

Nemak posts 1Q17 EBITDA¹ of US\$190 million

Monterrey, Mexico. April 24, 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 first quarter of 2017 ("1Q17"). What follows is an overview of the quarter's main highlights:

Key Figures

	First Quarter		
	2017	2016	Δ%
Volume (M. Equivalent units)	13.2	12.9	2.3
Revenues	1,123	1,076	4.4
EBITDA ¹	190	209	(9.1)
CAPEX	143	131	NA ²

US\$ Millions, except Volume

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

(2) NA = Not applicable

For 1Q17, sales volume increased 2.3% year-over-year due to the strength of Nemak's Europe and Rest-of-World ("RoW") regions more than offsetting decline in North America. Meanwhile, higher volumes combined with higher aluminum prices drove a 4.4% year-over-year increase in revenues. These results notwithstanding, 1Q17 EBITDA was US\$190 million, a 9.1% decrease vis-a-vis the same quarter in 2016. This decrease was mainly due to two negative effects: one, the time lag needed to pass through aluminum price increases to customers ("metal price lag"); and two, lower volumes in North America. 1Q17 capex was US\$143 million as the company continued to move ahead with strategic projects, reaching new milestones in the expansion of its footprint as well as the scale-up of its new structural and electric vehicles ("EV") components businesses.

Message from the CEO

We saw profitability down this quarter mainly due to the negative impact of metal price lag. Continued softness in the passenger car segment in North America also weighed on our results, albeit to a lesser extent. The ramp-up of new programs in our Europe and Rest-of-World regions remained a bright spot, partially offsetting the aforementioned headwinds.

Turning to strategic projects, I am pleased to share that we reached several key milestones in the expansion of our global footprint as well as the execution of our plans in structural and EV components. First, we moved forward with the post-merger integration process in Turkey as expected, ensuring business continuity and delivering good results. Second, our team in Poland successfully brought our first three structural components programs to volume production, reinforcing our positive outlook for this new business line. Last, we officially inaugurated a new state-of-the-art production plant in Monterrey, Mexico. Equipped with high-pressure die casting

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

technology, this plant will support the production of engine blocks, transmission cases, and structural components, with most of the volume to be machined on-site.

On the financing front, during the quarter we successfully placed a seven-year, 500 million euro bond, which bears a 3.25% coupon. The proceeds from this placement were used to prepay shorter maturity debt, increasing the average life from four to six years. Additionally, it enabled us to better match the currency mix of our debt and cash flows in euros and further diversify our sources of funding.

Automotive Industry

	Millions of Units		
	First Quarter		
	2017	2016	% Var.
U.S. Vehicle Sales SAAR ⁽¹⁾	17.3	17.2	0.2
North America Vehicle Production	4.5	4.5	1.6
North America Nematik Customer Production	3.2	3.1	2.7
Europe Vehicle Sales SAAR ⁽¹⁾	20.1	19.9	1.2
Europe Vehicle Production	5.9	5.5	6.7
Europe Nematik Customer Production	4.0	3.8	7.8

(1) SAAR = Seasonally Adjusted Annual Rate

In the quarter, SAAR for vehicle sales was nearly flat compared to 1Q16, as higher sales of trucks and large SUVs were offset by lower sales of passenger cars. North America vehicle production increased 1.6%, mainly due to the continued relocation of production to North America from other regions. In addition, Nematik customers' vehicle production in North America rose 2.7% as higher overall production more than offset the combined impact of the discontinuation of production of FCA's small- and medium-size sedan platforms and lower passenger car production volumes from Ford.

In Europe, vehicle sales SAAR in 1Q17 was up 1.2% compared to 1Q16 as growth in Western Europe outweighed a decrease in Eastern Europe. Vehicle production increased 7.8%, driven by higher sales during the quarter, while that of Nematik's customers grew at a similar pace.

Recent Developments

- During the quarter, Nematik won new contracts worth approximately US\$125 million in annual revenues. These included a new program to produce structural components for Daimler. With this new program, Nematik has been awarded contracts to produce structural components for all premium German OEMs.
- Nematik successfully launched three new programs at its plant in Poland to produce structural components for BMW and Audi.
- On February 17, Nematik's operation in Slovakia was recognized by FCA for its outstanding contributions to the successful launch of the engine platform serving Alfa Romeo's first-ever SUV line as well as its all-new sedan.



