

## Nemak reports 1Q18 results

- Quarterly revenues and EBITDA of US\$1.2 billion and US\$197 million, respectively
- New contracts awarded to Nemak for US\$110 million in annual revenues

Monterrey, Mexico. April 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 first quarter of 2018 ("1Q18"). What follows is an overview of the quarter's main highlights:

### Key Figures

	First Quarter		
	2018	2017	Δ%
Volume (M. Equivalent units)	13.1	13.2	(0.8)
Revenues	1,235	1,123	10.0
EBITDA <sup>1</sup>	197	190	3.7
CAPEX	106	143	NA <sup>2</sup>

US\$ Millions, except Volume  
 (1) EBITDA = Operating Income + Depreciation, Amortization & other Non-Cash Charges  
 (2) NA = Not applicable

For 1Q18, volumes were 13.1 million equivalent units ("MEU"), 0.8% lower than the 1Q17 figure. North America ("NA") reported growth, while Europe ("EU") showed less volumes year-on-year ("y-o-y"), and Rest of World ("RoW") remained flat. These figures notwithstanding, revenues were US\$1,235 million, up 10.0% y-o-y due to the appreciation of the euro against the US dollar and higher average aluminum prices.

1Q18 EBITDA was US\$197 million, a 3.7% y-o-y increase. Results benefited from operational efficiencies and increased sales of higher value-added products, together with a less adverse impact from "metal price lag" (effect associated with the delay in passing on aluminum price changes to customers, as stipulated in the company's contracts) than in 1Q17 and currency effects.

1Q18 capex was US\$106 million as Nemak continued investing to meet increased future demand related to recently awarded contracts across its main product lines.

### Message from the CEO

*We delivered improved results this quarter, thanks to the implementation of cost-reduction initiatives and increased sales of higher value-added products, among other factors. In particular, our North America operation made a positive contribution, as benefits associated with the continued ramp-up of new, high-volume powertrain programs outweighed the impact of lower overall customer demand in the region.*

*I am also pleased to share that we won new business in structural and electric vehicle components (SC/EV) worth US\$50 million in annual revenues, bringing our total order book in this segment to*



approximately US\$370 million in annual revenues. These contracts represented several milestones for the company, including: 1) first contract with a leading Asian battery manufacturer for SC/EV; 2) first contract for a mass-market German EV platform; and 3) first program to supply pure electric applications in North America. With the support of a dedicated global organization and top talent, I am confident that we are well positioned to continue growing and reinforcing our competitive position in SC/EV into the future.

## Automotive Industry

	Millions of Units		
	First Quarter		
	2018	2017	% Var.
U.S. Vehicle Sales SAAR <sup>(1)</sup>	17.2	17.2	0.0
North America Vehicle Production <sup>(2)</sup>	4.4	4.5	(2.6)
North America Nemak Customer Production <sup>(2)</sup>	3.1	3.1	(1.7)
Europe Vehicle Sales SAAR <sup>(1)</sup>	21.3	20.6	3.6
Europe Vehicle Production <sup>(2)</sup>	5.9	5.9	0.9
Europe Nemak Customer Production <sup>(2)</sup>	4.1	4.1	(1.0)

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

In the quarter, SAAR for U.S. vehicle sales was basically flat compared to 1Q17, as higher sales of light trucks—including CUVs, SUVs, and pickups—compensated for lower passenger car sales. Meanwhile, North America vehicle production and Nemak customers' vehicle production decreased 2.6% and 1.7%, respectively, as OEMs continued to reduce inventories.

In Europe, 1Q18 vehicle sales (SAAR) increased 3.6% y-o-y supported by more favorable economic conditions, particularly in Eastern Europe. Vehicle production figures saw little change y-o-y, as OEMs reduced their exports to other regions.

## Recent Developments

- During the quarter, new contract wins totaled US\$110 million in annual revenues. This full amount represented incremental revenues, with US\$50 million coming in from SC/EV.
- Nemak began working with a new Chinese OEM on the development of structural components for pure-electric vehicles.



## Financial Results Summary

	First Quarter		
	2018	2017	Δ%
Volume (M. Equivalent units)	13.1	13.2	(0.8)
Revenues	1,235	1,123	10.0
Operating Income	108	113	(4.4)
EBITDA <sup>1</sup>	197	190	3.7
EBITDA <sup>1</sup> / Eq. Unit	15.0	14.4	4.2
Net Income	69	67	3.0
CAPEX	106	143	NA <sup>2</sup>
Net Debt <sup>3</sup>	1,377	1,349	2.1

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:

1Q18 total volume decreased by 0.8% y-o-y, as higher sales in NA were not enough to offset declines in EU. NA volumes went up reflecting mainly the continued ramp-up of new programs for V6 engine applications. In EU, Nemak's volumes declined mainly due to lower sales to diesel vehicles which more than offset higher sales to gasoline vehicles during the period. And, 1Q18 RoW volumes were flat as a decrease in China was offset with gains in South America.

