

Nemak posts 13% EBITDA¹ growth in 4Q16

Monterrey, Mexico. February 14, 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 fourth quarter of 2016 ("4Q16").

For 4Q16 and full year EBITDA increased 12.7% and 5.1%, respectively. The quarterly result was mainly driven by an improved sales mix of higher value-added products and good operating performance in all regions.

Key Figures

	Fourth Quarter			For the twelve months of:		
	2016	2015	Δ%	2016	2015	Δ%
Volume (M. Equivalent Units)	11.8	12.4	(4.8)	50.1	50.7	(1.2)
Revenues	996	1,048	(5.0)	4,257	4,482	(5.0)
EBITDA ¹	186	165	12.7	798	759	5.1
CAPEX	164	130	26.2	541	460	17.6

Expressed in millions of US Dollars

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

Message from the CEO

We grew profitability in the quarter mainly on the back of a better product mix and improved operating performance. We benefited also from the ramp-up of new programs, particularly at our operations in Europe and Asia. Likewise, we expanded our in-house machining capacity across all regions, further supporting margins.

We took important steps to build upon our foundation for growth in the core powertrain business as well as the new structural and electric vehicle components businesses. During the quarter, we were awarded new contracts worth a total of US\$225 million per year, more than 60% of which represented incremental revenues. Including these new contracts, we were awarded a total of US\$875 million in new contracts in the year.

Moreover, we continued to execute strategic projects to further enhance our global manufacturing footprint. During the quarter, progress was made in the ramp-up of new production plants in Mexico, Poland, and Slovakia, along with capacity expansions in all our regions. And, we closed the acquisition of a supplier of complex aluminum automotive castings based in Izmir, Turkey. Capital expenditures excluding acquisitions amounted to US\$164 million in the quarter and US\$541 million for the year.

I am also pleased to share that, in the fourth quarter, Fitch, the rating agency, raised its outlook on Nemak to "Positive" from "Stable," citing our solid global business position, credit profile, and operating performance, among other factors. With this latest revision, the three major rating agencies—Fitch, Moody's, and Standard & Poor's—all rate Nemak's debt with a positive outlook, one notch below investment grade.

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

Automotive Industry

	Millions of Units		
	For the fourth quarter of:		
	2016	2015	% Var.
U.S. Vehicle Sales SAAR ⁽¹⁾	18.1	17.9	1.1
North America Vehicle Production	4.4	4.3	2.3
North America Nematik Customer Production	3.1	3.1	0.0
Europe Vehicle Sales SAAR ⁽¹⁾	20.3	19.6	3.6
Europe Vehicle Production	5.3	5.2	1.9
Europe Nematik Customer Production	3.7	3.6	2.8

(1) SAAR = Seasonally Adjusted Annual Rate

In the quarter, the seasonally adjusted annual rate ("SAAR") for vehicle sales in the U.S. and North America's vehicle production increased 1.1% and 2.3%, respectively, from 4Q15. Although Nematik customers' vehicle production remained flat, they continued benefiting from a favorable sales mix characterized by an increased share of pick-ups and SUVs.

In Europe, vehicle sales SAAR in 4Q16 was up 3.6% compared to 4Q15 as growth in Western Europe more than compensated for a decrease in Eastern Europe. Vehicle production and Nematik's customer production in Europe increased 1.9% and 2.8% from 4Q15, respectively.

Recent Developments

- On November 1st, Nematik announced that, after receiving customary regulatory approvals, it successfully consummated the acquisition of Cevher Döküm, a supplier of complex aluminum automotive castings based in Izmir, Turkey, that exports most of its production to the European market, generating revenues of US\$70 million in 2015.
- On December 6th, Nematik received two awards from the National Technology and Innovation Award (PNTi), which is overseen by Mexico's Economy Ministry and National Council of Science and Technology. PNTi focuses on supporting the development of businesses and other organizations through the recognition, promotion, and facilitation of successful technology and innovation management processes.



Financial Results

	Fourth Quarter			For the twelve months of:		
	2016	2015	Δ%	2016	2015	Δ%
Volume (M. Equivalent units)	11.8	12.4	(4.8)	50.1	50.7	(1.2)
Revenues	996	1,048	(5.0)	4,257	4,482	(5.0)
Operating Income	90	88	2.3	469	469	0.0
EBITDA ¹	186	165	12.7	798	759	5.1
EBITDA ¹ / Eq. Unit	15.8	13.3	18.8	15.9	15.0	6.0
Net Income	60	61	(1.6)	292	291	0.3
CAPEX	164	130	26.2	541	460	17.6
Net Debt ²	1,262	1,210	4.3	1,262	1,210	4.3

Expressed in millions of US Dollars

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

(2) Net Debt = Total Debt - Cash

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

Total volumes decreased in 4Q16 mainly due to lower sales in North America which were partially offset with higher volumes in Rest of World (RoW). In Europe, year-on-year volumes remained flat. For the full year, the same quarterly trends were observed at the consolidated level; however, increased volumes in European operations contributed to making the decrease smaller.

