

## Nemak reports 1Q19 EBITDA of US\$175 million

Monterrey, Mexico. April 23, 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 first quarter of 2019 ("1Q19"). What follows is a summary of the main figures:

### Key Figures

	First Quarter		
	2019	2018	Δ%
Volume (M. Equivalent units)	12.1	13.1	(7.6)
Revenues	1,102	1,235	(10.8)
EBITDA <sup>1</sup>	175	197	(11.2)
CAPEX	96	106	NA <sup>2</sup>

US\$ Millions, except Volume

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

(2) NA = Not applicable

Nemak sold 12.1 million equivalent units during 1Q19, down 7.6% year-on-year ("y-o-y"). All regions reported reductions in volume due to less favorable industry conditions and reduced demand from certain customers (see page 2 of this report for further details). Revenues in the period amounted to US\$1,102 million, down 10.8% y-o-y, mainly due to lower volumes and exchange rate effects. In turn, these factors were reflected in 1Q19 EBITDA of US\$175 million, down 11.2% y-o-y.

Capital expenditures amounted to US\$96 million during 1Q19, primarily consisting of support for new product launches. At the end of the quarter, Net Debt amounted to US\$1,305 million, down 5.2% y-o-y, despite an increase in the amount of US\$67 million due to the adoption of new accounting standards for leases (IFRS16). Nemak's financial ratios were as follows: Net Debt to EBITDA, 1.8 times; Interest Coverage, 9.4 times.

### Message from the CEO

*Our results this quarter reflected a more challenging overall operating environment, as we had anticipated in our 2019 Guidance. Softening industry and macroeconomic conditions influenced production schedules of our main customers, which in turn affected our volumes. At the same time, we continued with the ramp-up of additional cost-reduction initiatives, helping to mitigate effects of the aforementioned headwinds, particularly in Europe.*

*Regarding strategy implementation, we made strides in supporting our customers' efforts to deliver further improvements in engine efficiency, leveraging our proprietary technology to capture incremental business in cylinder heads and engine blocks. We also continued with the ramp-up of recently awarded business in new products, initiating the setup of production lines for body-in-white structures as well as assembled battery housings in existing facilities in North America, Europe, and Asia.*



Notwithstanding our outlook for this year, I would like to emphasize that we remain confident in our prospects of delivering improved results in subsequent years on the back of new product launches linked to secular industry trends—in particular, the rapidly growing market for structural and electric vehicle components.

## Automotive Industry

	Millions of Units		
	First Quarter		
	2019	2018	% Var.
U.S. Vehicle Sales SAAR <sup>(1)</sup>	17.0	17.2	-1.2
North America Vehicle Production <sup>(2)</sup>	4.4	4.4	0.0
North America Nematik Customer Production <sup>(2)</sup>	3.0	3.0	0.0
Europe Vehicle Sales SAAR <sup>(1)(2)</sup>	20.5	21.1	-2.8
Europe Vehicle Production <sup>(2)</sup>	5.6	5.9	-5.1
Europe Nematik Customer Production <sup>(2)</sup>	4.3	4.6	-6.5

(1) SAAR = Seasonally Adjusted Annual Rate  
(2) Estimated figures

In the quarter, SAAR for U.S. vehicle sales was 17.0 million units, or 1.2% lower y-o-y as favorable economic conditions continued to support a stable industry environment. Regarding North America vehicle production, 1Q19 figures remained basically unchanged for Nematik customers as well as the industry as a whole.

In Europe, 1Q19 vehicle sales (SAAR) was 20.5 million units, down 2.8% y-o-y as sales continued to lag mainly due to the combined effect of softer macroeconomic and industry conditions. For the same reasons, vehicle production and Nematik’s customer production in the region decreased 5.1% and 6.5%, respectively.

## Recent Developments

- Awarded new contracts to supply cylinder heads and engine blocks across its regions worth a total of approximately US\$200 million in annual revenues, half of which represented incremental business.
- Broke ground on its first assembly line for battery electric vehicle applications in North America.



