

Nemak reports 4Q17 results

- Quarterly revenues and EBITDA of US\$1.1 billion and US\$166 million, respectively
- New contracts awarded to Nemak for US\$130 million in annual revenues

Monterrey, Mexico. February 12, 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 fourth quarter of 2017 ("4Q17"). What follows is an overview of the quarter's main highlights:

Key Figures

	Fourth Quarter			Twelve months		
	2017	2016	Δ%	2017	2016	Δ%
Volume (M. Equivalent units)	12.0	11.8	1.7	49.9	50.1	(0.4)
Revenues	1,094	996	9.8	4,481	4,257	5.3
EBITDA ¹	166	186	(10.8)	715	798	(10.4)
CAPEX	109	164	NA ²	433	541	NA ²

US\$ Millions, except Volume

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

(2) NA = Not applicable

For 4Q17, volumes were 12.0 million equivalent units ("MEU"), 1.7% higher year-over-year ("y-o-y"), with Europe ("EU") showing healthy growth and North America ("NA") and Rest of World ("RoW") remaining stable. In turn, revenues were US\$1,094 million, up 9.8% y-o-y on the back of higher average aluminum prices plus higher volumes. Full-year volumes were 49.9 MEU, down slightly vis-a-vis 2016, while revenues were US\$ 4,481 million, up 5.3% due to higher aluminum prices.

4Q17 EBITDA was US\$166 million, a 10.8% y-o-y decrease mainly due to the combined effect of negative metal price lag and higher launching expenses. EU was the company's top-performing region, reporting improved profitability due to increased sales of higher value-added products. On a cumulative basis, EBITDA for the full year was US\$715 million, 10.4% lower than last year due to the same factors behind quarterly y-o-y variations.

4Q17 capex was US\$109 million as the company continued with investments to increase and adapt production capacity to meet new demand related to recently awarded contracts. Likewise, resources were invested in the continued launch of new programs to produce structural and electric vehicle components ("SC/EV") in NA and EU. For the full year of 2017, capex amounted to US\$433 million.

Message from the CEO

We reached key milestones in the implementation of our strategy, securing new contracts that will position us to provide higher value-added solutions to our customers while continuing to advance with the ramp-up of our SC/EV operations. Our solid efforts in our SC/EV business throughout the year enabled us to generate annual revenues in this segment of approximately US\$100 million.

While quarterly consolidated volumes finished slightly higher, our profitability decreased mainly due to external headwinds—in particular, rising aluminum prices—combined with increased launching expenses.

Building on our customer relationships, we were awarded new contracts across all business lines worth a total of US\$130 million in annual revenues in the quarter. For the full 2017 year, new contract wins totaled US\$830 million in annual revenues, similar to the amount secured the previous year.

We also took important steps to strengthen our financial position, issuing a US\$500 million bond in the international debt markets in January, 2018 that will enable us to lower our financial costs and to extend the average life of our debt. The notes featured the all-time lowest coupon—4.75%—for a Ba1/BB+/BB+ rated issuance from a Latin American company.

Automotive Industry

	Millions of Units		
	Fourth Quarter		
	2017	2016	% Var.
U.S. Vehicle Sales SAAR ⁽¹⁾	17.8	18.1	(1.6)
North America Vehicle Production ⁽²⁾	4.2	4.4	(4.1)
North America Nemark Customer Production ⁽²⁾	2.9	3.1	(5.8)
Europe Vehicle Sales SAAR ⁽¹⁾	20.1	20.3	(1.4)
Europe Vehicle Production ⁽²⁾	5.8	5.4	7.9
Europe Nemark Customer Production ⁽²⁾	4.0	3.6	10.3

(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 1.6% y-o-y, with retail sales remaining stable while fleet sales decreased. In turn, North America vehicle production and Nemark customers' vehicle production decreased 4.1% and 5.8%, respectively, as OEMs reduced inventories.

In Europe, vehicle sales SAAR in 4Q17 decreased 1.4% y-o-y due to lower sales in Western Europe. Nonetheless, vehicle production and Nemark customers' production increased 7.9 and 10.3%, respectively, supported by increased production of vehicles for export to other regions.



Recent Developments

- Nematik won two new SC/EV programs: one marking its entry into this segment in China; and one representing its first full assembly solution for a premium OEM in Europe. Total order book in the SC/EV business grew to approximately US\$320 million in annual revenues.
- Selected as a winner of the 2017 R&D 100 Awards for the co-development of a new high-temperature aluminum alloy together with FCA and Oak Ridge National Laboratory.
- Named as a finalist for the 2018 Automotive News Pace Awards for the development of its lightweight Rotacast® aluminum casting process. The winners will be announced next April.

