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# EARNINGS REPORT

Second Quarter 2019 (2Q19)

**Monterrey, Mexico, July 17, 2019.**

**ALFA, S.A.B. de C.V. (BMV: ALFAA) (ALFA)**, a leading holding company that manages a portfolio of diversified subsidiaries with global operations, announced today its unaudited results for the second quarter of 2019 ("2Q19"). All figures have been prepared in accordance with International Financial Reporting Standards ("IFRS").

## ALFA reports 2Q19 EBITDA of US \$595 million

### 2Q19 HIGHLIGHTS

ALFA	<ul style="list-style-type: none"> <li>2Q19 EBITDA on track with full-year Guidance</li> <li>Net Debt down vs. 1Q19 supported by solid operating cash generation</li> </ul>
Alpek	<ul style="list-style-type: none"> <li>2Q19 EBITDA of US \$161 million, including a US \$27 million non-cash inventory loss</li> </ul>
Sigma	<ul style="list-style-type: none"> <li>EBITDA growth y-o-y driven by strong results in Mexico, U.S. and LatAm</li> <li>Mitigated impact of higher pork prices caused by African Swine Fever</li> </ul>
Nemak	<ul style="list-style-type: none"> <li>2Q19 Sales and EBITDA reflect this year's anticipated volume decrease in all regions</li> </ul>
Axtel	<ul style="list-style-type: none"> <li>2Q19 EBITDA up 33% y-o-y, including a US \$39 million gain from the sale of Mass Market business</li> </ul>
Newpek	<ul style="list-style-type: none"> <li>Smaller EBITDA loss versus 1Q19 supported by higher oil prices</li> </ul>

### SELECTED FINANCIAL INFORMATION (US \$ MILLIONS)

	2Q19	1Q19	2Q18	Ch. % vs. 1Q19	Ch. % vs. 2Q18	YTD '19	YTD '18	Ch. %
<b>ALFA Revenues</b>	<b>4,473</b>	<b>4,479</b>	<b>4,837</b>	-	(8)	<b>8,952</b>	<b>9,413</b>	<b>(5)</b>
Alpek	1,643	1,642	1,759	-	(7)	3,286	3,291	-
Sigma	1,609	1,516	1,587	6	1	3,126	3,139	-
Nemak	1,011	1,102	1,239	(8)	(18)	2,113	2,474	(15)
Axtel	166	173	199	(4)	(16)	339	399	(15)
Newpek	20	23	25	(14)	(22)	43	59	(27)
<b>ALFA EBITDA<sup>1</sup></b>	<b>595</b>	<b>519</b>	<b>676</b>	<b>15</b>	<b>(12)</b>	<b>1,114</b>	<b>1,305</b>	<b>(15)</b>
Alpek	161	140	239	15	(33)	301	420	(28)
Sigma	179	166	168	8	7	345	330	5
Nemak	174	175	207	(1)	(16)	349	404	(14)
Axtel	97	58	73	67	33	155	146	6
Newpek	(6)	(8)	1	30	(623)	(14)	17	(183)
<b>Majority Net Income</b>	<b>95</b>	<b>66</b>	<b>184</b>	<b>45</b>	<b>(48)</b>	<b>161</b>	<b>373</b>	<b>(57)</b>
<b>CAPEX &amp; Acquisitions<sup>2</sup></b>	<b>180</b>	<b>212</b>	<b>651</b>	<b>(15)</b>	<b>(72)</b>	<b>392</b>	<b>856</b>	<b>(54)</b>
<b>Net Debt</b>	<b>7,122</b>	<b>7,194</b>	<b>7,014</b>	<b>(1)</b>	<b>2</b>	<b>7,122</b>	<b>7,014</b>	<b>2</b>
Net Debt/LTM EBITDA*	2.7	2.6	3.1					
LTM Interest Coverage*	6.0	5.7	4.7					

\* Times. LTM = Last 12 months

1 EBITDA = Operating Income + depreciation and amortization + impairment of assets.

2 Gross amount; does not include divestments

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## Message from ALFA's President

"ALFA's consolidated second quarter operating and financial results were in line with our expectations and remain on-track to achieve full-year Guidance supported by sequential EBITDA growth across our businesses. Underlying performance was in-line or better-than-expected in all subsidiaries.

With respect to the individual companies, Sigma was able to mitigate the impact of higher pork prices brought about by the African Swine Fever in 2Q19 and sustained EBITDA growth driven by better margins in Mexico, U.S. and LatAm. Even though U.S. pork prices decreased in June, the risk of further volatility remains, and Sigma will continue working diligently to address this situation.

After getting off to a slow start to the year, Alpek posted a solid recovery in 2Q19 even as feedstock prices declined. Alpek's underlying performance, when adjusted for the non-cash inventory loss related to lower feedstock prices, was in-line supported by better-than-expected reference polyester and polypropylene margins.

Results from Nemak are also in line with expectations which anticipated lower volume in all regions from a combination of softening industry conditions and demand from certain OEM customers. As part of its ongoing operating efficiency initiatives, Nemak recently announced that it is preparing to cease operations at a small plant in Canada by mid-2020.

Through the first half of the year, Axtel has posted better-than-expected EBITDA driven by operating efficiencies. Whereas Newpek reported a smaller EBITDA loss quarter-on-quarter supported by higher oil prices versus 1Q19.

Consolidated Net Debt was down quarter-on-quarter, and we anticipate further reduction by year-end supported by strong cash flow generation coupled with proceeds from the sale of non-core assets. During 2Q19, Axtel completed the sale of its Mass Market business, and Alpek is expected to close the sale of its two cogeneration power plants in the coming months.

In sum, ALFA's consolidated results reflect the expected performance across our businesses and several value-enhancing initiatives are moving forward."

Álvaro Fernández

## ALFA (BMV: ALFAA) Consolidated Financial Results

### INCOME STATEMENT (US \$ MILLIONS)

	2Q19	1Q19	2Q18	(% 2Q19 vs.)		YTD '19	YTD '18	Ch. %
				1Q19	2Q18			
Total Revenues	4,473	4,479	4,837	-	(8)	8,952	9,413	(5)
Gross Profit	842	824	1,038	2	(19)	1,666	1,979	(16)
Operating expenses and others	(505)	(566)	(600)	11	16	(1,071)	(1,165)	8
EBITDA	595	519	676	15	(12)	1,114	1,305	(15)
Operating income	336	258	438	30	(23)	595	814	(27)
Financial cost, net	(121)	(95)	(173)	(28)	30	(216)	(183)	(18)
Share of losses of associates	-	3	1	-	-	3	6	(50)
Income Tax	(80)	(76)	(52)	(5)	(54)	(155)	(161)	4
Consolidated net income	135	91	213	48	(37)	226	476	(52)
Controlling Interest	95	66	184	45	(48)	161	373	(57)
EBITDA/Revenues (%)	13.3	11.6	14.0			12.4	13.9	

**Total Revenues** were US \$4.473 billion, down 8% when compared to 2Q18 reflecting lower volume in Nemark and lower feedstock prices in Alpek while Axtel and Newpek revenue was impacted by recent divestments in the Mass Market business (Mexico) and the partial sale of the Eagle Ford Shale/Wilcox formations (U.S.), respectively. By contrast, Sigma's revenue was up 1% in the quarter. Accumulated Revenues were US \$8.952 billion, down 5% versus 2018 also due to lower volume in Nemark, as well as recent divestments in Axtel and Newpek. Year to date, 68% of consolidated ALFA revenues were derived from outside Mexico, also known as "Foreign Sales" (see table 2).

**EBITDA** was US \$595 million, including a US \$19 million net gain from extraordinary items associated with Axtel's Mass Market business sale, a favorable tax dispute resolution in Nemark and a non-cash inventory loss in Alpek (see table 4). Adjusting for these items, Comparable ALFA EBITDA was US \$576 million, US \$527 million and US \$651 million in 2Q19, 1Q19 and 2Q18, respectively.

2Q19 Comparable ALFA EBITDA was down 12% versus 2Q18 when Alpek posted record EBITDA, driven primarily by a spike in Asian reference polyester margins. The decrease versus 2Q18 also reflects the anticipated impact on Nemark from a combination of softening industry conditions and lower demand from certain OEM customers. In contrast, Sigma was the only business to post y-o-y Comparable EBITDA growth in 2Q19 driven by solid results in Mexico, U.S. and LatAm.

Accumulated Comparable ALFA EBITDA was US \$1.103 billion, down 12% compared to the US \$1.249 billion in 2018 as growth in Sigma was more than offset mainly by Alpek and Nemark. Year-to-date EBITDA includes a US \$61 million benefit associated with the adoption of a new accounting standard for long term leases (IFRS16) beginning in January (see tables 3, 4, 5 and 6).

**Operating Income** totaled US \$336 million, down from US \$438 million in 2Q18 primarily due to the decrease in EBITDA explained above. Accumulated Operating Income was US \$595 million, down 27% compared to US \$814 million in 2018 (see tables 3, 4, 5 and 6).

**Comprehensive Financing Expense** of US \$121 million improved from US \$173 million in 2Q18 mainly due to lower financial expenses and a lower non-cash foreign exchange loss. Accumulated Comprehensive Financing Expense was US \$216 million, up 18% compared to the US \$183 million in 2018 which benefited from a US \$69 million non-cash foreign exchange gain (see table 7).

**Controlling Interest Net Income** was US \$95 million, compared to US \$184 million in 2Q18 as the decrease in Comprehensive Financing Expense was more than offset by lower Operating Income and higher Income Tax. Accumulated Controlling Interest Net Income was US \$161 million, down 57% versus 2018 primarily due to lower Operating Income (see table 8).

## CHANGE IN NET DEBT (US \$ MILLIONS)

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD `19	YTD `18	Ch. %
				1Q19	2Q18			
EBITDA	595	519	676	15	(12)	1,114	1,305	(15)
Net Working Capital	31	(208)	-	115	-	(177)	(459)	61
Capital Expenditures & Acquisitions	(180)	(212)	(651)	15	72	(392)	(856)	54
Net Financial Expenses	(114)	(114)	(129)	-	12	(228)	(265)	14
Taxes	(233)	(76)	(202)	(207)	(15)	(309)	(231)	(34)
Dividends	(10)	(162)	(39)	94	74	(172)	(208)	17
Other Sources / Uses	(17)	(398)	72	96	(124)	(415)	-	-
<b>Decrease (Increase) in Net Debt</b>	<b>72</b>	<b>(651)</b>	<b>(273)</b>	<b>111</b>	<b>126</b>	<b>(579)</b>	<b>(714)</b>	<b>19</b>

**Net Debt** was US \$7.122 billion at the close of 2Q19, up 2% and down 1% versus 2Q18 and 1Q19, respectively. On an absolute basis, consolidated ALFA Net Debt increased US \$579 million from year-end 2018 primarily due to a US \$408 million impact from the adoption of a new accounting standard for long term leases (IFRS16) beginning in January 2019. Consolidated Net Debt decreased US \$72 million versus 1Q19 supported by sequential EBITDA improvement across the businesses plus a US \$31 million recovery in Net Working Capital. As of June 30, 2019, Gross Debt was US \$8.414 billion and Cash totaled US \$1.292 billion. Financial ratios at the close of 2Q19 were: Net Debt to EBITDA 2.7 times and Interest Coverage 6.0 times, compared with 3.1 times and 4.7 times, respectively in 2Q18 (see tables 6 and 9).

**Net Working Capital** contributed US \$31 million to the decrease in Consolidated Net Debt versus 1Q19. A significant Net Working Capital reduction in Alpek, associated with its Brazilian operations as well as lower feedstock prices, was partially offset by small investments in other businesses. Investment in Net Working Capital at the close of 2Q19 was US \$177 million, largely driven by Sigma.

**Capital Expenditures (CAPEX) & Acquisitions** was US \$180 million in 2Q19 as all businesses continued their planned investments. Accumulated CAPEX totaled US \$392 million.

**Dividends** paid to minority shareholders within the subsidiaries during 2Q19 amounted to US \$10 million. Accumulated Dividends totaled US \$172 million, including the first installment of US \$101 million paid to ALFA Shareholders in March, plus dividends paid to minority shareholders at the subsidiary level.

## RECENT DEVELOPMENTS - ALFA

2019 Guidance	<ul style="list-style-type: none"><li>ALFA reaffirms 2019 Guidance; US \$2.429 billion EBITDA</li></ul>
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## Results by Business

### Alpek (BMV: ALPEKA) – Petrochemicals

37% of ALFA's revenues in 2Q19



#### SELECTED FINANCIAL INFORMATION (US \$ MILLIONS)

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD '19	YTD '18	Ch. %
				1Q19	2Q18			
<b>Volume (ktons)</b>	<b>1,121</b>	<b>1,087</b>	<b>1,151</b>	<b>3</b>	<b>(3)</b>	<b>2,208</b>	<b>2,167</b>	<b>2</b>
Polyester	887	857	912	4	(3)	1,744	1,699	3
Plastic & Chemicals	234	230	239	2	(2)	463	468	(1)
<b>Revenues</b>	<b>1,643</b>	<b>1,642</b>	<b>1,759</b>	-	<b>(7)</b>	<b>3,286</b>	<b>3,291</b>	-
Polyester	1,242	1,239	1,320	-	(6)	2,481	2,429	2
Plastic & Chemicals	375	376	439	-	(15)	751	862	(13)
<b>EBITDA</b>	<b>161</b>	<b>140</b>	<b>239</b>	<b>15</b>	<b>(33)</b>	<b>301</b>	<b>420</b>	<b>(28)</b>
Polyester	96	80	162	20	(41)	176	274	(36)
Plastic & Chemicals	61	54	78	13	(22)	115	148	(22)
<b>CAPEX &amp; Acquisitions<sup>1</sup></b>	<b>38</b>	<b>69</b>	<b>471</b>	<b>(45)</b>	<b>(92)</b>	<b>106</b>	<b>527</b>	<b>(80)</b>
<b>Net Debt</b>	<b>2,084</b>	<b>2,200</b>	<b>1,637</b>	<b>(5)</b>	<b>27</b>	<b>2,084</b>	<b>1,637</b>	<b>27</b>
Net Debt / LTM EBITDA*	2.2	2.2	2.9					
LTM Interest Coverage*	8.1	8.8	5.9					

\* Times. LTM = Last 12 months

<sup>1</sup> Gross amount; does not include divestments

**Volume** was 1,121 ktons, down 3% versus 2Q18 as a result of lower volume in the Polyester and Plastics & Chemicals segments, which benefited last year from a demand upswing driven by rising feedstock prices and a spike in margins. In contrast, Alpek's consolidated volume was up 3% versus 1Q19 supported by growth in both business segments. Accumulated volume was up 2% when compared with 1H18 driven by the Suape/Citepe acquisition in Brazil.

**Revenues** for 2Q19 totaled US \$1.643 billion, down 7% year-on-year as a result of lower volume and average consolidated prices which reflect the decline in feedstock prices. Accumulated Revenues were US \$3.286 billion, flat versus 1H18 as higher volume was offset by the decrease in average prices.



**EBITDA** was US \$161 million, including a US \$27 million non-cash inventory loss, resulting from the decrease in feedstock prices. Paraxylene (“Px”) contract prices did not follow the typical correlation to crude oil amid capacity additions in China. Adjusting for the non-cash inventory loss and US \$1 million in non-recurring legal fees/expenses, Alpek’s Comparable 2Q19 EBITDA was US \$189 million, down 13% when compared with record 2Q18 EBITDA. Comparable EBITDA increased 28% versus 1Q19 supported by better-than-expected reference polyester and polypropylene margins as well as strong operating results. Accumulated EBITDA as of June 30, 2019 was US \$301 million and accumulated Comparable EBITDA totaled US \$337 million, down 28% and 13%, respectively versus 1H18 EBITDA.

**Capital expenditures (CAPEX) & Acquisitions** was US \$38 million in 2Q19, compared to US \$471 million in 2Q18. Accumulated Capex totaled US \$106 million resulting from a mix of organic and inorganic investments including the acquisition of a PET recycling facility from Perpetual Recycling Solutions LLC in 1Q19 and final investments associated with the 350 MW Altamira cogeneration power plant.

**Net Debt** was US \$2.084 billion, up 27% and down 5% when compared with 2Q18 and 1Q19, respectively. On an absolute basis, 2Q19 Net Debt increased US \$252 million year-to-date mainly due to a US \$190 million impact from the adoption of a new accounting standard for long term leases (IFRS16) beginning in January 2019. Despite the IFRS16 impact, Net Debt decreased US \$116 million versus 1Q19 supported by sequential EBITDA improvement and a recovery in Net Working Capital. Financial ratios at the close of 2Q19 were: Net Debt to EBITDA 2.2 times and Interest Coverage 8.1 times.

