OFFERING MEMORANDUM

€500,000,000

NEMAK, S.A.B. DE C.V.

3.250% Senior Notes due 2024

We are offering €500,000,000 aggregate principal amount of our 3.250% Senior Notes due 2024 (the "notes"). We will pay interest on the notes semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2017. The notes will mature on March 15, 2024.

We may redeem the notes, in whole or in part, at any time on or after March 15, 2021, at the applicable redemption prices set forth in this offering memorandum, plus accrued and unpaid interest. Prior to March 15, 2021, we may also redeem the notes, in whole or in part, at a redemption price based on a "make-whole" premium plus accrued and unpaid interest. In addition, at any time on or prior to March 15, 2021, we may redeem up to 35% of the notes at a redemption price equal to 103.250% of their principal amount, plus accrued and unpaid interest, using the proceeds of certain equity offerings. In addition, in the event of certain changes in the Mexican withholding tax treatment relating to payments of interest on the notes, we may redeem the notes, in whole but not in part, at 100% of their principal amount, plus accrued and unpaid interest. There is no sinking fund for the notes. If a change in control occurs with respect to us, unless we have exercised our option to redeem the notes, each holder of the notes will have the right to require us to repurchase all or any part of that holder's notes at 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest and additional amounts, if any.

The notes will be unconditionally guaranteed by certain of our subsidiaries. The notes and the subsidiary guarantees will be our and our subsidiary guarantors' respective senior unsecured obligations (subject to certain statutory preferences under Mexican law, such as tax, social security and labor obligations), and will rank equally in right of payment to all of our and our subsidiary guarantors' respective existing and future senior unsecured indebtedness. The notes and the subsidiary guarantees will rank effectively junior in right of payment to any of our and our subsidiary guarantors' respective existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness and will be structurally junior to all liabilities and guarantees of our non-guarantor subsidiaries.

No public market currently exists for the notes. These listing particulars have been approved by the Irish Stock Exchange. Application has been made to the Irish Stock Exchange to admit the notes to listing on the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market.

Investing in the notes involves risks. See "Risk Factors" beginning on page 16.

Issue Price: 100.000% plus accrued interest, if any, from March 14, 2017.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE NATIONAL SECURITIES REGISTRY (*REGISTRO NACIONAL DE VALORES, OR "RNV"*) MAINTAINED BY THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION (*COMISIÓN NACIONAL BANCARIA Y DE VALORES*, OR "CNBV"), AND MAY NOT BE OFFERED OR SOLD PUBLICLY IN MEXICO. WE WILL NOTIFY THE CNBV OF THE TERMS AND CONDITIONS OF THE OFFERING OF THE NOTES OUTSIDE OF MEXICO, TO COMPLY WITH A LEGAL REQUIREMENT AND FOR INFORMATIONAL PURPOSES ONLY. THE DELIVERY OF SUCH NOTICE TO, AND THE RECEIPT THEREOF BY, THE CNBV IS NOT A REQUIREMENT FOR THE VALIDITY OF THE NOTES AND DOES NOT CONSTITUTE OR IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES, OUR SOLVENCY, LIQUIDITY OR CREDIT QUALITY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH HEREIN. THIS OFFERING MEMORANDUM IS SOLELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV. THE NOTES MAY BE OFFERED TO MEXICAN INSTITUTIONAL AND QUALIFIED INVESTORS, PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION SET FORTH IN THE MEXICAN SECURITIES MARKET LAW (*LEY DEL MERCADO DE VALORES*).

The notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction and may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, we are offering the notes to qualified institutional buyers in reliance on Rule 144A under the Securities Act ("Rule 144A") and outside the United States to non-U.S. persons in reliance on Regulation S. You are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "Transfer Restrictions" for additional information about eligible offerees and transfer restrictions.

The notes will be represented by global notes in registered form. Delivery of the notes was made to investors in book-entry form through a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream"), on or about March 14, 2017.

Joint Book-Runners

BNP PARIBAS **J.P. Morgan** **Morgan Stanley**

Citigroup

The date of this offering memorandum is April 10, 2017.

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You should rely only on the information contained in this offering memorandum. We have not, and the initial purchasers have not, authorized anyone to provide you with information that is different or additional from that contained in this offering memorandum, and we take no responsibility for any other information that others may give you. If anyone provides you with different or additional information, you should not rely on it. You should assume that the information in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum, regardless of time of delivery of this offering memorandum or any sale of the notes. Our business, financial condition, results of operations and prospects may change after the date on the front cover of this offering memorandum. This document may only be used where it is legal to sell the notes. Neither we nor any of the initial purchasers is making an offer to sell the notes in any jurisdiction where such an offer is not permitted.

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to:

- "Nemak," "our company," "we," "us," "our" or similar terms refer to Nemak, S.A.B. de C.V., together with its consolidated subsidiaries; and
- the "Issuer" refer to Nemak, S.A.B. de C.V. on an individual basis.

NOTICE TO INVESTORS

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or the public generally to subscribe for or otherwise acquire the notes.

Neither we nor the initial purchasers are making an offer to sell the notes in any jurisdiction except where such an offer or sale is permitted. You must comply with all applicable laws and regulations in force in your jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the notes under the laws and regulations in force in your jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor the initial purchasers will have any responsibility therefor.

We are relying upon an exemption from registration under the Securities Act for an offer and sale of securities which do not involve a public offering. We have submitted this offering memorandum solely to a limited number of qualified institutional buyers in the United States and to investors outside the United States so they can consider a purchase of the notes. This offering memorandum may be used only for the purposes for which it has been published. By accepting delivery of this offering memorandum, you acknowledge that the use of the information in this offering memorandum for any purpose other than to consider a purchase of the notes is strictly prohibited. These undertakings and prohibitions are for our benefit, and we may enforce them. U.S. federal securities laws restrict trading in our securities while in possession of material non-public information with respect to us. By accepting delivery of this offering memorandum and by purchasing the notes, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under "Transfer Restrictions" in this offering memorandum. The notes are subject to restrictions on transfer and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser of the notes, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

This offering memorandum is based on information provided by us and other sources that we believe to be reliable. We and the initial purchasers cannot assure you that the information provided by other sources is accurate or complete. This offering memorandum summarizes certain documents and other information and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely upon your own examination of our company and of the terms of the offering and the notes, including the merits and risks involved. The information set out in relation to sections of this offering memorandum describing clearing and settlement arrangements, including the section entitled "Book-Entry, Delivery and Form," is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information.

Neither we nor the initial purchasers are making any representation to any purchaser regarding the legality of an investment in the notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, financial, business or tax advice. You should consult your own counsel, accountant, business advisor and tax advisor for legal, accounting, business and tax advice regarding any investment in the notes.

We reserve the right to withdraw this offering of notes at any time and we and the initial purchasers reserve the right to reject any commitment to subscribe for the notes in whole or in part and to allot to any prospective investor less than the full amount of notes sought by that investor. The initial purchasers and certain related entities may acquire for their own account a portion of the notes.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

None of the Securities Exchange Commission ("SEC"), the CNBV or any state or foreign securities commission or any other regulatory authority has approved or disapproved the offering of the notes nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy, adequacy or completeness of this offering memorandum. Any representation to the contrary is a criminal offense.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer and the majority of the subsidiary guarantors (collectively, the "Non-U.S. Nemak Companies") are incorporated or formed under the laws of countries other than the United States. In addition, almost all of the directors, executive officers and controlling persons of the Non-U.S. Nemak Companies are non-residents of the United States and a majority of our assets and the assets of such non-resident persons are located in Mexico or elsewhere outside the United States. As a result, it may not be possible for investors to effect service of process on the Non-U.S. Nemak Companies or their directors or executive officers, or to enforce judgments obtained in U.S. courts against the Non-U.S. Nemak Companies or such persons predicated on civil liability provisions of the U.S. securities laws. We have appointed CT Corporation System, 111 Eighth Avenue New York, NY 10011, as our agent to receive service of process with respect to any action brought against us in any federal or state court in the State of New York arising from the offering and issuance of the notes.

Uncertainty exists as to whether courts in the jurisdictions of organization of the Non-U.S. Nemak Companies will enforce judgments obtained in other jurisdictions, including the United States, against the Non-U.S. Nemak Companies or their directors or officers under the securities laws of those jurisdictions or entertain actions in those jurisdictions against the Non-U.S. Nemak Companies or their directors or officers under the securities laws of other jurisdictions.

AVAILABLE INFORMATION

We are not subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). To permit compliance with Rule 144A in connection with resales of notes, we will be required under the indenture under which the notes are issued (the "indenture"), upon the request of a holder of Rule 144A notes or Regulation S notes (during the restricted period, as defined in the legend included under "Transfer Restrictions"), to furnish to such holder and any prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act, unless we either furnish information to the SEC in accordance with Rule 12g3-2(b) under the Exchange Act or furnish information to the SEC pursuant to Section 13 or 15(d) of the Exchange Act. Any such request may be made to us in writing at our main office located at Libramiento Arco Vial Km. 3.8, C.P. 66001 García, Nuevo León, México.

The indenture will further require that we furnish to the trustee (as defined herein) all notices of meetings of the holders of notes and other reports and communications that are generally made available to holders of the notes. At our request, the trustee will be required under the indenture to mail these notices, reports and communications received by it from us to all record holders of the notes promptly upon receipt. See "Description of the Notes."

Application has been made to the Irish Stock Exchange to admit the notes to listing on the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market, a market of the Irish Stock Exchange, in accordance with its rules. We will be required to comply with any undertakings given by us from time to time to the Irish Stock Exchange in connection with the notes, and to furnish to them all such information as the rules of the Irish Stock Exchange may require in connection with the listing of the notes.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. These statements relate to our future prospects, developments and business strategies and are identified by our use of terms and phrases such as "anticipate," "believe," "could," "would," "will," "estimate," "expect," "intend," "may," "plan," "predict," "project," "goals," "target," "strategy" and similar terms and phrases, and may include references to assumptions. These statements are contained in the sections entitled "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Industry," "Business" and other sections of this offering memorandum.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global economic, business, market and regulatory conditions, without limitation, and the following:

- general economic conditions in North America, Europe, South America and Asia, and any significant economic or political developments in those continents;
- cyclicality in the demand for our products, mainly linked to economic cycles, either regional or global;
- contracting conditions prevailing in the car manufacturing industry;
- availability and price volatility in the cost of raw materials and energy;
- the financial condition of our customers;
- our ability to adjust fixed costs in the event of lower automotive demand and decreased sales to our customers;
- any changes to the forecast for cylinder head and light vehicle sales demand;
- the impact of competition from other types of production of aluminum cylinder heads, engine blocks, transmission components, structural components and other components, including "captive" foundries from OEMs as well as independent foundries owned by third parties;
- the impact of competition arising from the use of non-aluminum materials as a substitute for aluminum;
- potential changes in industry pricing practices;
- ability to pass through price increases or the imposition of price controls or additional taxes on our products;
- the impact of any natural disasters on our ability to operate or to deliver products to our customers;
- unanticipated downtime of our equipment, technology or plants;
- our inability to supply to our main customers the amounts established in our commercial agreements;
- changes affecting components of manufactured vehicles;
- disruption to our supply chain;

- our inability to capture business for new and redesigned vehicle models or to launch new production programs successfully and efficiently;
- higher market penetration in a shorter timeframe than expected of electric vehicles that do not include our components;
- our ability to implement technological innovations to meet our customers' expectations;
- interruptions or failures in our information technology systems;
- the loss of one or more significant customers;
- claims arising from defective components, either directly from our OEM customers or indirectly from any end user of the components we produce or other third parties;
- losses from derivative transactions, particularly with respect to our energy and raw material requirements and foreign exchange;
- changes to environmental and/or other laws and regulations or our inability to maintain governmental approvals required to operate our business;
- changes in applicable laws affecting (i) the permits we are required to have to manufacture our products, (ii) our labor force or (iii) our ability to pursue growth opportunities, including the acquisition of other businesses;
- technological changes in the production of the components we supply that could result in lower demand for our products;
- performance of financial markets and our ability to refinance our financial obligations on favorable terms when they come due, including our short-term debt;
- our ability to service our debt;
- limitations on our access to sources of financing on competitive terms;
- our ability to negotiate employment contracts with our workforce;
- loss of key personnel;
- trade barriers, including tariffs or import taxes resulting from the renegotiation or modification of trade agreements that have an effect on our areas of operations;
- difficulties, uncertainties, liabilities and regulations related to mergers, acquisitions or joint ventures;
- risks inherent to international operations;
- risks related to our control by our parent company, Alfa, S.A.B. de C.V. whose interests may not be aligned with yours;
- terrorist and organized criminal activities as well as geopolitical events;
- currency exchange rate fluctuations, including the Peso-U.S. Dollar, Peso-Euro and U.S. Dollar-Euro exchange rates;
- changes in the policies of central banks and/or foreign governments; and

- other factors described under “Risk Factors” and elsewhere in this offering memorandum.

Should one or more of these factors or situations materialize, or should any of the underlying assumptions prove to be incorrect, the actual results may differ considerably from those that are described, foreseen, considered, estimated, expected, predicted or intended in this offering memorandum.

These forward-looking statements speak only as of the date of this offering memorandum and we undertake no obligation to update our forward-looking statements or risk factors to reflect new information, future events or otherwise. Additional factors affecting our business emerge from time to time and it is not possible for us to predict all of these factors, nor can we assess the impact of all such factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Although we believe that the plans, intentions and expectations reflected in or suggested by such forward looking statements are reasonable, we cannot assure you that those plans, intentions or expectations will be achieved. In addition, you should not interpret statements regarding past trends or activities as assurances that those trends or activities will continue in the future. All written, oral and electronic forward-looking statements attributable to us or to the persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

CERTAIN DEFINITIONS

Except where indicated or the context otherwise requires, the following terms used in this offering memorandum have the meanings specified below:

- accounting terms have the definitions set forth under IFRS;
- “tons” means metric tons (one metric ton is equal to 1,000 kilograms or 2,204.6 pounds);
- “Alfa” means Alfa, S.A.B. de C.V., our parent company;
- “Audi” means Audi AG and certain of its subsidiaries in different countries;
- “blocks,” “engine blocks” or “monoblocks” mean aluminum engine blocks for automobiles and light trucks; the engine block is one of the main elements of an engine that transforms the energy generated in the combustion chamber into mechanical energy, which in turn allows for the movement of the vehicle. Unless otherwise expressly referred to herein, any reference to blocks shall be understood to mean aluminum engine blocks;
- “Battery Electric Vehicle” or “BEV” refers to a vehicle powered by an electric motor instead of a gasoline engine. These vehicles use a rechargeable battery as a source of energy;
- “BMW” means Bayerische Motoren Werke AG and certain of its subsidiaries in different countries;
- “CAGR” means compound annual growth rate;
- “capacity utilization rate” means the percentage utilization of production capacity (as defined below);
- “captive” when referring to foundries, means foundries that are internal foundries owned by OEMs;
- “Castech” means Castech, S.A. de C.V., a Mexican producer of aluminum cylinder heads and engine blocks acquired by us in 2007;
- “casting” means any automotive component that is cast in aluminum;
- “Cevher Döküm” means Cevher Döküm Sanayii A.S., a Turkish producer of aluminum cylinder heads and other engine components acquired by us in 2016;
- “Chrysler” means FCA US LLC, formerly Chrysler Group LLC, and certain of its subsidiaries in different countries;
- “complex automatic transmission” means those transmissions that have more than six forward shifts;
- “core” means sand core, a semi-permanent mold in the production of cylinder heads and engine blocks that is made of sand, resins and other chemical components;
- “cylinder heads” means cylinder heads for automobiles and light trucks, one of the most important components of the engine that sits above the engine block forming the combustion chamber. The cylinder head provides the passages that feed air and fuel into the combustion chamber and allows the exhaust gases to escape. Unless otherwise expressly referred to herein, any reference to the cylinder heads means aluminum cylinder heads;

- “Daimler” means Daimler AG a German multinational automotive corporation, and certain subsidiaries of the automaker in different countries;
- “Ducker Worldwide” refers to Ducker Worldwide, LLC, a consulting and research firm specializing in trend analysis of the automotive sector;
- “electric vehicle components” means electric motor housings, e-drive housings, battery housings and reduction gear housings, among others;
- “equivalent volume” means the total amount of cylinder heads, engine blocks, and other aluminum component tons divided by the equivalence factor of 30 pounds;
- “Euro” or “€” means the lawful currency of the European Union;
- “European Union” refers to the group of countries comprised of Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom;
- “Fiat-Chrysler” means Fiat Chrysler Automobiles and certain of its subsidiaries in different countries;
- “Ford” means Ford Motor Company and certain of its subsidiaries in different countries;
- “GMC” means General Motors Company and certain of its subsidiaries in different countries;
- “GSPM” means Gravity Semi-Permanent Mold, a casting process used to produce cylinder heads and engine blocks. For more information, see “Business—Casting Technologies—Gravity Semi-Permanent Mold (GSPM)”;
- ‘hybrid vehicle” or “HEV” refers to a vehicle that uses two sources of power, such as an internal combustion engine and an electric motor;
- “HPDC” means High Pressure Die-Casting and refers to a casting process used to produce engine blocks, transmission parts and other components. For more information, see “Business—Casting Technologies—High Pressure Die-Casting (HPDC)”;
- “Hydro Aluminum” means Hydro Aluminum ASA, a Norwegian independent producer of aluminum cylinder heads and engine blocks that sold certain of its companies to us in early 2007;
- “Hyundai-KIA” means Hyundai Motors Company and certain subsidiaries of the automaker in different countries;
- “IASB” means the International Accounting Standards Board.
- “IFRS” means International Financial Reporting Standards, as issued by the IASB, and any financial reporting standards authorized by the CNBV and applied by Nemak;
- “IHS Markit” means Information Handling Services, Inc., a consulting and research firm specializing in trend analysis of the automotive sector;
- “Jaguar Land Rover” means Jaguar Land Rover Automotive PLC, a subsidiary of Tata Motors Group, and certain of its subsidiaries in different countries;
- “J.L. French” means J.L. French Automotive Castings, Inc., an American independent producer of aluminum powertrain components acquired by us in June 2012;

- “light vehicles” means passenger cars and light trucks under 3.5 tons;
- “LIBOR” means London Interbank Offered Rate;
- “Lost Foam” refers to a casting technology used to produce engine blocks and bed plates. For more information, see “Business—Casting Technologies—Lost Foam”;
- “LPDC” means Low Pressure Die-Casting, a casting technology used to produce cylinder heads. For more information, see “Business—Casting Technologies—Low Pressure Die-Casting (LPDC)”;
- “M&A” refers to mergers and acquisitions;
- “Mexican Central Bank” means Banco de México;
- “Mexican Stock Exchange” means Bolsa Mexicana de Valores, S.A.B. de C.V.;
- “NAFTA” means the North American Free Trade Agreement effective as of January 1, 1994;
- “Nissan” means Nissan North America Inc. and certain of its subsidiaries in different countries;
- “OEM” means original equipment manufacturer, which consists of automotive manufacturers of new vehicles which represent our main customers;
- “other aluminum components” means bedplates, oil pans, front covers and various other components;
- “plug-in hybrid vehicle” or “PHEV” refers to a hybrid vehicle that uses rechargeable batteries that can be recharged by plugging it into an external source of electric power. These vehicles contain an electric motor and an internal combustion engine;
- “Porsche” means Porsche AG and certain of its subsidiaries in different countries;
- “powertrain” means the group of components that generate power and deliver it to the road surface, water or air. This includes the cylinder head, engine block, transmission and other components;
- “production capacity” means annual production capacity, which in our case is calculated based on the nominal capacity of equipment, overall equipment efficiency, the weekly operating pattern of our respective manufacturing facilities and the number of weeks per year required for maintenance purposes;
- “PSA” means Peugeot S.A. and certain of its subsidiaries in different countries;
- “Rautenbach” means Rautenbach AG and its subsidiaries, a German entity engaged in the manufacturing of several aluminum components, mainly cylinder heads and transmission parts. Rautenbach was acquired by us in early 2005;
- “Renault” means Renault S.A. and certain of its subsidiaries in different countries;
- “R&D” means any activities involving research, development and innovation of any product, process, or technology;
- “ROTACAST™” refers to a casting technology used to produce cylinder heads and engine blocks. For more information, see “Business—Casting Technologies—ROTACAST™”;

- “Sand Package” refers to a casting technology used to produce engine blocks. For more information, see “Business—Casting Technologies—Sand Package”;

- “structural components” means components which integrate the body and chassis of the vehicle. These components may be produced in aluminum, steel or magnesium. Structural components include shock towers, longitudinal members, cross members, pillars, door frames, window frames, roof beams and connection tunnels, among other components. Unless otherwise expressly referred to herein, any reference to structural components to be produced by Nemak, means structural components made of aluminum;

- “Teksid” means TK Aluminum Ltd., an independent Italian producer of aluminum cylinder heads, engine blocks and other automotive components which sold certain of its operations to us during 2007;

- “Tier 1” refers to a company that supplies components directly to the OEM;

- “Tilt Casting” refers to a casting technology used to produce cylinder heads. For more information, see “Business—Casting Technologies—Tilt Casting”;

- “Toyota” means Toyota Motor Corporation and certain of its subsidiaries in several countries;

- “transmission components” or “Trans” means aluminum transmission cases that are the primary housing for various parts of the automotive transmission system;

- “Volkswagen Group” means Volkswagen AG and all of its subsidiaries in different countries; and

- “WardsAuto” refers to a research and news firm specializing in the automotive sector.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Financial Information

Our annual audited consolidated financial statements as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014, together with the notes thereto (the "Annual Audited Financial Statements"), as well as the other financial information of Nemak included in this offering memorandum related to the Annual Audited Financial Statements, have been prepared in accordance with IFRS. The selected financial information set forth in this offering memorandum for the years ended December 31, 2013, 2012 and 2011 have been derived from our annual audited consolidated financial statements prepared in accordance with IFRS that have not been included in this offering memorandum.