Financial Results Summary

	Fourth Quarter			Twelve months		
	2017	2016	Δ%	2017	2016	Δ%
Volume (M. Equivalent units)	12.0	11.8	1.7	49.9	50.1	(0.4)
Revenues	1,094	996	9.8	4,481	4,257	5.3
Operating Income	66	90	(26.7)	370	469	(21.1)
EBITDA ¹	166	186	(10.8)	715	798	(10.4)
EBITDA ¹ / Eq. Unit	13.8	15.8	(12.7)	14.3	15.9	(10.1)
Net Income	36	60	(40.0)	192	292	(34.2)
CAPEX	109	164	NA ²	433	541	NA ²
Net Debt ³	1,271	1,262	0.7			

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 - Cash

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

4Q17 total volume increased by 1.7% y-o-y driven by higher customer demand in Europe for Nematik components. In this region, 4Q17 volume increased 5.6% y-o-y reflecting the strength of the market. Meanwhile, North America volumes remained steady as new program launches compensated for lower customer production. Likewise in RoW, where industry recovery in South America compensated for lower customer demand in Asia for Nematik components.

For the full 2017 year, Nematik's overall volume decreased slightly vis-à-vis 2016 as lower volumes in NA narrowly outweighed growth in EU and RoW.

Turning to revenues, higher aluminum prices combined with volumes drove Nematik's 4Q17 consolidated revenues up 9.8% y-o-y. For the full year, rising aluminum prices more than compensated for lower volumes, causing revenues to increase 5.3% vis-à-vis 2016.

4Q17 operating income decreased 26.7% y-o-y, mainly as a result of negative metal price lag and increased expenses related to new program launches. Lower operating income translated into an operating margin of 6.0%, 300 basis points below 4Q16. For full-year 2017, operating income was 21.1% lower than 2016 due to the same reasons already explained, which in turn caused operating margin to decrease 280 basis points.

The above-mentioned decrease in 4Q17 operating income resulted in a 10.8% y-o-y reduction in EBITDA. 4Q17 EBITDA margin was 15.2%, down from the 18.7% reported in 4Q16. 4Q17 EBITDA per equivalent unit was US\$13.80, down from US\$15.80 in 4Q16. For full-year 2017, the already explained lower operating income caused EBITDA to finish 10.4% lower than in 2016. In turn,



EBITDA margin and EBITDA per equivalent unit were 16.0% and US\$14.30, respectively, which compared to 18.7% and US\$15.90 the previous year.

4Q17 net income decreased 40.0% compared to 4Q16 mainly due to lower operating income combined with foreign exchange losses. Full-year net income was 34.2% lower than in 2016 for the same reasons.

Capital expenditures totaled US\$109 million during 4Q17. As explained, investments were made to expand capacity and to facilitate operational efficiency across the company's regions. Capital expenditures for the year amounted to US\$433 million.

As of December 31, 2017, Nemak reported Net Debt in the amount of US\$1.3 billion, including Cash and Marketable Securities worth US\$190 million. Financial ratios were: Debt, net of Cash, to EBITDA, 1.78 times; and Interest Coverage, 11.2 times. These ratios are similar to those reported at the end of 2016.

Regional Results

North America

In 4Q17, revenues increased 7.3% y-o-y due to higher aluminum prices. Turning to EBITDA, the adverse impact of metal price lag and increased launching expenses were the main causes of the 22.7% decrease y-o-y.

For full-year 2017, revenues increased 0.2% vis-a-vis 2016 while EBITDA decreased 17.2%, for the same reasons.

Europe

In 4Q17, revenues increased 19.4% y-o-y driven by new program launches and higher aluminum prices. Meanwhile, 4Q17 EBITDA increased 12.7% y-o-y, as higher volumes and an improved sales mix more than compensated for the effects of negative metal price lag.

For the full year, revenues increased 9.8% on the back of higher aluminum prices and higher volumes. However, EBITDA decreased 1.3% as higher revenues were not enough to offset negative metal price lag.

Rest of the World (RoW)

In 4Q17, revenues in RoW decreased by 7.8% y-o-y mainly due to a less favorable sales mix; nonetheless, both volume and EBITDA in the period were flat.

In 2017, revenues in RoW increased 22.2% compared to 2016 mainly due to higher volumes and a better product mix across Asia and South America. EBITDA in RoW increased US\$12 million in 2017 compared to 2016 for the same reasons.