## RECENT DEVELOPMENTS - ALPEK

Feedstock and Reference Margins	<ul style="list-style-type: none"> <li>Px contract prices did not follow the typical correlation to crude oil amid new Px capacity in China</li> <li>Px contract prices down 14% q-o-q, resulting in temporary impact to Alpek’s polyester margins caused by feedstock cost carry-over</li> <li>Better-than-expected Asian reference polyester margins; up 14% q-o-q</li> </ul>
M&G Mexico	<ul style="list-style-type: none"> <li>Petition for <i>Concurso Mercantil</i> filed by M&amp;G Mexico in 1Q19</li> <li>Final resolution of <i>Concurso Mercantil</i> and implementation of pre-agreed restructuring plan expected before year-end</li> </ul>
Cogen Sale	<ul style="list-style-type: none"> <li>Sale of two cogeneration power plants to Contour Global expected to close in the coming months</li> <li>Commissioning work at the Altamira cogeneration power plant nearing completion</li> </ul>

(See “Appendix – 2Q19 Reports of Listed Businesses” for Alpek’s complete 2Q19 Earnings Report)

Sigma – Food Products

36% of ALFA's revenues in 2Q19



SELECTED FINANCIAL INFORMATION (US \$ MILLIONS)

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD '19	YTD '18	Ch. %
				1Q19	2Q18			
<b>Revenues</b>	<b>1,609</b>	<b>1,516</b>	<b>1,587</b>	<b>6</b>	<b>1</b>	<b>3,126</b>	<b>3,139</b>	<b>-</b>
Mexico	678	653	647	4	5	1,331	1,283	4
Europe	550	509	558	8	(2)	1,059	1,118	(5)
United States	262	239	264	10	(1)	501	504	(1)
LatAm	119	116	118	3	1	235	234	-
<b>EBITDA</b>	<b>179</b>	<b>166</b>	<b>168</b>	<b>8</b>	<b>7</b>	<b>345</b>	<b>330</b>	<b>5</b>
Mexico	103	91	88	14	18	194	173	12
Europe	23	28	39	(16)	(40)	51	75	(32)
United States	41	36	33	15	26	77	64	20
LatAm	11	12	8	(2)	38	23	19	24
<b>CAPEX &amp; Acquisitions<sup>1</sup></b>	<b>31</b>	<b>26</b>	<b>39</b>	<b>20</b>	<b>(20)</b>	<b>56</b>	<b>66</b>	<b>(14)</b>
<b>Net Debt</b>	<b>2,050</b>	<b>2,020</b>	<b>2,030</b>	<b>1</b>	<b>1</b>	<b>2,050</b>	<b>2,030</b>	<b>1</b>
Net Debt / LTM EBITDA*	2.9	2.9	2.9					
LTM Interest Coverage*	6.2	5.3	5.2					

\* Times. LTM = Last 12 months

<sup>1</sup> Gross amount; does not include divestments

**Revenues** amounted to US \$1.609 billion, 1% higher than 2Q18. On a currency neutral basis, revenues were up 3% year-on-year. Mexico sales increased 4% in Pesos, European sales increased 4% in Euros, U.S. sales were 1% lower and LatAm sales were 1% lower in local currencies when compared to 2Q18. Accumulated Revenues were US \$3.126 billion, flat when compared to the same period in 2018 (see table 12).

**EBITDA** was US \$179 million, up 7% versus 2Q18, supported by strong results in Mexico, U.S. and LatAm. Margin improvements in these regions were partially offset by lower margins in Europe, which were impacted by higher pork prices due to the African Swine Fever (ASF) and the depreciation of the Euro against the US Dollar, among others. On a currency neutral basis, Sigma's 2Q19 EBITDA was up 6% year-over-year. Accumulated EBITDA was US \$345 million, up 5% versus the first half of 2018 (see table 13).

**Capital expenditures (CAPEX) & Acquisitions** totaled US \$31 million, mainly for maintenance and expansion projects across all regions.

**Net Debt** was US \$2.050 billion, up 1% when compared to 2Q18 and 1Q19. On an absolute basis, Sigma's Net Debt increased US \$191 million year-to-date which includes a US \$100 million impact from the adoption of a new accounting standard for long term leases (IFRS 16) beginning in January. During 2Q19 Net Debt increased US \$20 million versus 2Q18 as the impact from IFRS16 was almost fully offset by strong cash generation. Financial ratios at the end of 2Q19 were Net Debt to EBITDA of 2.9 times and Interest Coverage of 6.2 times (see table 14).

## INDUSTRY COMMENTS - SIGMA

During 2Q19, food retail sales increased in all regions in which Sigma operates, whereas consumer confidence showed mixed results. In Mexico, the average consumer confidence index reported by INEGI (Instituto Nacional de Estadística y Geografía – National Institute for Statistics and Geography) increased 24% vs 2Q18, but decreased 4% vs 1Q19, while same-store-sales reported by the National Association of Supermarkets and Department Stores (ANTAD) increased 4.9% year-on-year in nominal Pesos.

In the U.S., the average consumer confidence index reported by The Conference Board remained flat when compared to 2Q18, while food retail sales reported by the U.S. Census Bureau increased 2% year-on-year.

In Europe, according to the European Commission, the average consumer confidence index worsened from negative 4.7 in 2Q18 to negative 7.0 during 2Q19. By contrast, food retail sales according to Eurostat increased 1% year-on-year.

Key raw material prices were higher during the quarter in all regions. In Europe, compared to 2Q18, prices for pork ham and pork shoulder increased 25% and 22%, respectively, impacted by higher exports to China due to ASF.

In the Americas, the price of pork ham increased 28% year-on-year, also primarily due to ASF. Turkey breast and turkey thigh were 13% and 6% higher, respectively, while chicken was 2% lower, when compared to 2Q18. By quarter's end, pork ham prices posted a significant decline.

In Mexico, import tariffs imposed on U.S. pork and cheese products were lifted during the quarter, partially offsetting pressure from raw material price increases.

## RESULTS BY REGION - SIGMA

During 2Q19, sales in Mexico accounted for 42% of the quarter's total, while Europe represented 34%, the U.S. 16%, and Latin America 8%.

**Mexico** sales and EBITDA in Pesos increased 4% and 16%, when compared to 2Q18 respectively. Higher average prices combined with the lifting of import tariffs on U.S. pork and cheese products contributed to higher EBITDA margins.

**Europe** sales in Euros increased 4% compared to 2Q18, however, EBITDA decreased 37% year-on-year, mainly impacted by a temporary lag between cost and price increases across the region and higher pork prices due to ASF. The fresh meat business in Spain posted some margin recovery reflecting higher international pork prices.

**United States** sales and EBITDA were 1% lower and 26% higher year-on-year, respectively. Price increases in the region offset higher raw material costs due to ASF, leading to margin expansion during the quarter. Additionally, the Hispanic business posted strong results mainly due to higher sales and operating efficiencies during the quarter.

**LatAm** sales and EBITDA in local currencies decreased 1% and increased 33% when compared to 2Q18, respectively, supported by margin expansion across all countries.

## RECENT DEVELOPMENTS - SIGMA

Footprint Optimization	<ul style="list-style-type: none"> <li>Closure of a production facility in The Netherlands as part of Sigma's initiatives for margin improvement in Europe</li> </ul>
Raw Materials	<ul style="list-style-type: none"> <li>Pork prices showed significant volatility during 2Q19 due to the ASF virus</li> <li>In the Americas, pork ham price market reference decreased in June. However, as the disease has not yet been controlled, potential volatility and the risk of higher prices remains</li> <li>Sigma is closely monitoring this situation and implementing various initiatives to offset the potential impact of higher pork prices on its operations</li> </ul>
Raw Material Hedges	<ul style="list-style-type: none"> <li>In July, Sigma commenced a financial program to partially hedge its pork needs</li> <li>As of today, the company has future contracts that mature from November 2019 to April 2020</li> </ul>
Exchange Rate Hedges	<ul style="list-style-type: none"> <li>Continued FX hedging strategy to cover the U.S. dollar needs for the Mexican operations</li> <li>Forward contracts amount to US \$600 million, equivalent to approximately nine months of U.S. dollar needs</li> </ul>

*(See "Financial Statements" for Sigma's 2Q19 Balance Sheet and Income Statement)*

**Nemak (BMV: NEMAKA) – Aluminum Autoparts**

23% of ALFA's revenues in 2Q19



**SELECTED FINANCIAL INFORMATION (US \$ MILLIONS)**

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD `19	YTD `18	Ch. %
				1Q19	2Q18			
<b>Volume (Million Equivalent Units)</b>	<b>11.2</b>	<b>12.1</b>	<b>13.1</b>	<b>(7)</b>	<b>(15)</b>	<b>23.3</b>	<b>26.2</b>	<b>(11)</b>
North America	6.5	7.1	7.7	(8)	(16)	13.6	15.2	(11)
Europe	3.7	4.0	4.1	(8)	(10)	7.7	8.4	(8)
Rest of World	1.0	1.0	1.3	-	(23)	2.0	2.6	(23)
<b>Revenues</b>	<b>1,011</b>	<b>1,102</b>	<b>1,239</b>	<b>(8)</b>	<b>(18)</b>	<b>2,113</b>	<b>2,474</b>	<b>(15)</b>
North America	557	614	686	(10)	(19)	1,169	1,361	(14)
Europe	368	400	431	(10)	(15)	772	881	(12)
Rest of World	87	88	122	2	(29)	173	232	(25)
<b>EBITDA</b>	<b>174</b>	<b>175</b>	<b>207</b>	<b>(1)</b>	<b>(16)</b>	<b>349</b>	<b>404</b>	<b>(14)</b>
North America	100	109	130	(1)	(23)	209	251	(17)
Europe	59	67	68	(13)	(13)	126	138	(9)
Rest of World	16	(1)	9	(900)	78	15	15	-
<b>CAPEX &amp; Acquisitions<sup>1</sup></b>	<b>76</b>	<b>96</b>	<b>93</b>	<b>(21)</b>	<b>(18)</b>	<b>172</b>	<b>199</b>	<b>(14)</b>
<b>Net Debt</b>	<b>1,297</b>	<b>1,305</b>	<b>1,304</b>	<b>(1)</b>	<b>(1)</b>	<b>1,297</b>	<b>1,304</b>	<b>(1)</b>
Net Debt / LTM EBITDA*	1.9	1.8	1.8					
LTM Interest Coverage*	10.0	9.4	8.2					

\* Times. LTM = Last 12 months

<sup>1</sup> Gross amount; does not include divestments

**Volume** was 11.2 million equivalent units, down 15% when compared to 2Q18. All regions posted lower volumes: i) North America (NA) – impacted by lower sales to China, a less favorable product mix, and lower light-vehicle production among Detroit 3 customers. ii) Europe – demand affected by lower light-vehicle production among OEM customers, and iii) Rest of the World – primarily due to lower sales in China.

**Revenues** totaled US \$1.011 billion, down 18% year-over-year, mainly due to the decrease in volume as well as lower aluminum prices. Accumulated Revenues were US \$2.113 billion, down 15% compared to the same period in 2Q18.

**EBITDA** was US \$174 million, including a non-recurring gain of US \$8 million associated with the favorable resolution of a tax dispute in Brazil. Adjusting for this item, Nemak's Comparable EBITDA was US \$166 million, down 20% versus 2Q18, primarily due to lower volume, unfavorable exchange rate effects, and incremental expenses from new product launches in North America; these factors were partially offset by operational efficiencies in Europe. EBITDA per equivalent unit was US \$15.5, only 2% below 2Q18 as a result of operating efficiencies implemented to offset the volume decrease.

Accumulated EBITDA as of June 30, 2019 was US \$349 million and accumulated Comparable EBITDA totaled US \$341 million, down 14% and 16%, respectively versus the first half of 2018 amid softening industry conditions and lower demand from certain OEM customers.

**Capital expenditures (CAPEX) & Acquisitions** totaled US \$76 million primarily to support new product launches in all regions.

**Net Debt** at the end of 2Q19 totaled US \$1.297 billion, down 1% versus both 2Q18 and 1Q19. On an absolute basis, NemaK's Net Debt increased US \$46 million year-to-date which includes a US \$73 million impact from the adoption of a new accounting standard for long term leases (IFRS16) beginning in January. Financial ratios at the close of 2Q19 were: Net Debt to EBITDA 1.9 times and Interest Coverage 10.0 times.

## RECENT DEVELOPMENTS - NEMAK

New Contracts	<ul style="list-style-type: none"> <li>New contracts year-to-date worth a total of US \$410 million in annual revenues, approximately 40% of which represents incremental business</li> </ul>
Industry Recognition	<ul style="list-style-type: none"> <li>Named GM Supplier of the Year for outstanding performance for 15<sup>th</sup> time over the award's 27 year history</li> </ul>
EV Applications	<ul style="list-style-type: none"> <li>Initiated test production for first facility in North America dedicated to electric vehicle battery applications</li> </ul>
Plant Shutdown	<ul style="list-style-type: none"> <li>Closure of manufacturing operations in Windsor, Canada by mid-2020</li> <li>Plant represents approximately 1% of NemaK's consolidated revenues</li> <li>Decision resulting from early phase-out of an export program with customer in China</li> <li>Plant shutdown does not impact NemaK's 2019 Guidance</li> </ul>

*(See "Appendix - 2Q19 Reports of Listed Businesses" for NemaK's complete 2Q19 Earnings Report)*

### Axtel (BMV: AXTELCPO) – IT & Telecom

4% of ALFA's revenues in 2Q19




### SELECTED FINANCIAL INFORMATION (US \$ MILLIONS)

	2Q19	1Q19	2Q18	(% 2Q19 vs.)		YTD '19	YTD '18	Ch. %
				1Q19	2Q18			
<b>Revenues</b>	<b>166</b>	<b>173</b>	<b>199</b>	<b>(4)</b>	<b>(16)</b>	<b>339</b>	<b>399</b>	<b>(15)</b>
Enterprise	138	137	130	1	7	275	264	4
Government	23	27	33	(14)	(29)	50	61	(18)
Mass Market	5	9	36	(50)	(87)	14	73	(81)
<b>EBITDA</b>	<b>97</b>	<b>58</b>	<b>73</b>	<b>67</b>	<b>33</b>	<b>155</b>	<b>146</b>	<b>6</b>
<b>CAPEX &amp; Acquisitions<sup>1</sup></b>	<b>22</b>	<b>20</b>	<b>25</b>	<b>11</b>	<b>(12)</b>	<b>41</b>	<b>31</b>	<b>32</b>
<b>Net Debt</b>	<b>764</b>	<b>795</b>	<b>994</b>	<b>(4)</b>	<b>(23)</b>	<b>764</b>	<b>994</b>	<b>(23)</b>
Net Debt / LTM EBITDA*	1.8	2.0	3.4					
LTM Interest Coverage*	4.9	4.4	3.1					

\* Times. LTM = Last 12 months

<sup>1</sup> Gross amount; does not include divestments

**Revenues** totaled US \$166 million, down 16% y-o-y mainly reflecting the sale of the Mass Market business. Adjusting for this effect, Axtel's comparable 2Q19 sales were down 1% versus 2Q18 as a 7% increase in the Enterprise segment was more than offset by lower sales in the Government segment. Accumulated Revenues were US \$339 million, down 15% compared to the same period last year. Adjusting for the sale of the Mass Market business, accumulated revenues were flat versus 2018.

**EBITDA** was US \$97 million, including a US \$39 million gain from the sale of the Mass Market business in 2Q19. Adjusting for extraordinary items, Axtel's 2Q19 Comparable EBITDA was US \$58 million, down 15% when compared with 2Q18 primarily due to the discontinued Mass Market operations. Accumulated EBITDA as of June 30, 2019 was US \$155 million and accumulated Comparable EBITDA totaled US \$116 million, up 6% and down 13%, respectively versus the first half of 2018 reflecting the sale of the Mass Market business.

**Capital expenditures (CAPEX) & Acquisitions** totaled US \$22 million in 2Q19, 12% lower to 2Q18. CAPEX was mainly utilized to increase customer last mile access, equipment and connectivity directly associated with Enterprise customers' contracts.

**Net Debt** was US \$764 million, down 23% when compared to 2Q18, and down 4% when compared to 1Q19. On an absolute basis, Axtel's Net Debt increased US \$78 million year-to-date which includes a US \$37 million impact from the adoption of the new accounting standard for long term leases (IFRS16) beginning in January. Financial ratios at the close of 2Q19 were: Net Debt to EBITDA of 1.8 times and Interest Coverage of 4.9 times.

## RECENT DEVELOPMENTS - AXTEL

<p>Mass Market Divestment</p>	<ul style="list-style-type: none"> <li>• Finalized divestment of the Mass Market business in 2Q19</li> <li>• Mass Market business sale totaled approximately US \$300 million in two transactions (Televisa 4Q18; Megacable 2Q19); valued at ~7.5 times EBITDA</li> <li>• Net proceeds were used to reduce debt and other liabilities, improving capital structure and reducing interest expenses</li> </ul>
<p>Data Center Monetization</p>	<ul style="list-style-type: none"> <li>• Competitive process underway to monetize a majority stake of Data Centers located in Monterrey and Queretaro</li> <li>• Potential proceeds will be used to continue reducing leverage</li> </ul>
<p>Functional Separation into two Business Units</p>	<ul style="list-style-type: none"> <li>• Ongoing process to divide Axtel into two specialized business units</li> <li>• Separation expected to improve operations and unlock Shareholder value through maximizing infrastructure utilization             <ul style="list-style-type: none"> <li>○ <u>Infrastructure Business</u>: Own the majority of Axtel’s assets, including Data Centers and fiber network. Provide connectivity and internet to wholesale operators and Axtel’s Service Business</li> <li>○ <u>Service Business</u>: Provide managed telecom and IT solutions to Enterprise and Government customers</li> </ul> </li> </ul>

*(See “Appendix - 2Q19 Reports of Listed Businesses” for Axtel’s complete 2Q19 Earnings Report)*



## Newpek – Oil & Gas



Less than 1% of ALFA's revenues in 2Q19

### SELECTED FINANCIAL INFORMATION (US \$ MILLIONS)

	2Q19	1Q19	2Q18	(% 2Q19 vs.)		YTD '19	YTD '18	Ch. %
				1Q19	2Q18			
<b>Volume (MBOEPD)<sup>1</sup></b>	<b>5.4</b>	<b>5.7</b>	<b>8.2</b>	<b>(5)</b>	<b>(34)</b>	<b>5.6</b>	<b>8.9</b>	<b>(37)</b>
Liquid & others (%)	56	55	67	2	(16)	56	68	(18)
<b>Revenues</b>	<b>20</b>	<b>23</b>	<b>25</b>	<b>(14)</b>	<b>(22)</b>	<b>43</b>	<b>59</b>	<b>(27)</b>
Mexico	14	17	11	(19)	31	31	25	24
Foreign	6	5	15	5	(60)	11	33	(66)
<b>EBITDA</b>	<b>(6)</b>	<b>(8)</b>	<b>1</b>	<b>30</b>	<b>(623)</b>	<b>(14)</b>	<b>17</b>	<b>(183)</b>
<b>CAPEX &amp; Acquisitions<sup>2</sup></b>	<b>0</b>	<b>1</b>	<b>4</b>	<b>(85)</b>	<b>(95)</b>	<b>2</b>	<b>(7)</b>	<b>124</b>
<b>Net Debt</b>	<b>(11)</b>	<b>(20)</b>	<b>25</b>	<b>44</b>	<b>(144)</b>	<b>(11)</b>	<b>25</b>	<b>(144)</b>

<sup>1</sup> Thousand Barrels of Oil Equivalents Per Day

<sup>2</sup> Gross amount; does not include divestments

**Volume** averaged 5.4 thousand barrels of oil equivalents per day (MBOEPD) during 2Q19, down 34% versus 2Q18 primarily due to last year's divestments in the Eagle Ford Shale (EFS) and Wilcox fields, along with the natural decline in oil well productivity (see table 15).