Until 2011, we issued our consolidated financial statements in conformity with Mexican Financial Reporting Standards (*Normas de Información Financiera*, or "MFRS"), as issued from time to time by the Mexican Financial Reporting Standards Board (*Consejo Mexicano de Normas de Información Financiera, A.C.*). In accordance with IFRS 1 "First-time adoption of IFRS" we considered January 1, 2011 as our IFRS transition date and January 1, 2012 as our IFRS adoption date.

The selected financial information set forth in this offering memorandum for the years ended December 31, 2010, 2009 and 2008 and prior thereto has been derived from our annual audited consolidated financial statements prepared in accordance with MFRS that have not been included in this offering memorandum. Because of the differences between the accounting principles used in the preparation of such financial statements and the accounting principles used in the preparation of the Annual Audited Financial Statements included elsewhere in this offering memorandum, such information is not comparable, and you should use caution when comparing financial information prepared in accordance with MFRS to financial information prepared in accordance with IFRS.

IFRS and MFRS differ in certain significant respects from generally accepted accounting principles in the United States ("U.S. GAAP") and financial reporting standards and generally accepted accounting principles used in other jurisdictions. We have made no attempt to quantify the impact of those differences by a reconciliation of our financial statements or the other financial information included in this offering memorandum to such other generally accepted accounting principles and financial reporting standards.

In making an investment decision, you must rely upon your own examination of the company, the terms of the offering and the financial information included herein. We urge you to consult your own advisors regarding the differences between IFRS, MFRS and U.S. GAAP, and how these differences might affect the financial information included in this offering memorandum.

Exchange Rate Information

Unless stated otherwise, references herein to "Mexican Pesos," "Pesos" or "Ps." are to Mexican pesos, the legal currency of Mexico and references to "U.S. Dollars," "Dollars," "US$" or "$" are to United States dollars, the legal currency of the United States.

This offering memorandum contains translations of certain Peso amounts into U.S. Dollars at specified rates solely for the convenience of the reader. These convenience translations should not be construed as representations that the Peso amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the specified rate or at all. Furthermore, the exchange rate for purposes of the convenience translation is not necessarily the same rate we used in preparing our financial statements, which means that U.S. Dollar-denominated items, including U.S. Dollar-denominated expenses and liabilities, may have been translated into Pesos using one exchange rate (or an average exchange rate) and have been retranslated into U.S. Dollars for the convenience of the reader using the convenience translation exchange rate.

Unless otherwise indicated, the exchange rate used for purposes of the convenience translations is:

- with respect to statement of financial position data, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette (*Diario Oficial de la Federación*) as the rate for the

payment of obligations denominated in foreign currency (the "Official Exchange Rate"), on December 31, 2016 (Ps. 20.6640 to US$1.00); and

- with respect to financial information other than statement of financial position data, the average exchange rate for the year ended December 31, 2016, which consists of the daily average of the Official Exchange Rates on each day during the year ended December 31, 2016 (Ps. 18.6567 to US$1.00).

See "Exchange Rates" for further information regarding the rates of exchange between the Peso and the U.S. Dollar.

Rounding Adjustments

Certain figures included in this offering memorandum have been rounded for ease of presentation. Any discrepancies in tables between the total and the amounts listed are due to rounding. Percentage figures included in this offering memorandum have not been calculated on the basis of such rounded figures but have in all cases been calculated on the basis of such amounts prior to rounding. For this reason, certain percentage amounts in this offering memorandum may vary from those obtained by performing the same calculations using the figures in our financial statements included elsewhere in this offering memorandum. Certain other amounts that appear in this offering memorandum may not sum due to rounding.

Non-GAAP Financial Measures

A body of generally accepted accounting principles is commonly referred to as "GAAP." A non-GAAP financial measure is generally defined as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. We present "Adjusted EBITDA" in this offering memorandum, which is a non-GAAP financial measure. For the years ended December 31, 2016, 2015 and 2014, we define Adjusted EBITDA to mean consolidated profit or loss before tax after adding back or subtracting, as the case may be, (i) depreciation and amortization and impairment of non-current assets, (ii) non-current assets write-down, (iii) financial result, net (which includes interest expense, interest income, foreign exchange gain or loss, and net gain or loss from derivative financial instruments), (iv) share of gain or loss of associates and (v) exceptional items.

In managing our business we rely on Adjusted EBITDA as a means of assessing our operating performance. We believe that Adjusted EBITDA enhances the understanding of our financial performance and our ability to satisfy principal and interest obligations with respect to our indebtedness as well as to fund capital expenditures and working capital requirements. We also believe Adjusted EBITDA is useful because it presents operating results on a basis unaffected by capital structure and taxes. Adjusted EBITDA, however, is not a measure of financial performance under MFRS or IFRS and should not be considered as an alternative to net profit or operating profit as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Adjusted EBITDA has material limitations that impair its value as a measure of our overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as financial expenses, income taxes, depreciation and amortization and impairment of non-current assets and the impact of derivative instruments (except when designated as hedge accounting in accordance with MFRS or IFRS). Our calculation of Adjusted EBITDA may not be comparable to other companies' calculation of similarly titled measures. For a reconciliation of Adjusted EBITDA to profit or loss before tax for the years ended December 31, 2016, 2015 and 2014, see "Summary Financial Data and Other Information."

Industry and Market Data

Market data and other statistical information used throughout this offering memorandum are generally based on independent industry publications, government publications, reports by market research firms or other published independent sources, as well as our internal studies. Some data are also based on our estimates, which are derived from our review of internal surveys, as well as independent sources such as the automotive research branch of IHS Markit and Ducker Worldwide's research. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness.

In addition, in many cases, we have based certain statements contained in this offering memorandum regarding our industry and our position in the industry on certain assumptions concerning our customers and competitors. These assumptions are based on our experience in the industry and our own investigation of market conditions. We cannot assure you as to the accuracy of any such assumptions, and such assumptions may not be indicative of our position in our industry.

SUMMARY

This summary highlights certain information contained in this offering memorandum and may not include all the information relevant to you. For a more complete understanding of our business, you should read the following summary together with the more detailed information appearing elsewhere in this offering memorandum, including that set forth under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the notes thereto included elsewhere in this offering memorandum.

Our Company

We are a leading global provider of innovative lightweighting solutions for the global automotive industry in terms of revenue and production capacity, specializing in the development and manufacturing of high-tech, complex aluminum components for powertrain, body and structure applications, and electric vehicle components. We believe that our product portfolio, which consists of cylinder heads, engine blocks, transmission components, structural and electric vehicle components, and other components, enables our customers to reduce the weight and therefore improve the performance and efficiency of the vehicles they manufacture. Weight reduction is a fundamental factor that allows OEMs to comply with stricter global CO_2 emissions and fuel efficiency regulations, as well as an increasing consumer preference for more fuel efficient vehicles. We provide our components primarily as a Tier 1 supplier to OEMs. Our global manufacturing footprint, which consists of 36 modern facilities in 16 countries throughout North America, Europe, South America and Asia, and two additional facilities currently under construction in Mexico and Slovakia, allows us to efficiently serve all major global automotive manufacturers.

For the year ended December 31, 2016, we generated revenue, Adjusted EBITDA and net profit for the period of Ps. 79.2 billion (US$4.2 billion), Ps. 14.8 billion (US$796 million) and Ps. 5.4 billion (US$290 million), respectively. From 2014 to 2016, our revenue, Adjusted EBITDA and net profit for the period grew at a CAGR of 14%, 26% and 26%, respectively. Our total assets as of December 31, 2016 were Ps. 91.9 billion (US$4.4 billion).

We focus on the production of complex aluminum castings for the automotive industry, primarily for powertrain, structural and electric vehicle components. Powertrain components consist of engine components (cylinder heads, engine blocks and others), transmission (transmission cases, converter housings and others) and electric vehicle components (electric motor and battery housings). Together, the cylinder head and engine block form the main body of the engine. Transmission cases serve as the primary housing for various parts of the transmission system. Structural components are used to integrate the main structure of the body and chassis of the vehicle and include shock towers, longitudinal members, cross members, pillars, door frames, window frames, roof beams and connection tunnels, among other components. E-drives are used in hybrid and electric vehicles and battery housings are used in plug-in hybrid and electric vehicles to enclose the lithium-ion battery packs.

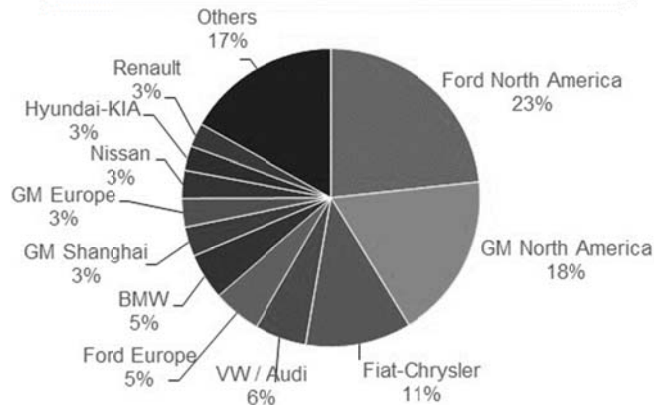
Our products are manufactured using a variety of casting technologies involving the application of molten aluminum to a mold, offering a broad range of advanced casting technologies with complementary machining expertise. We believe this broad range of casting technologies enables us to improve the "co-design" and the production of component parts in partnership with our customers, allowing us to match their design and performance criteria with the appropriate casting technology. We believe that our close collaboration with customers in the early design and engineering phases of product development fosters customer loyalty and provides us with a competitive advantage in securing new business.

Among our broad customer base, comprised of over 60 customers we supply worldwide, are 10 major global manufacturing groups and their subsidiaries, including: BMW, Daimler, Fiat-Chrysler, Ford, GMC, Hyundai-KIA, PSA, Renault-Nissan, Toyota and the Volkswagen Group. We estimate that, as of December 31, 2016, we supplied over 170 engine, transmission structural and electric vehicle components used in approximately 650 vehicle platforms that are currently in production or under development out of a total of approximately 1,300 existing vehicle platforms worldwide. Our engine and transmission components are primarily sole-sourced and their lifecycle extends over an engine program's life of six to eight years. This lifecycle compares with four years for interior components and two years for body and exterior components.

The following charts show our equivalent volume distribution by customer and revenue by region in 2016:

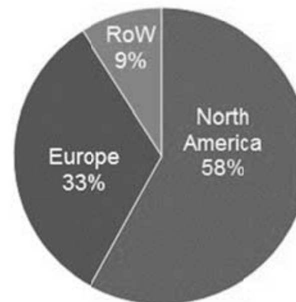
2016 Equivalent Volume(1)

By Customer



2016 Revenue(2)

By Region



(1) The "other" category includes American Axle, AMG, BBAC, Borg Warner, Bosch, BRP, CAF, CFME, Cummins, Dacia, Daimler, FAW-VW, Ferrari, Fiat, Ford Australia, Ford India, Ford SA, GAC-Fiat, Getrag, GM Holden, GM Korea, GM SA, GM Thai, International, JMC, Köhler, Lombardini, Magna, NEAPCO, Nexteer, Pierburg, Porsche, PSA, Rege, Rotax, Shanghai VW, Tata, Toyota, Volvo and ZBG.

(2) Includes intercompany eliminations such as aluminum supply, machining operations, royalties and trademark fees.

We have a global presence with 58% of our 2016 revenue coming from North America, 33% from Europe and the remainder from the rest of the world. We have over 23,000 employees globally with a presence in high-growth regions, including facilities in North America, Europe and Asia. Our manufacturing facilities are strategically located in close proximity to the leading OEMs in the automotive industry. We place great emphasis on our R&D footprint, which consists of six strategically located modern product development centers around the world, each specializing in a particular casting technology, allowing us to provide our customers with rapid development and implementation of product enhancements. In addition, we own 62 inventions, which comprise 283 patents worldwide, 13 patent applications and 11 trademarks, most of which are registered on a global scale. We have also produced or contributed to more than 250 scientific publications.

Our sales are driven by the number of vehicles produced by the OEMs, which ultimately depends on consumer demand for automotive vehicles. Ten global parent groups (Ford, GMC, Fiat-Chrysler, the Volkswagen Group, Hyundai-KIA, BMW, Renault-Nissan, PSA, Toyota and Daimler) accounted for 93% of our sales volume in 2016.

We believe our broad range of products, global footprint, modern facilities, leading OEM customer base, advanced R&D capabilities, experienced management team and industry leadership position us well for continued above-market growth and margin expansion opportunities.

History

We were incorporated in Mexico in 1979 with the purpose of manufacturing high-tech, complex aluminum components for the automotive industry. We began operations in Mexico in 1981, producing cylinder heads for Ford. By 1985, Chrysler and GMC had joined our customer group. In search for additional growth opportunities in the aluminum casting sector, we began producing aluminum engine blocks in 1999.

Our growth strategy in the last 17 years has been complemented by strategic acquisitions and *greenfield* projects in high-growth regions such as North America, Europe and Asia. In 2000, we acquired two aluminum casting plants from Ford located in Windsor, Canada. In 2001, we started operations in the Czech Republic in a new greenfield facility dedicated to the production of cylinder heads for our European customers. In 2005, we completed the acquisition of Rautenbach with manufacturing locations in Germany and Slovakia. In 2007, we acquired Hydro Aluminum casting operations, which included four plants located in Austria, Germany, Hungary, and Sweden (the

Swedish facility was later divested in 2009); selected assets of Teksid Aluminum's casting operations located in Mexico, the United States, Brazil, China, Poland and Argentina; and Castech, which included facilities located in Mexico. Furthermore, in 2010 we built a new facility in India and in 2012 we built a new facility in Chongqing, China, our second plant in China. Later in 2012, we acquired J.L. French, which included four facilities located in the United States and in Spain. In 2014, we announced the construction of a new HPDC facility in Mexico, and we expect production to begin during the second quarter of 2017. In 2015, we officially inaugurated our first facility in Russia and successfully carried out an initial public offering of shares on the Mexican Stock Exchange. In 2016, we successfully completed the acquisition of Cevher Döküm, an aluminum castings supplier located in Izmir, Turkey, and announced the construction of a new facility in Slovakia dedicated to the production of structural components and electric vehicle components.

Competitive Strengths

- ***Leading position as a lightweight solutions company.*** We are a leading global independent manufacturer of high-tech, complex aluminum components for the automotive industry in terms of revenue and production capacity. The complex aluminum components market has considerable barriers to entry and our large operations result in significant economies of scale for us and cost reduction opportunities for our customers. We believe that one out of every four new light vehicles sold worldwide includes one of our components. OEMs have recently been increasing the outsourcing of these types of products in an effort to reduce their costs. The majority of aluminum cylinder heads and engine blocks for light vehicles not produced by us are manufactured by the OEM's internal foundries. See "Industry―Growth Opportunities for Worldwide Production—Growth in outsourcing by OEMs." The structural and electric vehicle components markets represent an important avenue of growth for aluminum castings that we believe will enable us to position ourselves as a lightweighting solutions partner for OEMs.

- ***Broad portfolio of casting technologies with high quality standards.*** We offer a broad and advanced portfolio of aluminum casting technologies which we believe are superior to those offered by most other independent manufacturers of aluminum components. Due to the broad range of major casting technologies that we provide, we believe that we are in an ideal position to partner with OEMs to co-design, engineer, and test components and that our broad and advanced portfolio of technologies will enable us to capture a larger portion of growing markets for aluminum engine blocks, complex automatic transmissions, and structural and electric vehicle components. Our main technologies include: Gravity Semi-Permanent Mold (GSPM), ROTACAST™, Sand Package, Low Pressure Die Casting (LPDC), High Pressure Die Casting (HPDC), Lost Foam and Tilt Casting. In contrast, based on our research, we believe that most of our competitors generally focus on one or two of the major casting technologies, and only a few of the large, independent competitors have the capacity to provide as many as three of the primary aluminum casting technologies. We have received numerous accolades from our customers, recognizing our high quality standards, including, among many others: Ford's World Excellence Award (2016); Volvo's Quality Excellence Award (2016); Nexteer's Perfect Quality Award (2016); BMW's Supplier Innovation Award (2016); Daimler's Innovation Award (2015); Ford's Q1 Award (2014); the Volkswagen Group's Product Quality Award (2014); Renault's Quality Supplier Award (2014); GMC's Quality, Service, Technology and Price (QSTP) Award (2010) and Porsche's Supplier Award (2001).

- ***Leading product development capabilities supported by skilled workforce.*** Product development is a key part of our business and we have invested on average 1% of our annual revenue in research and development over the last three years. We have product development centers which are strategically located near our customers' engineering centers which enable us to work together with the OEMs on the design and development of our components. We co-design our components with multiple OEMs, allowing us to provide added value and to participate in new programs at an early stage of development. We are fully committed to continuing to develop our product launching capabilities, which enable us to launch over 150 programs per year. We have over 400 employees dedicated to this task and an additional 500 employees indirectly involved in product development. As of December 31, 2016, we had approximately 19,000 hourly employees and approximately 4,100 salaried employees in 16 countries. Over 95% of our full time employees have an engineering degree and 20% have a Masters or PhD degree. Our talent management system has allowed us to identify and retain key individuals, which has been critical in developing and retaining a diverse and highly skilled workforce. This enables us to maintain our position as a technological

leader in the automotive aluminum foundry industry. As a result of our significant investments in R&D, we own 62 inventions, which comprise 283 patents world-wide, 13 patent applications and 11 trademarks, most of which are registered on a global scale. We have produced or contributed to more than 250 scientific publications, which we believe provide a distinct competitive advantage.

- ***Solid customer relationships offering diversified revenue streams.*** We believe that early participation in the conceptual design process through simultaneous engineering enables us to develop strong, long-term customer relationships and provides a significant barrier to entry to our competitors. We estimate that approximately 85% of our sales volume in 2016 was related to components for which we were the sole source provider to our customers. We believe that the switching costs for the production of our components are relatively high because of (i) proprietary technology and (ii) high interruption costs for a customer that switches from one supplier to another. Furthermore, we have a strong track record of securing business from our existing customers, as our rate of securing replacement business for the period from 2013 through 2016 was approximately 88% of our current business. We have a geographically diverse base of customers, with average existing customer relationships of over 20 years. We estimate that we currently supply more than 170 engine, transmission, structural and electric vehicle components to more than 60 customers worldwide including 10 major global OEMs. In 2016, 58% of our revenue was derived from our operations in North America, 33% from Europe and the remainder from the rest of the world. This diversity reduces our exposure to the failure of any single vehicle model or platform and to fluctuations in demand from a particular OEM or a particular geographic region.

- ***Modern facilities with a global footprint near key customer sites.*** We have 36 modern facilities operating in 16 countries throughout North America, Europe, South America, and Asia, and two additional facilities currently under construction in Mexico and Slovakia. Most of our facilities are strategically located close to our customers' plants, a key factor in reducing transportation costs and allowing just-in-time delivery of components. We believe our global footprint helps us to best serve our customers regionally as they look for suppliers who can manufacture key components in their major business regions with global consistency. During the last seven years we have launched several greenfield projects, including our facilities in India, Chongqing in China, Russia, Mexico, and Slovakia.

- ***Proven track record of growth and financial resilience.*** Since the beginning of our operations, we have been able to grow both organically and inorganically through selected acquisitions, such as those of Ford's casting facilities, Rautenbach, J.L. French, selected facilities from Teksid and Cevher Döküm. From 1993 to 2016, our revenue and Adjusted EBITDA grew at a CAGR of 18% and 19%, respectively. During the same period, our revenue grew from Ps. 0.3 billion (US$87 million) in 1993 to Ps. 79.2 billion (US$4.2 billion) in 2016 while our Adjusted EBITDA grew from Ps. 49 million (US$16 million) in 1993 to Ps. 14.8 billion (US$796 million) in 2016.

- ***Experienced management team and strong shareholder base.*** Our senior management team has an average of 22 years of experience in the aluminum casting industry. We believe that our team has substantial depth of knowledge in critical operational areas and has demonstrated success through adverse industry cycles in reducing costs and integrating business acquisitions. We are 75.24% owned by Alfa, one of Mexico's largest public companies based on revenue, and 5.45% owned by Ford, one of the largest OEMs in the world. We believe the participation of Ford in our shareholder structure allows us to be at the forefront of the latest industry trends and customer needs.

Business Strategy

Our business strategy is based on maintaining our position as a leading lightweighting solutions company by leveraging our technological capabilities, global footprint, human capital, operational excellence, innovation and customer focus and capitalizing on industry trends. We believe that maintaining high quality standards and successful product launches will position us as a key supplier for our customers in order to capture replacement programs and new opportunities.