Financial Results

	First Quarter		
	2017	2016	Δ%
Volume (M. Equivalent units)	13.2	12.9	2.3
Revenues	1,123	1,076	4.4
Operating Income	113	134	(15.7)
EBITDA ¹	190	209	(9.1)
EBITDA ¹ / Eq. Unit	14.40	16.20	(11.1)
Net Income	67	97	(30.9)
CAPEX	143	131	NA ²
Net Debt ³	1,349	1,327	1.7

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:

Total volume increased by 2.3% in 1Q17 as the ramp-up of new production programs in Europe and RoW more than compensated for lower volumes in North America. The acquisition in Turkey also contributed to this increase. In turn, higher volumes combined with double-digit increases in global aluminum price references resulted in a 4.4% year-on-year increase in revenues.

1Q17 operating income decreased 15.7% year-on-year, mainly as a result of aluminum price increases which created the aforementioned “metal price lag” effect. The comparison vis-a-vis 1Q16 was even more difficult taking into account that the metal price lag effect was positive in 1Q16. Additionally, the effect of lower volumes in Nemak’s North American operations contributed to this decrease. Lower operating income translated into an operating margin of 10.1%, 240 basis points below 1Q16.

The decrease in operating income already explained resulted in a 9.1% year-over-year decrease in EBITDA. 1Q17 EBITDA margin was 16.9%, down from the 19.4% reported in 1Q16. 1Q17 EBITDA per equivalent unit was US\$14.40, down from US\$16.20 in 1Q16.

1Q17 net income decreased 30.9% compared to 1Q16 mainly due to the already-mentioned decrease in operating income combined with increased financing expenses associated with the Eurobond issuance in March.

Capital expenditures totaled US\$143 million during 1Q17. Investments were made to expand capacity, update existing production equipment, and improve operational efficiency. These included activities associated with the ramp-up 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 March 31, 2017, Nemak reported Net Debt in the amount of US\$1.3 billion, including Cash and Marketable Securities worth US\$109 million. Financial ratios were: Debt, net of Cash, to EBITDA, 1.7 times; Interest Coverage, 11.9 times. These ratios are similar to those reported at the end of 2016.



Regional Results

North America

In 1Q17, revenues in North America decreased 1.7% compared to 1Q16 mainly due to the impact of lower volumes which was partially offset by higher aluminum prices. Meanwhile, this aluminum price increase created a negative metal price lag effect, which combined with lower volumes caused an 18.9% EBITDA reduction year-over-year.

Europe

In 1Q17, revenues in Europe increased 8.8% compared to 1Q16 mainly due to 12.5% higher volumes and higher aluminum prices, which were partially offset by the depreciation of the euro compared to the US dollar and an unfavorable sales mix. The consolidation of the plant acquired in Turkey in 4Q16 also contributed to the volume increase. EBITDA increased only 3.2% year-on-year as the impact of negative metal price lag partially offset benefits from higher volumes.

Rest of the World (RoW)

In 1Q17, revenues in RoW increased by 37.0% compared to 1Q16 mainly due to higher volumes and a better product mix in Asia. EBITDA in RoW increased US\$5 million in 1Q17 compared to 1Q16 due to higher profitability in Asia.



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 First Quarter 2017 Conference Call will be held on Tuesday, April 25th, 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: (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 Nemak's website. For more information, please visit www.nemak.com/investors

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, 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
Income Statement
Millions of Dollars

For the first quarter of:

	2017	% of rev.	2016	% of rev.	% Var.
Volume (million equivalent units)	13.2		12.9		2.3
Total revenues	1,123	100.0	1,076	100.0	4.4
Gross profit	181	16.1	202	18.8	(10.4)
Sales & administrative expenses	(67)	(6.0)	(68)	(6.3)	(1.5)
Other income (expenses) net	(1)	(0.1)	1	0.1	0.0
Operating Income	113	10.1	134	12.5	(15.7)
Interest Expenses	(18)	(1.6)	(16)	(1.5)	12.5
Interest Income	1	0.1	1	0.1	0.0
Foreign exchange gain (loss)	11	1.0	13	1.2	(15.4)
Financing expenses net	(6)	(0.5)	(2)	(0.2)	NA
Participation in associates results	2	0.2	0	0.0	0.0
Income Tax	(42)	(3.7)	(37)	(3.4)	13.5
Net Income	67	6.0	97	9.0	(30.9)

	2017	% of rev.	2016	% of rev.	% Var.
Operating Income	113	10.1	134	12.5	(15.7)
Depreciation, Amortization & Other Non-Cash items	77	6.9	75	7.0	2.7
EBITDA ¹	190	16.9	209	19.4	(9.1)
CAPEX	143	12.7	131	12.2	NA ²

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

Nemak
Balance Sheet
Millions of Dollars

Assets	Mar-17	Dec-16	% Var
Cash and cash equivalents	109	129	(15.1)
Accounts receivable	678	561	20.9
Inventories	592	570	3.8
Other current assets	22	43	(48.7)
Total current assets	1,402	1,302	7.7
Investments in shares	29	24	22.1
Property, plant and equipment, net	2,509	2,424	3.5
Other assets	730	697	4.7
Total assets	4,670	4,447	5.0