**Revenues** were US \$20 million, down 22% year-on-year mainly due to lower volume. Accumulated Revenues were US \$43 million, down 27% compared to the same period in 2018 reflecting lower volume (see table 15).

**EBITDA** loss of US \$6 million, compared to positive US \$1 million in 2Q18 primarily due to lower production and prices in the U.S. Accumulated EBITDA loss was US \$14 million. By contrast, the prior year's results benefitted from extraordinary gains due to the divestiture of the EFS in 1Q18 (see tables 4, 5 and 16).

**Capital Expenditures (CAPEX) & Acquisitions** was zero during the quarter as drilling for new wells remained on standstill.

**Net Debt** negative US \$11 million at the end of the quarter (see table 17).

## INDUSTRY COMMENTS - NEWPEK

Hydrocarbon prices, on average, were lower during 2Q19 compared to 2Q18, showing a downward trend that recovered moderately at the end of the quarter. West Texas Intermediate oil averaged US \$59.80 per barrel, down 12% compared to 2Q18, Henry Hub natural gas price averaged US \$2.55 per million British thermal unit (MMBTU), 10% lower than the previous year. Throughout the quarter, gas prices showed a descending trend, starting from US \$2.76 per MMBTU on April 2<sup>nd</sup> and reaching a low of US \$2.27 per MMBTU on June 21<sup>st</sup>. OPEC + allies agreed to cut production by 1.2 million barrels per day (MMBPD) and maintain that level until March 2020 in response to concerns surrounding the global economy as well as continuous U.S. production growth which is holding back prices from reaching October 2018 levels.

The U.S. rig count decreased 7% compared to 2Q18, with crude rigs accounting for most of the decline. However, productivity per rig increased compared to last year. Although natural gas inventory levels ended the quarter at 152 billion cubic feet (Bcf), below the 5-year-average, this quarter's natural gas storage figures recovered in comparison to 2Q18 due to an increase in production and cooler temperatures.

## RESULTS BY REGION - NEWPEK

**United States** producing wells totaled 540 at the EFS in South Texas, down from 555 wells in production at the end of 2Q18. Additionally, Newpek has 34 wells producing in the Edwards formation in South Texas, where the company has a 20% working interest. Production in the U.S. averaged 2.2 MBOEPD during 2Q19, down 53% from 2Q18, due to the sale of the Wilcox field in 2018, along with the natural decline in well productivity. Liquids and oil represented 56% of the total volume for the quarter, down from 67% from a year ago.

**Mexico** production averaged 3.2 MBOEPD during 2Q19, an 8% decrease from 2Q18. The San Andrés field represented 67% of the total production for the quarter, essentially flat year-on-year. There were 126 wells in production in Mexico at quarter's end, a 9% decrease from the 138 wells in production at the end of 2Q18.

## RECENT DEVELOPMENTS - NEWPEK

New partner in EFS Operations	<ul style="list-style-type: none"><li>• New working partner in the Eagle Ford Shale and South Texas</li><li>• Pioneer Natural Resources Co. sold its stake to Ensign Natural Resources LLC ("Ensign")</li><li>• Look forward to working with Ensign to maximize the value of Newpek's working interest while at the same time continue to seek an attractive opportunity to monetize U.S. assets</li></ul>
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*(See "Tables" for more comprehensive analysis of Newpek's 2Q19 financial results)*

## 2Q19 EARNINGS CALL INFORMATION

Date: Thursday, July 18, 2019  
Time: 1:00 p.m. EDT (NY) / 12:00 p.m. CDT (CDMX)  
By Phone: United States: +1-877-451-6152  
International: +1-201-389-0879  
Mexico: 01-800-522-0034  
Passcode: ALFA  
Webcast: <http://public.viavid.com/index.php?id=135046>  
Replay: <https://www.alfa.com.mx/RI/conference.htm>

### About ALFA

ALFA is a holding company that manages a portfolio of diversified subsidiaries with global operations: Alpek, one of the world's largest producers of polyester (PTA, PET and fibers), and the leader in the Mexican market for polypropylene, expandable polystyrene (EPS) and caprolactam. Sigma, a leading multinational food company, focused on the production, marketing and distribution of quality foods through recognized brands in Mexico, Europe, United States and Latin America. Nematik, a leading provider of innovative lightweighting solutions for the global automotive industry, specializing in the development and manufacturing of aluminum components for powertrain, structural components and for electric vehicles. Axtel, a provider of Information Technology and Communication services for the enterprise and government segments in Mexico. Newpek, an oil and gas exploration and production company with operations in Mexico and the United States. In 2018, ALFA reported revenues of Ps. 366,432 million (US \$19.1 billion), and EBITDA of Ps. 55,178 million (US \$2.9 billion). ALFA's shares are quoted on the Mexican Stock Exchange and on Latibex, the market for Latin American shares of the Madrid Stock Exchange. For more information, please visit [www.alfa.com.mx](http://www.alfa.com.mx)

### Disclaimer

This release may contain forward-looking information based on numerous variables and assumptions that are inherently uncertain. They involve judgments with respect to, among other things, future economic, competitive and financial market conditions and future business decisions, all of which are difficult or impossible to predict accurately. Accordingly, results could vary from those set forth in this release. The report presents unaudited financial information. Figures are presented in Mexican Pesos or US Dollars, as indicated. Where applicable, Peso amounts were translated into US Dollars using the average exchange rate of the months during which the operations were recorded. Financial ratios are calculated in US Dollars. Due to the rounding up of figures, small differences may occur when calculating percent changes from one period to the other.

## Tables

### ALFA

Table 1 | VOLUME AND PRICE CHANGES (%)

	2Q19 vs.		YTD '19 vs. YTD '18
	1Q19	2Q18	
Total Volume	1.1	(1.9)	0.7
Domestic Volume	3.2	1.7	2.9
Foreign Volume	(1.0)	(5.3)	(1.3)
Avg. Ps. Prices	(1.7)	(7.0)	(5.1)
Avg. US \$ Prices	(1.2)	(5.7)	(5.6)

Table 2 | REVENUES

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD '19	YTD '18	Ch. %
				1Q19	2Q18			
<b>Total Revenues</b>								
Ps. Millions	85,538	86,090	93,738	(1)	(9)	171,627	179,588	(4)
US \$ Millions	4,473	4,479	4,837	-	(8)	8,952	9,413	(5)
<b>Domestic Revenues</b>								
Ps. Millions	27,907	27,536	30,026	1	(7)	55,443	57,928	(4)
US \$ Millions	1,459	1,433	1,551	2	(6)	2,892	3,038	(5)
<b>Foreign Revenues</b>								
Ps. Millions	57,630	58,554	63,712	(2)	(10)	116,184	121,661	(5)
US \$ Millions	3,014	3,046	3,286	(1)	(8)	6,060	6,375	(5)
Foreign / Total (%)	67	68	68			68	68	

Table 3 | OPERATING INCOME AND EBITDA

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD '19	YTD '18	Ch. %
				1Q19	2Q18			
<b>Operating Income</b>								
Ps. Millions	6,431	4,964	8,532	30	(25)	11,395	15,578	(27)
US \$ Millions	336	258	438	30	(23)	595	814	(27)
<b>EBITDA</b>								
Ps. Millions	11,368	9,982	13,129	14	(13)	21,350	24,916	(14)
US \$ Millions	595	519	676	15	(12)	1,114	1,305	(15)
<b>EBITDA/Revenues (%)*</b>	13.3	11.6	14.0			12.4	13.9	

\*US Dollar denominated EBITDA margin

Table 4 | EXTRAORDINARY ITEMS (US \$ Millions)

Company	Extraordinary item	2Q19	1Q19	2Q18	YTD `19	YTD `18
Alpek	Inventory gain (loss)	(27)	(19)	20	(46)	36
	Insurance gain - Altamira fire		11		11	
	Fixed Asset sale gain			3		3
	Legal fees/expenses	(1)		(3)	(1)	(8)
	<b>Total Alpek</b>	<b>(28)</b>	<b>(8)</b>	<b>21</b>	<b>(36)</b>	<b>31</b>
Axtel	Tower sale gain			5		12
	Mass Market sale gain	39			39	
	<b>Total Axtel</b>	<b>39</b>		<b>5</b>	<b>39</b>	<b>12</b>
Nemak	Tax dispute resolution	8			8	
	<b>Total Nemak</b>	<b>8</b>			<b>8</b>	
Newpek	EFS sale gain					13
	<b>Total Newpek</b>					<b>13</b>
<b>Total effect on EBITDA</b>		<b>19</b>	<b>(8)</b>	<b>25</b>	<b>11</b>	<b>56</b>

Table 5 | COMPARABLE EBITDA (US \$ Millions)

Company	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD `19	YTD `18	Ch. %
				1Q19	2Q18			
<b>ALFA</b>	<b>576</b>	<b>527</b>	<b>651</b>	<b>9</b>	<b>(12)</b>	<b>1,103</b>	<b>1,249</b>	<b>(12)</b>
Alpek	189	148	219	28	(14)	337	389	(13)
Sigma	179	166	168	8	7	345	330	5
Nemak	166	175	207	(5)	(20)	341	404	(16)
Axtel	58	58	68	-	(15)	116	134	(13)
Newpek	(6)	(8)	1	25	(700)	(14)	4	(450)
ALFA EBITDA/Revenues (%)	12.9	11.8	13.5			12.3	13.3	

Table 6 | EFFECT OF IFRS 16 (US \$ Millions)

	1Q19	2Q19	3Q19	4Q19	YTD 2019
<b>Income Statement</b>					
Depreciation & Amortization	24	25	-	-	49
Financial Expense	6	6	-	-	12
<b>Balance Sheet</b>					
Assets - Right of use	374	366	-	-	366
<b>Liabilities</b>					
Short term lease	91	94	-	-	94
Long term lease	280	271	-	-	271
<b>Net Debt*</b>	<b>388</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>408</b>

\*Initial balance plus new leases

Table 7 | COMPREHENSIVE FINANCING INCOME / EXPENSE (US \$ Millions)

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD `19	YTD `18	Ch. %
				1Q19	2Q18			
Financial Expenses	(126)	(130)	(144)	3	12	(256)	(287)	11
Financial Income	23	17	10	40	127	40	25	58
Net Financial Expenses	(103)	(113)	(134)	9	23	(216)	(261)	17
Exchange Rate Gains (Losses)	(23)	14	(44)	(260)	49	(9)	69	(112)
Capitalized Comp. Fin. Expense	4	5	5	(9)	(13)	9	10	(10)
Comprehensive Financing Expense	(121)	(95)	(173)	(28)	30	(216)	(183)	(18)
Avg. Cost of Borrowed Funds (%)	4.6	4.7	5.6			4.7	5.5	

Table 8 | NET INCOME (US \$ Millions)

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD `19	YTD `18	Ch. %
				1Q19	2Q18			
Consolidated Net Income (Loss)	135	91	213	48	(37)	226	476	(52)
Minority Interest	40	25	29	57	36	65	103	(37)
Majority Net Income (Loss)	95	66	184	45	(48)	161	373	(57)
Per Share (US Dollars)	0.02	0.01	0.04	44	(53)	0.03	0.07	(54)
Avg. Outstanding Shares (Millions)	5,042	5,054	5,055			5,048	5,055	

Table 9 | SELECTED BALANCE SHEET INFORMATION & FINANCIAL RATIOS (US \$ Millions)

	2Q19	1Q19	2Q18
Assets	18,799	18,811	18,660
Liabilities	13,841	13,906	14,042
Stockholders' Equity	4,957	4,905	4,617
Majority Equity	3,705	3,685	3,456
Net Debt	7,122	7,194	7,014
Net Debt/EBITDA*	2.7	2.6	3.1
Interest Coverage*	6.0	5.7	4.7

\* Times: LTM= Last 12 months

Table 10 | STATEMENT OF FINANCIAL POSITION & FINANCIAL RATIOS (US \$ Millions)

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.	
				1Q19	2Q18
<b>Assets</b>					
Cash and cash equivalents	1,217	1,250	1,155	(3)	5
Trade accounts receivable	1,505	1,524	1,671	(1)	(10)
Inventories	2,517	2,508	2,544	-	(1)
Other current assets	894	914	900	(2)	(1)
<b>Total current assets</b>	<b>6,133</b>	<b>6,196</b>	<b>6,269</b>	<b>(1)</b>	<b>(2)</b>
Investment in associates and others	507	506	128	-	296
Property, plant and equipment, net	7,800	7,779	8,062	-	(3)
Goodwill and intangible assets, net	2,982	2,989	2,773	-	8
Other non-current assets	1,377	1,341	1,427	3	(4)
<b>Total assets</b>	<b>18,799</b>	<b>18,811</b>	<b>18,660</b>	<b>-</b>	<b>1</b>
<b>Liabilities &amp; stockholders' equity</b>					
Debt	1,303	1,261	808	3	61
Suppliers	2,932	2,934	3,142	-	(7)
Other current liabilities	1,340	1,401	1,190	(4)	13
<b>Total current liabilities</b>	<b>5,575</b>	<b>5,596</b>	<b>5,139</b>	<b>-</b>	<b>8</b>
Debt (include debt issuance cost)	6,872	6,864	7,425	-	(7)
Employees' benefits	260	252	258	3	1
Other long term liabilities	1,134	1,195	1,220	(5)	(7)
<b>Total liabilities</b>	<b>13,841</b>	<b>13,906</b>	<b>14,042</b>	<b>-</b>	<b>(1)</b>
<b>Total stockholders' equity</b>	<b>4,957</b>	<b>4,905</b>	<b>4,617</b>	<b>1</b>	<b>7</b>
<b>Total liabilities &amp; stockholders' equity</b>	<b>18,799</b>	<b>18,811</b>	<b>18,660</b>	<b>-</b>	<b>1</b>
Net Debt	7,122	7,194	7,014	(1)	2
Net Debt/EBITDA*	2.7	2.6	3.1		
Interest Coverage*	6.0	5.7	4.7		

\* Times. LTM=Last 12 months

SIGMA

Table 11 | SIGMA - VOLUME AND PRICE CHANGES (%)

	2Q19 vs.		YTD '19 vs.
	1Q19	2Q18	YTD '18
Total Volume	4.2	(1.7)	(1.2)
Avg. Ps. Prices	1.4	1.8	1.3
Avg. US \$ Prices	1.9	3.2	0.8

Table 12 | SIGMA - REVENUES

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD '19	YTD '18	Ch. %
				1Q19	2Q18			
<b>Total Revenues</b>								
Ps. Millions	30,776	29,146	30,755	6	-	59,922	59,866	-
US \$ Millions	1,609	1,516	1,587	6	1	3,126	3,139	-
<b>Domestic Revenues</b>								
Ps. Millions	12,966	12,544	12,525	3	4	25,510	24,454	4
US \$ Millions	678	653	647	4	5	1,331	1,283	4
<b>Foreign Revenues</b>								
Ps. Millions	17,810	16,602	18,230	7	(2)	34,412	35,412	(3)
US \$ Millions	931	864	940	8	(1)	1,795	1,856	(3)
Foreign / Total (%)	58	57	59			57	59	

Table 13 | SIGMA - OPERATING INCOME AND EBITDA

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD '19	YTD '18	Ch. %
				1Q19	2Q18			
<b>Operating Income</b>								
Ps. Millions	2,354	2,094	2,210	12	6	4,448	4,235	5
US \$ Millions	123	109	114	13	8	232	222	4
<b>EBITDA</b>								
Ps. Millions	3,425	3,195	3,250	7	5	6,619	6,294	5
US \$ Millions	179	166	168	8	7	345	330	5



Table 14 | SIGMA - SELECTED BALANCE SHEET INFORMATION & FINANCIAL RATIOS (US \$ Millions)

	2Q19	1Q19	2Q18
Assets	5,155	5,056	5,166
Liabilities	4,263	4,228	4,235
Stockholders' Equity	892	828	931
Majority Equity	863	799	898
Net Debt	2,050	2,020	2,030
Net Debt/EBITDA*	2.9	2.9	2.9
Interest Coverage*	6.2	5.3	5.2

\* Times. LTM= Last 12 months

NEWPEK

Table 15 | NEWPEK - REVENUES

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD `19	YTD `18	Ch. %
				1Q19	2Q18			
<b>Volume (MBOEPD)<sup>1</sup></b>	5.4	5.7	8.2	(5)	(34)	5.6	8.9	(37)
Liquid & others (%)	56	55	67	2	(16)	56	68	(18)
<b>Total Revenues</b>								
Ps. Millions	379	441	488	(14)	(22)	820	1,112	(26)
US \$ Millions	20	23	25	(14)	(22)	43	59	(27)
<b>Domestic Revenues</b>								
Ps. Millions	269	335	207	(20)	30	604	480	26
US \$ Millions	14	17	11	(19)	31	31	25	24
<b>Foreign Revenues</b>								
Ps. Millions	110	106	281	4	(61)	216	631	(66)
US \$ Millions	6	5	15	5	(60)	11	33	(66)
Foreign / Total (%)	29	24	58			26	57	

