 3Q17 EBITDA increased 6.3% y-o-y, as higher volumes and a more favorable sales mix more than compensated for the effects of negative metal price lag and increased expenses related to new programs brought on stream in the quarter.

Rest of the World (RoW)

In 3Q17, revenues in RoW increased by 29.7% y-o-y reflecting a solid performance in China and industry recovery in Brazil, with sales volumes growing 8.3%. 3Q17 EBITDA in RoW increased US\$2 million in 3Q17 compared to 3Q16 due primarily to higher profitability in South America.



Methodology for presentation of results

The report presents unaudited financial information. Figures are in Mexican pesos or U.S. 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 Third Quarter 2017 Conference Call will be held on Tuesday, October 17, 2017, 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 23,000 people at 38 facilities worldwide, generating annual revenues of US\$4.3 billion in 2016. 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:		
	2017	2016	% Var.	2017	2016	% Var.
North America	6.8	7.6	(10.5)	21.7	23.4	(7.3)
Europe	3.6	3.4	5.9	12.3	11.6	6.0
Rest of World	1.3	1.2	8.3	3.9	3.2	21.9
Total	11.7	12.2	(4.1)	37.9	38.2	(0.8)

Total Revenues*	2017	2016	% Var.	2017	2016	% Var.
North America	602	633	(4.9)	1,883	1,920	(1.9)
Europe	366	329	11.2	1,164	1,089	6.9
Rest of World	131	101	29.7	340	252	34.9
Total	1,099	1,063	3.4	3,387	3,261	3.9

EBITDA ¹	2017	2016	% Var.	2017	2016	% Var.
North America	90	123	(26.8)	347	411	(15.6)
Europe	51	48	6.3	171	181	(5.5)
Rest of World	12	10	20.0	32	20	60.0
Total	153	182	(15.9)	550	612	(10.1)

EBITDA Margin in %	2017	2016	% Var.	2017	2016	% Var.
North America	15%	19%	(22.9)	18%	21%	(13.9)
Europe	14%	15%	(4.8)	15%	17%	(11.7)
Rest of World	9%	10%	(10.7)	9%	8%	17.6
Total	14%	17%	(18.4)	16%	19%	(13.5)

EBITDA USD/Eq. Unit	2017	2016	% Var.	2017	2016	% Var.
North America	13.3	16.2	(18.0)	16.0	17.6	(8.9)
Europe	14.2	14.2	(0.1)	13.9	15.6	(11.0)
Rest of World	9.1	8.5	6.8	8.1	6.3	30.1
Total	13.1	14.9	(12.0)	14.5	16.0	(9.5)

(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:				
	2017	% of rev.	2016	% of rev.	% Var.	2017	% of rev.	2016	% of rev.	% Var.
Volume (million equivalent units)	11.7		12.2		(4.1)	37.9		38.2		(0.8)
Total revenues	19,580	100.0	19,928	100.0	(1.7)	64,085	100.0	59,565	100.0	7.6
Gross profit	2,637	13.5	3,220	16.2	(18.1)	10,044	15.7	10,530	17.7	(4.6)
Sales & administrative expenses	(1,382)	(7.1)	(1,288)	(6.5)	7.3	(4,209)	(6.6)	(3,617)	(6.1)	16.4
Other income (expenses) net	(74)	(0.4)	4	0.0	NA	(67)	(0.1)	14	0.0	NA
Operating Income	1,180	6.0	1,937	9.7	(39.1)	5,767	9.0	6,927	11.6	(16.7)
Interest Expenses	(345)	(1.8)	(289)	(1.5)	19.4	(1,046)	(1.6)	(909)	(1.5)	15.1
Interest Income	21	0.1	12	0.1	75.0	53	0.1	35	0.1	51.4
Foreign exchange gain (loss)	(124)	(0.6)	(1)	(0.0)	NA	(268)	(0.4)	(8)	(0.0)	NA
Financing expenses net	(448)	(2.3)	(278)	(1.4)	61.2	(1,261)	(2.0)	(882)	(1.5)	43.0
Participation in associates results	9	0.0	14	0.1	NA	62	0.1	35	0.1	77.1
Income Tax	(553)	(2.8)	(563)	(2.8)	(1.8)	(1,555)	(2.4)	(1,840)	(3.1)	(15.5)
Net Income	188	1.0	1,110	5.6	(83.1)	3,013	4.7	4,240	7.1	(28.9)

	2017	% of rev.	2016	% of rev.	% Var.	2017	% of rev.	2016	% of rev.	% Var.
Operating Income	1,180	6.0	1,937	9.7	(39.1)	5,767	9.0	6,927	11.6	(16.7)
Depreciation, Amortization & Other Non-Cash items	1,548	7.9	1,475	7.4	4.9	4,648	7.3	4,254	7.1	9.3
EBITDA ¹	2,728	13.9	3,412	17.1	(20.0)	10,415	16.3	11,181	18.8	(6.9)
CAPEX	1,662	8.5	2,199	11.0	NA ²	6,214	9.7	6,890	11.6	NA ²

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

Nemak
Balance Sheet
Millions of Pesos

Assets	Sep-17	Dec-16	% Var
Cash and cash equivalents	2,361	2,661	(11.3)
Accounts receivable	11,285	11,582	(2.6)
Inventories	12,038	11,784	2.2
Other current assets	861	841	2.4
Total current assets	26,545	26,867	(1.2)
Investments in shares	555	486	14.3
Property, plant and equipment, net	47,507	50,094	(5.2)
Other assets	13,806	14,445	(4.4)
Total assets	88,414	91,892	(3.8)

Liabilities & stockholders' equity	Sep-17	Dec-16	% Var
Bank loans	2,731	1,835	48.9
Current maturities of long-term debt	105	1,588	(93.4)
Interest payable	95	277	(65.7)
Operating liabilities	20,499	19,984	2.6
Total current liabilities	23,430	23,683	(1.1)
Long-term debt	25,111	25,310	(0.8)
Labor liabilities	1,104	1,058	4.3
Other long-term liabilities	3,365	4,770	(29.5)
Total liabilities	53,009	54,821	(3.3)
Total stockholders' equity	35,405	37,071	(4.5)
Total liabilities & stockholders' equity	88,414	91,892	(3.8)