- ***Maintain our leading position in the complex, high value-added aluminum components market.*** Powertrain components such as cylinder heads, engine blocks, and complex automatic transmission

components require a high degree of manufacturing complexity. Customers are developing increasingly complex casting designs which require modern manufacturing processes and advanced technical expertise. The increasing number of casting and machining steps and the continuously changing processes required to manufacture these components have significantly increased the added value of aluminum components over time. Our objective is to drive organic growth in high value-added products with high barriers to entry and superior margins and benefit from the increased use of aluminum in the manufacturing of automotive parts. We will seek to maintain and strengthen our relationship with OEMs by working together in the design and development of complex, high value-added aluminum components allowing us to maintain our leading position.

- ***Drive growth through aluminum penetration in engine blocks.*** We plan to continue capturing new business in aluminum engine blocks, which we believe are relatively high-margin and high-growth products. Engine blocks are among the heaviest automotive components that have not fully transitioned from cast iron to aluminum. We anticipate that aluminum engine blocks will continue to represent a growing percentage of all engine blocks manufactured given the fuel efficiency trend.

- ***Increase focus on rapidly developing regions to best serve our customers globally.*** While we will continue to focus on capturing market share in our core markets, countries like China (the largest automotive market in the world), India, and Russia provide attractive growth opportunities given that most of our main customers have built or plan to build manufacturing plants in these countries. Although GDP growth in such countries has slowed down over the past few years, the expansion of our customers' business in these countries continues to provide us with development prospects in the long-term. We believe that OEMs are increasingly developing global high-volume powertrain programs and that our modern facilities and global footprint position us to better and more efficiently respond to the requirements of such programs. We plan to continue investing in these developing regions and leverage this global scale in the future as we focus on growth opportunities in these markets. For example, our facility in Chongqing, China became fully operational during the first quarter of 2014, and our new facility in Russia became fully operational during the fourth quarter of 2015.

- ***Continue to invest in human capital development.*** We expect to continue investing in attracting, developing and retaining the best human capital through our talent management system. Furthermore, we plan to continue to maintain and improve our efficient working environment, while offering career development opportunities to our employees in order to motivate and retain them.

- ***Capitalize on the lightweighting trend by securing a leading position in structural components.*** Weight reduction is a key component for automakers to comply with stricter CO_2 emissions and fuel economy regulations. Structural components are increasingly being manufactured from aluminum instead of steel given the significant weight reduction that OEMs obtain by using this material. We estimate that a large number of structural components in vehicles that are currently built with steel or other materials will be replaced with aluminum components over the next decade. According to our estimates, based on the shift from steel to aluminum in certain vehicle platforms and applications, the aluminum structural components market will continue to grow. We believe we are well-positioned to take advantage of the shift from steel to aluminum structural components and capture part of this growth to become a leading player in this growing segment, given the technical expertise we have developed in recent years. Since the beginning of 2014, we have been awarded six high volume structural components contracts worth over US$160 million in revenues from four major premium OEMs. We continue to execute our strategy of improving our technological base by expanding our structural component product development centers in Poland and Mexico and by establishing an engineering team in Germany and Mexico.

- ***Capture a leading position in new electric vehicle components.*** As emission regulations tighten and battery technologies advance, we believe electric vehicles are becoming an important avenue of growth for the automotive market. These vehicles include new components such as electric motor and battery housings. As OEMs are making efforts to minimize vehicle weight, we believe these components are viable candidates to be produced as aluminum castings. We believe we are well-positioned to capture a segment of this new market with our product offerings. As of December 31, 2016, we have successfully secured three main programs to produce electric motor and battery housings from two major premium OEMs. We

believe our technological portfolio and global footprint will enable us to be an important competitor in this market and meet our customers' requirements.

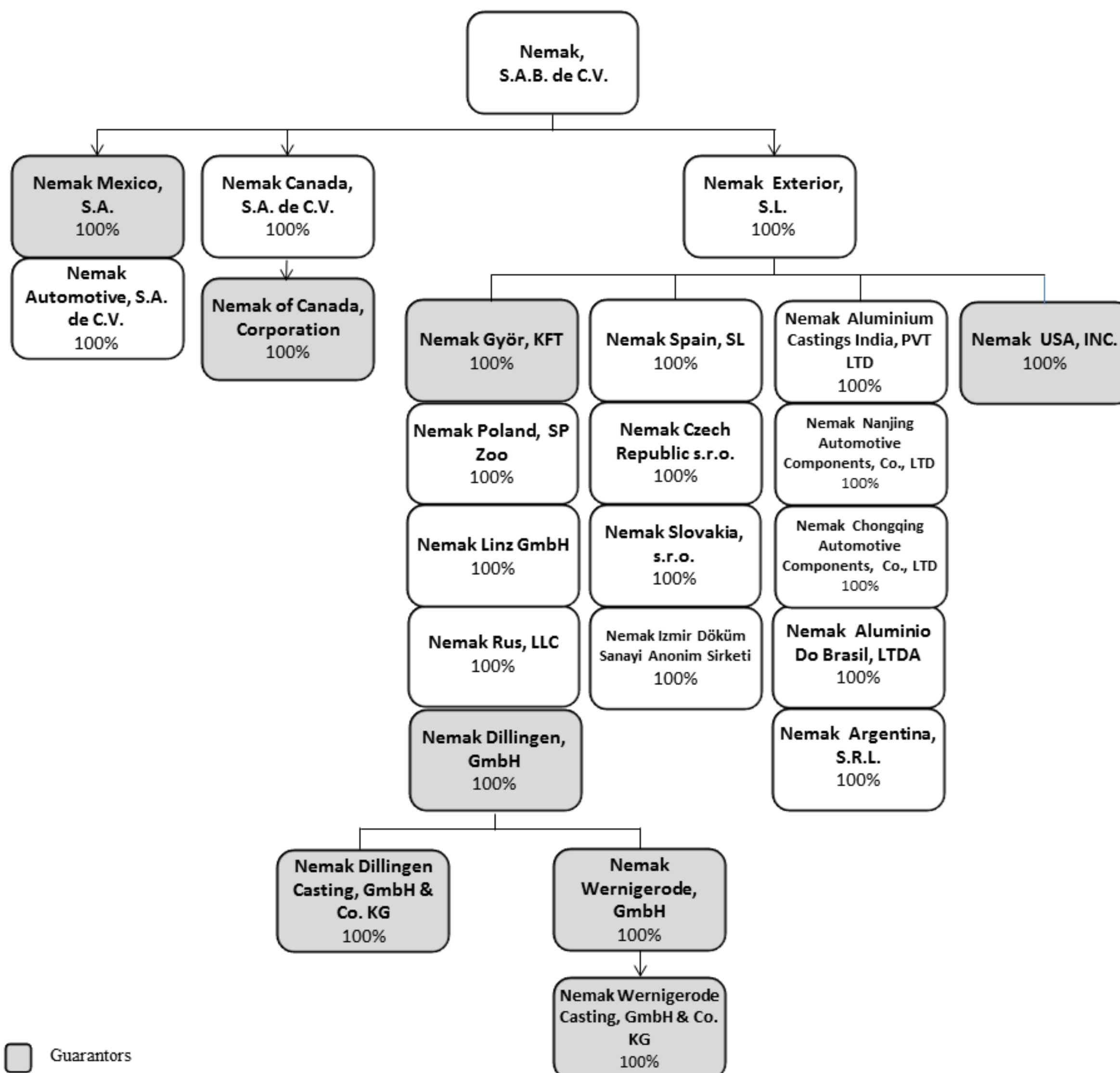
- ***Integrate vertically into higher value-added operations such as machining and subassembly of components.*** We are continuously expanding our product and technology offerings while vertically integrating into higher value-added operations, such as machining and subassembly of components, as customers are constantly looking for suppliers that can provide a more comprehensive array of products and solutions. We believe that integrating downstream into machining and subassembly operations will allow us to achieve operational efficiencies and to respond faster to our customers, while protecting our Tier 1 position and strengthening our relationships with our customers. In 2007, 73% of the components we produced were machined in-house, and this amount decreased to approximately 54% in 2016. Through renewed investment in this area, we anticipate outsourcing less of our machining of components and we believe that we will reach a 70% in-house machining target by 2020. As a result, we believe that machining and subassembly operations will provide us with the opportunity to increase our Adjusted EBITDA.

- ***Continue growing through strategic M&A processes.*** Although we currently do not have any understandings or agreements regarding acquisitions, we may selectively pursue complementary strategic acquisitions that allow us to leverage the marketing, R&D, manufacturing and technology strengths of our existing business and create value for our shareholders. Our past acquisitions have enabled us to become a global supplier with the capability to offer high-tech aluminum components for complex powertrain systems. In addition, these acquisitions have allowed us to diversify our revenue base by customer, geography and/or product offerings and achieve meaningful synergies. We are confident that our evaluation criteria allows us to be selective in our M&A processes, as we evaluate each company according to its portfolio attractiveness; process, customer, and regional diversification; potential synergies; and technical expertise.

Corporate Structure

The Issuer is a publicly traded variable capital stock corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico. We were originally incorporated under the name "Acciones Corporativas de Mexico, S.A. de C.V." and later changed our corporate name to "Tenedora Nemak, S.A. de C.V." On June 15, 2015, the Issuer adopted its current corporate form and its name was changed to Nemak, S.A.B. de C.V.

The following chart summarizes our corporate structure as of the date of this offering memorandum, including our main subsidiaries and our direct or indirect percentage ownership in them:



Corporate Information

On June 30, 2015, we completed an initial public offering in Mexico and a private offering of shares in the international markets. We issued a total of 594,832,845 shares (including the exercise of an overallotment option) at an offering price of Ps. 20.0 per share, for a total of Ps. 11,897 million. We are 75.24% owned by Alfa, one of the largest public companies in Mexico based on its 2016 revenue, 5.45% owned by Ford, one of the largest automotive companies in the world, and 19.31% of our shares are publicly traded. Alfa is publicly listed and traded on the Mexican Stock Exchange and Latibex, the market for Latin American shares of the Madrid Stock Exchange. Alfa conducts its operations in 27 countries through five business units: (i) Alpek, S.A.B. de C.V. (one of the world's largest producers of polyester (purified terephthalic acid (PTA)), polyethylene terephthalate (PET) and polyester fibers), which also leads the Mexican market in polypropylene, expandable polystyrene (EPS) and caprolactam; (ii) Sigma Alimentos, S.A. de C.V. (an important producer, marketer and distributor of foods through recognized brands in Mexico, the United States, Europe and Latin America); (iii) Nemak, S.A.B. de C.V. (a leading provider of innovative lightweighting solutions for the automotive industry, specializing in the development and manufacturing of aluminum components for powertrain and body structure), which represented 27% of the consolidated revenue of

Alfa for the year ended December 31, 2016; (iv) Axtel, S.A.B. de C.V. (a provider of information technology and communication services for the enterprise, government and residential markets, through its Alestra and Axtel brands) and (v) Newpek, S.A. de C.V. (a company in the hydrocarbons industry in Mexico and the United States). Ford is a publicly listed company with its stock traded on the New York Stock Exchange. Ford designs, manufactures and distributes automobiles across six continents and also provides financial services for vehicle loans.

Our corporate offices are located at Libramiento Arco Vial Km. 3.8, 66001 García, Nuevo León, México. Our corporate website address is www.nemak.com. We do not incorporate the information available on our corporate website into this offering memorandum, and you should not consider it part of this offering memorandum.

THE OFFERING

The following is a brief summary of certain terms of this offering and it is not intended to be complete. For a more complete description of the terms of the notes, see "Description of the Notes."

Issuer	Nemak, S.A.B. de C.V.
Notes offered	€500,000,000 aggregate principal amount of 3.250% Senior Notes due 2024.
Issue Price	100.000%, plus accrued interest, if any, from March 14, 2017.
Maturity	March 15, 2024.
Interest Rate and Payment Dates	Interest will accrue at an annual rate of 3.250% and will be payable in cash semi-annually on March 15 and September 15 of each year, beginning September 15, 2017. The first interest period will be a long interest period from March 14, 2017 to but not including September 15, 2017.
Subsidiary Guarantors	The notes will be fully, unconditionally and irrevocably guaranteed by the following direct and indirect subsidiaries: (i) Nemak México, S.A., (ii) Nemak USA Inc., (iii) Nemak of Canada Corporation, (iv) Nemak Dillingen GmbH, (v) Nemak Dillingen Casting GmbH & Co. KG, (vi) Nemak Wernigerode GmbH, (vii) Nemak Wernigerode Casting GmbH & Co. KG, (viii) Nemak Győr Alumíniumöntöde Korlátolt Felelősségű Társaság, and (ix) any restricted subsidiary that provides a subsidiary guarantee after the issue date (collectively, the "subsidiary guarantors"). As of and for the year ended December 31, 2016, the Issuer and the subsidiary guarantors accounted for 67.1% of our total assets and 83.5% of our Adjusted EBITDA on a consolidated basis.
Ranking	The notes and the subsidiary guarantees will be the Issuer's and the subsidiary guarantors' respective senior unsecured obligations and will rank: • equal in right of payment to all other of the Issuer's and the subsidiary guarantors' respective existing and future senior unsecured indebtedness; and • junior to certain obligations given preference under applicable law, including labor, social security and tax claims. The notes and the subsidiary guarantees will effectively rank junior to all of the Issuer's and the subsidiary guarantors' respective existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness. The notes and the subsidiary guarantees will be structurally subordinated to all liabilities and guarantees of our non-guarantor subsidiaries. As of December 31, 2016, we had total consolidated indebtedness of Ps. 29,009 million (US$1,404 million), of which Ps. 26,021 million (US$1,259 million) was unsecured indebtedness of the Issuer and subsidiary guarantors and Ps. 2,988 million (US$145 million) was total indebtedness of the Issuer's non-guarantor subsidiaries. As of

December 31, 2016, on an unconsolidated basis, the Issuer had Ps. 26,020 million (US$1,259 million) of outstanding indebtedness. As of December 31, 2016, none of the Issuer, any subsidiary guarantor or any non-guarantor subsidiary had any secured indebtedness.

Optional Redemption................................. On or after March 15, 2021, we may redeem the notes, in whole or in part, at any time at the redemption prices set forth in "Description of the Notes—Optional Redemption—General Optional Redemption;" and at any time prior to March 15, 2021, we may redeem the notes, in whole or in part, at a redemption price based on a "make-whole" premium, in each case plus any accrued interest.

In addition, prior to or on March 15, 2021, we may redeem up to 35% of the original principal amount of the notes with the net proceeds from certain equity offerings by us, at a redemption price equal to 103.250% of the aggregate principal amount thereof, plus any accrued and unpaid interest.

Tax Redemption .... In the event of certain changes to applicable tax laws and regulations that would require us to pay Additional Amounts (as defined below) to non-residents of Mexico, in respect of payments of interest or amounts deemed interest on the notes, in excess of the Additional Amounts payable in respect of withholding taxes imposed at a 4.9% rate, the Issuer may, subject to certain conditions, redeem in whole, but not in part, the notes prior to maturity at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest thereon to, but excluding, the date of redemption, and any Additional Amounts payable with respect thereto. See "Description of the Notes—Optional Redemption—Optional Redemption upon Tax Event."

Covenants .... The indenture governing the notes will contain covenants that limit future actions to be taken, or transactions to be entered into, by the Issuer and its restricted subsidiaries. The indenture will limit the Issuer's and its restricted subsidiaries' ability to, among other things:

- incur additional indebtedness;
- pay dividends on our capital stock or redeem, repurchase or retire our capital stock or any subordinated indebtedness;
- make investments;
- create liens;
- create limitations on the ability of our restricted subsidiaries to pay dividends, make loans or transfer property to us;
- engage in transactions with affiliates;
- create unrestricted subsidiaries;
- sell assets, including capital stock of our subsidiaries; and
- consolidate, merge or transfer assets.

However, these covenants will be subject to a number of important

exceptions and qualifications. See "Description of the Notes—Covenants."

During any period that the credit rating on the notes, as determined by two or more of Moody's Investors Service, Inc., S&P Global Ratings and Fitch Ratings Ltd., equals or exceeds Baa3, BBB- and BBB-, respectively, and no default or event of default has occurred and is continuing, we will not be subject to many of these covenants. Any restrictive covenants that cease to apply as a result of achieving these ratings will be restored if two or more of the credit ratings on the notes are withdrawn or fall below these thresholds. See "Description of Notes—Covenants—Suspension of Covenants."

Change of Control .... Upon the occurrence of a Change of Control (as defined in the indenture), the Issuer will be required to make an offer to purchase the notes at a purchase price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest to, but excluding the purchase date. See "Description of the Notes—Change of Control Triggering Event."

Additional Amounts .... Payments of interest on the notes (and amounts deemed interest, such as any discount on the principal amount of the notes) made by us to investors that are non-residents of Mexico for Mexican income tax purposes will generally be subject to Mexican withholding taxes at a rate of 4.9%, if certain requirements are satisfied. See "Taxation—Mexican Federal Tax Considerations—Payments of Interest."

If we are required to deduct or withhold taxes attributable to any payments of interest on the notes (and amounts deemed interest, such as any discount on the principal amount of the notes), we will, subject to certain exceptions described in this offering memorandum, pay additional amounts ("Additional Amounts") to the holders of the notes, so that the net amount received by holders of the notes in respect of principal, interest or other payments on the notes, after any such withholding or deduction, will not be less than the amount each holder of notes would have received if such withholding or deduction had not applied. See "Description of the Notes—Additional Amounts."

Events of Default .... The indenture sets forth the events of default applicable to the notes. See "Description of the Notes—Events of Default."

Further Issuances .... We may from time to time without notice to or consent of the holders of the notes create and issue an unlimited principal amount of additional notes of the same series as the notes initially issued in this offering.

Use of Proceeds .... We intend to use the net proceeds from this offering to repay debt and for general corporate purposes. See "Use of Proceeds."

Transfer Restrictions.................................. We have not and will not register the notes under the Securities Act or the securities laws of any other jurisdiction. The notes are subject to restrictions on transfer and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. See "Transfer Restrictions."

As required under the Mexican Securities Market Law, and

	regulations thereunder, we will notify the CNBV of the terms and conditions of the offering of the notes outside of Mexico, to comply with a statutory requirement and for statistical purposes. The notes have not been and will not be registered with the RNV maintained by the CNBV and may not be offered or sold publicly in Mexico, except that the notes may be offered and sold, on a private placement basis, to Mexican institutional and qualified investors, pursuant to the private placement exemption set forth in the Mexican Securities Market Law and regulations.
Taxation	You should consult your tax advisor with respect to the Mexican tax and U.S. tax considerations relating to the purchasing, holding or disposing of the notes in light of your own particular situation and with respect to any tax consequences arising under the laws of any federal, state, local, foreign or other taxing jurisdiction. See "Taxation" for a summary of certain Mexican federal income tax considerations and U.S. federal income tax considerations of an investment in the notes.
Governing Law	The indenture and the notes will be governed by the laws of the State of New York.
Listing	Application has been made to the Irish Stock Exchange to admit the notes to listing on the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market. We cannot assure you that this application will be accepted.
Trustee, Registrar and Transfer Agent	The Bank of New York Mellon.
London Paying Agent	The Bank of New York Mellon, London Branch.
Irish Listing Agent	The Bank of New York Mellon SA/NV, Dublin Branch.
Form and Denomination	The Issuer will issue the notes in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof and the notes will, once issued, be represented by one or more global notes.
Risk Factors	See "Risk Factors" in this offering memorandum for a discussion of certain relevant factors you should carefully consider before deciding to invest in the notes.

SUMMARY HISTORICAL FINANCIAL DATA AND OTHER INFORMATION

You should read the following summary historical financial data and other information in conjunction with our Annual Audited Financial Statements and the information set forth in the sections "Presentation of Financial and Certain Other Information," "Selected Historical Financial Data and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this offering memorandum.

The consolidated financial information set forth below as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 has been derived from our Annual Audited Financial Statements prepared in accordance with IFRS contained elsewhere in this offering memorandum.