<sup>1</sup> Thousands of Barrels of Oil Equivalent Per Day

Table 16 | NEWPEK - OPERATING INCOME AND EBITDA

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD `19	YTD `18	Ch. %
				1Q19	2Q18			
<b>Operating Income</b>								
Ps. Millions	(174)	(223)	(77)	22	(126)	(398)	135	(395)
US \$ Millions	(9)	(12)	(4)	22	(133)	(21)	7	(377)
<b>EBITDA</b>								
Ps. Millions	(111)	(159)	20	30	(644)	(270)	317	(185)
US \$ Millions	(6)	(8)	1	30	(623)	(14)	17	(183)

Table 17 | NEWPEK - SELECTED BALANCE SHEET INFORMATION & FINANCIAL RATIOS (US \$ Millions)

	2Q19	1Q19	2Q18
Assets	636	627	666
Liabilities	241	248	323
Stockholders' Equity	395	379	343
Net Debt	(11)	(20)	25
Net Debt/EBITDA*	33.7	(3.1)	1.2
Interest Coverage*	0.0	(1.1)	(18.5)

\* Times. LTM= Last 12 months

## Financial Statements

ALFA, S.A.B. de C.V. and Subsidiaries

### BALANCE SHEET

Information in millions of Nominal Mexican Pesos

	Jun 19	Mar 19	Jun 18	(% Jun 19 vs.)	
				Mar 19	Jun 18
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	23,330	24,233	22,943	(4)	2
Trade accounts receivable	28,851	29,533	33,188	(2)	(13)
Other accounts and notes receivable	9,082	6,301	6,633	44	37
Inventories	48,241	48,602	50,526	(1)	(5)
Other current assets	8,059	11,408	11,235	(29)	(28)
<b>Total current assets</b>	<b>117,563</b>	<b>120,077</b>	<b>124,525</b>	<b>(2)</b>	<b>(6)</b>
Investments in associates and joint ventures	9,727	9,815	2,545	(1)	282
Property, Plant and equipment	149,513	150,744	160,145	(1)	(7)
Intangible assets	57,153	57,930	55,075	(1)	4
Other non-current assets	26,389	25,978	28,353	2	(7)
<b>Total assets</b>	<b>360,345</b>	<b>364,544</b>	<b>370,643</b>	<b>(1)</b>	<b>(3)</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>					
<b>CURRENT LIABILITIES:</b>					
Current portion of long-term debt	7,449	6,159	2,795	21	166
Bank loans and notes payable	17,525	18,285	13,246	(4)	32
Suppliers	56,211	56,851	62,412	(1)	(10)
Other current liabilities	25,685	27,143	23,630	(5)	9
<b>Total current liabilities</b>	<b>106,870</b>	<b>108,437</b>	<b>102,084</b>	<b>(1)</b>	<b>5</b>
<b>LONG-TERM LIABILITIES:</b>					
Long-term debt	131,727	133,019	147,482	(1)	(11)
Deferred income taxes	12,521	12,566	13,009	-	(4)
Other liabilities	9,217	10,584	11,221	(13)	(18)
Estimated liabilities for seniority premiums and pension plans	4,984	4,891	5,133	2	(3)
<b>Total liabilities</b>	<b>265,319</b>	<b>269,497</b>	<b>278,929</b>	<b>(2)</b>	<b>(5)</b>
<b>STOCKHOLDERS' EQUITY:</b>					
Controlling interest:					
Capital stock	210	210	211	-	-
Earned surplus	70,802	71,197	68,434	(1)	3
<b>Total controlling interest</b>	<b>71,012</b>	<b>71,408</b>	<b>68,645</b>	<b>(1)</b>	<b>3</b>
Total Non-controlling interest	24,015	23,639	23,069	2	4
<b>Total stockholders' equity</b>	<b>95,026</b>	<b>95,046</b>	<b>91,713</b>	<b>-</b>	<b>4</b>
<b>Total liabilities and stockholders' equity</b>	<b>360,345</b>	<b>364,544</b>	<b>370,643</b>	<b>(1)</b>	<b>(3)</b>
Current ratio	1.1	1.1	1.2		
Debt to equity	2.8	2.8	3.0		

### ALFA, S.A.B. de C.V. and Subsidiaries

#### INCOME STATEMENT

Information in millions of Nominal Mexican Pesos

	2Q19	1Q19	2Q18	YTD '19	YTD '18	2Q19 vs. (%)	
						1Q19	2Q18
Net sales	85,538	86,090	93,738	171,627	179,588	(1)	(9)
Domestic	27,907	27,536	30,026	55,443	57,928	1	(7)
Export	57,630	58,554	63,712	116,184	121,661	(2)	(10)
Cost of sales	(69,445)	(70,246)	(73,589)	(139,691)	(141,786)	1	6
Gross profit	16,092	15,844	20,149	31,936	37,802	2	(20)
Operating expenses and others	(9,662)	(10,879)	(11,618)	(20,541)	(22,224)	11	17
Operating income	6,431	4,964	8,532	11,395	15,578	30	(25)
Comprehensive financing expense, net	(2,324)	(1,817)	(3,344)	(4,141)	(3,492)	(28)	31
Equity in income (loss) of associates	(8)	57	15	49	103	(114)	(153)
Income before the following provision	4,099	3,205	5,203	7,303	12,189	28	(21)
Provisions for:							
Income tax	(1,526)	(1,452)	(1,030)	(2,978)	(3,078)	(5)	(48)
Consolidated net income	2,573	1,752	4,173	4,325	9,111	47	(38)
Income (loss) corresponding to minority interest	756	489	586	1,245	1,970	55	29
Net income (loss) corresponding to majority interest	1,817	1,263	3,587	3,080	7,141	44	(49)
EBITDA	11,368	9,982	13,129	21,350	24,916	14	(13)
Interest coverage*	6.0	5.8	4.8	6.0	4.8		

\* Times. LTM=Last Twelve Months

### Sigma Alimentos, S.A. de C.V. and Subsidiaries

#### BALANCE SHEET

Information in millions of Nominal Mexican Pesos

Assets	Jun 19	Mar 19	Jun 18	(% Jun 19 vs.)	
				Mar 19	Jun 18
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	9,780	10,454	10,847	(6)	(10)
Restricted cash	23	12	85	92	(73)
Customers, net	5,316	4,984	5,103	7	4
Income tax recoverable	346	505	450	(31)	(23)
Inventories	16,212	14,735	15,387	10	5
Other current assets	2,788	2,759	2,946	1	(5)
<b>Total current assets</b>	<b>34,465</b>	<b>33,449</b>	<b>34,818</b>	<b>3</b>	<b>(1)</b>
Property, plant and equipment, net	32,612	32,690	34,427	-	(5)
Intangible assets, net	15,659	15,931	15,623	(2)	-
Goodwill	13,161	13,129	14,090	-	(7)
Deferred income tax	2,246	2,094	2,666	7	(16)
Investments in associates and joint ventures	97	101	89	(4)	10
Other non-current assets	580	589	909	(2)	(36)
<b>Total non-current assets</b>	<b>64,356</b>	<b>64,534</b>	<b>67,803</b>	<b>-</b>	<b>(5)</b>
<b>Total assets</b>	<b>98,821</b>	<b>97,981</b>	<b>102,621</b>	<b>1</b>	<b>(4)</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>					
<b>CURRENT LIABILITIES:</b>					
Current debt	5,390	5,700	2,234	(5)	141
Notes payables	572	587	87	(3)	556
Suppliers	20,153	18,752	19,020	7	6
Income tax payable	1,605	1,527	1,652	5	(3)
Provisions	105	126	130	(17)	(19)
Other current liabilities	5,565	5,138	5,987	8	(7)
<b>Total current liabilities</b>	<b>33,390</b>	<b>31,829</b>	<b>29,111</b>	<b>5</b>	<b>15</b>
<b>NON-CURRENT LIABILITIES:</b>					
Non-current debt	41,244	41,717	48,304	(1)	(15)
Notes payables	1,565	1,767	292	(11)	435
Deferred income taxes	3,488	3,489	3,599	-	(3)
Employees benefits	1,407	1,375	1,417	2	(1)
Provisions	75	73	98	2	(24)
Income tax payable	509	1,633	1,264	(69)	(60)
Other non-current liabilities	41	50	37	(18)	12
<b>Total non-current liabilities</b>	<b>48,328</b>	<b>50,104</b>	<b>55,011</b>	<b>(4)</b>	<b>(12)</b>
<b>Total liabilities</b>	<b>81,718</b>	<b>81,933</b>	<b>84,122</b>	<b>-</b>	<b>(3)</b>
<b>STOCKHOLDERS' EQUITY:</b>					
Total controlling interest:	16,544	15,491	17,837	7	(7)
Total non-controlling interest:	559	557	662	-	(16)
<b>Total stockholders' equity</b>	<b>17,103</b>	<b>16,048</b>	<b>18,499</b>	<b>7</b>	<b>(8)</b>
<b>Total liabilities and stockholders' equity</b>	<b>98,821</b>	<b>97,981</b>	<b>102,621</b>	<b>1</b>	<b>(4)</b>

Sigma Alimentos, S.A. de C.V. and Subsidiaries

INCOME STATEMENT

Information in millions of Nominal Mexican Pesos

	2Q19	1Q19	2Q18	YTD '19	YTD '18	2Q19 vs. (%)	
						1Q19	2Q18
Revenue	30,776	29,146	30,755	59,922	59,866	6	-
Cost of sales	(22,137)	(20,801)	(22,165)	(42,938)	(43,101)	6	-
<b>Gross profit</b>	8,639	8,345	8,590	16,984	16,765	4	1
Selling expenses	(5,090)	(4,914)	(5,061)	(10,004)	(9,908)	4	1
Administrative expenses	(1,259)	(1,383)	(1,343)	(2,642)	(2,730)	(9)	(6)
Other income (expenses), net	64	46	24	110	109	39	163
Operating profit	2,354	2,094	2,210	4,448	4,235	12	6
Comprehensive financial expenses, net	(975)	(573)	(204)	(1,548)	(920)	70	378
Equity in income (loss) of associates	(1)	(1)	-	(1)	(1)	(34)	-
Profit before income tax	1,378	1,521	2,006	2,898	3,315	(9)	(31)
Provisions for:							
Income tax	(609)	(727)	(85)	(1,336)	(1,118)	(16)	616
<b>Net consolidated profit</b>	769	793	1,921	1,563	2,197	(3)	(60)
<b>Non-controlling interest</b>	(1)	(11)	(15)	(12)	(14)	(91)	(93)
<b>Controlling interest</b>	770	804	1,936	1,575	2,211	(4)	(60)

## Appendix - Listed Business Reports

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**Alpek** (BMV: ALPEKAA) – Petrochemicals

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**Nemak** (BMV: NEMAKA) – Aluminum Autoparts

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**Axtel** (BMV: AXTELCPO) – IT & Telecom

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Monterrey, Mexico. July 17, 2019 – Alpek, S.A.B. de C.V. (BMV: ALPEK)

## Alpek reports 2Q19 EBITDA of U.S. \$161 million

### Selected Financial Information

(U.S. \$ Millions)

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD19	YTD18	Ch.%
				1Q19	2Q18			
<b>Total Volume (ktons)</b>	1,121	1,087	1,151	3	(3)	2,208	2,167	2
Polyester	887	857	912	4	(3)	1,744	1,699	3
Plastics & Chemicals	234	230	239	2	(2)	463	468	(1)
<b>Consolidated Revenues</b>	1,643	1,642	1,759	-	(7)	3,286	3,291	-
Polyester	1,242	1,239	1,320	-	(6)	2,481	2,429	2
Plastics & Chemicals	375	376	439	-	(15)	751	862	(13)
<b>Consolidated EBITDA</b>	161	140	239	15	(33)	301	420	(28)
Polyester	96	80	162	20	(41)	176	274	(36)
Plastics & Chemicals	61	54	78	13	(22)	115	148	(22)
<b>Profit Attributable to Controlling Interest</b>	56	27	142	108	(61)	83	224	(63)
CAPEX and Acquisitions	38	69	471	(45)	(92)	106	527	(80)
Net Debt	2,084	2,200	1,637	(5)	27			
Net Debt/LTM EBITDA <sup>(1)</sup>	2.2	2.2	2.9					
Interest Coverage <sup>(1)</sup>	8.1	8.8	5.9					

(1) Times: Last 12 months

### Operating & Financial Highlights (2Q19)

<b>Alpek</b>	<ul style="list-style-type: none"> <li>2Q19 EBITDA of U.S. \$161 million, including a U.S. \$27 million non-cash inventory loss. 2Q19 Comparable EBITDA is +28% qoq and -13% yoy</li> <li>2.2 times Net Debt/LTM EBITDA; Flat versus 1Q19 and up from 1.7 times at year-end 2018. Net Debt decreased by U.S. \$116 million during 2Q19</li> <li>Progress continues at Altamira Cogeneration plant. Sale to be completed in upcoming months</li> </ul>
<b>Polyester</b>	<ul style="list-style-type: none"> <li>2Q19 Polyester EBITDA of U.S. \$96 million, including a U.S. \$26 million non-cash inventory loss. 2Q19 Comparable Polyester EBITDA is +47% qoq and -15% yoy</li> <li>Reference polyester margins grew by 14% qoq after stabilizing from record highs in 2Q18</li> <li>Px Contract price decreased by 14% qoq. Temporarily impacting polyester margins with a feedstock cost carry-over effect</li> </ul>
<b>Plastics &amp; Chemicals (P&amp;C)</b>	<ul style="list-style-type: none"> <li>2Q19 P&amp;C EBITDA of U.S. \$61 million, including a U.S. \$1 million non-cash inventory loss. 2Q19 Comparable P&amp;C EBITDA is +6% qoq and -18% yoy</li> <li>P&amp;C EBITDA was mainly driven by a better-than-expected Polypropylene (“PP”) performance</li> </ul>

This release contains forward-looking information based on numerous variables and assumptions that are inherently uncertain. They involve judgments with respect to, among other things, future economic, competitive and financial market conditions and future business decisions, all of which are difficult or impossible to predict accurately. Accordingly, results could vary from those set forth in this release. The report presents unaudited financial information based on International Financial Reporting Standards (IFRS). Figures are stated in nominal Mexican pesos (\$) and in current U.S. Dollars (U.S. \$), as indicated. Where applicable, peso amounts were translated into U.S. Dollars using the average exchange rate of the months during which operations were recorded. Financial ratios are calculated in U.S. Dollars. Due to the rounding up of figures, small differences may occur when calculating percent changes from one period to the other.

## Message from the CEO

Second quarter 2019 Consolidated EBITDA was U.S. \$161 million, marked by similar set of events as those experienced in 1Q19. Reference polyester margins continued to strengthen versus 1Q19. The decline of Paraxylene (“Px”) prices, which started in 4Q19, extended temporary distortions to polyester margins and results through 2Q19. Better than expected performance in Plastics & Chemicals (“P&C”) partially offset this effect.

Average Brent crude oil price increased quarter on quarter from U.S. \$63 per barrel in 1Q19 to U.S. \$68 per barrel in 2Q19. However, Px and Propylene prices declined by 14% and 2% respectively over the same time frame. Lower feedstock prices resulted in a U.S. \$27 million non-cash inventory loss during the second quarter, and a U.S. \$46 million non-cash inventory loss year-to-date. Px contract prices did not follow their typical correlation to crude oil mainly because of new capacity additions in China. It is important to note that Px prices appear to have stabilized at these lower levels since the start of June.

2Q19 Polyester segment EBITDA was U.S. \$96 million, including a U.S. \$26 million non-cash inventory loss and U.S. \$1 M in non-recurring legal fees. Adjusting for these items, 2Q19 Comparable Polyester EBITDA was U.S. \$123 million, up 47% but down 15% when compared to 1Q19 and 2Q18, respectively. The increase versus 1Q19 was largely driven by higher volume and stronger reference polyester margins, which grew quarter on quarter, but were below 2Q18 record highs.

In addition to an inventory loss, the decline in Px price also generated a negative feedstock cost carry-over effect of U.S. \$28 million during 2Q19, and U.S. \$47 million year-to-date. While this negative effect is included in our Comparable Polyester EBITDA, it can also be considered as a temporary distortion to margins. Excluding for this impact, 2Q19 and 1H19 Comparable Polyester EBITDA would increase to U.S. \$151 million and U.S. \$254 million, respectively.

Plastics & Chemicals (“P&C”) EBITDA was U.S. \$61 million in 2Q19. Adjusting for non-cash inventory losses of U.S. \$1 million, Comparable P&C EBITDA was U.S. \$62 million, up 6% quarter-on-quarter. 2Q19 EBITDA was mainly driven by a continuation of better than expected margins from the Polypropylene (“PP”) segment. However, Caprolactam’s (“CPL”) performance was below expectations amid a declining price environment in 2Q19. On a year-on-year basis, EBITDA was down 17% due to changes in P&C feedstock mix.

On the investment front, 2Q19 Capex totaled U.S. \$38 million, mostly allocated to the 350 MW Altamira cogeneration power plant. Minor asset replacements and capital projects accounted for the rest of Capex.

The sale process of Alpek’s two cogeneration power plants continued to move forward. Commissioning work at the Altamira facility is nearing completion, with the sale expected to be concluded in the next months. Alpek reaffirms its plan to pay an extraordinary dividend of U.S. \$143 million when it receives the corresponding proceeds from the sale of these assets to ContourGlobal.

At quarter-end, 2Q19 Net Debt totaled U.S. \$2.084 billion and the leverage ratio (Net Debt to LTM EBITDA) was 2.2 times; flat versus 1Q19 and up from 1.7 times at the close of 4Q18. Net debt decreased by U.S. \$116 million in 2Q19 mainly as a result of a positive change in Net Working Capital. Leverage is expected to drop below 2.0x by year-end, once income from the sale of the cogeneration plants is received.