## Financial Results Summary

	First Quarter		
	2019	2018	Δ%
Volume (M. Equivalent units)	12.1	13.1	(7.6)
Revenues	1,102	1,235	(10.8)
Operating Income	91	108	(15.7)
EBITDA <sup>1</sup>	175	197	(11.2)
EBITDA <sup>1</sup> / Eq. Unit	14.5	15.0	(3.3)
Net Income	58	69	(15.9)
CAPEX	96	106	NA <sup>2</sup>
Net Debt <sup>3</sup>	1,305	1,377	(5.2)

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 - Total Cash

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

1Q19 total volume decreased 7.6% y-o-y. All regions reported lower volumes y-o-y although for different reasons. In North America, volumes were down mainly due to a less favorable product mix as well as lower exports to China. In Europe, sales lagged as economic growth slowed, which in turn weighed on demand for auto components. In Rest of World, the reduction was mainly due to lower sales in China, where one of Nematik's main customers continued to work on refreshing its vehicle lineup.

In turn, lower volumes and the depreciation of the euro against the U.S. dollar drove a 10.8% y-o-y decrease in 1Q19 revenues. Regarding Operating Income, Nematik reported a 15.7% y-o-y decrease in 1Q19 mainly affected by lower revenue. 1Q19 EBITDA was down 11.2% y-o-y reflecting the decrease in Operating Income already explained. As per equivalent unit, quarterly EBITDA was US\$14.50, 3.3% lower than the US\$15.00 reported a year ago. Nematik's 1Q19 Net Income was US\$58 million, down 15.9% y-o-y due to lower operating income and a combination of lower financial costs and higher taxes.

Capital expenditures amounted to US\$96 million during 1Q19. Investments were directed towards supporting new product launches in all regions.

As of March 31, 2019, Nematik reported Net Debt in the amount of US\$1.3 billion. Financial ratios were: Debt, net of Cash, to EBITDA, 1.8 times; and Interest Coverage, 9.4 times. These ratios compared to 1.9 and 8.4 times, respectively, in March 2018.

## Regional Results

### North America

In 1Q19, revenues were down 9.0% y-o-y due mainly to volume effects linked to a less favorable product mix and reduced exports to China. 1Q19 EBITDA declined by 9.9% y-o-y reflecting lower revenues.



## Europe

1Q19 revenues decreased 11.1% y-o-y reflecting lower volumes. 1Q19 EBITDA was 4.3% lower y-o-y, due mainly to volumes and the depreciation of the euro against the U.S. dollar, which more than offset benefits of an improved product mix and operational efficiencies.

## Rest of the World

In 1Q19, revenues decreased by 20.0% y-o-y due to lower sales in China. 1Q19 EBITDA was negative US\$1 million, mainly attributable to the lower volumes of the period.

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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 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 First Quarter 2019 Conference Call will be held on Wednesday, April 24, 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](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 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 first quarter of:				
	2019	% of rev.	2018	% of rev.	% Var.
Volume (million equivalent units)	12.1		13.1		(7.6)
Total revenues	1,102	100.0	1,235	100.0	(10.8)
Gross profit	165	15.0	185	15.0	(10.8)
Sales & administrative expenses	(74)	(6.7)	(77)	(6.2)	(3.9)
Other income (expenses) net	0	0.0	0	0.0	0.0
Operating Income	91	8.3	108	8.7	(15.7)
Interest Expenses	(21)	(1.9)	(42)	(3.4)	(50.0)
Interest Income	1	0.1	3	0.2	(66.7)
Foreign exchange gain (loss)	5	0.5	10	0.8	(50.0)
Financing expenses net	(15)	(1.4)	(29)	(2.3)	(48.3)
Participation in associates results	2	0.2	5	0.4	(60.0)
Income Tax	(21)	(1.9)	(15)	(1.2)	40.0
Net Income	58	5.3	69	5.6	(15.9)

  

	2019	% of rev.	2018	% of rev.	% Var.
Income from Operations	91	8.3	108	8.7	(15.7)
Depreciation, Amortization & Other Non-Cash items	84	7.6	89	7.2	(5.6)
EBITDA <sup>1</sup>	175	15.9	197	16.0	(11.2)
CAPEX	96	8.7	106	8.6	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-19	Dec-18	% Var
Cash and cash equivalents	188	181	3.8
Accounts receivable	511	521	(1.9)
Inventories	654	636	2.8
Other current assets	53	55	(4.5)
Total current assets	1,405	1,392	0.9
Investments in shares	41	37	9.7
Property, plant and equipment, net	2,623	2,623	0.0
Other assets	749	685	9.3
Total assets	4,818	4,738	1.7

  