	For the Year Ended December 31,			
	2016[1]	2016	2015	2014
	(US$)	(Ps.)	(Ps.)	(Ps.)
Statement of Income Data:		(in millions)		
Revenue	4,247	79,244	70,891	61,490
Cost of sales	(3,502)	(65,345)	(59,143)	(52,456)
Gross profit	745	13,899	11,748	9,034
Administrative and selling expenses	(266)	(4,957)	(4,393)	(3,587)
Other revenues (expenses), net	(14)	(258)	43	61
Operating profit	465	8,684	7,398	5,508
Financial income[2]	786	14,657	6,245	299
Financial expenses[3]	(863)	(16,096)	(7,538)	(998)
Financial result, net	(77)	(1,439)	(1,293)	(699)
Share of gain of associates	3	55	48	39
Profit before income tax	391	7,300	6,153	4,848
Income tax	(101)	(1,890)	(1,552)	(1,454)
Net consolidated profit	290	5,410	4,601	3,394

	As of December 31,		
	2016[1]	2016	2015
	(US$)	(Ps.)	(Ps.)
Statement of Financial Position Data:		(in millions)	
Assets			
Current Assets:			
Cash and cash equivalents	129	2,661	1,793
Restricted cash and cash equivalents	23	474	323
Trade and other receivables, net	560	11,581	10,720
Inventories	570	11,784	9,667
Derivative financial instruments	2	40	-
Advance payments	18	367	277
Total current assets	1,302	26,907	22,780
Non-current Assets:			
Property, plant and equipment, net	2,424	50,094	38,263
Goodwill and intangible assets, net	583	12,057	9,216
Deferred income tax	74	1,520	1,321
Other non-current receivables	35	720	-
Other non-current assets	29	595	439
Total non-current assets	3,145	64,986	49,238
Total assets	4,447	91,893	72,018
Liabilities			
Current Liabilities:			
Current debt	179	3,699	952
Trade and other payables	914	18,894	16,515
Current income tax liabilities	27	549	311

	As of December 31,		
	2016[1]	2016	2015
	(US$)	(Ps.)	(Ps.)
Other current liabilities	26	542	993
Total current liabilities	1,146	23,684	18,771
Non-current Liabilities:			
Non-current debt	1,225	25,310	21,758
Deferred income tax	201	4,152	2,765
Employee benefits	51	1,058	779
Other non-current liabilities	30	618	6
Total non-current liabilities	1,507	31,138	25,308
Total liabilities	2,653	54,822	44,079
Stockholders' Equity			
Controlling Interest:			
Capital stock	320	6,607	6,607
Share premium	505	10,434	10,443
Retained earnings	596	12,309	8,645
Other reserves	374	7,721	2,244
Total controlling interest	1,794	37,071	27,939
Non-controlling interest	-	-	-
Total equity	1,794	37,071	27,939
Total liabilities and equity	4,447	91,893	72,018

	For the Year Ended December 31,			
	2016[1]	2016	2015	2014
	(US$)	(Ps.)	(Ps.)	(Ps.)
Other Financial/Operating Data		(in millions)		
Adjusted EBITDA[4]	796	14,849	12,006	9,304
Cash Flows:				
Operating activities	687	12,825	10,225	6,974
Investing activities	(475)	(8,864)	(7,238)	(5,066)
Financing activities	(206)	(3,842)	(2,356)	(2,661)
Volume (millions of equivalent units)	50	50	51	49

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of (i) Ps. 20.6640 per U.S. Dollar, the Official Exchange Rate in effect on December 31, 2016, with respect to statement of financial position data and (ii) Ps. 18.6567 per U.S. Dollar, the daily average of the Official Exchange Rates on each day during the year ended December 31, 2016, with respect to financial information other than statement of financial position data. These convenience translations should not be construed as representations that the Peso amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the specified rate or at all. See "Exchange Rates."

(2) Includes a foreign exchange gain in the amount of Ps. 266 million in 2014.

(3) Includes a foreign exchange loss in the amount of Ps.235 million in 2016 and Ps. 166 million in 2015.

(4) Adjusted EBITDA has been included solely because we believe that Adjusted EBITDA enhances the understanding of our financial performance. We also believe Adjusted EBITDA is a useful basis of comparing our results with those of other companies because it presents results of operations on a basis unaffected by capital structure and taxes. Adjusted EBITDA, however, is not a measure of financial performance under IFRS and should not be considered as an alternative to net profit or operating profit as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Adjusted EBITDA has material limitations that impair its value as a measure of our overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as financial expenses, income taxes, depreciation, amortization and the impact of derivative instruments (except when designated as hedge accounting in accordance with IFRS). We define Adjusted EBITDA to mean consolidated profit or loss before tax after adding back or subtracting, as the case may be, (i) depreciation and amortization and impairment of non-current assets, (ii) non-current assets write-downs, (iii) financial result, net (which includes interest expense, interest income, foreign exchange gain or loss, and net gain or loss from derivative financial instruments), (iv) share of gain or loss of associates and (v) exceptional items. Our calculation of Adjusted EBITDA may not be comparable to other companies' calculations of similarly titled measures. See "Presentation of Financial and

Certain Other Information – Non-GAAP Financial Measures." The following table sets forth a reconciliation of Adjusted EBITDA to profit or loss before tax for each of the periods presented.

	For the Year Ended December 31,			
	2016[1]	2016	2015	2014
	(US$)	(Ps.)	(Ps.)	(Ps.)
		(in millions)		
Profit before tax	391	7,300	6,153	4,848
Depreciation and amortization and impairment of non-current assets	315	5,873	4,609	3,784
Non-current asset write-down	16	292	(1)	12
Financial result, net	77	1,439	1,293	699
Share of gain of associates	(3)	(55)	(48)	(39)
Adjusted EBITDA	796	14,849	12,006	9,304

RISK FACTORS

An investment in our notes is subject to risks and uncertainties. You should carefully consider the risks described below, in addition to the other information contained in this offering memorandum, before deciding whether to purchase the notes. Realization of any of these risks could have a material adverse effect on our business, financial condition, cash flows and results of operations and could materially affect the value or liquidity of the notes and result in the loss of all or part of your investment in, or failure to receive timely payments in respect of, the notes. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial, and that are not described below, may also materially adversely affect us, which could also result in the loss of all or part of your investment in our notes.

Risks Relating to Our Business

We are an international company subject to the market risk of the countries in which we operate.

We currently maintain production facilities and operations in North America, Europe, Asia and South America. Our ability to conduct and expand our business and our financial performance are subject to the risks inherent to international operations, such as currency controls, currency fluctuations, trade barriers, increases in duties, taxes and governmental royalties, expatriation, expropriation, nationalization, forced negotiation, changes in local labor conditions, labor strikes, price instability, interest rates, modification of existing contracts and changes in local laws and policies, regulation, taxation, social instability and other political, social and economic developments affecting the countries in which we operate. We have no control over these factors and they may have an adverse effect on our business, financial condition, results of operations and prospects.

In the event of a drop in global economic activity, the automotive industry is often one of the first to suffer the effects of economic deceleration. The resulting decrease in demand for automotive vehicles in the markets in which we operate could have a strong negative impact on our business, financial condition, results of operations and prospects.

Additionally, our operations may be adversely affected by trade barriers, currency fluctuations, exchange controls, high levels of inflation, increases in duties, taxes and governmental royalties, social unrest, labor strikes, expropriation, nationalization, forced negotiation or modification of existing contracts, and changes in the local laws and policies of the countries in which we conduct our business. We are also exposed to risks related to social instability and other political, economic or social events in these countries, which could have an adverse effect on our business, financial condition and results of operations, as well as our ability to comply with our financial obligations in a timely manner.

Decline in the production levels of our major customers could adversely affect our financial condition, reduce our sales and harm our profitability.

Demand for our products is directly related to the automotive vehicle production of our major customers. Automotive sales and production can be affected by general economic or industry conditions, labor relations issues, fuel prices, regulatory requirements, government initiatives, trade agreements, availability and cost of credit, consumer confidence, the availability of government-sponsored vehicle incentives and other factors. The global automotive industry is characterized by intense competition among our automotive manufacturer customers. We expect these challenging industry conditions to continue in the foreseeable future.

Lower production levels by our major customers, particularly with respect to series of vehicle models for which we are a significant supplier, could adversely affect our financial condition, reduce our sales and harm our profitability.

We are dependent on a limited number of customers and the financial distress of our main customers and/or main suppliers could adversely affect our financial condition, results of operations and cash flows.

Our business is exposed to risks related to the financial condition of our customers. Ten global parent groups (Ford, GMC, Fiat-Chrysler, the Volkswagen Group, Hyundai-KIA, BMW, Renault-Nissan, PSA, Toyota and Daimler) accounted for 93% and 94% of our equivalent volume in the year ended December 31, 2016 and the year

ended December 31, 2015, respectively. A loss of order volumes from, or a loss of market share by, any of these major customers could harm our business, financial condition and results of operations.

Our supply base could also be affected by the industry environment. Lower global automotive production, turmoil in the credit markets and volatility in raw material, energy and commodity costs could result in financial distress within our supply base and an increase in the risk of supply disruption.

Any changes in our customers' financial condition could adversely affect our credit availability or our cost of borrowing which could adversely affect our business.

The possible deterioration of our customers' financial condition, including the financial condition of the largest OEMs, could significantly limit our access to credit, which we traditionally use to fund our working capital investments. Declines in automotive sales and production by our customers in the future could negatively impact our access to credit, which could have a material adverse effect on our business, financial condition and results of operations.

We bear production risk from our customers' unpredictable and somewhat seasonal production schedules.

All our customers follow production schedules that may vary substantially over time. This requires our operations to be flexible and leaves us vulnerable when there are large and unexpected changes in demand, as we must order raw materials and appropriately tool and deploy our production lines well in advance of product delivery. Our customers may announce cuts in production schedules for one or more models with short notice, potentially leaving us with excess manufacturing capacity and excess inventory of components for the relevant models, especially in the case of components specifically tailored to the particular customer and end-product. Such unpredictability may adversely affect our business, financial condition and results of operations. In addition, our results of operations are somewhat seasonal and dependent upon our customers' production cycles.

We may experience unanticipated delays, lower-than-expected sales volumes or higher-than-expected costs in launching new programs and platforms, which could adversely affect our profitability.

Our strategy requires us to develop and launch the manufacture of new components in the time periods and at the cost projected by us and our customers. New programs often require substantial investment to design and develop the tools and purchase the machinery and equipment required to manufacture new components. We may also need to expand existing facilities or establish new facilities to create production capacity for new programs.

Over the past few years, we have been selected as a supplier for a significant number of new OEM programs, which require up-front costs and resources related to the development of new components and the creation of separate manufacturing lines. However, these launches could be delayed, sales volumes could be lower than anticipated or start-up costs could be higher than expected. Our future performance will depend on whether we develop the manufacturing processes, equipment and tools necessary to launch these programs successfully and cost-effectively within the established timeframe and with the quality demanded by our customers. Any capital expenditures we make in respect of OEM programs that are cancelled, delayed or that are based on volume estimates in excess of actual demand could have an adverse impact on our financial performance if we are not reimbursed by the customer.

High raw material costs could continue to have an adverse impact on our profitability.

Raw material, energy and commodity costs have been volatile globally over the past several years. In the past, strategies to mitigate the impact of such higher costs, together with commercial negotiations with our customers and suppliers, have not, and may not in the future, completely offset this adverse impact. These costs remain volatile and could have an adverse impact on our profitability in the foreseeable future. In addition, no assurance can be given that cost increases will not have a larger adverse impact on our financial condition and profitability than currently anticipated.

We depend on raw materials and, in particular, a disruption of our aluminum or energy supply could adversely affect our operating results.

We are dependent on a reliable supply of aluminum and other raw materials, energy and components. Our business may be subject to periodic delays in the delivery of these materials, energy and components. Aluminum alloy constitutes a substantial portion of our cost of goods sold. In some jurisdictions, such as the United States, Brazil, Europe and Asia we obtain a significant portion of our aluminum alloy requirements from a limited number of suppliers and we are therefore particularly vulnerable to delays or disruption from our sources of aluminum. In addition, the proximity of aluminum suppliers to our operations is an important element in reducing transportation costs and maintaining the cost-effectiveness of our supply, which limits our ability to find economically viable supply substitutes. Also, we are not immune to the consequences that price fluctuations for natural gas and aluminum alloy could have on production costs, as has occurred in recent years. Failure by our suppliers to continue to supply us with materials, energy and component parts on commercially reasonable terms, or at all, could result in a disruption of our aluminum or energy supply, which could adversely affect our business, financial condition and results of operations.

If the use of aluminum in engine blocks and structural components does not continue to increase, we may not achieve anticipated future growth.

Our business growth depends in part on the continued use of aluminum as a substitute for iron in diesel and gasoline engine blocks. One or more other metals or elements, or combinations of these, may emerge as an alternative to aluminum in the production of these components. The emergence of an alternative to aluminum or the emergence of economically viable alternatives to the internal combustion engine, such as electric or hydrogen powered vehicles, could adversely impact our future growth. In addition, part of our expected growth assumes the substitution of steel with aluminum in structural components. In the event this substitution does not occur according to our estimates, or an alternative to aluminum emerges, our future growth may be adversely affected.

We face the risk of exposure to product liability claims, product recalls, and adverse publicity in connection with the sale of defective products, any of which may adversely affect our business.

The manufacture, processing, distribution and sale of our products entail an inherent risk of product liability, product recall and adverse publicity. Although we maintain quality controls and procedures, we cannot ensure that our products will be free from defects. In addition, some of our products contain components manufactured by third parties, which may also have defects. We cannot assure you that product liability claims will not be asserted against us or that we will not be obligated to perform or comply with recalls in the future.

If a product liability claim is successful, our insurance may not be adequate to cover all liabilities we may incur, and we may not be able to continue to maintain such insurance, or obtain comparable insurance at a reasonable cost, if at all. With respect to components manufactured by third-party suppliers, the contractual indemnification that we may seek from our third-party suppliers may be limited and thus insufficient to cover claims made against us. Furthermore, payment to us of such indemnification may be subject to obtaining a final resolution from a competent authority, which may be a lengthy process and could result in the incurrence of additional costs by us. If we do not have adequate insurance or contractual indemnification available to us, product liability claims relating to defective products could have a material adverse effect on our ability to successfully sell our products and on our business, financial condition and results of operations. In addition, even if a product liability claim is not successful or is not fully pursued, the negative publicity surrounding any claim that the products we sell caused illness or injury could have a material adverse effect on our business, financial condition, results of operations and reputation.

We may not have sufficient insurance to cover any future liabilities, including any litigation claims, either due to coverage limits or as a result of insurance carriers' denial of coverage of such liabilities, which, in either case, could have a material adverse effect on our business, financial condition and results of operations.

Our third party insurance coverage may not be sufficient to cover damages that we may incur if the amount of such damages surpasses the amount of our insurance coverage or the damages are not covered by our insurance policies. Such losses could cause us to suffer significant unanticipated expenses resulting in an adverse effect on our business or financial condition. In addition, our insurance carriers may seek to rescind or deny coverage with respect to future liabilities, including from lawsuits, investigations and other legal actions against us. If we do not

have sufficient coverage under our policies, or if the insurance companies are successful in rescinding or denying coverage to us, it could have a material adverse effect on our business, financial condition and results of operations.

We do not receive binding purchase commitments from our customers, and we may be adversely affected if customers terminate programs or cancel purchase orders.

Although OEMs provide purchase orders for most of their requisitions, these purchase orders typically provide for the supply of all or a portion of an OEM's requirements under a particular program for the components we produce rather than for the purchase of a specific quantity of components. Our customers reserve the right to terminate purchase orders unilaterally. If the customer terminates a program or refuses to accept delivery of finished products, we may not be able to recover our entire investment in connection with that program and may incur losses that could have a material adverse effect on our business, financial condition and results of operations.

We may fail to make timely deliveries which may generate additional costs and expenses.

If we fail to make timely deliveries in accordance with our contractual obligations, we are generally contractually obligated to absorb our own costs for identifying and solving the root cause problem as well as expeditiously producing replacement components or products. Generally, we must also absorb the costs associated with catching up on delivery delays, such as overtime and premium freight costs.

If we cause a customer to halt production, the customer may seek to recover all of its losses and expenses from us. These losses and expenses could be significant, and may include consequential losses such as lost profits. Any supply-chain disruption, however small, could potentially cause the complete shutdown of a customer's assembly line, and any such shutdown that is due to causes within our control could expose us to material claims for compensation. If a customer halts production because of another supplier failing to deliver on time, it is unlikely we will be fully compensated, if at all.

The prices that we charge our customers are typically predetermined, and we bear the risk of costs in excess of estimates, and even under the circumstances when we are able to pass through raw material price increases, timing differences in our ability to pass through those increases expose us to risk.

We sell our products at prices set several years before we manufacture the component, subject to adjustment for fluctuations in the price of aluminum. In many cases, component prices decline over the term of the contract in anticipation of expected increases in efficiency. If we do not achieve these efficiencies, our overall profitability could be adversely affected.

Our costs in fulfilling these contracts may vary substantially from our initial estimates. Under our arrangements with our customers, we may only increase agreed upon prices under specific circumstances. Increases in interest rates, labor costs, raw materials costs (other than aluminum), energy prices, and costs relating to unexpected tooling design or production difficulties may not be passed through to the customer. Cost overruns that we cannot pass through to our customers could adversely affect our results of operations.

All of our contracts allow for the pass-through of aluminum price fluctuations to minimize the risks related to fluctuations in the market price of aluminum alloy; however, there may be a time lag in passing through those fluctuations to the OEMs. This is due to the fact that each OEM uses its own formula to estimate aluminum prices, which usually reflects market prices based on an average period that may range between one and three months. As a result, the basis on which each OEM determines aluminum alloy prices may differ from the basis on which we purchase aluminum, and therefore any sharp increase in the price of aluminum would adversely affect our business, financial condition and results of operations.

We compete to obtain and retain supply arrangements for new and redesigned vehicle models and are affected by the success of those models.

We compete for new business, both at the beginning of the development of new models and upon the redesign of existing models by our major customers. New model development generally begins two to five years prior to the marketing of a new model to the public. We cannot assure you that we will be successful in obtaining supply arrangements for new models or in supplying additional parts for existing models as they are redesigned by our customers.

We work with OEMs to develop programs for models that are in the planning stages that may not be in production for six to eight years. We cannot assure you that we will be able to design and produce new products that satisfy customers' expectations, or that such models will be successfully introduced. Our business, financial condition, results of operations and prospects could be adversely affected if we do not obtain supply arrangements for new models, if we fail to retain supply arrangements for redesigned existing models, or if such new models are not successfully introduced.

We could experience increased competitive pressure from OEMs and other suppliers.

In recent years, many OEMs have started to reduce the number of automotive parts suppliers they engage. OEMs are also reducing costs by using common parts and systems across automotive platforms and may also engage in strategic partnerships to reduce procurement costs. Due to this consolidation, as well as industry consolidation among the OEMs, there has been a decline in the aggregate number of new program and platform opportunities and a corresponding increase in volumes associated with many new programs and platforms. The anticipation of higher volumes has resulted in pressure from OEMs for price reductions and rebates from suppliers and increased pricing competition among suppliers for programs. In the event that we agree to price decreases or rebates as a result of customer pressure or pricing competition, it may be difficult for us to offset the resulting revenue reductions through corresponding cost savings. If we are unable to do so, this would adversely impact our margins and results of operations.

In addition, internal production is a viable alternative to outsourcing for OEMs and OEMs might not continue to outsource the production of cylinder heads, engine blocks, and other components to us. In particular, the unions representing the workforce of an OEM may object to its proposed outsourcing, and the OEM may need to reach an agreement with the unions before outsourcing can occur. Given recent political developments in the United States, it may cease to be cost-effective for OEMs in the United States to outsource the production of their components to other countries. OEMs may decide to outsource only to foundries in the United States and we may not have sufficient capacity in our U.S. plants to produce components for all of the U.S. OEMs with which we work or other OEMs may elect to spin off particular foundry operations and use the supplier resulting from the spin-off. In these cases, we would not enjoy the benefit of the outsourced volume.

Our principal customers may be subject to work stoppages at their respective facilities, which could significantly impact the profitability of our business.

Many of our customers and their other component suppliers have unionized workforces. Strikes, work stoppages or slowdowns experienced by OEMs or their suppliers could result in slowdowns or closures of assembly or engine plants where certain of our products are machined, finished and assembled in vehicle engines. Any such labor problems at our customers' facilities, or the facilities of their other suppliers, could result in reduced demand for our products. In addition, companies responsible for shipping our customers' products may be impacted by strikes staged by the unions to which their employees belong. Any delay in the delivery of our customers' products could in turn delay demand for our products and could have a material adverse effect on our results of operations.

Any deterioration of relations with our employees or increase in labor costs may have a negative impact on our business, financial condition, results of operations and prospects.

We employ over 23,000 employees in our facilities worldwide. Any significant increase in labor costs, deterioration of employee relations, slowdowns or work stoppages at any of our locations, whether due to union activities, employee turnover, changes in the Mexican Federal Labor Law (*Ley Federal del Trabajo*) or the interpretation thereof, changes in the labor laws of the other countries in which we operate or otherwise, could have a material adverse effect on our business, financial condition, results of operations and prospects. A strike, work slowdown or other labor unrest could, in some cases, impair our ability to supply our products to customers, which could result in reduced net sales. Approximately 87% of our workforce is unionized. We generally negotiate collective bargaining agreements with these trade unions every year (though it varies depending on the specific union and region), and salary increases are applied annually. We cannot predict the outcome of these negotiations and if any significant differences arise during these negotiations, or any other significant conflicts arise, our business, financial condition, results of operations and prospects could be adversely affected.

Unexpected equipment failures may lead to production curtailments or shutdowns.

Interruptions in our production capabilities could increase our production costs and reduce our sales and earnings for the affected period. Our plants are also subject to the risk of catastrophic loss due to unanticipated events such as natural disasters, fires or explosions. Our manufacturing processes are dependent upon critical pieces of equipment, and this equipment may incur downtime as a result of unanticipated failures. In the future we may experience material plant shutdowns or periods of reduced production as a result of such equipment failures. Unexpected interruptions in our production capabilities would adversely affect our productivity and financial condition. Moreover, any interruption in production capability may require us to make significant capital expenditures to remedy the problem, which would reduce the amount of cash available for our operations. Our insurance may not cover these losses. In addition, any long-term business disruption could harm our reputation and result in a loss of customers, which could adversely affect our business, financial condition and results of operations.

We may be subject to interruptions or failures in our information technology systems, as well as to cyber-attacks or other breaches of network or IT security.