Comparable EBITDA both for Polyester and P&C reflects strong operational results supported by positive market fundamentals. We will focus on closing the sale of the cogeneration assets and continue to monitor the evolution of CPL margins. In this context and based on the strong trend of global Polyester and P&C margins, as well as the recent stabilization of Px prices, which would eliminate inventory losses and feedstock cost carry-over effects, Alpek maintains its 2019 Guidance.

## Results by Business Segment

### Polyester

*(Purified Terephthalic Acid (PTA), Polyethylene Terephthalate (PET), Polyester fibers – 75% of Alpek's Net Sales)*

Second quarter 2019 Polyester revenue was flat quarter-on-quarter as higher volume was offset by lower average prices. 2Q19 revenue was down 6% year-on-year mainly due to lower feedstock prices. Average 2Q19 Polyester prices decreased 3% when compared to both 1Q19 and 2Q18.

Polyester volume was 887 Ktons in 2Q19, up 4% but down 3% when compared to 1Q19 and 2Q18, respectively. The variation versus 1Q19 was mainly attributed to higher volume from Suape/Citepe. Polyester volume was 3% higher than the first half of 2018.

2Q19 segment EBITDA was U.S. \$96 million, including a U.S. \$26 million non-cash inventory loss and a U.S. \$1 million in non-recurring legal fees. Adjusting for these items, 2Q19 Comparable Polyester EBITDA was U.S. \$123 million, up 47% but down 15% when compared to 1Q19 and 2Q18, respectively. 2Q19 results also include a negative feedstock cost carry-over effect of U.S. \$28 million, caused by the decline in Px prices. If Px prices continue to stabilize as they have during June, both inventory losses and feedstock cost carry-over effects from 1H19 would not extend beyond that period, and could even partially offset year-to-date losses during 2H19.

### Plastics & Chemicals (P&C)

*(Polypropylene (PP), Expandable Polystyrene (EPS), Caprolactam (CPL), Other products – 23% of Alpek's Net Sales)*

2Q19 P&C revenue was flat quarter-on-quarter but decreased 15% year-on-year, as a result of lower average prices and mixed volume effects. 2Q19 average P&C prices were down 2% and 13% when compared to 1Q19 and 2Q18, reflecting lower prices for feedstocks such as propylene and styrene.

Second quarter 2019 P&C volume increased 2% but decreased 2%, when compared to 1Q19 and 2Q18, respectively. P&C volume increase in 2Q19 was mainly driven by polypropylene. Year-to-date P&C volume was down 1% versus 2018 as PP volume growth was partially offset by CPL.

Segment EBITDA was U.S. \$61 million in 2Q19, including a U.S. \$1 million non-cash inventory loss. Adjusting for the inventory loss, 2Q19 Comparable P&C EBITDA was up 6% but down 18% versus 1Q19 and 2Q18, respectively, largely driven by PP results. The variation versus 1Q19 results was mainly derived from higher PP volume, while changes in feedstock mix explain the gap versus 2Q18.

## Consolidated Financial Results

**Net Sales:** Net Sales for the second quarter totaled U.S. \$1.643 billion, flat when compared to 1Q19 and 7% lower than 2Q18. 2Q19 average consolidated prices were down 3% and 4% when compared to 1Q19 and 2Q18, respectively, mainly driven by lower feedstock prices. Accumulated net sales as of June 30, 2019 totaled U.S. \$3.286 billion, flat versus the same period last year.

**EBITDA:** 2Q19 EBITDA was U.S. \$161 million, including a U.S. \$27 million non-cash inventory loss, and a U.S. \$1 million in non-recurring legal fees. Adjusting for these items, Comparable Consolidated EBITDA was U.S. \$189 million, U.S. \$148 million and U.S. \$218 million in 2Q19, 1Q19 and 2Q18, respectively. Accumulated EBITDA as of June 30, 2019 was U.S. \$301 million and accumulated Comparable Consolidated EBITDA totaled U.S. \$337 million.

**Profit (Loss) Attributable to Controlling Interest:** Profit Attributable to Controlling Interest for the second quarter of 2019 was U.S. \$56 million, compared to U.S. \$27 million in 1Q19 and U.S. \$142 million in 2Q18. 2Q19 Profit Attributable to Controlling Interest increased versus 1Q19 as a result of higher operating income and lower financial cost. Accumulated Profit Attributable to Controlling Interest as of June 30, 2019 was U.S. \$83 million, down 63% when compared to the same period in 2018.

**Capital Expenditures and Acquisitions (Capex):** 2Q19 Capex was U.S. \$38 million, compared to U.S. \$69 million and U.S. \$471 million in 1Q19 and 2Q18, respectively. Alpek made progress towards finalizing the construction of its 350 MW Altamira cogeneration power plant in 2Q19. Capex also includes minor asset replacement and capital projects. Accumulated Capex as of June 30, 2019 totaled U.S. \$106 million, down 80% when compared to the same period in 2018.

**Net Debt:** Consolidated Net Debt as of June 30, 2019 was U.S. \$2.084 billion, down 5% quarter-on-quarter but up 27% year-on-year. On an absolute basis, Net Debt decreased U.S. \$116 million during 2Q19 mainly as a result of positive Net Working Capital, including a U.S. \$41 million tax credit recovery by Suape/Citepe. As of June 30, 2019, Gross Debt was U.S. \$2.371 billion and Cash totaled U.S. \$287 million. Financial ratios at quarter-end 2Q19 were: Net Debt to EBITDA of 2.2 times and Interest Coverage of 8.1 times.

Appendix A - Tables

TABLE 1 | VOLUME (KTONS)

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD19	YTD18	Ch.%
				1Q19	2Q18			
Total Volume	1,121	1,087	1,151	3	(3)	2,208	2,167	2
Polyester	887	857	912	4	(3)	1,744	1,699	3
Plastics and Chemicals	234	230	239	2	(2)	463	468	(1)

TABLE 2 | PRICE CHANGES (%)

	(% ) 2Q19 vs.		YTD19 vs.
	1Q19	2Q18	YTD18
<b>Polyester</b>			
Avg. Ps. Prices	(4)	(5)	-
Avg. U.S. \$ Prices	(3)	(3)	(1)
<b>Plastics and Chemicals</b>			
Avg. Ps. Prices	(3)	(14)	(12)
Avg. U.S. \$ Prices	(2)	(13)	(12)
<b>Total</b>			
Avg. Ps. Prices	(4)	(5)	(2)
Avg. U.S. \$ Prices	(3)	(4)	(2)

TABLE 3 | INCOME STATEMENT (U.S. \$ Millions)

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD19	YTD18	Ch.%
				1Q19	2Q18			
Total Revenues	1,643	1,642	1,759	-	(7)	3,286	3,291	-
Gross Profit	155	138	266	12	(42)	293	468	(37)
Operating expenses and others	(45)	(49)	(64)	7	29	(94)	(123)	24
Operating income	110	90	202	23	(46)	200	346	(42)
Financial cost, net	(19)	(22)	(10)	17	(81)	(41)	(15)	(171)
Income Tax	(22)	(27)	(33)	20	34	(49)	(69)	28
Consolidated net income	69	40	159	75	(56)	109	261	(58)
Controlling Interest	56	27	142	108	(61)	83	224	(63)

**TABLE 4 | REVENUES**

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD19	YTD18	Ch. %
				1Q19	2Q18			
<b>Total Revenues</b>								
Ps. Millions	31,425	31,567	34,143	-	(8)	62,992	62,888	-
U.S. \$ Millions	1,643	1,642	1,759	-	(7)	3,286	3,291	-
<b>Domestic Revenues</b>								
Ps. Millions	9,036	8,776	10,425	3	(13)	17,812	19,485	(9)
U.S. \$ Millions	472	457	538	3	(12)	929	1,021	(9)
<b>Foreign Revenues</b>								
Ps. Millions	22,389	22,791	23,718	(2)	(6)	45,180	43,403	4
U.S. \$ Millions	1,171	1,186	1,222	(1)	(4)	2,357	2,271	4
Foreign / Total (%)	71	72	69			72	69	

**TABLE 5 | OPERATING INCOME AND EBITDA**

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD19	YTD18	Ch. %
				1Q19	2Q18			
<b>Operating Income</b>								
Ps. Millions	2,099	1,722	3,933	22	(47)	3,821	6,628	(42)
U.S. \$ Millions	110	90	202	23	(46)	200	346	(42)
<b>EBITDA</b>								
Ps. Millions	3,077	2,684	4,662	15	(34)	5,761	8,053	(28)
U.S. \$ Millions	161	140	239	15	(33)	301	420	(28)

**TABLE 6 | COMPARABLE EBITDA**

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD19	YTD18	Ch. %
				1Q19	2Q18			
<b>EBITDA</b>								
Ps. Millions	3,077	2,684	4,662	15	(34)	5,761	8,053	(28)
U.S. \$ Millions	161	140	239	15	(33)	301	420	(28)
<b>Adjustments*</b>								
Ps. Millions	541	153	(414)	253	231	694	(610)	214
U.S. \$ Millions	28	8	(21)	253	234	36	(31)	215
<b>Comparable EBITDA</b>								
Ps. Millions	3,619	2,837	4,247	28	(15)	6,455	7,443	(13)
U.S. \$ Millions	189	148	218	28	(13)	337	389	(13)

\*Adjustments: Inventory and non-operating, one-time (gains) losses

**TABLE 7 | FINANCIAL COST, NET (U.S. \$ Millions)**

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD19	YTD18	Ch.%
				1Q19	2Q18			
Financial Expenses	(35)	(34)	(28)	(1)	(22)	(69)	(52)	(34)
Financial Income	9	9	4	2	126	19	10	87
Net Financial Expenses	(25)	(25)	(24)	(1)	(4)	(51)	(42)	(21)
Fx Gains (Losses)	7	3	14	138	(52)	10	27	(64)
Financial Cost, Net	(19)	(22)	(10)	17	(81)	(41)	(15)	(171)

**TABLE 8 | NET INCOME (U.S. \$ Millions)**

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD19	YTD18	Ch.%
				1Q19	2Q18			
Consolidated Net Income	69	40	159	75	(56)	109	261	(58)
Non-Controlling Interest	14	13	17	6	(18)	26	37	(29)
Controlling Interest	56	27	142	108	(61)	83	224	(63)
Earnings per Share (U.S. Dollars)	0.03	0.01	0.07	108	(61)	0.04	0.11	(63)
Avg. Outstanding Shares (Millions)*	2,118	2,118	2,117			2,118	2,117	

\* The same number of equivalent shares are considered in the periods presented

**TABLE 9 | CASH FLOW (U.S. \$ Millions)**

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD19	YTD18	Ch.%
				1Q19	2Q18			
EBITDA	161	140	239	15	(33)	301	420	(28)
Net Working Capital & Others	90	(24)	(66)	478	237	66	(150)	144
Capital Expenditures & Acq.	(38)	(69)	(471)	45	92	(106)	(527)	80
Financial Expenses	(32)	(31)	(26)	(4)	(22)	(63)	(49)	(30)
Income tax	(60)	(30)	(33)	(97)	(80)	(90)	(41)	(122)
Dividends	(2)	(179)	(28)	99	93	(181)	(28)	(537)
Payment to affiliated companies	8	-	10	100	(21)	8	11	(21)
Other Sources / Uses	(12)	(176)	8	93	(256)	(187)	(10)	(1,757)
Decrease (Increase) in Net Debt	116	(369)	(367)	132	132	(252)	(375)	33



**TABLE 10 | STATEMENT OF FINANCIAL POSITION & FINANCIAL RATIOS (U.S. \$ Millions)**

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.	
				1Q19	2Q18
<b>Assets</b>					
Cash and cash equivalents	287	230	223	25	29
Trade accounts receivable	703	699	773	-	(9)
Inventories	987	1,064	1,036	(7)	(5)
Other current assets	346	356	279	(3)	24
<b>Total current assets</b>	<b>2,323</b>	<b>2,348</b>	<b>2,311</b>	<b>(1)</b>	<b>1</b>
Investment in associates and others	448	448	80	-	459
Property, plant and equipment, net	2,443	2,430	2,480	1	(1)
Goodwill and intangible assets, net	217	221	198	(1)	10
Other non-current assets	577	595	454	(3)	27
<b>Total assets</b>	<b>6,009</b>	<b>6,042</b>	<b>5,522</b>	<b>(1)</b>	<b>9</b>
<b>Liabilities &amp; stockholders' equity</b>					
Debt	592	692	305	(15)	94
Suppliers	833	871	1,038	(4)	(20)
Other current liabilities	333	314	250	6	33
<b>Total current liabilities</b>	<b>1,757</b>	<b>1,878</b>	<b>1,593</b>	<b>(6)</b>	<b>10</b>
Debt (include debt issuance cost)	1,603	1,560	1,550	3	3
Employees' benefits	58	57	54	3	9
Other long term liabilities	473	476	635	(1)	(26)
<b>Total liabilities</b>	<b>3,891</b>	<b>3,970</b>	<b>3,832</b>	<b>(2)</b>	<b>2</b>
<b>Total stockholders' equity</b>	<b>2,117</b>	<b>2,072</b>	<b>1,691</b>	<b>2</b>	<b>25</b>
<b>Total liabilities &amp; stockholders' equity</b>	<b>6,009</b>	<b>6,042</b>	<b>5,522</b>	<b>(1)</b>	<b>9</b>
Net Debt	2,084	2,200	1,637	(5)	27
Net Debt/EBITDA*	2.2	2.2	2.9		
Interest Coverage*	8.1	8.8	5.9		

\* Times: last 12 months

## Polyester

TABLE 11 | REVENUES

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD19	YTD18	Ch.%
				1Q19	2Q18			
<b>Total Revenues</b>								
Ps. Millions	23,749	23,823	25,615	-	(7)	47,573	46,426	2
U.S. \$ Millions	1,242	1,239	1,320	-	(6)	2,481	2,429	2
<b>Domestic Revenues</b>								
Ps. Millions	4,035	3,985	5,039	1	(20)	8,019	9,262	(13)
U.S. \$ Millions	211	207	260	2	(19)	418	485	(14)
<b>Foreign Revenues</b>								
Ps. Millions	19,715	19,838	20,576	(1)	(4)	39,553	37,164	6
U.S. \$ Millions	1,031	1,032	1,060	-	(3)	2,063	1,944	6
Foreign / Total (%)	83	83	80			83	80	

TABLE 12 | OPERATING INCOME AND EBITDA

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD19	YTD18	Ch.%
				1Q19	2Q18			
<b>Operating Income</b>								
Ps. Millions	1,064	767	2,566	39	(59)	1,831	4,105	(55)
U.S. \$ Millions	56	40	132	40	(58)	96	214	(55)
<b>EBITDA</b>								
Ps. Millions	1,830	1,541	3,159	19	(42)	3,370	5,250	(36)
U.S. \$ Millions	96	80	162	20	(41)	176	274	(36)

TABLE 13 | COMPARABLE EBITDA

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD19	YTD18	Ch.%
				1Q19	2Q18			
<b>EBITDA</b>								
Ps. Millions	1,830	1,541	3,159	19	(42)	3,370	5,250	(36)
U.S. \$ Millions	96	80	162	20	(41)	176	274	(36)
<b>Adjustments*</b>								
Ps. Millions	523	74	(350)	610	249	596	(536)	211
U.S. \$ Millions	27	4	(18)	608	251	31	(28)	211
<b>Comparable EBITDA</b>								
Ps. Millions	2,352	1,614	2,809	46	(16)	3,966	4,714	(16)
U.S. \$ Millions	123	84	144	47	(15)	207	246	(16)

\*Adjustments: Inventory and non-operating, one-time (gains) losses

Plastics & Chemicals

TABLE 14 | REVENUES

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD19	YTD18	Ch. %
				1Q19	2Q18			
<b>Total Revenues</b>								
Ps. Millions	7,168	7,229	8,522	(1)	(16)	14,397	16,456	(13)
U.S. \$ Millions	375	376	439	-	(15)	751	862	(13)
<b>Domestic Revenues</b>								
Ps. Millions	4,553	4,313	5,385	6	(15)	8,866	10,223	(13)
U.S. \$ Millions	238	224	278	6	(14)	462	535	(14)
<b>Foreign Revenues</b>								
Ps. Millions	2,616	2,916	3,136	(10)	(17)	5,531	6,233	(11)
U.S. \$ Millions	137	152	162	(10)	(15)	289	327	(12)
Foreign / Total (%)	36	40	37			38	38	

TABLE 15 | OPERATING INCOME AND EBITDA

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD19	YTD18	Ch. %
				1Q19	2Q18			
<b>Operating Income</b>								
Ps. Millions	954	853	1,390	12	(31)	1,806	2,548	(29)
U.S. \$ Millions	50	44	71	12	(30)	94	133	(29)
<b>EBITDA</b>								
Ps. Millions	1,166	1,040	1,526	12	(24)	2,206	2,828	(22)
U.S. \$ Millions	61	54	78	13	(22)	115	148	(22)

TABLE 16 | COMPARABLE EBITDA

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD19	YTD18	Ch. %
				1Q19	2Q18			
<b>EBITDA</b>								
Ps. Millions	1,166	1,040	1,526	12	(24)	2,206	2,828	(22)
U.S. \$ Millions	61	54	78	13	(22)	115	148	(22)
<b>Adjustments*</b>								
Ps. Millions	18	80	(64)	(77)	129	98	(75)	231
U.S. \$ Millions	1	4	(3)	(76)	133	5	(4)	245
<b>Comparable EBITDA</b>								
Ps. Millions	1,185	1,120	1,462	6	(19)	2,304	2,753	(16)
U.S. \$ Millions	62	58	75	6	(18)	120	144	(17)

\*Adjustments: Inventory and non-operating, one-time (gains) losses

## Appendix B – Financial Statements

ALPEK, S.A.B. DE C.V. and Subsidiaries

### STATEMENT OF FINANCIAL POSITION

Information in Millions of Mexican Pesos

(%) Jun-19 vs.