Turning to revenues, the appreciation of the euro against the US dollar and higher aluminum prices drove Nemak's 1Q18 consolidated revenues up 10.0% y-o-y. Meanwhile, 1Q18 operating income decreased 4.4% y-o-y as a result of several contrasting effects: on the one hand, Nemak benefited from operational efficiencies, increased sales of higher value-added products, a less adverse impact from metal price lag than in 1Q17, and currency effects. On the other hand, higher depreciation and amortization and a slight increase in launching expenses more than offset the above-mentioned benefits. Lower operating income translated into an operating margin of 8.7% in 1Q18, 130 basis points below 1Q17.

Despite the above-mentioned decrease in operating income, 1Q18 EBITDA was 3.7% higher y-o-y due mainly to the positive effects described above. 1Q18 EBITDA per equivalent unit was US\$15.0, up from US\$14.4 in 1Q17.

1Q18 net income increased 3.0% compared to 1Q17 as the effect of items mentioned above together with extraordinary expenses related to new debt issuance were more than offset by lower deferred taxes.

Capital expenditures totaled US\$106 million during 1Q18. As explained, investments were made to support new program launches and to drive operational efficiency across the company's regions.

As of March 31, 2018, Nemak reported Net Debt in the amount of US\$1.4 billion. Financial ratios were: Debt, net of Cash, to EBITDA, 1.9 times; and Interest Coverage, 8.4 times. These ratios were slightly higher and lower than those reported at the end of March 2017, respectively.



## **Regional Results**

### **North America**

In 1Q18, revenues increased 7.5% y-o-y due to a combination of higher aluminum prices and higher volumes. In turn, EBITDA increased 4.3%, due mainly to increased sales of higher value-added products, operational efficiencies, and a less adverse impact from metal price lag.

### **Europe**

In 1Q18, revenues increased 13.6% y-o-y driven by currency effects and higher aluminum prices. Meanwhile, 1Q18 EBITDA increased 9.4 % y-o-y, as operational efficiencies and FX gains more than offset the negative impact of lower volumes.

### **Rest of the World (RoW)**

In 1Q18, revenues in RoW increased by 10.0% y-o-y mainly due to higher aluminum prices. However, EBITDA for the period was down US\$4 million due mainly to a combination of lower customer production in China and higher launching expenses in South America.

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## **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 First Quarter 2018 Conference Call will be held on Thursday, April 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 first quarter of:				
	2018	% of rev.	2017	% of rev.	% Var.
Volume (million equivalent units)	13.1		13.2		(0.8)
Total revenues	1,235	100.0	1,123	100.0	10.0
Gross profit	185	15.0	181	16.1	2.2
Sales & administrative expenses	(77)	(6.2)	(67)	(6.0)	14.9
Other income (expenses) net	0	0.0	(1)	(0.1)	NA
Operating Income	108	8.7	113	10.1	(4.4)
Interest Expenses	(42)	(3.4)	(18)	(1.6)	NA
Interest Income	3	0.2	1	0.1	NA
Foreign exchange gain (loss)	10	0.8	12	1.1	(16.7)
Financing expenses net	(29)	(2.3)	(5)	(0.4)	NA
Participation in associates results	5	0.4	2	0.2	NA
Income Tax	(15)	(1.2)	(42)	(3.7)	(64.3)
Net Income	69	5.6	67	6.0	3.0
Income from Operations	108	8.7	113	10.1	(4.4)
Depreciation, Amortization & Other Non-Cash items	89	7.2	77	6.9	15.6
EBITDA <sup>1</sup>	197	16.0	190	16.9	3.7
CAPEX	106	8.6	143	12.7	NA <sup>2</sup>

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

(2) Not applicable

**Nemak**  
**Balance Sheet**  
**Millions of Dollars**

Assets	Mar-18	Dec-17	% Var
Cash and cash equivalents	134	190	(29.4)
Accounts receivable	634	578	9.7
Inventories	706	643	9.7
Other current assets	38	29	28.3
Total current assets	1,513	1,441	5.0
Investments in shares	38	29	29.1
Property, plant and equipment, net	2,695	2,649	1.8
Other assets	720	781	(7.8)
Total assets	4,966	4,899	1.4
Liabilities & stockholders' equity	Mar-18	Dec-17	% Var
Bank loans	93	51	83.1
Current maturities of long-term debt	7	8	(14.1)
Interest payable	8	17	(54.2)
Operating liabilities	1,295	1,217	6.5
Total current liabilities	1,403	1,293	8.5
Long-term debt	1,433	1,414	1.4
Labor liabilities	65	62	4.5
Other long term-liabilities	136	184	(26.0)
Total liabilities	3,037	2,952	2.9
Total stockholders' equity	1,928	1,947	(1.0)
Total liabilities & stockholders' equity	4,966	4,899	1.4