We rely on sophisticated information technology systems and infrastructure to support our business, including process control technology. These systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures and similar events. The failure of any of our information technology systems may cause disruptions in our operations, adversely affecting our sales and profitability. We cannot assure you that our business continuity plans will be completely effective in the event of interruptions or failure of our information technology systems.

Furthermore, our technologies, systems, networks, and those of our business partners, may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, misuse or loss of confidential information, or other disruption of our business operations. The Company's business is highly dependent on our technology infrastructure and that of our service providers, and we are not immune to attacks against our or their network or systems. Although we have not experienced any material loss related to cyber-attacks, there can be no assurance that we will not be the target of cyber-attacks in the future that could adversely affect our operations or financial condition. As cyber threats continue to evolve, we may be required to incur additional expenses to enhance our protective measures or to remediate any information security vulnerability.

We may not be able to respond quickly enough to changes in regulations, technology and technological risks, and we may not be able to develop our intellectual property into commercially viable products.

Changes in legislative, regulatory or industry requirements, or in competitive technologies, may render certain of our products obsolete or less competitive. Our ability to anticipate changes in technology and regulatory standards and to successfully develop and introduce new and enhanced products on a timely basis is a significant factor in our ability to remain competitive and to maintain or increase our net sales. Certain of our products may become obsolete and we may not be able to achieve the technological advances necessary for us to remain competitive and maintain or increase our net sales in the future. We are also subject to the risks generally associated with new product introductions and applications, including lack of market acceptance, delays in product development or production and failure of products to operate properly. The pace of our development and introduction of new and improved products depends on our ability to implement successfully improved technological innovations in design, engineering and manufacturing, which requires extensive capital investment. Any future capital expenditure cuts in these areas could reduce our ability to develop and implement improved technological innovations, which may materially reduce demand for our products.

To compete effectively in the automotive supply industry, we must be able to launch new products to meet changing consumer preferences and our customers' demand in a timely and cost-effective manner. Our ability to respond to competitive pressures and react quickly to major changes in the marketplace such as increased gasoline prices or consumer demand for alternative fuels is also a risk to our future financial performance.

We cannot assure you that we will be able to install and certify the equipment needed for our new product programs in a timely manner or that the transitioning of our manufacturing facilities and resources to full production under new product programs will not impact production rates or other operational efficiency measures at our facilities. Development and manufacturing schedules are difficult to predict, and we cannot assure you that our customers will execute the launch of their new product programs on schedule. Our failure to successfully launch

new products, or a failure by our customers to successfully launch new programs, could adversely affect our business, financial condition and results of operations.

The engine downsizing trend may impact our sales volume and revenue.

The market for aluminum cylinder heads and engine blocks, particularly in the NAFTA region, is affected directly by the average engine displacement in passenger vehicles. In recent years, engine design trends and customer preferences have shifted towards engines with smaller displacement (engine downsizing). This trend may result in a shift from eight cylinder applications to six cylinders and from six cylinder applications to four cylinders. This trend may impact our cylinder head sales volume as a six cylinder engine normally requires two cylinder heads and a four cylinder engine requires only one cylinder head. In addition, lower displacement engines have smaller engine blocks, which may impact our results from the sale of engine blocks. If the engine downsizing trend continues, it may impact our business, financial condition and results of operations.

We could experience losses in connection with derivative financial instruments.

We use derivative financial instruments to manage the risk profile associated with interest rates and currency exposure, reduce financing costs, access alternative sources of financing and hedge some of our commodity and financial market risks. A substantial decrease in prices of these commodities could lead to mark-to-market losses and a significant potential liability in connection with these instruments.

In addition, we face the risk that the creditworthiness of our counterparties in such derivative financial instruments may deteriorate substantially. This could prevent our counterparties from honoring their obligations to us, which would expose us to market risks and could have a material adverse effect on us.

We intend to continue using derivative financial instruments in the future. As a result, we may incur additional net losses from, and may be required to make cash payments or post cash as collateral in connection with, our derivative financial instruments in the future.

Our liquidity and financial results may suffer if we are required to replace our agreements and fail to do so in a timely manner or at all.

We are party to various agreements with several financial institutions, pursuant to which we sell and assign our accounts receivable from some of our subsidiaries from sales to certain customers in North America, South America and certain European countries. We currently rely on these agreements to finance a portion of our working capital and obtain liquidity. There is no guarantee that we would be able to replace these bilateral facilities in a timely manner or at all or that we could do so on the same economic terms. Failure to do so could have a material adverse effect on our liquidity and results of operations.

Natural disasters, terrorist activities and/or geopolitical events and their consequences could disrupt our business and affect our results of operations.

Natural disasters, such as earthquakes, floods or tornadoes, have disrupted our business and the businesses of our suppliers and customers in the past and could do so in the future. If weather-related events occur in the future, we may suffer business interruption or shutdown or damage to our production facilities, which could adversely and materially affect our results of operations.

Terrorist attacks or the continued threat of terrorism or organized crime within Mexico, the United States, Argentina, Eastern Europe, Russia and elsewhere and the potential for military action and heightened security measures in response to such threats may cause significant disruptions to commerce throughout the world, including restrictions on cross-border transport and trade. In addition, related political events may cause a lengthy period of uncertainty that may adversely affect our business. Political and economic instability in other regions of the world could have an adverse effect on our business operations.

Any loss of key personnel may adversely affect our business.

Our success depends, in large measure, on the skills, experience and efforts of our senior management team and other key personnel. While we believe that we have an experienced and comprehensive management team and

highly-skilled employees, the loss of services from one or more members of our senior management or of numerous employees with critical skills could have a negative effect on our business, financial condition and results of operations. If we are not able to attract or retain highly skilled, talented and committed senior managers or other key employees, our ability to fully implement our business objectives may be affected.

The Issuer is a holding company and depends on the operating results of its subsidiaries.

The Issuer is a holding company with no independent operations or substantial assets other than the capital stock of its operating companies. Accordingly, the Issuer depends on the results of operations of its subsidiary companies. The Issuer's ability to service its debt and other obligations depends on the generation of cash flow by its subsidiaries and their ability to make such cash available to the Issuer in the form of interest payments, debt repayment, or dividends, among others. Each of the Issuer's subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit the Issuer's ability to obtain cash from its subsidiaries. Although none of the Issuer's subsidiaries currently have any contractual limitations on the payment of principal, interest and dividends, any future financial or other agreements may impose restrictions on the Issuer's subsidiaries regarding such payments to the Issuer, which could affect the Issuer's ability to pay its expenses and other debt.

As a holding company, the Issuer's ability to meet its creditors' claims depends on the payments the Issuer receives from its subsidiaries and its capacity to participate in the distribution of their income. In some cases, the Issuer's right, and therefore the right of its creditors, to participate in the income distribution of its subsidiaries, may be subordinated to the claims of certain creditors of its subsidiaries pursuant to applicable financial agreements and applicable law.

We enter into transactions with related parties and affiliates, which could result in conflicts of interest.

We have entered into and will continue to enter into transactions with Alfa, our parent company, and several entities directly or indirectly owned or controlled by our parent company. Specifically, we have entered into certain service contracts with our affiliates in exchange for certain fees. Mexican law applicable to public companies and our by-laws provide for several procedures designed to ensure that the transactions entered into with or among our subsidiaries and our parent company do not deviate materially from prevailing market conditions for those types of transactions, including requiring the approval of our board of directors for some of these transactions. We are likely to continue engaging in transactions with our parent and any of its subsidiaries and affiliates, and our subsidiaries and affiliates are likely to continue engaging in transactions among themselves, and no assurance can be given that the terms that we consider to be "substantially on market conditions" will be considered as such by third parties. In addition, future conflicts of interest between us and our parent company or any of its subsidiaries or affiliates, and among our subsidiaries and affiliates, may arise, which conflicts are not required to be and may not be resolved in our favor. See "Related Party Transactions."

We have two principal shareholders, Alfa and Ford, whose interests may not be aligned with the interests of Nemak or you.

We are a majority owned subsidiary of Alfa, which beneficially owns 75.24% of our outstanding common shares. As such, Alfa has and will continue to have the power to control our affairs and operations. Alfa also controls the election of a majority of our board of directors, the appointment of our senior management and the entering into of mergers, acquisitions and other extraordinary transactions. The majority of our directors are designated by Alfa. So long as Alfa controls us, it will continue to be able to strongly influence and effectively control our decisions by our board and senior management team. Although each of Alfa's subsidiaries determines its own business plan according to the industry in which it operates, Alfa can exert significant influence on our business strategy, administration and operations. As a consequence, any business decision or changes in our majority shareholder's global strategy could adversely affect our business, financial condition and results of operations. Alfa as our controlling shareholder, may exercise its control in a manner that differs from your interests.

We have entered into and expect to continue entering into transactions with Alfa and its affiliates, including contracts for administrative and corporate services. Many of these transactions occur in the ordinary course of business. Similarly, we often enter into transactions with Ford, which we manage according to market standards and in strictly commercial terms; however, if at any time we do not carry out these transactions according to market standards, our competitiveness and results of operations could suffer. Transactions with affiliates may create the potential for conflicts of interest. See "Related Party Transactions."

We may make significant acquisitions which, if not successfully integrated within our company, may adversely affect our results of operations.

We have made in the past, and may make in the future, significant acquisitions to continue our growth. Acquisitions involve risks, such as:

- failure of acquired businesses to achieve expected results;
- possible inability to retain or hire key personnel of acquired businesses;
- possible inability to achieve expected synergies and/or economies of scale;
- possible inability to successfully integrate acquired businesses;
- unanticipated liabilities;
- restrictions or conditions imposed by antitrust authorities; and
- changes to the laws and regulations applicable to the businesses we acquire.

If we are unable to integrate or manage acquired businesses successfully, we may not realize anticipated cost savings, revenue growth or levels of integration, which may result in reduced profitability or operating losses.

Our current level of indebtedness may affect our flexibility in operating and developing our business and our ability to satisfy our obligations.

As of December 31, 2016, we had Ps. 29,009 million (US$1,404 million) of total consolidated debt. Our level of indebtedness may have important consequences for investors, including:

- limiting our ability to generate sufficient cash flow to satisfy our obligations with respect to our indebtedness, particularly in the event of a default under one of our debt instruments;
- limiting cash flow available to fund our working capital, capital expenditures or other general corporate requirements;
- increasing our vulnerability to adverse economic and industry conditions, including increases in interest rates, foreign currency exchange rate fluctuations and market volatility;
- limiting our ability to obtain additional financing to refinance our debt or to fund our future working capital, capital expenditures, other general corporate requirements and acquisitions on favorable terms or at all; and
- limiting our flexibility in planning for, or reacting to, changes in our business and industry.

To the extent that we incur additional indebtedness, the risks outlined above could increase. In addition, our cash requirements in the future may be greater than expected. Our cash flow from operations may not be sufficient to repay all of the outstanding debt as it becomes due, and we may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms, or at all, to refinance our debt.

We might not be able to obtain funding if a deterioration in the credit and capital markets or reductions in our credit ratings were to occur, which could hinder or prevent us from meeting our future capital needs and from refinancing our existing indebtedness when it comes due.

A deterioration of capital and credit markets could hinder our ability to access these markets. In addition, adverse changes in our credit ratings, which are based on various factors, including the level and volatility of our earnings, the quality of our management, the liquidity of our statement of financial position and our ability to access a broad array of funding sources, may increase our cost of funding. If this were to occur, we cannot be certain that additional funding for our capital needs from credit and capital markets would be available, if needed, on acceptable

terms or at all. In addition, we might be unable to refinance our existing indebtedness when it comes due on terms that are acceptable to us or at all. If we were unable to meet our capital needs or refinance our existing indebtedness, it could have a material adverse effect on our business, financial condition and results of operations.

We face risks related to fluctuations in interest rates which could adversely affect our results of operations and our ability to service our debt and other obligations.

We are exposed to fluctuations in interest rates. As of December 31, 2016, Ps. 17,249 million (US$835 million), or 60%, of our borrowings accrued interest at a floating rate. Changes in interest rates could adversely affect the cost to us of these borrowings. If interest rates increase, our debt service obligations on variable rate indebtedness would increase even though the amount borrowed would remain the same and our net profit and cash available for servicing our indebtedness would decrease. As a result, our financial condition, results of operations and liquidity could be materially adversely affected. Furthermore, our attempts to mitigate interest rate risk by financing long-term liabilities with fixed interest rates and using derivative financial instruments, such as floating-to-fixed interest rate swaps, in respect of our indebtedness could result in our failure to realize savings if interest rates fall and could adversely affect our results of operations and our ability to service our debt and other obligations.

We are subject to anti-corruption, anti-bribery, anti-money laundering and antitrust laws and regulations in Mexico and other countries in which we operate. Any violation of any such laws or regulations could have a material adverse impact on our reputation and results of operations and financial condition.

We are subject to anti-corruption, anti-bribery, anti-money laundering, antitrust and other international laws and regulations and are required to comply with the applicable laws and regulations of the countries in which we operate. In addition, we are subject to regulations on economic sanctions that restrict our dealings with certain sanctioned countries, individuals and entities. There can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our affiliates, employees, directors, officers, partners, agents and service providers or that any such persons will not take actions in violation of our policies and procedures. Any violations by us of anti-bribery and anti-corruption laws or sanctions regulations could have a material adverse effect on our business, reputation, results of operations and financial condition.

Compliance with environmental and other governmental laws and regulations could result in additional expenditures or liabilities.

Our past and present operations, as well as our properties are subject to extensive and increasingly stringent laws and regulations and official standards relating to the protection of the environment and natural resources.

Such laws and regulations require us to obtain regulatory licenses, permits and other approvals and to comply with the requirements thereof. Governmental authorities may not grant us these regulatory licenses, permits and approvals, and such laws and regulations may change or be interpreted in a manner that increases our costs of compliance or has a material adverse effect on our operations or our plants.

We have incurred, and will continue to incur, capital and operating expenditures to comply with specific environmental laws and regulations. We have specific programs across our business units designed to meet applicable environmental compliance requirements. However, we cannot predict with certainty the amounts of any capital expenditures or any increases in operating costs or other expenses that we may incur to comply with applicable environmental or other regulatory requirements and environmental remediation actions. Additionally, environmental regulations have changed rapidly in recent years, and it is possible that we will be subject to even more stringent environmental standards in the future. For example, the effects of climate change may result in additional legal and regulatory requirements seeking to reduce or mitigate the effects of emissions from our production plants, which we may not be able to comply with. Furthermore, the companies we have acquired or may acquire, and their assets, could have environmental liabilities or be subject to risks that are not uncovered through our due diligence investigations and that could have a material adverse effect on our business, financial condition and results of operations.

We cannot assure you that amendments of existing laws and regulations (including environmental laws and regulations) or the adoption of more stringent laws and regulations (including environmental laws and regulations)

in the jurisdictions in which we operate will not result in the need for investments that are not currently provided for in our capital expenditures program or will not otherwise result in a material adverse effect on our business, results of operations or financial condition.

Our calculation of Adjusted EBITDA may not be comparable to other companies' calculations of similarly titled measures.

We define Adjusted EBITDA to mean consolidated profit or loss before tax after adding back or subtracting, as the case may be, (i) depreciation and amortization and impairment of non-current assets, (ii) non-current assets write-down, (iii) financial result, net (which includes interest expense, interest income, foreign exchange gain or loss, and net gain or loss from derivative financial instruments), (iv) share of gain or loss of associates and (v) exceptional items. Our calculation of Adjusted EBITDA may not be comparable to other companies' calculations of similarly titled measures and such measure may not be an accurate indication of our financial performance.

Risks Relating to Mexico and the Mexican Regulatory Environment

Our business may be materially and adversely affected by obligations and liabilities under Mexican administrative laws, regulations and official standards.

We operate under the laws and regulations of various federal, state and local governmental agencies in Mexico and are required to obtain and maintain several permits, licenses and governmental approvals for our activities. Failure to obtain or maintain these permits, licenses or authorizations could adversely affect our business, including the suspension of our operations, or require us to incur significant costs. The relevant governmental agencies could take enforcement action against us for any failure to comply with Mexican laws, regulations, official standards and related policies. We cannot predict any future changes in such laws, regulations, official standards, policies, the interpretation of such laws and regulations or the effect that this changing regulatory environment will have on our business.

Our business may be materially and adversely affected by obligations and liabilities under Mexican environmental laws, regulations and official standards.

We are subject to environmental and health and safety laws and regulations that:

- affect our ongoing operations and may increase our capital costs and operating expenses related to compliance with those requirements;
- impose liability relating to contamination at or from our facilities, facilities where we have sent wastes for treatment or disposal and other properties to which we are linked. Our liability may include, for example, the investigation and remediation of contamination, personal injury and property damage caused by contamination, damages to natural resources and fines or penalties from regulatory agencies. Some of these liabilities may be imposed on the basis of strict liability and may also be joint and several, which would result in our being held liable for the entire obligation, even where other parties are also responsible;
- could affect the expansion of our operations due to a failure or delay in obtaining future construction and operational permits; and
- could result in the suspension of our operations or the closure of any non-complying facilities.

In Mexico, key federal environmental laws include the Mexican General Law of Ecological Balance and Environmental Protection (*Ley General del Equilibrio Ecológico y la Protección al Ambiente*), the General Law for the Prevention and Integral Management of Wastes (*Ley General para la Prevención y Gestión Integral de los Residuos*) and their respective regulations (collectively, "Mexican Environmental Laws"). The Mexican Ministry of Environment and Natural Resources (*Secretaría de Medio Ambiente y Recursos Naturales*, or "SEMARNAT"), oversees compliance with Mexican federal environmental laws and has the authority to enforce these laws. As part of its enforcement powers, SEMARNAT is empowered to bring administrative and criminal proceedings against companies that violate Mexican Environmental Laws and also has the power to close non-complying facilities. Under Mexican Environmental Law, the Mexican government has implemented an aggressive program to protect

the environment by promulgating regulations concerning environmental impact and risk, water, land, air and noise pollution, and hazardous materials and waste. Additionally, the Mexican government has enacted regulations concerning the importation and exportation of hazardous materials and waste. Failure to comply with Mexican Environmental Law, as well as other state and local environmental regulations our business is subject to, could result in the initiation of administrative procedures by the relevant government agencies or the closure of any non-complying facilities, which could have a material adverse effect on our business, financial condition and results of operations.

These laws, regulations and official standards specify, among other requirements, that we obtain and maintain environmental, health and safety licenses for the construction and operation of all our facilities. For example, we must obtain and maintain environmental impact authorizations, risk studies, accident prevention program authorizations, forestry land use change authorizations, air emissions operation licenses, local land use and construction licenses, waste disposal permits and authorizations including hazardous, special management and urban solid wastes, concession titles or permits for the use of water and the discharge of wastewaters.

Moreover, under the North American Agreements on Environmental Cooperation ("NAAEC"), each country that is a party to NAFTA, including Mexico, must ensure that its environmental laws and regulations are duly enforced. If a NAFTA partner fails to enforce its domestic environmental laws, it may be subject to the dispute mechanisms available under the NAAEC, which may lead to monetary penalties, and in some cases, to the suspension of NAFTA benefits, the result of which could materially adversely affect our business, financial condition, results of operation and/or cash flows.

We may be legally or contractually responsible or alleged to be responsible for the remediation of contamination at various sites, and for personal injury or property damages associated with that contamination. Contaminated sites may be identified in the future, including sites we may discover as we expand into new facilities or acquire others.

We have incurred, and expect to continue to incur, operating costs and capital expenditures to satisfy our compliance obligations and discharge our liabilities under environmental laws and regulations. Furthermore, many of our facilities have been used for industrial purposes for many years. As a result, we have incurred and may continue to incur costs related to environmental investigations, studies and/or assessments. It is possible that contamination may be present at our facilities in concentrations that will require cleanup and remediation, the costs of which could be significant and may not be covered by, or may surpass, our insurance coverage. We may also learn new information concerning existing matters or discover new matters that could materially and adversely affect us.

Mexican federal governmental policies or regulations, as well as economic, political and social developments in Mexico, could adversely affect our business, financial condition, results of operations and prospects.

We are a Mexican corporation and a significant portion of our assets and operations are located in Mexico, including many of our production facilities. As a result, our business, financial condition, results of operations and prospects are subject to political, economic, social, legal and regulatory risks specific to Mexico. The Mexican federal government has exercised, and continues to exercise, significant influence over the Mexican economy and the Mexican automotive industry. Accordingly, Mexican federal governmental actions, fiscal and monetary policies and regulation of the Mexican automotive industry could have an impact on Mexican private sector entities, including our company, and on market conditions, prices and returns on Mexican securities.

The most recent presidential and congressional elections took place in July 2012 and 2015, respectively. Enrique Peña Nieto, a member of the Institutional Revolutionary Party (*Partido Revolucionario Institucional* or PRI), was elected President of Mexico and took office on December 1, 2012, ending a 12-year period of administration by National Action Party (*Partido Acción Nacional* or PAN) presidents. Mexico's next presidential election will be in July 2018. In addition, the Mexican president strongly influences new policies and governmental actions regarding the Mexican economy, and the new administration could implement substantial changes in law, policy and regulations in Mexico, which could negatively affect our business, financial condition, results of operations and prospects.