	Jun-19	Mar-19	Jun-18	Mar-19	Jun-18
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	5,493	4,447	4,426	24	24
Restricted cash	3	3	3	-	-
Trade accounts receivable	13,470	13,551	15,358	(1)	(12)
Other accounts and notes receivable	5,535	5,722	4,133	(3)	34
Inventories	18,923	20,610	20,570	(8)	(8)
Other current assets	1,102	1,168	1,407	(6)	(22)
<b>Total current assets</b>	<b>44,526</b>	<b>45,501</b>	<b>45,897</b>	<b>(2)</b>	<b>(3)</b>
Investment in associates and others	8,593	8,683	1,593	(1)	439
Property, plant and equipment, net	46,824	47,095	49,254	(1)	(5)
Goodwill and intangible assets	4,166	4,274	3,933	(3)	6
Other non-current assets	11,068	11,532	9,013	(4)	23
<b>Total assets</b>	<b>115,177</b>	<b>117,085</b>	<b>109,690</b>	<b>(2)</b>	<b>5</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>					
<b>CURRENT LIABILITIES:</b>					
Debt	11,341	13,420	6,058	(15)	87
Suppliers	15,963	16,883	20,624	(5)	(23)
Other current liabilities	6,375	6,083	4,960	5	29
<b>Total current liabilities</b>	<b>33,679</b>	<b>36,386</b>	<b>31,642</b>	<b>(7)</b>	<b>6</b>
<b>NON-CURRENT LIABILITIES:</b>					
Debt (include debt issuance cost)	30,733	30,228	30,788	2	-
Deferred income taxes	4,562	4,657	4,639	(2)	(2)
Other non-current liabilities	4,497	4,564	7,969	(1)	(44)
Employees' benefits	1,121	1,101	1,069	2	5
<b>Total liabilities</b>	<b>74,592</b>	<b>76,936</b>	<b>76,107</b>	<b>(3)</b>	<b>(2)</b>
<b>STOCKHOLDERS' EQUITY:</b>					
Controlling interest:					
Capital stock	6,050	6,052	6,052	-	-
Share premium	9,098	9,106	9,071	-	-
Contributed capital	15,148	15,158	15,123	-	-
Earned surplus	20,729	20,449	13,508	1	53
<b>Total controlling interest</b>	<b>35,877</b>	<b>35,607</b>	<b>28,631</b>	<b>1</b>	<b>25</b>
Non-controlling interest	4,708	4,542	4,952	4	(5)
<b>Total stockholders' equity</b>	<b>40,585</b>	<b>40,149</b>	<b>33,583</b>	<b>1</b>	<b>21</b>
<b>Total liabilities and stockholders' equity</b>	<b>115,177</b>	<b>117,085</b>	<b>109,690</b>	<b>(2)</b>	<b>5</b>

## ALPEK, S.A.B. DE C.V. and Subsidiaries

### STATEMENT OF INCOME

Information in Millions of Mexican Pesos

	2Q19	1Q19	2Q18	(% ) 2Q19 vs		YTD19	YTD18	(%)YTD19 vs YTD18
				1Q19	2Q18			
Revenues	31,425	31,567	34,143	-	(8)	62,992	62,888	-
Domestic	9,036	8,776	10,425	3	(13)	17,812	19,485	(9)
Export	22,389	22,791	23,718	(2)	(6)	45,180	43,403	4
Cost of sales	(28,460)	(28,910)	(28,966)	2	2	(57,370)	(53,909)	(6)
Gross profit	2,965	2,657	5,177	12	(43)	5,622	8,979	(37)
Operating expenses and others	(866)	(935)	(1,244)	7	30	(1,801)	(2,351)	23
Operating income	2,099	1,722	3,933	22	(47)	3,821	6,628	(42)
Financial result, net	(354)	(429)	(217)	17	(63)	(784)	(300)	(161)
Equity in income of associates and joint ventures	(1)	(3)	-	67	(100)	(4)	(9)	56
Income before taxes	1,744	1,290	3,716	35	(53)	3,033	6,319	(52)
Income taxes	(420)	(525)	(640)	20	34	(944)	(1,305)	28
<b>Consolidated net income</b>	<b>1,324</b>	<b>765</b>	<b>3,076</b>	<b>73</b>	<b>(57)</b>	<b>2,089</b>	<b>5,014</b>	<b>(58)</b>
<b>Profit attributable to Controlling interest</b>	<b>1,064</b>	<b>517</b>	<b>2,752</b>	<b>106</b>	<b>(61)</b>	<b>1,581</b>	<b>4,302</b>	<b>(63)</b>
<b>Profit attributable to Non-controlling interest</b>	<b>260</b>	<b>248</b>	<b>324</b>	<b>5</b>	<b>(20)</b>	<b>508</b>	<b>712</b>	<b>(29)</b>

## Nemak reports 2Q19 EBITDA of US\$174 million

Monterrey, Mexico. July 17, 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 second quarter of 2019 ("2Q19"). A summary of the key performance indicators is presented below:

### Key Figures

	Second Quarter			Six months		
	2019	2018	Δ%	2019	2018	Δ%
Volume (M. Equivalent units)	11.2	13.1	(14.5)	23.3	26.2	(11.1)
Revenues	1,011	1,239	(18.4)	2,113	2,474	(14.6)
EBITDA <sup>1</sup>	174	207	(15.9)	349	404	(13.6)
CAPEX	76	93	NA <sup>2</sup>	172	199	NA <sup>2</sup>

US\$ Millions, except Volume and EBITDA / Eq. Unit

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

(2) NA = Not applicable

Nemak sold 11.2 million equivalent units ("MEU") during 2Q19, down 14.5% year-on-year ("y-o-y"). All regions reported reductions in volume due to less favorable industry conditions and product mix. Revenue was down 18.4% y-o-y, mainly as a result of lower volume and aluminum prices.

2Q19 EBITDA was US\$174 million, a 15.9% y-o-y decrease. This variation was due to lower volume, unfavorable exchange rate effects, and incremental expenses from new product launches in North America; these factors were partially offset by operational efficiencies in Europe as well as a non-recurring gain of US\$8 million related to the favorable resolution of a tax dispute in Brazil.

Capital expenditures amounted to US\$76 million, as the Company continued investing to ramp up production associated with new contracts. As of June 30, 2019, Net Debt amounted to US\$1,297 million, down 0.5% y-o-y. Nemak's financial ratios were as follows: Net Debt to last-twelve-months ("LTM") EBITDA, 1.9 times; Interest Coverage, 10.0 times.

### Message from the CEO

*During this reporting period, we continued tapping into efficiencies to mitigate the effects of industry headwinds, allowing us to deliver results aligned to our expectations. In particular, we achieved further progress in Europe, supported by a number of cost-savings initiatives at the plant level. With the contributions of dedicated teams in all regions, we aim to sustain and expand these efforts in the coming months.*

*We also reinforced the foundations of our structural and EV components business, advancing with new product launches spanning most of the markets we serve. Given our customer relationships and technological capabilities, we are confident that we will capture a relevant share of our US\$1.8 billion pipeline of sales prospects in this segment.*



## Automotive Industry

	Millions of Units		
	Second 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>	4.3	4.4	(2.3)
North America Nemak Customer Production <sup>(2)</sup>	2.8	3.0	(3.3)
Europe Vehicle Sales SAAR <sup>(1)(2)</sup>	20.2	20.8	(2.9)
Europe Vehicle Production <sup>(2)</sup>	5.6	6.0	(6.7)
Europe Nemak Customer Production <sup>(2)</sup>	4.4	4.7	(6.4)

(1) SAAR = Seasonally Adjusted Annual Rate  
(2) Source: IHS Markit and Nemak estimates

In the quarter, SAAR for U.S. vehicle sales was 17.0 million units, or 1.2% lower y-o-y, due mainly to lower sales among certain U.S.-based OEMs. In turn, North America vehicle production figures were 3.3% and 2.3% lower for Nemak customers and the industry, respectively.

In Europe, 2Q19 figures were affected by softer macroeconomic conditions as well as a tough comparison with the same period last year, when the industry saw a pull-ahead effect before the implementation of new vehicle emissions testing standards. Whereas vehicle sales SAAR finished at 20.2 million units, down 2.9% y-o-y, overall vehicle production and Nemak's customer production in the region decreased 6.7% and 6.4%, respectively.

## Recent Developments

- New contracts year-to-date worth a total of US\$410 million in annual revenue, approximately 40% of which represents incremental business.
- Initiation of test production for Nemak's first facility in North America dedicated to battery applications for electric vehicles.
- Nemak was named "GM Supplier of the Year" for its outstanding performance, making it a 15-time winner in the 27-year of history of this award.



## Financial Results Summary

	Second Quarter			Six months		
	2019	2018	Δ%	2019	2018	Δ%
Volume (M. Equivalent units)	11.2	13.1	(14.5)	23.3	26.2	(11.1)
Revenues	1,011	1,239	(18.4)	2,113	2,474	(14.6)
Operating Income	90	135	(33.3)	181	244	(25.8)
EBITDA <sup>1</sup>	174	207	(15.9)	349	404	(13.6)
EBITDA <sup>1</sup> / Eq. Unit	15.5	15.8	(1.9)	15.0	15.4	(2.6)
Net Income	42	24	75.0	101	93	8.6
CAPEX	76	93	NA <sup>2</sup>	172	199	NA <sup>2</sup>
Net Debt <sup>3</sup>	1,297	1,304	(0.5)			

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

2Q19 total volume decreased 14.5% y-o-y. All regions reported lower volume y-o-y although for different reasons. In North America, volume was down mainly due to a less favorable product mix, lower exports to China, and lower production among Detroit 3 customers. In Europe, softer light-vehicle production among OEM customers affected demand for Nematik parts. And in Rest of World, the reduction was mainly due to a continued drop in customer Ford's light-vehicle sales in China.

Turning to Revenue, lower volume and lower aluminum prices drove a 18.4% y-o-y decrease in 2Q19.

Regarding Operating Income, the Company reported a 33.3% y-o-y decrease in 2Q19 as lower revenue, the impact of the depreciation of the euro against the U.S. dollar, and increased expenses on product launches more than offset operating efficiencies, as well as the non-recurring gain mentioned above. The decrease in Operating Income resulted in a 15.9% y-o-y reduction in 2Q19 EBITDA. Meanwhile, 2Q19 EBITDA per equivalent unit was US\$15.50, 1.9% lower than the US\$15.80 reported a year ago. Nematik's 2Q19 Net Income was US\$42 million, a 75.0% y-o-y increase mainly due to lower foreign exchange losses.

Capital expenditures amounted to US\$76 million in 2Q19, with a continued focus on investments to support new product launches in all regions.

As of June 30, 2019, Nematik reported Net Debt in the amount of US\$1.3 billion. Financial ratios were: Net Debt to LTM EBITDA, 1.9 times; and Interest Coverage, 10.0 times. These ratios compared to 1.8 and 8.2 times, respectively, as of quarter-end 2Q18.





## Regional Results

### North America

In 2Q19, revenue was down 18.8% y-o-y mainly due to lower volume and aluminum prices. 2Q19 EBITDA declined by 23.1% y-o-y, attributable to volume effects as well as higher expenses related to new product launches.

### Europe

2Q19 revenue decreased 14.6% y-o-y, mainly due to volume and currency effects, as well as lower aluminum prices. 2Q19 EBITDA was 13.2% lower y-o-y as lower volume and the depreciation of the euro against the U.S. dollar more than offset benefits obtained from greater operational efficiencies.

### Rest of the World

In 2Q19, revenue decreased by 28.7% y-o-y due to lower sales in China. 2Q19 EBITDA was US\$16 million; this figure includes the non-recurring gain of US\$8 million derived from the favorable resolution of a tax dispute in Brazil.

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## Methodology for presentation of results

The report presents unaudited financial information. Figures are in Mexican pesos or U.S. 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, minor differences may occur when calculating percent changes from one period to another.

## Conference call information

Nemak's Second Quarter 2019 Conference Call will be held on Thursday, July 18, 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 23,000 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 second quarter of:					For the six months of:				
	2019	% of rev.	2018	% of rev.	% Var.	2019	% of rev.	2018	% of rev.	% Var.
Volume (million equivalent units)	11.2		13.1		(14.5)	23.3		26.2		(11.1)
Total revenues	1,011	100.0	1,239	100.0	(18.4)	2,113	100.0	2,474	100.0	(14.6)
Gross profit	151	14.9	218	17.6	(30.7)	316	15.0	403	16.3	(21.6)
Sales & administrative expenses	(68)	(6.7)	(82)	(6.6)	(17.1)	(143)	(6.8)	(158)	(6.4)	(9.5)
Other income (expenses) net	7	0.7	(1)	(0.1)	NA	8	0.4	(1)	(0.0)	NA
Operating Income	90	8.9	135	10.9	(33.3)	181	8.6	244	9.9	(25.8)
Interest Expenses	(20)	(2.0)	(20)	(1.6)	0.0	(41)	(1.9)	(62)	(2.5)	(33.9)
Interest Income	8	0.8	1	0.1	NA	10	0.5	4	0.2	NA
Foreign exchange gain (loss)	(8)	(0.8)	(56)	(4.5)	(85.7)	(2)	(0.1)	(47)	(1.9)	(95.7)
Financing expenses net	(20)	(2.0)	(75)	(6.1)	(73.3)	(33)	(1.6)	(105)	(4.2)	(68.6)
Participation in associates results	(1)	(0.1)	1	0.1	NA	1	0.0	6	0.2	(83.3)
Income Tax	(27)	(2.7)	(37)	(3.0)	(27.0)	(48)	(2.3)	(53)	(2.1)	(9.4)
Net Income	42	4.2	24	1.9	75.0	101	4.8	93	3.8	8.6

	2019	% of rev.	2018	% of rev.	% Var.	2019	% of rev.	2018	% of rev.	% Var.
Operating Income	90	8.9	135	10.9	(33.3)	181	8.6	244	9.9	(25.8)
Depreciation, Amortization & Other Non-Cash items	83	8.2	71	5.7	16.9	168	8.0	160	6.5	5.0
EBITDA <sup>1</sup>	174	17.2	207	16.7	(15.9)	349	16.5	404	16.3	(13.6)
CAPEX	76	7.5	93	7.5	NA <sup>2</sup>	172	8.1	199	8.0	NA <sup>2</sup>

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

(2) Not applicable

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

Assets	Jun-19	Dec-18	% Var
Cash and cash equivalents	223	181	23.2
Accounts receivable	459	521	(11.9)
Inventories	655	636	3.0
Other current assets	56	55	1.8
Total current assets	1,392	1,392	0.0
Investments in shares	42	37	13.5
Property, plant and equipment, net	2,633	2,623	0.4
Other assets	790	685	15.3
Total assets	4,858	4,738	2.5

Liabilities & stockholders' equity	Jun-19	Dec-18	% Var
Bank loans	107	78	37.2
Current maturities of long-term debt	62	47	31.9
Interest payable	19	17	11.8
Operating liabilities	1,179	1,206	(2.2)
Total current liabilities	1,367	1,349	1.3
Long-term debt	1,383	1,339	3.3
Labor liabilities	66	63	4.8
Other long term-liabilities	158	153	3.3
Total liabilities	2,974	2,904	2.4
Total stockholders' equity	1,884	1,834	2.7
Total liabilities & stockholders' equity	4,858	4,738	2.5



## Nemak Regional Results

### Millions of Dollars

Volume (million equivalent units)	For the second quarter of:			For the six months of:		
	2019	2018	% Var.	2019	2018	% Var.
North America	6.5	7.7	(15.6)	13.6	15.2	(10.5)
Europe	3.7	4.1	(9.8)	7.7	8.4	(8.3)
Rest of World	1.0	1.3	(23.1)	2.0	2.6	(23.1)
<b>Total</b>	<b>11.2</b>	<b>13.1</b>	<b>(14.5)</b>	<b>23.3</b>	<b>26.2</b>	<b>(11.1)</b>
<b>Total Revenues*</b>	<b>2019</b>	<b>2018</b>	<b>% Var.</b>	<b>2019</b>	<b>2018</b>	<b>% Var.</b>
North America	557	686	(18.8)	1,169	1,361	(14.1)
Europe	368	431	(14.6)	772	881	(12.4)
Rest of World	87	122	(28.7)	173	232	(25.4)
<b>Total</b>	<b>1,011</b>	<b>1,239</b>	<b>(18.4)</b>	<b>2,113</b>	<b>2,474</b>	<b>(14.6)</b>
<b>EBITDA<sup>1</sup></b>	<b>2019</b>	<b>2018</b>	<b>% Var.</b>	<b>2019</b>	<b>2018</b>	<b>% Var.</b>
North America	100	130	(23.1)	209	251	(16.7)
Europe	59	68	(13.2)	126	138	(8.7)
Rest of World	16	9	77.8	15	15	0.0
<b>Total</b>	<b>174</b>	<b>207</b>	<b>(15.9)</b>	<b>349</b>	<b>404</b>	<b>(13.6)</b>
<b>EBITDA Margin in %</b>	<b>2019</b>	<b>2018</b>	<b>% Var.</b>	<b>2019</b>	<b>2018</b>	<b>% Var.</b>
North America	18%	19%	(5.3)	18%	18%	(3.1)
Europe	16%	16%	1.6	16%	16%	4.2
Rest of World	18%	7%	149.3	9%	6%	34.1
<b>Total</b>	<b>17%</b>	<b>17%</b>	<b>3.0</b>	<b>17%</b>	<b>16%</b>	<b>1.1</b>
<b>EBITDA USD/Eq. Unit</b>	<b>2019</b>	<b>2018</b>	<b>% Var.</b>	<b>2019</b>	<b>2018</b>	<b>% Var.</b>
North America	15.4	16.9	(8.9)	15.4	16.5	(6.9)
Europe	15.9	16.6	(3.9)	16.4	16.4	(0.4)
Rest of World	16.0	6.9	131.1	7.5	5.8	30.0
<b>Total</b>	<b>15.5</b>	<b>15.8</b>	<b>(1.9)</b>	<b>14.9</b>	<b>15.4</b>	<b>(3.2)</b>