Liabilities & stockholders' equity	Mar-17	Dec-16	% Var
Bank loans	159	89	79.1
Current maturities of long-term debt	0	77	(100.0)
Interest payable	5	13	(60.4)
Operating liabilities	1,091	967	12.8
Total current liabilities	1,256	1,146	9.6
Long-term debt	1,305	1,225	6.6
Labor liabilities	55	51	6.8
Other long term liabilities	209	231	(9.7)
Total liabilities	2,824	2,653	6.5
Total stockholders' equity	1,844	1,794	2.8
Total liabilities & stockholders' equity	4,670	4,447	5.0



Nemak Regional Results

Millions of Dollars

	For the first quarter of:		
Volume (million equivalent units)	2017	2016	% Var.
North America	7.5	8.0	(6.3)
Europe	4.5	4.0	12.5
Rest of World	1.2	0.9	33.3
Total	13.2	12.9	2.3

Total Revenues*	2017	2016	% Var.
North America	628	639	(1.7)
Europe	396	364	8.8
Rest of World	100	73	37.0
Total	1,123	1,076	4.4

EBITDA ¹	2017	2016	% Var.
North America	116	143	(18.9)
Europe	64	62	3.2
Rest of World	10	5	100.0
Total	190	209	(9.1)

EBITDA Margin in %	2017	2016	% Var.
North America	18%	22%	(17.3)
Europe	16%	17%	(5.4)
Rest of World	10%	6%	63.8
Total	17%	19%	(13.0)

EBITDA USD/Eq. Unit	2017	2016	% Var.
North America	15.5	17.8	(13.4)
Europe	14.2	15.5	(8.4)
Rest of World	8.6	5.1	67.9
Total	14.4	16.2	(11.2)

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

* To external customers



Nemak
Income Statement
Millions of Pesos

For the first quarter of:

	2017	% of rev.	2016	% of rev.	% Var.
Volume (million equivalent units)	13.2		12.9		2.3
Total revenues	22,865	100.0	19,382	100.0	18.0
Gross profit	3,684	16.1	3,640	18.8	1.2
Sales & administrative expenses	(1,370)	(6.0)	(1,233)	(6.4)	11.1
Other income (expenses) net	(29)	(0.1)	10	0.1	NA
Operating Income	2,285	10.0	2,417	12.5	(5.5)
Interest Expenses	(361)	(1.6)	(289)	(1.5)	24.9
Interest Income	16	0.1	26	0.1	(38.5)
Foreign exchange gain (loss)	240	1.0	245	1.3	(2.0)
Financing expenses net	(105)	(0.5)	(18)	(0.1)	NA
Participation in associates results	31	0.1	(1)	(0.0)	NA
Income Tax	(831)	(3.6)	(659)	(3.4)	26.1
Net Income	1,380	6.0	1,739	9.0	(20.6)

	2017	% of rev.	2016	% of rev.	% Var.
Operating Income	2,285	10.0	2,417	12.5	(5.5)
Depreciation, Amortization & Other Non-Cash items	1,575	6.9	1,353	7.0	16.4
EBITDA ¹	3,860	16.9	3,770	19.5	2.4
CAPEX	2,923	12.8	2,044	10.5	NA ²

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

Nemak
Balance Sheet
Millions of Pesos

Assets	Mar-17	Dec-16	% Var
Cash and cash equivalents	2,055	2,661	(22.8)
Accounts receivable	12,752	11,582	10.1
Inventories	11,131	11,784	(5.5)
Other current assets	429	878	(51.1)
Total current assets	26,367	26,904	(2.0)
Investments in shares	540	486	11.1
Property, plant and equipment, net	47,197	50,094	(5.8)
Other assets	13,730	14,408	(4.7)
Total assets	87,835	91,892	(4.4)

Liabilities & stockholders' equity	Mar-17	Dec-16	% Var
Bank loans	2,991	1,835	63.0
Current maturities of long-term debt	0	1,588	(100.0)
Interest payable	100	277	(63.8)
Operating liabilities	20,525	19,984	2.7
Total current liabilities	23,617	23,683	(0.3)
Long-term debt	24,554	25,310	(3.0)
Labor liabilities	1,028	1,058	(2.8)
Other long term liabilities	3,943	4,770	(17.3)
Total liabilities	53,143	54,821	(3.1)
Total stockholders' equity	34,692	37,071	(6.4)
Total liabilities & stockholders' equity	87,835	91,892	(4.4)