## Nemak Regional Results

**Millions of Dollars**

	For the first quarter of:		
	2018	2017	% Var.
<b>Volume (million equivalent units)</b>			
North America	7.6	7.5	1.3
Europe	4.3	4.5	(4.4)
Rest of World	1.2	1.2	0.0
<b>Total</b>	<b>13.1</b>	<b>13.2</b>	<b>(0.8)</b>
<b>Total Revenues*</b>			
North America	675	628	7.5
Europe	450	396	13.6
Rest of World	110	100	10.0
<b>Total</b>	<b>1,235</b>	<b>1,123</b>	<b>10.0</b>
<b>EBITDA<sup>1</sup></b>			
North America	121	116	4.3
Europe	70	64	9.4
Rest of World	6	10	(40.0)
<b>Total</b>	<b>197</b>	<b>190</b>	<b>3.7</b>
<b>EBITDA Margin in %</b>			
North America	18%	18%	(3.2)
Europe	16%	16%	(3.1)
Rest of World	6%	10%	(44.5)
<b>Total</b>	<b>16%</b>	<b>17%</b>	<b>(5.6)</b>
<b>EBITDA USD/Eq. Unit</b>			
North America	15.9	15.5	2.8
Europe	16.3	14.2	15.1
Rest of World	5.3	8.6	(38.8)
<b>Total</b>	<b>15.0</b>	<b>14.4</b>	<b>4.2</b>

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

\* To external customers



**Nemak**  
**Income Statement**  
**Millions of Pesos**

	For the first quarter of:				
	2018	% of rev.	2017	% of rev.	% Var.
Volume (million equivalent units)	13.1		13.2		(0.8)
Total revenues	23,163	100.0	22,865	100.0	1.3
Gross profit	3,466	15.0	3,684	16.1	(5.9)
Sales & administrative expenses	(1,425)	(6.2)	(1,370)	(6.0)	4.0
Other income (expenses) net	(8)	(0.0)	(30)	(0.1)	(73.3)
Operating Income	2,032	8.8	2,285	10.0	(11.1)
Interest Expenses	(779)	(3.4)	(361)	(1.6)	NA
Interest Income	50	0.2	16	0.1	NA
Foreign exchange gain (loss)	181	0.8	240	1.0	(24.6)
Financing expenses net	(549)	(2.4)	(105)	(0.5)	NA
Participation in associates results	93	0.4	31	0.1	NA
Income Tax	(289)	(1.2)	(831)	(3.6)	(65.2)
Net Income	1,287	5.6	1,380	6.0	(6.7)
Operating Income	2,032	8.8	2,285	10.0	(11.1)
Depreciation, Amortization & Other Non-Cash items	1,663	7.2	1,575	6.9	5.6
EBITDA <sup>1</sup>	3,695	16.0	3,860	16.9	(4.3)
CAPEX	1,995	8.6	2,923	12.8	NA <sup>2</sup>

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

(2) Not applicable

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

Assets	Mar-18	Dec-17	% Var
Cash and cash equivalents	2,465	3,757	(34.4)
Accounts receivable	11,636	11,406	2.0
Inventories	12,947	12,695	2.0
Other current assets	708	579	22.3
Total current assets	27,756	28,436	(2.4)
Investments in shares	692	576	20.2
Property, plant and equipment, net	49,447	52,274	(5.4)
Other assets	13,200	15,402	(14.3)
Total assets	91,096	96,690	(5.8)
Liabilities & stockholders' equity	Mar-18	Dec-17	% Var
Bank loans	1,713	1,007	70.1
Current maturities of long-term debt	122	155	(21.1)
Interest payable	141	333	(57.6)
Operating liabilities	23,760	24,015	(1.1)
Total current liabilities	25,738	25,509	0.9
Long-term debt	26,291	27,905	(5.8)
Labor liabilities	1,190	1,225	(2.9)
Other long-term liabilities	2,514	3,629	(30.7)
Total liabilities	55,732	58,267	(4.4)
Total stockholders' equity	35,364	38,423	(8.0)
Total liabilities & stockholders' equity	91,096	96,690	(5.8)