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

\* To external customers



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

	For the second quarter of:					For the six months of:				
	2019	% of rev.	2018	% of rev.	% Var.	2019	% of rev.	2018	% of rev.	% Var.
Volume (million equivalent units)	11.2		13.1		(14.5)	23.3		26.2		(11.1)
Total revenues	19,325	100.0	23,981	100.0	(19.4)	40,507	100.0	47,144	100.0	(14.1)
Gross profit	2,896	15.0	4,250	17.7	(31.9)	6,064	15.0	7,716	16.4	(21.4)
Sales & administrative expenses	(1,307)	(6.8)	(1,589)	(6.6)	(17.7)	(2,736)	(6.8)	(3,015)	(6.4)	(9.3)
Other income (expenses) net	143	0.7	(18)	(0.1)	NA	147	0.4	(26)	(0.1)	NA
Operating Income	1,731	9.0	2,643	11.0	(34.5)	3,475	8.6	4,675	9.9	(25.7)
Interest Expenses	(387)	(2.0)	(393)	(1.6)	(1.5)	(788)	(1.9)	(1,172)	(2.5)	(32.8)
Interest Income	161	0.8	29	0.1	NA	189	0.5	79	0.2	NA
Foreign exchange gain (loss)	(149)	(0.8)	(1,090)	(4.5)	(86.3)	(43)	(0.1)	(909)	(1.9)	(95.3)
Financing expenses net	(375)	(1.9)	(1,454)	(6.1)	(74.2)	(642)	(1.6)	(2,002)	(4.2)	(67.9)
Participation in associates results	(24)	(0.1)	24	0.1	NA	19	0.0	116	0.2	(83.6)
Income Tax	(522)	(2.7)	(724)	(3.0)	(27.9)	(920)	(2.3)	(1,012)	(2.1)	(9.1)
Net Income	809	4.2	490	2.0	65.1	1,931	4.8	1,777	3.8	8.7

	2019	% of rev.	2018	% of rev.	% Var.	2019	% of rev.	2018	% of rev.	% Var.
Operating Income	1,731	9.0	2,643	11.0	(34.5)	3,475	8.6	4,675	9.9	(25.7)
Depreciation, Amortization & Other Non-Cash items	1,594	8.2	1,363	5.7	16.9	3,211	7.9	3,027	6.4	6.1
EBITDA <sup>1</sup>	3,325	17.2	4,006	16.7	(17.0)	6,687	16.5	7,701	16.3	(13.2)
CAPEX	1,454	7.5	1,798	7.5	NA <sup>2</sup>	3,302	8.2	3,793	8.0	NA <sup>2</sup>

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

(2) Not applicable

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

Assets	Jun-19	Dec-18	% Var
Cash and cash equivalents	4,267	3,555	20.0
Accounts receivable	8,801	10,247	(14.1)
Inventories	12,553	12,518	0.3
Other current assets	1,068	1,085	(1.6)
Total current assets	26,689	27,405	(2.6)
Investments in shares	805	733	9.8
Property, plant and equipment, net	50,467	51,629	(2.3)
Other assets	15,151	13,491	12.3
Total assets	93,112	93,258	(0.2)

Liabilities & stockholders' equity	Jun-19	Dec-18	% Var
Bank loans	2,053	1,427	43.9
Current maturities of long-term debt	1,188	1,039	14.3
Interest payable	360	340	5.9
Operating liabilities	22,604	23,738	(4.8)
Total current liabilities	26,205	26,544	(1.3)
Long-term debt	26,515	26,352	0.6
Labor liabilities	1,261	1,238	1.9
Other long term-liabilities	3,021	3,019	0.1
Total liabilities	57,002	57,154	(0.3)
Total stockholders' equity	36,109	36,104	0.0
Total liabilities & stockholders' equity	93,112	93,258	(0.2)



# EARNINGS REPORT

## Second Quarter 2019 (2Q19)



Monterrey, Mexico, July 17, 2019. - Axtel, S.A.B. de C.V. (BMV: AXTELCPO) ("Axtel" or "the Company"), a Mexican Information and Communications Technology company, announced today its unaudited results for the second quarter of 2019 ("2Q19").

### Axtel reports 2Q19 EBITDA of US \$57 million (Ps. 1,094 million)

#### SELECTED FINANCIAL INFORMATION

(IN MILLIONS)

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD'19	YTD'18	YTD Δ (%)
				1Q19	2Q18			
Revenues (Ps.)	3,092	3,147	3,154	(2)	(2)	6,239	6,203	1
US \$	162	164	163	(1)	(1)	325	325	0
EBITDA (Ps.) <sup>1</sup>	1,094	1,074	1,147	2	(5)	2,168	2,251	(4)
US \$	57	56	59	2	(3)	113	118	(4)
Net (loss) Income (Ps.)	409	(77)	(566)	630	172	332	394	(16)
US \$	22	(4)	(30)	636	171	17	21	(15)
CAPEX (Ps.) <sup>2</sup>	418	377	422	11	(1)	795	564	41
US \$	22	20	22	11	(1)	41	30	39
Net Debt (US \$)	764	795	994	(4)	(23)			
Net Debt / LTM EBITDA*	3.4	3.5	3.3					
LTM Interest Coverage*	3.2	3.0	3.2					
Adjusted Revenues (Ps.) <sup>3</sup>	3,178	3,323	3,848	(4)	(17)	6,500	7,601	(14)
US \$	166	173	199	(4)	(16)	339	399	(15)
Adjusted EBITDA (Ps.) <sup>3</sup>	1,848	1,112	1,416	66	31	2,959	2,794	6
US \$	97	58	73	67	33	155	146	6

\* Times. LTM = Last twelve months. See page 6 for ratio calculation details.

1) EBITDA = Operating income + depreciation & amortization + impairment of assets.

2) Gross amount; does not include divestments.

3) Axtel's results reflect the Mass Market business as discontinued operations. ALFA, however, consolidates both continuing and discontinued operations. For a complete reconciliation of revenues and EBITDA, see tables 7 and 8.

#### 2Q19 HIGHLIGHTS

Results	<ul style="list-style-type: none"> <li>First semester comparable EBITDA increased 7%, in line with full-year guidance, mainly driven by a 5% increase in Enterprise segment revenues and efficiencies in costs and expenses as a result of digitalization initiatives.</li> </ul>
Non-Strategic Assets Divestment	<ul style="list-style-type: none"> <li>Successfully finalized divestment of Mass Market business.</li> <li>Net proceeds plus cash reserves were used to reduce US \$305 million of debt and other liabilities, reducing interest expenses in ~US \$31 million.</li> </ul>
Data Center Alliance	<ul style="list-style-type: none"> <li>Competitive process to monetize a majority stake of Axtel Data Centers' business continues to move forward.</li> <li>Potential proceeds will be used to continue strengthening capital structure.</li> </ul>
Separation in Two Business Units	<ul style="list-style-type: none"> <li>Process of internally dividing Axtel in two specialized business units is underway.</li> <li>Functional separation expected to maximize infrastructure utilization increasing profitability.                             <ul style="list-style-type: none"> <li>Infrastructure: Own the majority of assets, including fiber network and data centers. Provide connectivity and internet to wholesale operators, including Services Business.</li> <li>Services: Continue providing managed telecom and IT solutions under the Alestra brand to more than 18,000 enterprise and government customers.</li> </ul> </li> </ul>

## MESSAGE FROM AXTEL'S CEO

*“Axtel reported positive results in the second quarter 2019, highlighted by the 5% growth in both enterprise segment revenues and recurrent EBITDA, compared to 2018. Despite a decline in government segment revenues resulting from the reduction in federal government spending, EBITDA increased 7% during the first semester as a result of efficiencies in costs and expenses from automation and digital innovation initiatives. We maintain our guidance for 2019 considering a better outlook for the government segment, resilience in the performance of the enterprise segment and continuity in our digital innovation initiatives.*

*During this quarter, we successfully concluded the divestment of the mass market segment, with the sale of close to 55 thousand residential and micro-business customers to Megacable. Net proceeds obtained from the total divestment plus cash reserves were used to reduce US \$305 million in debt and other liabilities, decreasing interest expense by approximately US \$31 million, in addition to US \$25 million dollars in Capex savings allocated annually to this segment.*

*We continue delivering in our commitment to focus completely on core enterprise, wholesale and government segments, and to divest non-strategic assets or businesses to improve our capital structure. Consistent with industry trends and our goal of maximizing value for our shareholders, the process of finding a strategic partner for our data centers in Queretaro and Apodaca is moving forward. We are convinced that the interest of numerous investors and favorable prospects for this business will contribute to close this transaction in the second half of the year.*

*Likewise, we made significant progress in the definition of organizational structures, processes, assets and customers for the functional separation of Axtel's operations into two business units. The service unit will continue focused on providing value-added telecommunications and IT solutions to the enterprise and government segments through the Alestra brand, while the infrastructure unit will offer connectivity and internet solutions to operators and wholesale customers. With this separation, we should generate higher revenues, increase profitability and contribute to continue improving our capital structure through greater cashflow generation. Our objective of maximizing value for customers, shareholders, the organization and the community, is firmly aligned with the strategic projects we are working on, some of which we have successfully concluded.”*

Rolando Zubirán

## TOTAL REVENUES

Total revenues were US \$162 million in 2Q19, down 1% when compared to 2Q18. In pesos, revenues decreased 2%, mainly due to a 30% decrease in the government segment, partially mitigated by a 5% increase in the enterprise segment (see table 1).

### ENTERPRISE SEGMENT (82% of Axtel's LTM revenues)

Enterprise segment revenues totaled US \$138 million in 2Q19, 7% higher than the year-earlier quarter. In pesos, revenues reached Ps. 2,645 million, up 5% mostly due to an improvement in Telecom managed network revenues. Recurrent revenues increased 2% and non-recurrent revenues posted a strong increase due to equipment sales (see table 2).

**TELECOM** revenues reached Ps. 2,318 million in 2Q19, a 5% increase year-over-year, mainly due to a 15% increase in *managed networks* explained by strong increases in managed services and Ethernet solutions related to services provided in connection with the Mass Market divestment and also to a 4% increase in *data and internet* revenues. These increases were softened by a 8% decrease in *voice* revenues, due to secular declines in fix-to-mobile and long distance revenues.

**IT** revenues reached Ps. 328 million in 2Q19, up 5% when compared to 2Q18, mainly due to a 30% increase in *system integration* solutions and a 21% growth in *security* services.

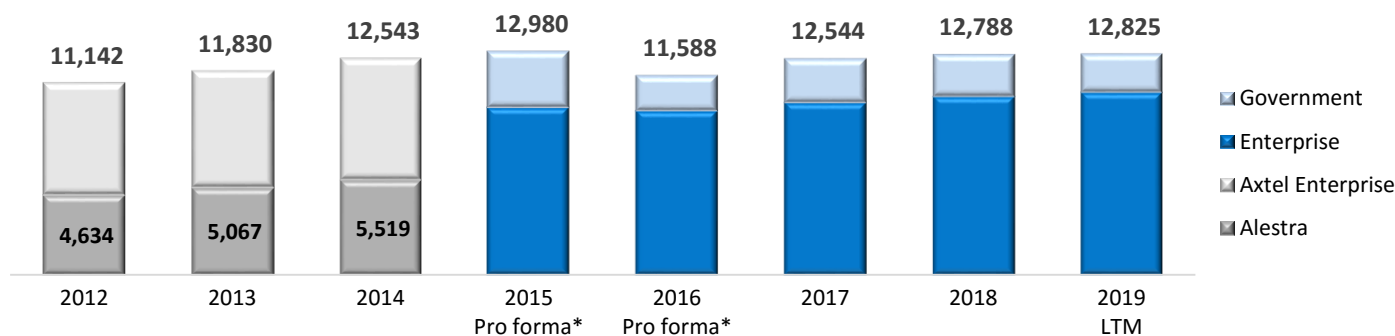
### GOVERNMENT SEGMENT (18% of Axtel's LTM revenues)

Government segment revenues amounted US \$23 million in 2Q19, down 29% when compared to 2Q18. In pesos, revenues totaled Ps. 446 million, down 30% resulting from the transition of a new administration. Recurrent revenues decreased 15%, while non recurrent revenues declined 98% (see table 3).

**TELECOM** revenues reached Ps. 234 million in 2Q19, a 20% decrease compared to 2Q18, due to declines across all services: *voice, data and internet* and *managed networks*, associated to a slowdown in new contracts and renewals.

**IT** revenues reached Ps. 212 million in 2Q19, down 39% when compared to 2Q18. This decline is associated to strong decreases in *security* and *system integration* services revenues, recorded as non-recurrent revenues in the 2Q18.

## EVOLUTION (IN MILLION PS.)



\* Pro forma figures include both Axtel and Alestra results as of the beginning of each year.



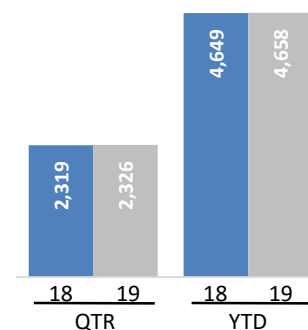
## GROSS PROFIT

Gross profit is defined as revenues minus cost of revenues. For 2Q19, gross profit was US \$122 million, 2% higher compared to 2Q18.

In pesos, gross profit totaled Ps. 2,326 million, flat versus 2Q18, as positive performance from the enterprise segment was mitigated by a decline in government segment revenues.

Gross profit margins increased 171 basis points, from 73.5% in 2Q18 to 75.2% in 2Q19, mainly due to higher government segment margins associated to a lower proportion of low-margin non-recurrent revenues.

(in Million Ps.)

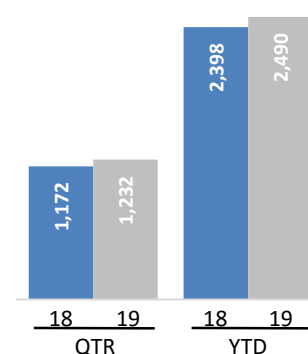


## OPERATING AND OTHER EXPENSES

Total expenses reached US \$64 million in the 2Q19, a 6% increase compared to 2Q18.

In pesos, total expenses reached Ps. 1,232 million, 5% higher compared to 2Q18, mainly due to a Ps. 100 million (US\$ 5 million) benefit from the tower sale in 2Q18. Adjusting for this one-time event, operating expenses in 2Q19 decreased 3%, due to efficiencies in personnel and maintenance expenses that are partially offsetting the effect of inflation and a Ps. 67 million benefit from the new accounting standard for long term leases (IFRS16).

(in Million Ps.)

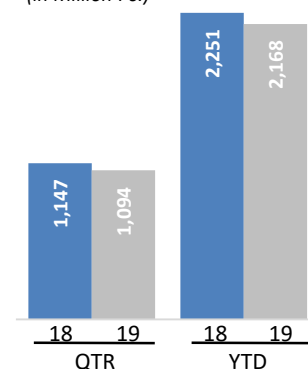


## EBITDA

EBITDA totaled US \$57 million in 2Q19, down 3% when compared to US \$59 million in 2Q18. As previously mentioned, EBITDA for 2Q18 includes a US \$5 million one-time gain from the tower sale, adjusting for this item, EBITDA increased 6% year-over-year.

In pesos, EBITDA reached Ps. 1,094 million, a 5% increase year-over-year, adjusting for the tower sale gain in 2018 (see table 4).

(in Million Ps.)

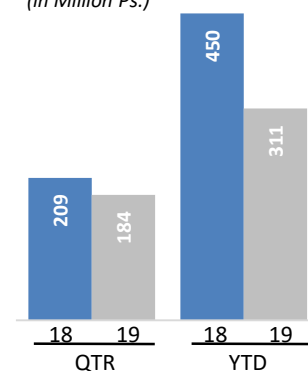


## OPERATING INCOME

In the 2Q19, operating income totaled US \$10 million, 8% lower than the same quarter of last year.

In pesos, 2Q19 operating income totaled Ps. 184 million, a 12% decrease compared to 2Q18, mainly due to the one-time benefit from the tower sale in 2Q18.

(in Million Ps.)



## COMPREHENSIVE FINANCING RESULT

The comprehensive financing cost reached US \$17 million in 2Q19. In pesos, financing cost for 2Q19 totaled Ps. 333 million, a 54% reduction compared to 2Q18, mostly explained by a Ps. 21 million FX gain during 2Q19 resulting from a 1% appreciation of the Mexican peso against the US dollar; compared to a Ps. 264 million FX loss in 2Q18 associated to an 8% depreciation of the Mexican peso. Net interest expenses declined 24% from 2Q19 to 2Q18 mainly due to partial prepayments of the Syndicated Bank Facility for Ps. 4,350 million in December 2018 and Ps. 550 million in May 2019 (see table 5).

## NET DEBT

At the end of the second quarter 2019, net debt was US \$764 million, down 23% or US \$231 million, in comparison with 2Q18, comprised of a US \$247 million decrease in debt, a US \$10 million non-cash increase in debt caused by a 4% appreciation of the Mexican peso year-over-year and a US \$7 million decrease in cash.

Total debt reduction of US \$247 million year-over-year is explained by (i) a US \$236 million decrease related to the partial prepayments of the Syndicated Bank facility; (ii) an US \$11 million decrease in a long term bank facility; (iii) a US \$29 million decrease in other loans and financial leases; (iv) a US \$1 million decrease in accrued interests; and (v) a US \$31 million increase related to the new accounting standard for long term leases (IFRS16).

As of the end of the 2Q19, the cash balance totaled US \$43 million or Ps. 820 million, compared to US \$49 million or Ps. 979 million a year ago. The cash balance at the end of the 2Q19 includes US \$5 million restricted cash.