Liabilities & stockholders' equity	Mar-19	Dec-18	% Var
Bank loans	98	78	26.1
Current maturities of long-term debt	61	48	26.8
Interest payable	7	17	(58.4)
Operating liabilities	1,214	1,206	0.7
Total current liabilities	1,379	1,349	2.3
Long-term debt	1,377	1,339	2.9
Labor liabilities	64	63	1.0
Other long term-liabilities	148	154	(3.8)
Total liabilities	2,968	2,904	2.2
Total stockholders' equity	1,850	1,834	0.9
Total liabilities & stockholders' equity	4,818	4,738	1.7



## Nemak Regional Results

### Millions of Dollars

	For the first quarter of:		
Volume (million equivalent units)	2019	2018	% Var.
North America	7.1	7.6	(6.6)
Europe	4.0	4.3	(7.0)
Rest of World	1.0	1.2	(16.7)
<b>Total</b>	<b>12.1</b>	<b>13.1</b>	<b>(7.6)</b>
Total Revenues*	2019	2018	% Var.
North America	614	675	(9.0)
Europe	400	450	(11.1)
Rest of World	88	110	(20.0)
<b>Total</b>	<b>1,102</b>	<b>1,235</b>	<b>(10.8)</b>
EBITDA <sup>1</sup>	2019	2018	% Var.
North America	109	121	(9.9)
Europe	67	70	(4.3)
Rest of World	(1)	6	NA
<b>Total</b>	<b>175</b>	<b>197</b>	<b>(11.2)</b>
EBITDA Margin in %	2019	2018	% Var.
North America	18%	18%	(0.5)
Europe	17%	16%	6.8
Rest of World	-1%	6%	NA
<b>Total</b>	<b>16%</b>	<b>16%</b>	<b>(0.7)</b>
EBITDA USD/Eq. Unit	2019	2018	% Var.
North America	15.4	15.9	(3.1)
Europe	16.7	16.3	2.1
Rest of World	(1.1)	5.3	NA
<b>Total</b>	<b>14.5</b>	<b>15.0</b>	<b>(3.3)</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:				
	2019	% of rev.	2018	% of rev.	% Var.
Volume (million equivalent units)	12.1		13.1		(7.6)
Total revenues	21,183	100.0	23,163	100.0	(8.5)
Gross profit	3,169	15.0	3,466	15.0	(8.6)
Sales & administrative expenses	(1,429)	(6.7)	(1,425)	(6.2)	0.3
Other income (expenses) net	4	0.0	(8)	(0.0)	NA
Operating Income	1,744	8.2	2,032	8.8	(14.2)
Interest Expenses	(401)	(1.9)	(779)	(3.4)	(48.5)
Interest Income	28	0.1	50	0.2	(44.0)
Foreign exchange gain (loss)	106	0.5	181	0.8	(41.4)
Financing expenses net	(267)	(1.3)	(549)	(2.4)	(51.4)
Participation in associates results	43	0.2	92	0.4	(53.3)
Income Tax	(398)	(1.9)	(289)	(1.2)	37.7
Net Income	1,122	5.3	1,287	5.6	(12.8)

  

	2019	% of rev.	2018	% of rev.	% Var.
Operating Income	1,744	8.2	2,032	8.8	(14.2)
Depreciation, Amortization & Other Non-Cash items	1,618	7.6	1,663	7.2	(2.7)
EBITDA <sup>1</sup>	3,362	15.9	3,695	16.0	(9.0)
CAPEX	1,848	8.7	1,995	8.6	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-19	Dec-18	% Var
Cash and cash equivalents	3,633	3,555	2.2
Accounts receivable	9,896	10,247	(3.4)
Inventories	12,670	12,518	1.2
Other current assets	1,019	1,085	(6.1)
Total current assets	27,217	27,405	(0.7)
Investments in shares	790	733	7.9
Property, plant and equipment, net	50,839	51,629	(1.5)
Other assets	14,516	13,491	7.6
Total assets	93,364	93,258	0.1

  

Liabilities & stockholders' equity	Mar-19	Dec-18	% Var
Bank loans	1,893	1,525	24.2
Current maturities of long-term debt	1,174	941	24.8
Interest payable	139	340	(59.3)
Operating liabilities	23,525	23,738	(0.9)
Total current liabilities	26,732	26,544	0.7
Long-term debt	26,689	26,352	1.3
Labor liabilities	1,231	1,238	(0.5)
Other long-term liabilities	2,863	3,021	(5.2)
Total liabilities	57,515	57,154	0.6
Total stockholders' equity	35,849	36,104	(0.7)
Total liabilities & stockholders' equity	93,364	93,258	0.1