The PRI does not currently control an absolute majority of the legislature, which could result in government gridlock and political uncertainty on further reforms and secondary legislation to modernize key sectors of the

Mexican economy. Mexican congressional elections held in June 2015 in the lower house resulted in a plurality of 29% of the total votes for the PRI; however the PRI still lacks an absolute majority. Mexico's next federal legislative election will be in July 2018.

We cannot predict the impact that these political conditions will have on the Mexican economy. Furthermore, our business, financial condition, results of operations and prospects may be affected by currency fluctuations, price instability, inflation, interest rates, regulation, taxation, social instability and other political, social and economic developments in or affecting Mexico, over which we have no control. We cannot assure you that changes in Mexican laws, regulations and/or public policies will not adversely affect our business, financial condition, results of operations and prospects.

We cannot predict the impact that political, economic and social conditions will have on the Mexican economy. Furthermore, we cannot provide any assurances that political developments in Mexico, over which we have no control, will not have an adverse effect on our business, financial condition, results of operations and prospects.

The United States presidential election took place in November 2016. Any renegotiation of trade agreements or other changes in foreign policy by the new presidential administration in the United States could adversely affect us, as well as imports and exports between Mexico and the United States generally.

The new presidential administration in the United States could renegotiate the terms of trade agreements between the United States and Mexico, such as NAFTA. President Donald Trump has stated that his administration will attempt to renegotiate the terms of NAFTA or withdraw from NAFTA if Canada and Mexico are unwilling to renegotiate, but he has not detailed the parameters of any potential revisions, which could include trade restrictions applicable to our products. If this happens, the Mexican government could implement retaliatory measures. In addition, President Donald Trump has announced plans to institute import tariffs and to control illegal immigration from Mexico, which may create friction between the U.S. and Mexican governments and reduce economic activity between those countries. Furthermore, any imposition of import tariffs could make it economically unsustainable for U.S. OEMs to import products from our plants in Mexico if they are unable to transfer those additional costs onto consumers. Although it is currently unclear which of these proposed strategies, if any, will be adopted, if import tariffs were to be adopted, we could be required to renegotiate our contracts or we may lose business resulting in a material adverse impact on our business and results of operations. The actions described above by either government, or both, could have an impact on Mexico's economy generally, which could significantly adversely affect our financial performance and results of operations.

Mexico may continue to suffer a period of violence and criminal activity which could affect our operations.

Mexico has recently experienced periods of violence and crime due to the activities of organized crime. In response, the Mexican government has implemented various security measures and has strengthened its police and military forces. Despite these efforts, organized crime (especially drug-related crime) continues to exist in Mexico. These activities, their possible escalation and the violence associated with them may have a negative impact on the Mexican economy or on our operations in the future. The social and political situation in Mexico could adversely affect the Mexican economy, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

Mexico may experience high levels of inflation in the future, which could adversely affect our business, results of operations and financial condition.

Mexico has a history of high levels of inflation and may experience high inflation in the future. Historically, inflation in Mexico has led to higher interest rates, depreciation of the Peso and the imposition of substantial government controls over exchange rates and prices, which at times has adversely affected our operating revenues and margins. The annual rate of inflation for the last three years, as measured by changes in the National Consumer Price Index (*Índice Nacional de Precios al Consumidor*), as provided by the National Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía*), was 4.1% in 2014, 2.1% in 2015 and 3.4% in 2016. Although inflation has been relatively low in recent years, Mexico may experience high inflation in the future. A substantial increase in the Mexican inflation rate could adversely affect consumer purchasing power, thereby negatively impacting demand for our products, and would increase some of our costs, which could adversely affect our business, financial condition, results of operations and prospects.

Developments in other countries could adversely affect the Mexican economy, our business, financial condition, results of operations and prospects.

The Mexican economy is, to varying degrees, affected by economic and market conditions in other countries. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors' reactions to developments in other countries may have an adverse effect on the market value of securities of Mexican issuers.

The Mexican economy and the market value of securities issued by Mexican issuers or their subsidiaries may be, to varying degrees, affected by economic and market conditions in the United States. Economic conditions in Mexico are highly correlated with economic conditions in the United States as a result of NAFTA and high levels of economic activity between the two countries. Adverse economic conditions in the United States, the termination or renegotiation of NAFTA or other related events could have a significant adverse effect on the Mexican economy. We cannot assure you that events in other emerging market countries, in the United States or elsewhere will not materially adversely affect our business, financial condition, results of operations and prospects.

Furthermore, on June 23, 2016, the United Kingdom held an in-or-out referendum on the United Kingdom's membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union, or "Brexit." A process of negotiation will determine the future terms of the United Kingdom's relationship with the European Union. The potential impact of Brexit on our results of operations is unclear. Depending on the terms of Brexit, economic conditions in the United Kingdom, the European Union and global markets may be adversely affected by reduced growth and volatility. The uncertainty before, during and after the period of negotiation could also have a negative economic impact and increase volatility in the markets, particularly in Europe. Such volatility and negative economic impact could, in turn, adversely affect the value and trading of the notes.

Changes in the relative value of the Peso to the U.S. Dollar and Euro may have an adverse effect on us.

Currently, the Peso-Dollar exchange rate is determined on the basis of a free market float in accordance with the policy set by the Mexican Central Bank, although the Mexican government has in the past imposed exchange controls and restrictions on the ability of Mexican companies to transfer money outside of Mexico. No assurances can be given that the Mexican Central Bank will maintain the current exchange rate regime or that the Mexican Central Bank will not adopt a different monetary policy, as it has done in the past, that may affect the exchange rate itself or our ability to exchange Pesos into foreign currencies, including the U.S. Dollar and the Euro, or our ability to transfer funds outside of Mexico. Any change in the monetary policy, the exchange rate regime or in the exchange rate itself, as a result of market conditions over which we have no control, could have a considerable impact on our business, financial condition and results of operations.

A significant portion of our net sales are either denominated in or linked to the value of the U.S. Dollar. As a result, when the Peso depreciates against the U.S. Dollar, the same level of U.S. Dollar sales as in a prior period will result in higher revenues as stated in Pesos in the more recent period. Conversely, when the Peso appreciates against the U.S. Dollar, the same level of U.S. Dollar sales as in a prior period will result in lower revenues as stated in Pesos in the more recent period. Moreover, because a portion of our cost of goods sold, including labor costs, and other operating expenses are invoiced in Pesos and are not directly affected by the relative value of the Peso to the U.S. Dollar, the real appreciation or depreciation of the Peso relative to the U.S. Dollar can have an effect on our operating margins. This is because the aggregate amount of our consolidated net sales denominated in or linked to U.S. Dollars exceeds the aggregate amount of our cost of sales and other operating expenses denominated in or linked to U.S. Dollars.

In addition, a depreciation of the Peso against the Euro will likely result in an increase in our operating margins and an appreciation of the Peso against the Euro will likely result in a decrease in our operating margins, in each case, when measured in Pesos. This is because the aggregate amount of our consolidated net sales denominated in or linked to Euros exceeds the aggregate amount of our cost of sales and other operating expenses denominated in or linked to Euros.

Our operations are subject to the general risks of litigation.

We are involved on an ongoing basis in litigation arising in the ordinary course of our business or otherwise. Litigation may include class actions involving customers, shareholders, employees or injured persons, and claims related to commercial, labor, employment, antitrust, securities or environmental matters. Moreover, the process of litigating cases, even if we are successful, may be costly, and may approximate the cost of damages sought. These actions could also expose us to adverse publicity, which might adversely affect our brands and reputation and/or customer preference for our products. There may be claims or expenses which are denied insurance coverage by our insurance carriers, not fully covered by our insurance policies, in excess of the amount of our insurance coverage or not insurable at all. Litigation trends, expenses and the outcomes of litigation cannot be predicted with certainty and adverse litigation trends, expenses and outcomes could have a material adverse effect on our business, financial condition and results of operations.

Developments in Mexican class action laws could adversely affect our operations.

Mexico has legislation in effect that expressly permits class action lawsuits. These laws may cause consumers and other market participants to initiate class action lawsuits against us, thereby increasing our exposure to liability. Judicial precedents interpreting and applying these laws are very limited and therefore we cannot predict whether there is a likelihood of any such action being initiated or the possible outcome of any actions initiated under such laws, including the extent of any liability we may face and the impact of such liabilities on our financial condition and results of operations.

Risks Relating to the Notes

Payments on the notes and the subsidiary guarantees will be effectively junior to any of the Issuer's and the subsidiary guarantors' secured indebtedness and structurally junior to the debt obligations of the Issuer's non-guarantor subsidiaries.

The notes and the guarantees will constitute the Issuer's and the subsidiary guarantors' senior unsecured obligations and will rank equal in right of payment with all of the Issuer's and the subsidiary guarantors' other existing and future senior unsecured indebtedness, other than obligations preferred by statute (such as tax and labor claims). Although the holders of the notes will have a direct, but unsecured claim on our assets and property, payment on the notes and guarantees will be subordinated in right of payment to any existing or future secured debt of the Issuer and the subsidiary guarantors, respectively, to the extent of the value of the assets securing such debt. Although the indenture governing the notes will contain restrictions on the incurrence of additional liens, these restrictions are subject to important qualifications and exceptions, and the liens that we may incur in compliance with these restrictions or liens that arise from governmental or creditor action, could be substantial. Payment by us in respect of the notes will also be structurally subordinated to the payment of secured and unsecured debt and other creditors of our non-guarantor subsidiaries.

As of December 31, 2016, we had total consolidated indebtedness of Ps. 29,009 million (US$1,404 million), of which Ps. 26,021 million (US$1,259 million) was unsecured indebtedness of the Issuer and subsidiary guarantors and Ps. 2,988 million (US$145 million) was total indebtedness of the Issuer's non-guarantor subsidiaries to which the notes will be structurally subordinated, and none of which was secured indebtedness.

If we become insolvent or are liquidated, or we become subject to bankruptcy proceedings, or if payment under any secured debt is accelerated, the relevant lenders would be entitled to exercise the remedies available to a secured lender. Accordingly, any proceeds upon a realization of the collateral granted for the benefit of secured creditors would be applied first to amounts due under the secured debt obligations, before any proceeds would be available to make payments on the notes. After such application of the proceeds from collateral and priorities, it is possible that there would be no assets remaining from which claims of the holders of the notes could be satisfied.

Further, if any assets remain after payment of these lenders, the remaining assets would be available to creditors preferred by statute, such as holders of tax, social security and labor claims, and might be insufficient to satisfy the claims of the holders of the notes and holders of other unsecured debt including trade creditors that rank equal to holders of the notes.

In addition, the Issuer's and the subsidiary guarantors' creditors may hold negotiable instruments or other instruments governed by local law that grant rights to attach the Issuer's or the subsidiary guarantors' assets at the inception of judicial proceedings in the relevant jurisdiction, which attachment is likely to result in priorities benefitting those creditors when compared to the rights of holders of the notes.

The guarantees may not be enforceable under applicable laws.

The notes will be fully and unconditionally guaranteed by certain of our Mexican, U.S. and other subsidiaries. The guarantees provide a basis for a direct claim against the subsidiary guarantors; however, it is possible that the guarantees of these subsidiaries may not be enforceable under Mexican, U.S. or other applicable laws.

While Mexican law does not prohibit the giving of guarantees and, as a result, does not prevent the guarantees of the notes from being valid, binding and enforceable against a Mexican subsidiary guarantor, in the event that a Mexican subsidiary guarantor becomes subject to a judicial reorganization proceeding (*concurso mercantil*) or to bankruptcy (*quiebra*), the guarantee provided by any such Mexican subsidiary guarantor may be deemed to have been a fraudulent transfer and declared void based upon the Mexican subsidiary guarantor being deemed not to have received fair consideration in exchange for any such guarantee.

Under various fraudulent conveyance or fraudulent transfer laws (including under the laws of the United States), a court could subordinate or void the obligations of our subsidiaries under the guarantees. Generally, to the extent that a court were to find that at the time one of our subsidiaries entered into a guarantee either (a) the subsidiary guarantor incurred the guarantee with the intent to hinder, delay or defraud any present or future creditor or contemplated insolvency with a design to favor one or more creditors to the exclusion of others or (b) the subsidiary guarantor did not receive fair consideration or reasonably equivalent value for issuing the guarantee and, at the time it issued the guarantee, the subsidiary guarantor (i) was insolvent or became insolvent as a result of issuing the guarantee, (ii) was engaged or about to engage in a business or transaction for which the remaining assets of the subsidiary guarantor constituted unreasonably small capital, (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay those debts as they matured or (iv) was a defendant in an action for money damages, or had a judgment for money damages declared against such subsidiary guarantor if, after final judgment, the judgment is unsatisfied, then the court could void or subordinate the subsidiary guarantor's obligations under the guarantee in favor of the subsidiary guarantor's other obligations. In addition, any payment by any subsidiary guarantor could be voided and required to be returned to such subsidiary guarantor, or to a fund for the benefit of its creditors.

Among other things, a legal challenge of a subsidiary guarantor's obligations under a guarantee on fraudulent conveyance grounds could focus on the benefits, if any, realized by the subsidiary guarantors as a result of the issuance of the notes. To the extent a subsidiary guarantee is voided as a fraudulent conveyance or held unenforceable for any other reason, the holders of the notes would not have any claim against that subsidiary guarantor and would be creditors solely of the Issuer and the subsidiary guarantors, if any, whose obligations under the guarantees were not held unenforceable. If any such event were to occur, the creditworthiness of the notes, and the market value of the notes in the secondary market, may be materially adversely affected.

We may not be able to generate sufficient cash to service all of our indebtedness, including the notes, and may be forced to take other actions to satisfy our obligations under such indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations, including the notes, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to pay the principal, premium, if any, and interest on our indebtedness, including the notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness, including the notes. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternatives may not allow us to meet our scheduled debt service obligations. The indenture governing the notes will restrict our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be

used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our obligations under the notes.

If we cannot make scheduled payments on our debt, we will be in default and holders of the notes could declare all outstanding principal and interest to be due and payable, causing a cross-acceleration or cross-default under certain of our other debt agreements, and we could be forced into bankruptcy, liquidation or restructuring proceedings. All of these events could result in your losing your investment in the notes or your investment being impaired.

The Issuer may be unable to purchase the notes upon a change of control triggering event, which would result in a default under the indenture governing the notes.

The terms of the notes as described in the indenture governing the notes will require the Issuer to make an offer to repurchase the notes upon the occurrence of a change of control triggering event at a purchase price equal to 101% of the principal amount of the notes, plus accrued interest to the date of the purchase. Any financing arrangements the Issuer may enter may require repayment of amounts outstanding upon the occurrence of a change of control event and limit the Issuer's ability to fund the repurchase of the notes in certain circumstances. It is possible that the Issuer will not have sufficient funds at the time of the change of control to make the required repurchase of the notes or that restrictions in its other financing arrangements will not allow the repurchase. If the Issuer fails to repurchase the notes in such circumstance, the Issuer would default under the indenture which may, in turn, trigger cross-default provisions in any of our other debt instruments. See "Description of the Notes—Change of Control Triggering Event."

The change of control offer provisions of the indenture governing the notes would not be triggered by a change of control of our parent company, Alfa, and, as a result, may fail to provide any protection to holders of the notes in such circumstances.

The change of control offer provisions of the indenture require the Issuer to offer to repurchase the notes in the event of a specified change of control event. However, these provisions do not address a change of control of Alfa itself, which would indirectly affect control of our company. In the event of, for example, the sale by Alfa's shareholders of a substantial portion of the share capital of Alfa or a significant merger or other transaction affecting the ownership of Alfa, the change of control offer provisions of the indenture would likely not be triggered, even though such event may result in a change of control under our other indebtedness. Accordingly, the change of control offer provisions of the indenture may fail to protect holders of the notes in the case of certain transactions that indirectly affect control of our company.

The instruments governing our indebtedness, including the notes offered hereby, contain cross-default provisions that may cause all of the debt issued under such instruments to become immediately due and payable as a result of a default under an unrelated debt instrument.

The indenture governing the notes contains restrictive covenants. Instruments governing our other indebtedness also contain certain affirmative and negative covenants and require us and our subsidiaries to meet certain financial ratios and tests. Our failure to comply with the obligations contained in the indentures or other instruments governing our indebtedness could result in an event of default under the applicable instrument, which could then result in the related debt and the debt issued under other instruments becoming immediately due and payable. In such event, we would need to raise funds from alternative sources, which may not be available to us on favorable terms, on a timely basis or at all. Alternatively, such default could require us to sell our assets and otherwise curtail operations in order to pay our creditors.

The notes are subject to transfer restrictions, which could limit your ability to resell your notes.

The notes have not been registered under the Securities Act or any state securities laws, and we are not required to and currently do not plan on making any such registration in the immediate future. As a result, the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an

exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Prospective investors should be aware that investors may be required to bear the financial risks of this investment for an indefinite period of time. See "Transfer Restrictions" for a full explanation of such restrictions.

An active trading market for the notes may not develop.

Currently there is no market for the notes. Application has been made to the Irish Stock Exchange to admit the notes to listing on the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market. Even if the notes become listed on this exchange, we may delist the notes. A trading market for the notes may not develop, even if the notes are listed as specified above, or if a market for the notes were to develop, the notes may trade at a discount from their initial offering price, depending upon many factors, including prevailing interest rates, the market for similar securities, general economic conditions and our financial condition. The initial purchasers are not under any obligation to make a market with respect to the notes, and we cannot assure you that trading markets will develop or be maintained. Accordingly, we cannot assure you as to the development or liquidity of any trading market for the notes. If an active market for the notes does not develop or is interrupted, the market price and liquidity of the notes may be adversely affected.

An investment in the notes by a purchaser whose home currency is not Euro entails significant risks.

The initial investors in the notes will be required to pay for the notes in Euro. Neither the Issuer, the subsidiary guarantors, the trustee for the notes, nor the initial purchasers will be obligated to assist the initial investors in obtaining Euro or in converting other currencies into Euro to facilitate the payment of the purchase price for the notes.

All payments of interest on and the principal of the notes and any redemption payment for the notes will be made in Euro. An investment in the notes by a purchaser whose home currency is not Euro entails significant risks. These risks include the possibility of significant changes in rates of exchange between the holder's home currency and Euro and the possibility of the imposition or subsequent modification of foreign exchange controls. These risks generally depend on factors over which we have no control, such as economic, financial and political events and the supply of and demand for the relevant currencies. In the past, rates of exchange between Euro and certain currencies have been highly volatile, and each holder should be aware that volatility may occur in the future. Fluctuations in any particular exchange rate that have occurred in the past, however, are not necessarily indicative of fluctuations in the rate that may occur during the term of the notes. Depreciation of the Euro against the holder's home currency would result in a decrease in the effective yield of the notes below its coupon rate and, in certain circumstances, could result in a loss to the holder.

The notes permit us to make payments in U.S. Dollars if we are unable to obtain Euro.

If the Euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the Euro is no longer being used by the then member states of the European Economic and Monetary Union that have adopted the Euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes will be made in U.S. dollars until the Euro is again available to us or so used. The amount payable on any date in Euro will be converted into U.S. dollars on the basis of the then most recently available market exchange rate for Euro, as the case may be. Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default under the notes or the indenture governing the notes.

Trading in the clearing systems is subject to minimum denomination requirements.

The terms of the notes provide that notes will be issued in minimum denominations of €100,000 and multiples of €1,000 in excess thereof. It is possible that the clearing systems may process trades which could result in amounts being held in denominations smaller than the minimum denomination. If definitive notes are required to be issued in relation to such notes in accordance with the provisions of the relevant Global Note, a holder who does not have the minimum denomination or any integral multiple of €1,000 in excess thereof in its account with the relevant clearing system at the relevant time may not receive all of its entitlement in the form of definitive notes unless and until such time as its holding satisfies the minimum denomination requirement.

The notes are held by or on behalf of Euroclear and Clearstream and, therefore, investors will have to rely on their procedures for transfer, payment and communication with us.

The notes will be represented by one or more global notes (the "Global Notes") which will be held through Euroclear and Clearstream. Except in certain limited circumstances described in the Global Notes, investors will not be entitled to receive definitive notes in exchange for interests in the Global Notes. While the notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream.

We will discharge our payment obligations under the notes by making payments to or to the order of the common depositary for Euroclear and Clearstream for distribution to their accountholders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream to receive payments under the notes. We have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the notes. Instead, such holders will be permitted to act directly only to the extent that they are enabled in accordance with the procedures of Euroclear and Clearstream to appoint appropriate proxies.

Payments claimed on the notes or the guarantees in the country of incorporation of the Issuer or any subsidiary guarantor, pursuant to a judgment or otherwise, would be required to be made in local currency.

In the event that proceedings are brought against the Issuer or any subsidiary guarantor in Mexico, either to enforce a judgment or as a result of an original action, or if payment is otherwise claimed from the Issuer or any such guarantor therein, the Issuer or such subsidiary guarantors would not be required to discharge those obligations in a currency other than Pesos and a claim for any deficiency after conversion would not be enforceable. If such a claim were brought in the country of incorporation of any other subsidiary guarantor, or if payment is otherwise claimed from such subsidiary guarantor therein, such subsidiary guarantor may similarly be required to discharge those obligations in a currency other than its local currency. As a result, you may suffer a Euro shortfall if you obtain a judgment or a payment in any currency other than Euro.