Financial ratios at the close of 2Q19 were: Net Debt to EBITDA of 3.4 times and Interest Coverage of 3.2 times (see table 6).

## CAPITAL EXPENDITURES (CAPEX)

Capital investments totaled US \$22 million in the 2Q19, a 1% decline compared to 2Q18. Most of investments were in infrastructure to provide enterprise customers with last mile access solutions (fiber optic and radio) and managed equipment; as well as to expand the capacity of Axtel's Telecom services' network.

## OTHER INFORMATION

- The report presents unaudited financial information based on International Financial Reporting Standards (IFRS). Figures are presented in Mexican Pesos (Ps.) or US Dollars (US \$), as indicated. Where applicable, Peso amounts were translated into US Dollars using the average exchange rate of the months during which the operations were recorded.
- This report may contain forward-looking information based on numerous variables and assumptions that are inherently uncertain. They involve judgments with respect to, among other things, future economic, competitive and financial market conditions and future business decisions, all of which are difficult or impossible to predict accurately. Accordingly, results could vary from those set forth in this release.
- Net Debt / EBITDA ratio: means net debt translated into US Dollars using the end-of-period exchange rate divided by LTM EBITDA translated into US Dollars using the average exchange rate for each month during which the operations were recorded. Net debt means total debt (including accrued interests) minus cash (including restricted cash).
- Interest coverage ratio: means the ratio of LTM EBITDA to interest expense (net of interest income), both translated into US Dollars using the average exchange rate for each month during which the operations were recorded. Interest expense calculated pro forma for debt prepayments.
- To reduce exposure to exchange rate risk, Axtel maintains exchange rate forward transactions for an outstanding amount of US \$39 million as of 2Q19, at an average exchange rate of 19.84 MXN/USD, where Axtel buys USD and sells MXN. These FX FWD transactions hedge the 2024 Senior Notes' coupon payment due November 2019 and partial, USD-denominated Capex requirements up to December 2019. Additionally, Axtel maintains an interest rate swap ("IRS") for Ps. 3,380 million, maturing in December 2022, where Axtel pays 8.355% and receives TIE28d.
- Subject to market conditions, the Company's liquidity position and its contractual obligations, from time to time, the Company may acquire or divest its own shares and/or its Senior Notes, as well as enter into or unwind financial instruments whose underlying is related to the performance of its shares.

## ABOUT AXTEL

Axtel is a Mexican Information and Communication Technology Company that serves the enterprise and government segments with a robust portfolio of IT and Telecommunications solutions through its brand Alestra. With a network infrastructure of over 40 thousand kilometers of fiber and more than 6,700 square meters of data center, Axtel enables organizations to be more productive through innovation.

As of February 15, 2016, Axtel is a subsidiary of Alfa, which owns 52.8% of its equity.

Axtel shares, represented by Ordinary Participation Certificates, or CPOs, trade on the Mexican Stock Market under the symbol "AXTELCPO" since 2005.

Axtel's Investor Relations Center: [axtelcorp.mx](http://axtelcorp.mx)

Enterprise and Government services website: [alestra.mx](http://alestra.mx)

## Appendix A – Tables

**TABLE 1 | REVENUES BY SEGMENT**  
(IN MILLIONS)

	2Q19	1Q19	2Q18	(% 2Q19 vs.)		YTD'19	YTD'18	YTD Δ (%)
				1Q19	2Q18			
<b>ENTERPRISE (Ps.)</b>	<b>2,645</b>	<b>2,626</b>	<b>2,513</b>	<b>1</b>	<b>5</b>	<b>5,272</b>	<b>5,033</b>	<b>5</b>
<i>US \$</i>	138	137	130	1	7	275	264	4
<b>GOVERNMENT (Ps.)</b>	<b>446</b>	<b>521</b>	<b>641</b>	<b>(14)</b>	<b>(30)</b>	<b>967</b>	<b>1,170</b>	<b>(17)</b>
<i>US \$</i>	23	27	33	(14)	(29)	50	61	(18)
<b>TOTAL (Ps.)</b>	<b>3,092</b>	<b>3,147</b>	<b>3,154</b>	<b>(2)</b>	<b>(2)</b>	<b>6,239</b>	<b>6,203</b>	<b>1</b>
<i>US \$</i>	162	164	163	(1)	(1)	325	325	0
<i>Recurrent (Ps.)</i>	2,961	3,019	2,981	(2)	(1)	5,980	5,937	1
<i>Non recurrent (Ps.)</i>	131	128	173	2	(24)	259	266	(3)

**TABLE 2 | ENTERPRISE SEGMENT REVENUES**  
(IN MILLIONS)

	2Q19	1Q19	2Q18	(% 2Q19 vs.)		YTD'19	YTD'18	YTD Δ (%)
				1Q19	2Q18			
<b>TELECOM (Ps.)</b>	<b>2,318</b>	<b>2,297</b>	<b>2,202</b>	<b>1</b>	<b>5</b>	<b>4,614</b>	<b>4,436</b>	<b>4</b>
<i>Voice</i>	488	431	532	13	(8)	919	1,046	(12)
<i>Data and Internet</i>	904	892	868	1	4	1,797	1,729	4
<i>Managed Networks</i>	925	974	802	(5)	15	1,899	1,660	14
<b>IT (Ps.)</b>	<b>328</b>	<b>330</b>	<b>311</b>	<b>(1)</b>	<b>5</b>	<b>657</b>	<b>597</b>	<b>10</b>
<b>TOTAL ENTERPRISE (Ps.)</b>	<b>2,645</b>	<b>2,626</b>	<b>2,513</b>	<b>1</b>	<b>5</b>	<b>5,272</b>	<b>5,033</b>	<b>5</b>
<i>US \$</i>	138	137	130	1	7	275	264	4
<i>Recurrent (Ps.)</i>	2,516	2,499	2,458	1	2	5,016	4,939	2
<i>Non recurrent (Ps.)</i>	129	127	55	1	135	256	94	173

**TABLE 3 | GOVERNMENT SEGMENT REVENUES**  
(IN MILLIONS)

	2Q19	1Q19	2Q18	(% 2Q19 vs.)		YTD'19	YTD'18	YTD Δ (%)
				1Q19	2Q18			
<b>TELECOM (Ps.)</b>	<b>234</b>	<b>298</b>	<b>293</b>	<b>(21)</b>	<b>(20)</b>	<b>533</b>	<b>530</b>	<b>0</b>
<i>Voice</i>	24	30	39	(18)	(37)	54	77	(29)
<i>Data and Internet</i>	49	79	77	(39)	(37)	128	134	(5)
<i>Managed Networks</i>	161	189	177	(15)	(9)	351	320	10
<b>IT (Ps.)</b>	<b>212</b>	<b>222</b>	<b>348</b>	<b>(5)</b>	<b>(39)</b>	<b>435</b>	<b>639</b>	<b>(32)</b>
<b>TOTAL GOVERNMENT (Ps.)</b>	<b>446</b>	<b>521</b>	<b>641</b>	<b>(14)</b>	<b>(30)</b>	<b>967</b>	<b>1,170</b>	<b>(17)</b>
<i>US \$</i>	23	27	33	(14)	(29)	50	61	(18)
<i>Recurrent (Ps.)</i>	444	520	523	(15)	(15)	964	998	(3)
<i>Non recurrent (Ps.)</i>	2	1	118	272	(98)	3	172	(98)

## Appendix A – Tables

**TABLE 4 | OPERATING INCOME AND EBITDA**  
(IN MILLIONS)

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD'19	YTD'18	YTD Δ (%)
				1Q19	2Q18			
Operating Income (Ps.)	184	127	209	46	(12)	311	450	(31)
US \$	10	7	10	46	(8)	16	23	(31)
EBITDA (Ps.)	1,094	1,074	1,147	2	(5)	2,168	2,251	(4)
US \$	57	56	59	2	(3)	113	118	(4)
Adjustments* (Ps.)	0	0	(100)	--	--	0	(225)	--
US \$	0	0	(5)	--	--	0	(12)	--
Comparable EBITDA (Ps.)	1,094	1,074	1,046	2	5	2,168	2,026	7
US \$	57	56	54	2	6	113	106	6

\* Adjustments include one-time (gains) losses, such as the tower sale.

**TABLE 5 | COMPREHENSIVE FINANCING RESULT**  
(IN MILLIONS)

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD'19	YTD'18	YTD Δ (%)
				1Q19	2Q18			
Net interest expense	(352)	(366)	(461)	4	24	(718)	(866)	17
FX gain (loss), net	21	159	(264)	(87)	108	180	678	(73)
Ch. FV of Fin. Instruments	(2)	(30)	(6)	92	56	(32)	8	(509)
<b>Total (Ps.)</b>	<b>(333)</b>	<b>(236)</b>	<b>(731)</b>	<b>(41)</b>	<b>54</b>	<b>(570)</b>	<b>(180)</b>	<b>(217)</b>
US \$	(17)	(12)	(38)	(41)	55	(30)	(9)	(217)

**TABLE 6 | NET DEBT AND FINANCIAL RATIOS**  
(US \$ MILLIONS)

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.	
				1Q19	2Q18
Senior Notes 2024	500	500	500	0	0
Syndicated bank facility	69	96	302	(29)	(77)
Long-term bank loan	170	168	176	1	(3)
Other loans + leases	61	66	59	(7)	4
Accrued interests	6	14	7	(57)	(14)
<b>Total Debt</b>	<b>807</b>	<b>845</b>	<b>1,044</b>	<b>(5)</b>	<b>(23)</b>
% US \$ denominated debt	64%	62%	67%		
(-) Cash and cash eq.	(43)	(50)	(49)	15	13
<b>Net Debt</b>	<b>764</b>	<b>795</b>	<b>994</b>	<b>(4)</b>	<b>(23)</b>
Net Debt / LTM EBITDA*	3.4	3.5	3.3		
LTM Interest Coverage*	3.2	3.0	3.2		

\* Times. LTM = Last twelve months. See page 6 for calculation details.

## Appendix B – Discontinued Operations | Mass Market Segment

Axtel's results reflect the Mass Market business as discontinued operations. ALFA, however, consolidates both continuing and discontinued operations, as follows:

**TABLE 7 | DISCONTINUED OPERATIONS – REVENUE RECONCILIATION**  
(IN MILLIONS)

	2Q19	1Q19	2Q18	(% 2Q19 vs.)		YTD'19	YTD'18	YTD Δ (%)
				1Q19	2Q18			
Revenues	3,092	3,147	3,154	(2)	(2)	6,239	6,203	1
Revenues from Disc. Op.	86	176	694	(51)	(88)	262	1,399	(81)
<b>Adjusted Revenues (Ps.)<sup>1</sup></b>	<b>3,178</b>	<b>3,323</b>	<b>3,848</b>	<b>(4)</b>	<b>(17)</b>	<b>6,500</b>	<b>7,601</b>	<b>(14)</b>
<i>US \$</i>	166	173	199	(4)	(16)	339	399	(15)

1) As consolidated by ALFA.

**TABLE 8 | DISCONTINUED OPERATIONS – EBITDA RECONCILIATION**  
(IN MILLIONS)

	2Q19	1Q19	2Q18	(% 2Q19 vs.)		YTD'19	YTD'18	YTD Δ (%)
				1Q19	2Q18			
EBITDA (Ps.)	1,094	1,074	1,147	2	(5)	2,168	2,251	(4)
<i>US \$</i>	57	56	59	2	(3)	113	118	(4)
EBITDA Discontinued Op. (Ps.)	754	37	269	>1,000	180	791	544	45
<i>US \$</i>	39	2	14	>1,000	183	41	29	45
<b>Adjusted EBITDA (Ps.)<sup>1</sup></b>	<b>1,848</b>	<b>1,112</b>	<b>1,416</b>	<b>66</b>	<b>31</b>	<b>2,959</b>	<b>2,794</b>	<b>6</b>
<i>US \$</i>	97	58	73	67	33	155	146	6
<b>Adjustments (Ps.)<sup>2</sup></b>								
Tower Sale	0	0	(100)	--	--	0	(225)	--
FTTx Sale	(741)	0	0	--	--	(741)	0	--
<b>Comparable Adj. EBITDA (Ps.)</b>	<b>1,106</b>	<b>1,112</b>	<b>1,315</b>	<b>(0)</b>	<b>(16)</b>	<b>2,218</b>	<b>2,569</b>	<b>(14)</b>
<i>US \$</i>	58	58	68	(0)	(15)	116	135	(14)

1) As consolidated by ALFA.

2) Adjustments include one-time (gains) losses

## Appendix C – Financial Statements

### Axtel, S.A.B. de C.V. and Subsidiaries

#### Unaudited Consolidated Balance Sheet

(IN MILLION PESOS)

	2Q19	1Q19	2Q18	(% 2Q19 vs. 1Q19 2Q18)	
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and equivalents	722	882	811	(18)	(11)
Accounts receivable	3,047	3,084	2,954	(1)	3
Related parties	63	64	35	(2)	82
Refundable taxes and other acc. rec.	709	973	933	(27)	(24)
Advances to suppliers	584	558	652	5	(10)
Inventories	141	144	224	(2)	(37)
Financial Instruments	1	0	634	--	(100)
Financial Instruments (ZSC)	70	100	173	(30)	(60)
Assets classified as held for sale	0	324	0	--	--
<b>Total current assets</b>	<b>5,337</b>	<b>6,127</b>	<b>6,416</b>	<b>(13)</b>	<b>(17)</b>
<b>NON CURRENT ASSETS</b>					
Restricted cash	97	95	168	2	(42)
Property, plant and equipment, net	15,076	15,678	18,596	(4)	(19)
Long-term accounts receivable	0	0	17	--	--
Intangible assets, net	1,772	1,893	1,393	(6)	27
Deferred income taxes	2,837	2,962	3,816	(4)	(26)
Investment shares associated co.	295	295	157	(0)	87
Other assets	449	421	376	7	20
<b>Total non current assets</b>	<b>20,526</b>	<b>21,344</b>	<b>24,523</b>	<b>(4)</b>	<b>(16)</b>
<b>TOTAL ASSETS</b>	<b>25,863</b>	<b>27,471</b>	<b>30,938</b>	<b>(6)</b>	<b>(16)</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Account payable & Accrued expenses	3,370	3,429	3,540	(2)	(5)
Accrued Interest	121	281	145	(57)	(17)
Short-term debt	0	0	207	--	--
Current portion of long-term debt	529	559	717	(5)	(26)
Taxes payable	16	3	38	446	(56)
Financial Instruments	25	100	54	(75)	(53)
Deferred Revenue	444	607	487	(27)	(9)
Provisions	168	270	28	(38)	504
Other accounts payable	1,305	2,764	2,940	(53)	(56)
<b>Total current liabilities</b>	<b>5,978</b>	<b>8,012</b>	<b>8,156</b>	<b>(25)</b>	<b>(27)</b>
<b>LONG-TERM LIABILITIES</b>					
Long-term debt	14,632	15,344	19,443	(5)	(25)
Employee Benefits	617	609	612	1	1
Derivative Financial Instruments	82	36	0	126	--
Other LT liabilities	704	1	3	>1,000	>1,000
<b>Total long-term debt</b>	<b>16,035</b>	<b>15,991</b>	<b>20,058</b>	<b>0</b>	<b>(20)</b>
<b>TOTAL LIABILITIES</b>	<b>22,013</b>	<b>24,003</b>	<b>28,214</b>	<b>(8)</b>	<b>(22)</b>
<b>STOCKHOLDERS' EQUITY</b>					
Capital stock	464	464	464	0	(0)
Additional paid-in capital	0	0	160	--	--
Reserve for repurchase of shares	112	150	0	(25)	--
Cumulative earnings (losses)	3,274	2,854	2,101	15	56
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>3,850</b>	<b>3,468</b>	<b>2,725</b>	<b>11</b>	<b>41</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>25,863</b>	<b>27,471</b>	<b>30,938</b>	<b>(6)</b>	<b>(16)</b>

## Appendix C – Financial Statements

### Axtel, S.A.B. de C.V. and Subsidiaries

#### Unaudited Consolidated Income Statement

(IN MILLION PESOS)

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD'19	YTD'18	YTD Δ (%)
				1Q19	2Q18			
Total Revenues	3,092	3,147	3,154	(2)	(2)	6,239	6,203	1
Cost of sales and services	(766)	(815)	(835)	6	8	(1,581)	(1,553)	(2)
<b>Gross Profit</b>	<b>2,326</b>	<b>2,332</b>	<b>2,319</b>	<b>(0)</b>	<b>0</b>	<b>4,658</b>	<b>4,649</b>	<b>0</b>
Operating expenses	(1,232)	(1,256)	(1,268)	2	3	(2,488)	(2,616)	5
Other income (expenses), net	0	(2)	95	121	(100)	(1)	217	(101)
Depr., amort. & impairment assets	(910)	(948)	(937)	4	3	(1,857)	(1,800)	(3)
<b>Operating income</b>	<b>184</b>	<b>127</b>	<b>209</b>	<b>46</b>	<b>(12)</b>	<b>311</b>	<b>450</b>	<b>(31)</b>
Comprehensive financing result, net	(333)	(236)	(731)	(41)	54	(570)	(180)	(217)
Equity in results of associated company	(0)	0	0	--	--	(0)	0	--
<b>Income (loss) before income taxes</b>	<b>(149)</b>	<b>(110)</b>	<b>(522)</b>	<b>(36)</b>	<b>71</b>	<b>(259)</b>	<b>271</b>	<b>(196)</b>
Income taxes	65	38	(106)	72	162	103	(10)	>1,000
Discontinued Operations	493	(6)	62	>1,000	694	487	134	265
<b>Net Income (Loss)</b>	<b>409</b>	<b>(77)</b>	<b>(566)</b>	<b>630</b>	<b>172</b>	<b>332</b>	<b>394</b>	<b>(16)</b>