Lower volumes combined with slightly lower aluminum prices resulted in a 5.0% year-on-year reduction in revenues. The North American market remained the largest, with revenues accounting for 58% of total, while Europe contributed with 33% and RoW with 9%. For the full year, revenues declined 5.0% for the same reasons.

4Q16 operating income increased 2.3% year-on-year, mainly as a result of an improved sales mix of higher value-added products and good operating performance in all regions. Operating margin was 9.0%, higher than the 8.4% in 4Q15. During the quarter, Nemak incurred an extraordinary non-cash charge in the amount of US\$13 million related to the phase-out of a production line in its U.S. operations. Absent this effect, operating income would have increased 17%. For the full year, operating income was the same as in 2015. Operating margin for 2016 increased 60 basis points over 2015, reaching 11% on the back of increased sales of higher value-added products. Excluding the extraordinary charge already explained, 2016 operating income would have increased 2.8% over 2015.

The increase in operating income already explained enabled 4Q16 EBITDA to increase 12.7% year-on-year. 4Q16 EBITDA margin was 18.7%, much higher than the 15.7% reported in 4Q15. For the full year, EBITDA was 5.1% higher than 2015. It represented 18.7% of total revenues, much better than the 16.9% of 2015.

4Q16 EBITDA per equivalent unit reached US\$15.80, up from US\$13.30 in 4Q15. For the whole year, EBITDA per equivalent unit reached US\$15.90, up from US\$15.00 in 2015.

4Q16 net income was slightly lower than 4Q15 due to higher comprehensive financial expenses related to the depreciation of the peso over the period and the extraordinary non-cash charge already explained, which more than offset the increase in operating income. For the full year, net income was slightly above 2015 due to higher operating income.



Capital expenditures totaled US\$164 million during 4Q16, for a total of US\$541 million in the year. Investments were made to expand capacity, update existing production equipment, and improve operational efficiency. These included activities associated with the construction of two new facilities in Mexico—a production plant and a machining center—as well as a new production plant in Slovakia and expansion in Poland.

As of December 31, 2016, Nematik reported Net Debt in the amount of US\$1.3 billion, including Cash and Marketable Securities worth US\$129 million. Financial ratios were: Debt, net of Cash, to EBITDA, 1.6 times; Interest Coverage, 11.9 times. These ratios are similar to those reported at the end of 2015.

Regional Results

North America

In 4Q16, revenues in North America decreased 10.3% compared to 4Q15 mainly due to lower volumes and lower aluminum prices. Despite the reduction in revenues, the Company was able to achieve a 5.3% EBITDA increase in the same period mainly due to operational performance improvement.

For the year as a whole, 2016 revenues decreased 10.0% compared to 2015 for the same reasons. However, EBITDA reached the same amount of 2015 due to operational improvements, favorable mix, the positive impact of metal lag during the first half of the year, and currency effects throughout 2016.

Europe

In 4Q16, revenues in Europe decreased 1.2% compared to 4Q15 mainly due to lower aluminum prices. In contrast, EBITDA increased 19.6% year-on-year mainly due to improved operational performance.

For the full year, revenues and EBITDA increased 3.1% and 12.9%, respectively, compared to 2015. The region achieved higher volumes and a better sales mix, which helped to more than offset lower aluminum prices and the devaluation of the euro compared to the U.S. dollar.

Rest of the World (RoW)

In 4Q16, revenues in RoW increased by 17% compared to 4Q15 mainly due to higher volumes and better product mix in Asia, which more than offset declines in South America. EBITDA in RoW increased US\$5 million in 4Q16 compared to 4Q15 due to higher profitability in Asia.

In 2016, revenues in RoW increased 2.3% compared to 2015 mainly due to higher volumes and better product mix in Asia, which more than offset a weak performance in South America. EBITDA in RoW increased US\$12 million in 2016 compared to 2015 mainly due to higher profitability in Asia.



Conference call information

Nemak's Fourth Quarter 2016 Conference Call will be held on Wednesday, February 15th, 2017, 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

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 2016, the company employed more than 21,000 people at 36 facilities worldwide and generated revenues of US\$4.3 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 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.