Our obligations under the notes would be affected in the event of the Issuer's bankruptcy or the bankruptcy of any Mexican subsidiary guarantors.

Under Mexico's Bankruptcy Law (*Ley de Concursos Mercantiles*), if the Issuer or any of our Mexican subsidiary guarantors are declared bankrupt (*en quiebra*) or if the Issuer or any of our Mexican subsidiary guarantors become subject to a reorganization proceeding (*concurso mercantil*), our and their obligations under the notes, (i) would be converted into Pesos and then from Pesos into UDIs, (ii) would be satisfied at the time claims of all our creditors are satisfied, (iii) would be subject to the outcome of, and priorities recognized in, the relevant proceedings (including priorities resulting from applicable law, such as tax, social security and labor claims, and claims of secured creditors (up to the value of the collateral provided to such creditors)), (iv) would cease to accrue interest from the date the *concurso mercantil* is declared, and (v) would not be adjusted to take into account any depreciation of the Peso against the Euro (or any other currency) occurring after such declaration. As a result, upon the occurrence of any such events, payments under the notes by the Issuer or any Mexican subsidiary guarantors may be affected.

We may not be able to make payments in Euro or U.S. Dollars.

In the past, the Mexican economy has experienced balance of payments deficits and shortages in foreign exchange reserves. While the Mexican government does not currently restrict the ability of Mexican or foreign persons or entities to convert Pesos to foreign currencies, including Euro and U.S. Dollars, it has done so in the past and could do so again in the future. We cannot assure you that the Mexican government will not implement a restrictive exchange control policy in the future. Any such restrictive exchange control policy could prevent or restrict our access to Euro or U.S. Dollars to meet our Euro or U.S. Dollar obligations and could also have a material adverse effect on our business, financial condition and results of operations.

The Issuer and most of the subsidiary guarantors are incorporated or formed under the laws of countries other than the United States and therefore it may be difficult to enforce civil liabilities against us or our directors, executive officers and controlling persons.

A significant number of our directors, executive officers and controlling persons are non-residents of the United States and substantially all of the assets of such non-resident persons and a significant portion of all of our assets are located in Mexico or elsewhere outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or us or to enforce against them or us in courts of any jurisdiction outside of Mexico, judgments predicated upon the laws of any such jurisdiction, including any judgment predicated substantially upon the civil liability provisions of United States federal and state securities laws. We have been advised that there is doubt as to the enforceability in Mexican courts, in original actions or in actions for enforcement of judgments obtained in courts of jurisdictions outside of Mexico, of civil liabilities arising under the laws of any jurisdiction outside of Mexico, including any judgment predicated solely upon United States federal or state securities laws. No treaty is currently in effect between the United States and Mexico that covers the reciprocal enforcement of foreign judgments. In the past, Mexican courts have enforced judgments rendered in the United States by virtue of principles of reciprocity and comity as well as the provisions of Mexican law relating to the enforcement of foreign judgments in Mexico, consisting of the review by Mexican courts of the United States judgment in order to ascertain whether Mexican legal principles of due process and public policy (*orden público*), among other requirements, have been duly complied with, without reviewing the merits of the subject matter of the case, provided that U.S. courts would grant reciprocal treatment to Mexican judgments issued in analogous cases.

We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the notes.

The consolidated financial information included in this offering memorandum may be of limited use in assessing the financial position of the subsidiary guarantors.

The consolidated financial information included in this offering memorandum includes the financial information for our subsidiary guarantors and our non-guarantor subsidiaries. As of December 31, 2016, the subsidiary guarantors (in addition to the Issuer on a stand-alone basis) had net assets of Ps.54,090 million (accounting for 58.9% of our consolidated net assets) and for the year ended December 31, 2016, the subsidiary guarantors (in addition to the Issuer on a stand-alone basis) had EBITDA of Ps.7,664 million (accounting for 51.6% of our consolidated EBITDA). As a result, our non-guarantor subsidiaries accounted for over 25% of our consolidated net assets and EBITDA as of and for the year ended December 31, 2016, and therefore the consolidated financial information included in this offering memorandum may be of limited use in assessing the financial position of the subsidiary guarantors.

EXCHANGE RATES

This offering memorandum contains translations of certain Peso amounts into U.S. Dollars at specified rates solely for the convenience of the reader. These convenience translations should not be construed as representations that the Peso amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the specified rate or at all. Furthermore, the exchange rate for purposes of the convenience translation is not necessarily the same rate we used in preparing our financial statements, which means that U.S. Dollar-denominated items, including U.S. Dollar-denominated expenses and liabilities, may have been translated into Pesos using one exchange rate (or an average exchange rate) and have been re-translated into U.S. Dollars for the convenience of the reader using the convenience translation exchange rate.

Unless otherwise indicated, the exchange rate used for purposes of convenience translations is:

- with respect to statement of financial position data included in this offering memorandum, the Official Exchange Rate at the end of the period presented; and
- with respect to financial information other than statement of financial position data included in this offering memorandum, the average exchange rate for the period presented, which consists of the daily average of the Official Exchange Rates on each day during the period presented, as specified in the table below.

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rates for the Official Exchange Rate, all expressed in nominal Pesos per US$1.00.

	High	Low	Average(1)	Period End(2)
Year				
2012	14.39	12.63	13.17	13.01
2013	13.44	11.98	12.77	13.08
2014	14.79	12.85	13.30	14.72
2015	17.38	14.56	15.85	17.21
2016	21.05	17.18	18.66	20.66
Month				
August 2016	18.91	17.99	18.46	18.58
September 2016	19.84	18.35	19.12	19.50
October 2016	19.41	18.51	18.97	18.84
November 2016	21.05	18.51	19.97	20.55
December 2016	20.75	20.22	20.54	20.66
January 2017	21.91	20.62	21.40	21.02
February 2017	20.79	19.70	20.35	19.83
March 2017 (through March 9)	20.00	19.52	19.80	19.52

(1) The average exchange rate means the average of the exchange rate on each day during the relevant period
(2) As published by the Mexican Central Bank as the rate for the payment of obligations denominated in foreign currency payable in Mexico in effect on the period end date.
Source: The Mexican Central Bank.

On March 9, 2017 the Official Exchange Rate in effect was Ps. 19.52 per US$1.00.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the notes will be approximately €496 million (US$523 million), after deducting the initial purchasers' discounts and commissions and payment of the estimated offering expenses.

We intend to use the net proceeds from this offering to repay debt and for general corporate purposes.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and consolidated capitalization as of December 31, 2016 (i) on a historical basis and (ii) as adjusted to reflect our receipt of the net proceeds from the sale of the notes and the application of the net proceeds in the manner described under "Use of Proceeds."

This table should be read in conjunction with, and is qualified in its entirety by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Historical Financial Data and Other Information," "Use of Proceeds" and our Annual Audited Financial Statements included elsewhere in this offering memorandum.

	As of December 31, 2016			
	Actual		As Adjusted	
	(Ps.)	(US$)[1]	(Ps.)	(US$)[1]
	(in millions)			
Cash and cash equivalents	2,661	129	2,661	129
Debt:				
Current debt	3,699	179	2,111	102
Non current debt:				
Bank debt	14,855	719	5,630	272
Senior Notes due 2023	10,194	493	10,194	493
Notes offered hereby [2]	-	-	10,812	523
Other non-current liabilities	261	13	261	13
Total non-current debt	25,310	1,225	26,898	1,302
Total debt	29,009	1,404	29,009	1,404
Equity:				
Contributed capital	17,041	825	17,041	825
Retained earnings	12,309	596	12,309	596
Other reserves	7,721	374	7,721	374
Non-controlling interest	-	-	-	-
Total equity	37,071	1,794	37,071	1,794
Total capitalization [3]	66,080	3,198	66,080	3,198

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 20.664 per U.S. Dollar, the Official Exchange Rate in effect on December 31, 2016.
(2) Includes debt issuance costs of Ps. 88 million (US$4 million).
(3) Consists of the sum of total debt plus stockholders' equity.

SELECTED HISTORICAL FINANCIAL DATA AND OTHER INFORMATION

You should read the following selected historical financial data and other information in conjunction with our Annual Audited Financial Statements and the information set forth in the sections "Presentation of Financial and Certain Other Information," "Summary Historical Financial Data and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this offering memorandum.

The consolidated financial information set forth below as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 has been derived from our Annual Audited Financial Statements prepared in accordance with IFRS contained elsewhere in this offering memorandum.

	For the Year Ended December 31,			
	2016[1]	**2016**	**2015**	**2014**
	(US$)	**(Ps.)**	**(Ps.)**	**(Ps.)**
Statement of Income Data:	**(in millions)**			
Revenue	4,247	79,244	70,891	61,490
Cost of sales	(3,502)	(65,345)	(59,143)	(52,456)
Gross profit	745	13,899	11,748	9,034
Administrative and selling expenses	(266)	(4,957)	(4,393)	(3,587)
Other revenues (expenses), net	(14)	(258)	43	61
Operating profit	465	8,684	7,398	5,508
Financial income[2]	786	14,657	6,245	299
Financial expenses[3]	(863)	(16,096)	(7,538)	(998)
Financial result, net	(77)	(1,439)	(1,293)	(699)
Share of gain of associates	3	55	48	39
Profit before income tax	391	7,300	6,153	4,848
Income tax	(101)	(1,890)	(1,552)	(1,454)
Net consolidated profit	290	5,410	4,601	3,394

	As of December 31,		
	2016[1]	**2016**	**2015**
	(US$)	**(Ps.)**	**(Ps.)**
Statement of Financial Position Data:	**(in millions)**		
Assets			
Current Assets:			
Cash and cash equivalents	129	2,661	1,793
Restricted cash and cash equivalents	23	474	323
Trade and other receivables, net	560	11,581	10,720
Inventories	570	11,784	9,667
Derivative financial instruments	2	40	-
Advance payments	18	367	277
Total current assets	1,302	26,907	22,780
Non-current Assets:			
Property, plant and equipment, net	2,424	50,094	38,263
Goodwill and intangible assets, net	583	12,057	9,216
Deferred income tax	74	1,520	1,321
Other non-current receivables	35	720	-
Other non-current assets	29	595	439
Total non-current assets	3,145	64,986	49,238
Total assets	4,447	91,893	72,018
Liabilities			
Current Liabilities:			
Current debt	179	3,699	952
Trade and other payables	914	18,894	16,515
Current income tax liabilities	27	549	311
Other current liabilities	26	542	993

	As of December 31,		
	2016(1)	2016	2015
	(US$)	(Ps.)	(Ps.)
Total current liabilities	1,146	23,684	18,771
Non-current Liabilities:			
Non-current debt	1,225	25,310	21,758
Deferred income tax	201	4,152	2,765
Employee benefits	51	1,058	779
Other non-current liabilities	30	618	6
Total non-current liabilities	1,507	31,138	25,308
Total liabilities	2,653	54,822	44,079
Stockholders' Equity			
Controlling Interest:			
Capital stock	320	6,607	6,607
Share premium	505	10,434	10,443
Retained earnings	596	12,309	8,645
Other reserves	374	7,721	2,244
Total controlling interest	1,794	37,071	27,939
Non-controlling interest	-	-	-
Total equity	1,794	37,071	27,939
Total liabilities and equity	4,447	91,893	72,018

	For the Year Ended December 31,			
	2016(1)	2016	2015	2014
	(US$)	(Ps.)	(Ps.)	(Ps.)
Other Financial/Operating Data		(in millions)		
Adjusted EBITDA(4)	796	14,849	12,006	9,304
Cash Flows:				
Operating activities	687	12,825	10,225	6,974
Investing activities	(475)	(8,864)	(7,238)	(5,066)
Financing activities	(206)	(3,842)	(2,356)	(2,661)
Volume (millions of equivalent units)	50	50	51	49

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of (i) Ps. 20.6640 per U.S. Dollar, the Official Exchange Rate in effect on December 31, 2016, with respect to statement of financial position data and (ii) Ps. 18.6567 per U.S. Dollar, the daily average of the Official Exchange Rates on each day during the year ended December 31, 2016, with respect to financial information other than statement of financial position data. These convenience translations should not be construed as representations that the Peso amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the specified rate or at all. See "Exchange Rates."

(2) Includes a foreign exchange gain in the amount of Ps. 266 million in 2014.

(3) Includes a foreign exchange loss in the amount of Ps.235 million in 2016 and Ps. 166 million in 2015.

(4) Adjusted EBITDA has been included solely because we believe that Adjusted EBITDA enhances the understanding of our financial performance. We also believe Adjusted EBITDA is a useful basis of comparing our results with those of other companies because it presents results of operations on a basis unaffected by capital structure and taxes. Adjusted EBITDA, however, is not a measure of financial performance under IFRS and should not be considered as an alternative to net profit or operating profit as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Adjusted EBITDA has material limitations that impair its value as a measure of our overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as financial expenses, income taxes, depreciation, amortization and the impact of derivative instruments (except when designated as hedge accounting in accordance with IFRS). We define Adjusted EBITDA to mean consolidated profit or loss before tax after adding back or subtracting, as the case may be, (i) depreciation and amortization and impairment of non-current assets, (ii) non-current assets write-downs, (iii) financial result, net (which includes interest expense, interest income, foreign exchange gain or loss, and net gain or loss from derivative financial instruments), (iv) share of gain or loss of associates and (v) exceptional items. Our calculation of Adjusted EBITDA may not be comparable to other companies' calculations of similarly titled measures. See "Presentation of Financial and Certain Other Information – Non-GAAP Financial Measures." The following table sets forth a reconciliation of Adjusted EBITDA to profit or loss before tax for each of the periods presented.

	For the Year Ended December 31,			
	2016[1]	2016	2015	2014
	(US$)	(Ps.)	(Ps.)	(Ps.)
		(in millions)		
Profit before tax	391	7,300	6,153	4,848
Depreciation and amortization and impairment of non-current assets	315	5,873	4,609	3,784
Non-current asset write-down	16	292	(1)	12
Financial result, net	77	1,439	1,293	699
Share of gain of associates	(3)	(55)	(48)	(39)
Adjusted EBITDA	796	14,849	12,006	9,304

Selected IFRS Financial Data and Other Information for the Years Ended December 31, 2013, 2012 and 2011

The consolidated financial information set forth below for the year ended December 31, 2013, 2012 and 2011 has been derived from our annual financial statements prepared in accordance with IFRS that have not been included in this offering memorandum.

U.S. Dollar amounts are translated, solely for the convenience of the reader, from Peso amounts using an exchange rate of Ps. 12.7675 per U.S. Dollar for 2013, Ps. 13.1685 per U.S. Dollar for 2012 and Ps. 12.4273 per U.S. Dollar for 2011, which represents the daily average of the Official Exchange Rates on each day during the periods presented. These convenience translations should not be construed as representations that the Peso amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the specified rate or at all.

	For the Year Ended December 31, (IFRS)					
	2013	2013	2012	2012	2011	2011
	(US$)	(Ps.)	(US$)	(Ps.)	(US$)	(Ps.)
			(in millions)			
Revenue	4,423	56,474	3,902	51,385	3,594	44,669
Gross profit	617	7,877	514	6,763	410	5,099
Profit for the year	215	2,744	88	1,164	51	632
Adjusted EBITDA[1]	626	7,998	508	6,690	372	4,618
Net cash flow from operating activities	641	8,185	526	6,930	442	5,497
Capital expenditures	259	3,310	270	3,555	321	3,993
Volume (millions of equivalent units)	48	48	42	42	37	37

(1) We define Adjusted EBITDA to mean consolidated profit or loss before tax after adding back or subtracting, as the case may be, (i) depreciation and amortization and impairment of non-current assets, (ii) non-current assets write-downs, (iii) financial result, net (which includes interest expense, interest income, foreign exchange gain or loss, and net gain or loss from derivative financial instruments), (iv) share of gain or loss of associates and (v) exceptional items. Our calculation of Adjusted EBITDA may not be comparable to other companies' calculations of similarly titled measures. See "Presentation of Financial and Certain Other Information – Non-GAAP Financial Measures." The following table sets forth a reconciliation of Adjusted EBITDA to profit or loss before tax for 2013, 2012 and 2011:

	For the Year Ended December 31,		
	2013	2012	2011
		(Ps. in millions)	
Profit before tax	3,256	2,201	806
Depreciation and amortization and impairment of non-current assets	3,282	3,286	2,500
Non-current asset write-down	23	214	209
Financial result, net	1,456	1,393	1,119
Share of gain of associates	(19)	(38)	(16)
Exceptional items	-	(367)	-
Adjusted EBITDA	7,998	6,690	4,618

Selected MFRS Financial Data and Other Information for the Years Ended December 31, 2010, 2009 and 2008

The consolidated financial information set forth below for the years ended December 31, 2010, 2009 and 2008 have been derived from our annual financial statements prepared in accordance with MFRS that have not been included in this offering memorandum. Because of the differences between the accounting principles used in the preparation of such financial statements and the accounting principles used in the preparation of the Annual Audited Financial Statements included elsewhere in this offering memorandum, such information is not comparable, and you should use caution when comparing financial information prepared in accordance with MFRS to financial information prepared in accordance with IFRS.

U.S. Dollar amounts are translated, solely for the convenience of the reader, from Peso amounts using an exchange rate of Ps.12.6367 per U.S. Dollar for 2010, Ps. 13.5095 per U.S. Dollar for 2009 and Ps. 11.1383 per U.S. Dollar for 2008, which represents the daily average of the Official Exchange Rates on each day during the periods presented. These convenience translations should not be construed as representations that the Peso amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the specified rate or at all. See "Exchange Rates."

	For the Year Ended December 31, (MFRS)					
	2010 (US$)	**2010 (Ps.)**	**2009 (US$)**	**2009 (Ps.)**	**2008 (US$)**	**2008 (Ps.)**
			(in millions)			
Revenue	2,880	36,390	1,950	26,345	2,955	32,913
Gross profit	422	5,330	290	3,911	330	3,676
Adjusted EBITDA[(1)]	365	4,611	260	3,508	309	3,443
Net cash flow from operating activities	300	3,788	173	2,336	270	3,010
Capital expenditures	120	1,516	74	997	165	1,836
Volume (millions of equivalent units)	33	33	24	24	31	31

(1) We define "Adjusted EBITDA" under MFRS to mean consolidated net income (loss) before adding or subtracting, as the case may be, (1) depreciation and amortization, (2) comprehensive financing (expense) income (which includes financing expense, financing income, exchange loss, net, loss from derivative financial instruments, net and gain on monetary position), (3) other expenses, net (which typically consists of non-recurring items under MFRS such as impairments of non-current assets), (4) equity in income (loss) of associated companies and (5) income tax. Our calculation of Adjusted EBITDA may not be comparable to other companies' calculation of similarly titled measures. The following table sets forth a reconciliation of Adjusted EBITDA to consolidated net income (loss) under MFRS for each of the periods presented.

	For the Year Ended December 31,		
	2010	**2009**	**2008**
		(Ps. in millions)	
Consolidated net income	927	(2,527)	(4,134)
Depreciation and amortization	1,796	1,968	1,710
Other expenses, net	155	1,248	102
Comprehensive financing expense, net	1,598	2,722	6,459
Equity income (loss) of associated companies	(16)	39	-
Income tax	152	59	(694)
Adjusted EBITDA	4,611	3,508	3,443

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read this discussion in conjunction with our Annual Audited Financial Statements and the other financial information included elsewhere in this offering memorandum. This section contains forward-looking statements that involve risks and uncertainties. Our actual results may vary materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth in "Risk Factors" and other matters set forth in this offering memorandum. See "Forward-Looking Statements."

Overview

We are a leading global provider of innovative lightweighting solutions for the global automotive industry in terms of revenue and production capacity, specializing in the development and manufacturing of high-tech, complex aluminum components for powertrain, body and structure applications, and electric vehicle components. We believe that our product portfolio, which consists of cylinder heads, engine blocks, transmission components, structural and electric vehicle components, and other components, enables our customers to reduce the weight and therefore improve the performance and efficiency of the vehicles they manufacture. Weight reduction is a fundamental factor that allows OEMs to comply with stricter global CO_2 emissions and fuel efficiency regulations, as well as an increasing consumer preference for more fuel efficient vehicles. We provide our components primarily as a Tier 1 supplier to OEMs. Our global manufacturing footprint, which consists of 36 modern facilities in 16 countries throughout North America, Europe, South America and Asia, and two additional facilities currently under construction in Mexico and Slovakia, allows us to efficiently serve all major global automotive manufacturers.

For the year ended December 31, 2016, we generated revenue, Adjusted EBITDA and net profit for the period of Ps. 79.2 billion (US$4.2 billion), Ps. 14.8 billion (US$796 million) and Ps. 5.4 billion (US$290 million), respectively. From 2014 to 2016, our revenue, Adjusted EBITDA and net profit for the period grew at a CAGR of 14%, 26% and 26%, respectively. Our total assets as of December 31, 2016 were Ps. 91.9 billion (US$4.4 billion).

Factors Affecting Our Results of Operations

Revenue

Our revenue consists primarily of revenue generated from the sale of aluminum cylinder heads, engine blocks, transmission components and other components, which is primarily affected by our sales volume and the pricing of our products.