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 Fourth Quarter 2017 Conference Call will be held on Tuesday, February 13, 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

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 Regional Results

Millions of Dollars

Volume (million equivalent units)	For the fourth quarter of:			For the twelve months of:		
	2017	2016	% Var.	2017	2016	% Var.
North America	6.9	6.9	0.0	28.6	30.3	(5.6)
Europe	3.8	3.6	5.6	16.1	15.2	5.9
Rest of World	1.3	1.3	0.0	5.2	4.6	13.0
Total	12.0	11.8	1.7	49.9	50.1	(0.4)
Total Revenues*	2017	2016	% Var.	2017	2016	% Var.
North America	599	558	7.3	2,482	2,478	0.2
Europe	400	335	19.4	1,564	1,424	9.8
Rest of World	95	103	(7.8)	435	356	22.2
Total	1,094	996	9.8	4,481	4,257	5.3
EBITDA¹	2017	2016	% Var.	2017	2016	% Var.
North America	92	119	(22.7)	439	530	(17.2)
Europe	62	55	12.7	233	236	(1.3)
Rest of World	12	12	0.0	44	32	37.5
Total	166	186	(10.8)	715	798	(10.4)
EBITDA Margin in %	2017	2016	% Var.	2017	2016	% Var.
North America	15%	21%	(28.3)	18%	21%	(17.4)
Europe	15%	16%	(5.5)	15%	17%	(10.1)
Rest of World	13%	12%	8.7	10%	9%	11.6
Total	15%	19%	(18.9)	16%	19%	(14.8)
EBITDA USD/Eq. Unit	2017	2016	% Var.	2017	2016	% Var.
North America	13.3	17.3	(23.0)	15.3	17.5	(12.3)
Europe	16.3	15.2	6.8	14.5	15.5	(6.8)
Rest of World	9.3	9.3	0.0	8.4	7.0	20.7
Total	13.8	15.8	(12.4)	14.3	15.9	(10.0)

(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:				
	2017	% of rev.	2016	% of rev.	% Var.	2017	% of rev.	2016	% of rev.	% Var.
Volume (million equivalent units)	12.0		11.8		1.7	49.9		50.1		(0.4)
Total revenues	20,694	100.0	19,679	100.0	5.2	84,779	100.0	79,244	100.0	7.0
Gross profit	2,924	14.1	3,369	17.1	(13.2)	12,967	15.3	13,899	17.5	(6.7)
Sales & administrative expenses	(1,608)	(7.8)	(1,340)	(6.8)	20.0	(5,818)	(6.9)	(4,957)	(6.3)	17.4
Other income (expenses) net	(66)	(0.3)	(272)	(1.4)	(75.7)	(134)	(0.2)	(258)	(0.3)	(48.1)
Operating Income	1,248	6.0	1,757	8.9	(29.0)	7,015	8.3	8,684	11.0	(19.2)
Interest Expenses	(497)	(2.4)	(348)	(1.8)	42.8	(1,542)	(1.8)	(1,257)	(1.6)	22.7
Interest Income	364	1.8	18	0.1	NA	417	0.5	53	0.1	NA
Foreign exchange gain (loss)	(507)	(2.4)	(227)	(1.2)	NA	(774)	(0.9)	(235)	(0.3)	NA
Financing expenses net	(640)	(3.1)	(557)	(2.8)	14.9	(1,899)	(2.2)	(1,439)	(1.8)	32.0
Participation in associates results	(1)	(0.0)	20	0.1	NA	60	0.1	56	0.1	7.1
Income Tax	71	0.3	(50)	(0.3)	NA	(1,484)	(1.8)	(1,891)	(2.4)	(21.5)
Net Income	678	3.3	1,170	5.9	(42.1)	3,692	4.4	5,410	6.8	(31.8)

	2017	% of rev.	2016	% of rev.	% Var.	2017	% of rev.	2016	% of rev.	% Var.
Operating Income	1,248	6.0	1,757	8.9	(29.0)	7,015	8.3	8,684	11.0	(19.2)
Depreciation, Amortization & Other Non-Cash items	1,883	9.1	1,912	9.7	(1.5)	6,531	7.7	6,166	7.8	5.9
EBITDA ¹	3,131	15.1	3,669	18.6	(14.7)	13,546	16.0	14,850	18.7	(8.8)
CAPEX	2,065	10.0	3,273	16.6	NA ²	8,279	9.8	10,164	12.8	NA ²

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

(2) Not applicable

Nemak
Balance Sheet
Millions of Pesos

Assets	Dec-17	Dec-16	% Var
Cash and cash equivalents	3,757	2,661	41.2
Accounts receivable	11,406	11,582	(1.5)
Inventories	12,695	11,784	7.7
Other current assets	579	873	(33.7)
Total current assets	28,436	26,900	5.7
Investments in shares	576	486	18.6
Property, plant and equipment, net	52,274	50,094	4.4
Other assets	15,402	14,412	6.9
Total assets	96,690	91,892	5.2

Liabilities & stockholders' equity	Dec-17	Dec-16	% Var
Bank loans	1,007	1,835	(45.1)
Current maturities of long-term debt	155	1,588	(90.3)
Interest payable	333	277	20.2
Operating liabilities	24,014	19,984	20.2
Total current liabilities	25,509	23,683	7.7
Long-term debt	27,905	25,310	10.3
Labor liabilities	1,225	1,058	15.8
Other long-term liabilities	3,629	4,770	(23.9)
Total liabilities	58,267	54,821	6.3
Total stockholders' equity	38,423	37,071	3.6
Total liabilities & stockholders' equity	96,690	91,892	5.2