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. Financial ratios were 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



Nemak
Income Statement
Millions of Dollars

	For the fourth quarter of:					For the twelve months of:				
	2016	% of rev.	2015	% of rev.	% Var.	2016	% of rev.	2015	% of rev.	% Var.
Volume (million equivalent units)	11.8		12.4		(4.8)	50.1		50.7		(1.2)
Total revenues	996	100.0	1,048	100.0	(5.0)	4,257	100.0	4,482	100.0	(5.0)
Gross profit	171	17.2	152	14.5	12.5	748	17.6	743	16.6	0.7
Sales & administrative expenses	(68)	(6.8)	(66)	(6.3)	3.0	(267)	(6.3)	(277)	(6.2)	(3.6)
Other income (expenses) net	(13)	(1.3)	1	0.1	0.0	(12)	(0.3)	3	0.1	NA
Operating Income	90	9.0	88	8.4	2.3	469	11.0	469	10.5	0.0
Interest Expenses	(18)	(1.8)	(20)	(1.9)	(10.0)	(67)	(1.6)	(74)	(1.7)	(9.5)
Interest Income	1	0.1	1	0.1	0.0	3	0.1	3	0.1	0.0
Foreign exchange gain (loss)	(12)	(1.2)	12	1.1	NA	(11)	(0.3)	(11)	(0.2)	0.0
Financing expenses net	(29)	(2.9)	(7)	(0.7)	NA	(75)	(1.8)	(82)	(1.8)	(8.5)
Participation in associates results	1	0.1	1	0.1	0.0	3	0.1	3	0.1	0.0
Income Tax	(4)	(0.4)	(21)	(2.0)	(81.0)	(105)	(2.5)	(99)	(2.2)	6.1
Net Income	60	6.0	61	5.8	(1.6)	292	6.9	291	6.5	0.3

	2016	% of rev.	2015	% of rev.	% Var.	2016	% of rev.	2015	% of rev.	% Var.
Operating Income	90	9.0	88	8.4	2.3	469	11.0	469	10.5	0.0
Depreciation, Amortization & Other Non-Cash items	96	9.6	77	7.3	24.7	329	7.7	290	6.5	13.4
EBITDA ¹	186	18.7	165	15.7	12.7	798	18.7	759	16.9	5.1
CAPEX	164	16.5	130	12.4	26.2	541	12.7	460	10.3	17.6

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

Nemak
Balance Sheet
Millions of Dollars

Assets	Dec-16	Dec-15	% Var
Cash and cash equivalents	129	104	23.6
Accounts receivable	561	584	(4.0)
Inventories	570	562	1.5
Other current assets	40	74	(46.3)
Total current assets	1,300	1,324	(1.8)
Investments in shares	18	22	(16.6)
Property, plant and equipment, net	2,424	2,224	9.0
Other assets	705	616	14.3
Total assets	4,447	4,186	6.2

Liabilities & stockholders' equity	Dec-16	Dec-15	% Var
Bank loans	87	13	NA
Current maturities of long-term debt	101	27	NA
Interest payable	13	13	3.1
Operating liabilities	967	1,038	(6.8)
Total current liabilities	1,168	1,091	7.1
Long-term debt	1,203	1,265	(4.9)
Labor liabilities	51	45	13.0
Other long term liabilities	230	161	42.8
Total liabilities	2,652	2,562	3.5
Total stockholders' equity	1,794	1,624	10.5
Total liabilities & stockholders' equity	4,447	4,186	6.2



Nemak Regional Results

Millions of Dollars

Volume (million equivalent units)	For the fourth quarter of:			For the twelve months of:		
	2016	2015	% Var.	2016	2015	% Var.
North America	6.9	7.7	(10.4)	30.3	32.1	(5.6)
Europe	3.6	3.6	0.0	15.2	14.2	7.0
Rest of World	1.3	1.1	18.2	4.6	4.4	4.5
Total	11.8	12.4	(4.8)	50.1	50.7	(1.2)

Total Revenues*	2016	2015	% Var.	2016	2015	% Var.
North America	558	621	(10.1)	2,478	2,753	(10.0)
Europe	335	339	(1.2)	1,424	1,381	3.1
Rest of World	103	88	17.0	356	348	2.3
Total	996	1,048	(5.0)	4,257	4,482	(5.0)

EBITDA ¹	2016	2015	% Var.	2016	2015	% Var.
North America	119	113	5.3	530	530	0.0
Europe	55	46	19.6	236	209	12.9
Rest of World	12	7	71.4	32	20	60.0
Total	186	165	12.7	798	759	5.1

EBITDA Margin in %	2016	2015	% Var.	2016	2015	% Var.
North America	21%	18%	18.0	21%	19%	11.2
Europe	16%	14%	20.9	17%	15%	9.4
Rest of World	12%	8%	56.2	9%	6%	56.2
Total	19%	16%	18.7	19%	17%	10.7

EBITDA USD/Eq. Unit	2016	2015	% Var.	2016	2015	% Var.
North America	17.3	14.6	18.1	17.5	16.5	6.0
Europe	15.2	12.7	19.7	15.5	14.7	5.4
Rest of World	9.3	6.0	55.1	7.0	4.6	52.8
Total	15.8	13.3	18.5	15.9	15.0	6.4

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

* To external customers