The main drivers of our sales volume include:

- demand for engines and transmissions from our customers in the regions in which we operate, such as North America, Europe, South America, and Asia. Our customers' demand is, in turn, driven by vehicle production and, eventually, vehicle sales. The table below shows light vehicle production for the years ended December 31, 2016, 2015 and 2014:

Light Vehicle Production

Region	Year Ended December 31,		
	2016	2015	2014
	(millions of units)		
North America	17.8	17.5	17.0
Europe	21.5	20.9	20.1
Rest of the World	29.8	26.8	26.4

Source: IHS Markit

- changes in product mix, facilitated by the performance of particular vehicle platforms for which we supply one or more powertrain components;

- available production capacity, including through the acquisition of new production facilities or the expansion of existing plant capacity, as necessary;
- our ability to develop new products and product characteristics that meet OEMs' changing needs and preferences;
- our launching of new programs; and
- our capacity utilization rate and the existence or absence of operational disruptions.

The principal factors affecting the pricing of our products include:

- average part weight, which determines the amount of aluminum to be purchased for that part;
- changes in aluminum prices, which, in accordance with our agreements and industry pricing practices, are generally "passed through" to our customers. The adjustment of aluminum pricing with our customers generally has a delay of approximately 30 to 180 days. Aluminum pricing is referenced to publicly available indexes such as the London Metal Exchange ("LME"), Platt's Metals Week ("MW"), WirtschaftsVereinigung Metalle ("WVM"), and other aluminum price indicators. The table below shows the average price of aluminum by index for the years ended December 31, 2016, 2015 and 2014 expressed in U.S. Dollars per kilogram:

Average Price of Aluminum by Index

	Year Ended December 31,		
	2016	**2015**	**2014**
LME (high grade)	1.61	1.67	1.87
MW 319	1.96	2.24	2.49
WVM 226	2.40	2.63	2.85

Source: Platts (McGraw Hill Financial)

- changes in value-added prices, which include customer price adjustments, cost of goods sold and profit.

The decline of negotiated component prices over the term of our contracts as discussed above under "Risk Factors—Risks Relating to our Business" and the pass-through of changes in aluminum prices to our customers discussed above did not have a material impact on our revenue or results of operations for the periods presented.

Cost of Sales

Our cost of sales consists primarily of raw materials (the majority of which is aluminum, but also includes resins, sand and liners), labor costs and employee benefits, energy (primarily natural gas and electricity), outsourcing services (machining, heat treatment, etc.) and depreciation and amortization. Although we transfer aluminum prices to OEMs, the price resulting from the formula negotiated with each OEM to determine the reimbursement may differ from the price at which we actually acquire aluminum. As a percentage of revenue, for the period from January 1, 2014 to December 31, 2016, on average, the cost of raw materials represented 42% of revenue, while the remaining costs, including labor and employee benefits, outsourcing services, maintenance, depreciation and amortization, energy and others represented 44% in total. These percentages remained similar for each of the periods presented.

The principal factors that affect our cost of sales include:

- the price of raw materials (particularly aluminum), which we purchase primarily in Mexico, the United States and Germany, and the price of energy;
- our ability to streamline or create efficiencies in production processes; and

- economies of scale associated with higher sales volume, which results in cost reductions.

Gross Profit

Gross profit is defined as revenue less cost of sales.

Administrative and Selling Expenses and Other Expenses, Net

Our operating expenses consist principally of administrative and selling expenses, such as salaries of administrative employees, travel, information technology systems ("IT"), transportation costs and other corporate expenses.

Financial Result, Net

The components of financial result, net are:

- financial costs, including interest expense. Interest expense is primarily a function of the principal amount of debt outstanding and the interest rates in effect;

- financial income, which includes interest income earned on cash and cash equivalents;

- exchange gain or loss, net, which includes net gains or losses relating to foreign currency exchange rate movements; and

- valuation of derivative financial instruments, which reflects changes in the fair market value of derivative financial instruments into which we have entered for hedging purposes. These derivative financial instruments are nevertheless designated as held for trading because they do not satisfy the accounting requirements for hedge accounting and include, in some cases, the ineffective portion of instruments qualified as hedge accounting.

Changes in the fair value of our derivative financial instruments are recognized in financial result, net, except when recognized under hedge accounting principles. The designation of these derivative financial instruments as a hedge is documented at the inception of the transaction, specifying the related objective, initial position, risk to be hedged, type of relationship, characteristics, accounting recognition and how their effectiveness will be assessed. Throughout the life of the hedge, we evaluate the hedge for any ineffective portion and if necessary reclassify ineffective portions in financial result, net.

Effect of Acquisitions, Dispositions and Capacity Expansion

Our results of operations in recent periods have been influenced by acquisitions, dispositions and capacity expansions.

On November 1, 2016, we acquired Cevher Döküm, located in Izmir, Turkey. As a result, our consolidated results for 2016 include two months of Cevher Döküm's operations.

During 2016, we built a new facility in Bielsko-Biala, Poland and started construction for new facilities in Monterrey, Mexico and Ziar, Slovakia, in each case for the production of HPDC blocks and structural components. Our Lost Foam engine block production facility in Alabama was phased out.

Effect of Ongoing Decline of Engine Displacement

The market for aluminum cylinder heads and engine blocks, especially in North America, is affected directly by the average engine displacement in passenger vehicles. In recent years, engine design trends and customer preferences have shifted towards engines with smaller displacement, as a result of stricter CO_2 emissions regulations. This can result in eight cylinder applications shifting to six cylinders, six cylinder applications shifting to four cylinders and four cylinder applications shifting to three cylinders. This trend may adversely affect our cylinder head sales volume since a six cylinder engine normally requires two heads and four and three cylinder engines require only one head. Additionally, this trend may affect our revenue from engine block sales, as the smaller the displacement is, the lighter the engine block required, resulting in less revenue. If this trend were to

continue, it might have an adverse effect on potential growth since total cylinder head demand may decline even if vehicle assembly remains constant or increases.

Effects of Foreign Currency Exchange Rate Fluctuations on Results of Operations

Changes in the relative value of the Peso to the U.S. Dollar and the Euro have an effect on our results of operations reported in Pesos. Substantially all of our net sales are either denominated in or linked to the value of the U.S. Dollar or the Euro. Similarly, a substantial majority of our costs of sales and other operating expenses are either denominated in or linked to the value of the U.S. Dollar and the Euro, including our purchases of aluminum and other raw materials and the costs of our operations in the United States, Canada and Europe. As a result, when the Peso depreciates against the U.S. Dollar or the Euro, the same level of U.S. Dollar or Euro net sales or expenses in a prior period will result in higher reported net sales or expenses in Peso terms. Conversely, when the Peso appreciates against the U.S. Dollar or the Euro, the same level of U.S. Dollar or Euro net sales or expenses in a prior period will result in lower reported net sales or expenses in Peso terms. In general, a depreciation of the Peso will likely result in an increase in our operating margins and an appreciation of the Peso will likely result in a decrease in our operating margins, in each case, when measured in Pesos. This is because the aggregate amount of our consolidated net sales denominated in or linked to U.S. Dollars or Euros exceeds the aggregate amount of our cost of goods sold and other operating expenses denominated in or linked to U.S. Dollars or Euros.

The table below shows the average exchange rate of the Peso to the U.S. Dollar and the Peso to the Euro for the years ended December 31, 2016, 2015 and 2014:

Average Exchange Rate

	Year Ended December 31,		
	2016	2015	2014
Peso/U.S. Dollar	18.66	15.85	13.30
Peso/Euro	20.67	17.62	17.67

Effects of Derivative Financial Instruments on Financial Result

Our financial result includes, and can be significantly impacted by, mark-to-market gains or losses in connection with derivative financial instruments. In addition, if we exceed certain thresholds of potential liability with respect to our derivative financial instruments, we are required by our counterparties to post collateral, which is reflected as restricted cash on the statement of financial position and entails additional expense to fund the cash position. See "—Quantitative and Qualitative Disclosures about Market Risk—Derivative Financial Instruments."

Volume

Volume is a key driver of our revenues and therefore of our profitability, and is comprised of our current business and the launch of new programs with OEMs.

Critical Accounting Policies

We have identified certain key accounting estimates on which our financial condition and results of operations are dependent. These key accounting estimates most often involve complex matters or are based on subjective judgments or decisions that require management to make estimates and assumptions which affect the amounts reported in the financial statements. We base our estimates on historical information, where applicable and other assumptions that we believe are reasonable under the circumstances.

Actual results may differ from our estimates under different assumptions or conditions. In addition, estimates routinely require adjustments based on changing circumstances and the receipt of new or more accurate information. In the opinion of our management, our most critical accounting estimates are those that require management to make estimates and assumptions that affect the reported amounts related to the accounting for valuation of non-current assets, goodwill and other intangible assets, income taxes, fair value of derivatives and other financial instruments and pension benefit obligations. For a full description of all of our accounting policies, see our Annual Audited Financial Statements included in this offering memorandum.

There are certain critical estimates that we believe require significant judgment in the preparation of our financial statements. We consider an accounting estimate to be critical if (i) it requires us to make assumptions because information was not available at the time or it included matters that were highly uncertain at the time we were making the estimate and (ii) changes in the estimate or different estimates that we could have selected would have had a material impact on our financial condition or results of operations.

Estimated Impairment of Goodwill

We use significant judgment to group our cash generating units, on the basis of aspects such as operation of the commercial area and sales strategy, production allocation, analysis of operating flows and policies on indebtedness and analysis of the legal structure.

The identification and measurement of impairment to goodwill involves the estimation of fair values. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge. We perform valuation analyses with the assistance of third parties and consider relevant internal data, as well as other market information that is publicly available, in connection with the identification and measurement of impairment charges.

Estimates of fair value are primarily determined using discounted cash flows and market comparisons. These approaches use significant estimates and assumptions, including projected future cash flows (including timing), discount rates reflecting the inherent risk in cash flow projections, perpetual growth rate, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables. Inherent in these estimates and assumptions is a certain level of risk, which we believe has been considered in our valuations. Nevertheless, if future actual results differ from estimates, a possible impairment charge may be recognized in future periods related to the write-down of the carrying value of other intangibles in addition to the amounts recognized previously.

Income Taxes

We are subject to income taxes in many jurisdictions. Significant judgment is required in the determination of the global provision for income taxes. There are many transactions and calculations for which the final tax determination is uncertain. We recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes will become due. Where the final tax result for these purposes is different from the amounts initially recorded, such differences will have an effect on current income tax and deferred income tax assets and liabilities in the period when the determination is made.

As part of the preparation processes of the financial statements, we are required to calculate income tax. This process involves estimating the real exposure of the current tax, as well as evaluating the temporary differences resulting from treating items differently, such as impairment of trade accounts receivable, deferred assets, inventories, property, plant and equipment, accumulated expenses and tax loss carry-forwards, for tax and accounting purposes.

These differences result in deferred tax assets and liabilities included within the statement of financial position. We then evaluate the probability of recovering these deferred tax assets. We recognize deferred tax assets for all deductible temporary differences, insofar as there is a probability that the entity has future tax benefits against which to apply these deductible temporary differences. The most recent projections of available profits are used to determine future tax benefits.

Fair Value of Derivatives

The fair value of financial instruments not quoted in the active market is determined by using fair value hierarchies. We use our judgment to select from a variety of methods and make assumptions that are mainly based on existing market conditions at the end of each reporting period.

Pension Benefits

The present value of pension obligations depends on several factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in the determination of the net cost (income) for pensions

include the discount interest rate. Any changes in these assumptions may have an impact on the carrying value of pension obligations.

The discount interest rate, which we determine at each year end, is used to determine the present value of cash outflows required to settle expected future pension obligations. We determine the discount interest rate in conformity with IAS 19, "Employee benefits," denominated in the currency in which the benefits will be paid and assuming terms to maturity approximating the terms of the related pension obligations.

Other key assumptions for pension obligations are based partly on current market conditions.

Commitments and Contingencies

We make judgments regarding the measurement and recognition of provisions and the exposures to contingent liabilities related to pending litigations or other pending complaints subject to negotiation of settlement, mediation, arbitration or regulation of the government, as well as other contingent liabilities. We make judgments to assess the probability of a pending complaint to be effective or to result in the recognition of a liability, as well as to quantify the possible settlement range. Due to the uncertainty inherent to this assessment process, actual losses may be different to the originally estimated provision.

Contingencies are recorded as provisions when the entity has a present obligation as a result of a past event and it is likely that a liability has been incurred and the amount of the loss is reasonably estimable. It is not practical to estimate sensitivity to potential losses if other assumptions were used to record these provisions, due to the number of underlying assumptions and the range of possible reasonable outcomes regarding potential actions by third parties, such as regulators, both in terms of loss probability and estimates of such loss.

Revenue Recognition

We recognized revenue amounting to Ps.79,244 million, Ps. 70,891 million and Ps. 61,490 million for the sale of products to OEM's during the years ended December 31, 2016, 2015 and 2014, respectively. Any buyer has the right to return the goods we produce if they are not satisfied. We believe that, based on past experience with similar sales, the amount of returned goods will not exceed 3% of revenue. We therefore recognize revenue on each of these transactions with a corresponding provision against revenue for estimated returns. If the estimate were to change by 1%, the revenue would be reduced/increased by Ps. 792 million, Ps. 709 million and Ps. 615 million during the years ended December 31, 2016, 2015 and 2014 respectively.

New Accounting Policies and Standards

A new number of standards, amendments and interpretations to the accounting policies have been published, that are not effective for reporting periods at December 31, 2016, and we have not adopted in advance. Our assessment of the effects of these new standards and interpretations is detailed below:

IFRS 9 "Financial instruments", addresses the classification, measurement and recognition of financial assets and liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made additional changes to the classification and measurement rules and also introduced a new impairment model. These last changes now comprise the entire new financial instruments standard. Following the approved changes, we do not expect any impact from the new rules of classification, measurement and decrease of its financial assets or liabilities. There will be no impact on our accounting from financial liabilities, since the new requirements only affect financial liabilities at fair value through income and we do not have such liabilities. The new hedge rules pair up our hedge accounting and risk management. As a general rule, the hedge accounting will be much easier to apply since the standard introduces an approach based on principles. The new standard introduces extensive disclosure requirements and changes in presentation, which will continue to be assessed by us. The new impairment model is a model of expected credit losses; therefore, it would result in advance recognition of credit losses. We continue assessing how its hedge agreements and impairment provisions are affected by the new rules. The standard is effective for periods beginning on or after January 1, 2018. Early adoption is allowed.

IFRS 15 "Revenue from contracts with customers", is a new standard issued by the IASB for revenue recognition. This standard replaces IAS 18 "Revenues", IAS 11 "Construction contracts", as well as the interpretations to the aforementioned standards. The new standard is based on the fact that revenue should be

recorded when the control over the good or different service is transferred to the customer, so that this control notion replaces the existing notion of risks and benefits.

The standard allows for a complete retrospective approach and a modified retrospective approach for its adoption. We are assessing which of the two approaches it can use and to date, we consider that the modified retrospective approach might be used for adoption. Under this approach the entities will recognize adjustments from the effect of initial application (January 1, 2018) in retained earnings in the financial statements at December 2018 without restating comparative periods, by applying the new rules to contracts effective as of January 1, 2018 or those that even when held in prior years continue to be effective at the date of initial application.

For disclosure purposes in the financial statements at 2018, the amounts of affected items must be disclosed, considering the application of the current revenue standard, as well as an explanation of the reason for the significant changes made.

We are assessing the new standard and we have identified probable impacts, mainly in the automotive and telecommunication sectors. The most relevant issues being assessed by us are mentioned below:

- Depending on the contractual agreement, contracts that are currently considered as separate might have to be combined.

- We will have to identify, in customer contracts, the promises of goods and services qualifying as different compliance obligations and compliance obligations might arise additional to those currently considered, or vice versa, which may result in changes at the time of the revenue recognition. Upon the distribution of revenues among each compliance obligation not previously identified, based on their related fair value, the amount of revenues to be recorded for each compliance obligation might also change, which could change the time of recognition of the compliance obligation, even though there is no change in the total amount of revenues per contract.

- The impact of the price structures included in the long-term contracts is currently under evaluation. In said structures, the prices of the parts are gradually decreased over the years, and can qualify as a material discount right requiring recognition from the moment of the first sale of parts, thus representing a change in revenue recognition. However, we consider that the price structures involving decreases over the years is justified by greater efficiencies and cost cuts achieved, and therefore, forms part of the fair value of the price of parts, as a result of which, this item might represent no significant impact.

- With the new Agent and Principal guidelines, presentation of certain revenue (such as that corresponding to tools) could be gross rather than net.

- In the case of goods and services that under the new standard do not qualify as compliance obligations that may be separated, the costs to comply with the contract, such as production costs associated with these goods and services, may have to be capitalized instead of recognized as expenses when incurred.

- We are assessing if in any of the cases the time of revenue recognition might change from “at a point in time”, to “through time”, in case all standard conditions are met, when dealing with the manufacturing of goods without any alternative use for other customers, when there is a collection right for the work done.

- The guide of amendments to contracts can affect the manner by which they are recorded in the books of account. An analysis is currently underway to evaluate whether or not some of the amendments should be recognized, taking into account an accumulated adjustment rather than being prospective.

- At present, certain payments are made to customers, which we are evaluating, to determine whether or not they qualify as costs under the new guidelines, to obtain a contract.

IFRS 16 “Leases”. The IASB issued in January 2016 a new standard for lease accounting. This standard will replace current standard IAS 17, which classifies leases into financial and operating. IAS 17 identifies leases as financial in nature when the risks and benefits of an asset are transferred, and identifies the rest as operating leases. IFRS 16 eliminates the classification between financial and operating leases and requires the recognition of a liability showing future payments and assets for “right of use” in most leases. The IASB has included some

exceptions in short-term leases and in low-value assets. The aforementioned amendments are applicable to the lease accounting of the lessee, while the lessor maintains similar conditions to those currently available. The most significant effect of the new requirements is shown in an increase in leasing assets and liabilities, also affecting the statement of income in depreciation expenses and financing of recorded assets and liabilities, respectively, and decreasing expenses relative to leases previously recognized as operating leases.

The standard is effective for periods beginning on or after January 1, 2019. In this stage, we have no plans to adopt the standard in advance.

At December 31, 2016, we are in the process of evaluating the impact of this new standard on its financial statements. The efforts made with regard to implementation of this standard are considerable.

There are no other additional standards, amendments, or interpretations issued but not effective that might have a significant impact.

Results of Operations for the Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

The following financial information has been derived from the Annual Audited Financial Statements appearing elsewhere in this offering memorandum:

	Year Ended December 31,				Percent Change 2015 to 2016
	2016	Percent of Revenue	2015	Percent of Revenue	
	(in millions of Pesos, except percentages)				
Revenue	79,244	100.0	70,891	100.0	11.8
Cost of sales	(65,345)	(82.5)	(59,143)	(83.4)	10.5
Gross profit	13,899	17.5	11,748	16.6	18.3
Administrative and selling expenses	(4,957)	(6.3)	(4,393)	(6.2)	12.8
Other revenues (expenses), net	(258)	(0.3)	43	0.1	(700.0)
Operating profit	8,684	11.0	7,398	10.4	17.4
Financial income	14,657	18.5	6,245	8.8	134.7
Financial expenses	(16,096)	(20.3)	(7,538)	(10.6)	113.5
Financial result, net	(1,439)	(1.8)	(1,293)	(1.8)	11.3
Share of gain of associates	55	0.1	48	0.1	14.6
Profit before income tax	7,300	9.2	6,153	8.7	18.6
Income tax	(1,890)	(2.4)	(1,552)	(2.2)	21.8
Profit for the period	5,410	6.8	4,601	6.5	17.6

Revenue by Region

The following table shows the breakdown of our revenue by region for 2016 and 2015, including eliminations for intercompany sales:

	Year Ended December 31,				Percent Change 2015 to 2016
	2016	Percent of Revenue	2015	Percent of Revenue	
	(in millions of Pesos, except percentages)				
North America	46,098	58.2	43,559	61.4	5.8
Europe	26,488	33.4	21,829	30.8	21.3
Rest of the world	6,658	8.4	5,502	7.8	21.0
Total	79,244	100.0	70,891	100.0	11.8

North America

North America revenue was Ps. 46,098 million in 2016, an increase of 5.8% compared to Ps. 43,559 million in 2015. This increase was primarily due to the depreciation of the Peso against the U.S. Dollar from an average exchange rate of Ps. 15.85 per U.S. Dollar for the year ended December 31, 2015 to an average exchange rate of Ps. 18.66 per U.S. Dollar for the year ended December 31, 2016, partially offset by a 6% decrease in sales volume due to FCA downscaling its midsize sedan operations and a reduction in aluminum prices.

Europe

Europe revenue was Ps. 26,488 million in 2016, an increase of 21.3% compared to Ps. 21,829 million in 2015. This increase was primarily due to a 7% increase in sales volume, driven by a 3% increase in light vehicle production in Europe, which vehicles contain parts manufactured by us, and the depreciation of the Peso against the Euro from an average exchange rate of Ps. 17.62 per Euro for the year ended December 31, 2015 to an average exchange rate of Ps. 20.67 per Euro for the year ended December 31, 2016.

Rest of the World

Rest of the world revenue was Ps. 6,658 million in 2016, an increase of 21.0% compared to Ps. 5,502 million in 2015. This increase was primarily due to a 4.5% increase in sales volume from our operations in Asia.

General

Revenue

Revenue was Ps. 79,244 million in 2016, an increase of 11.8% compared to Ps. 70,891 million in 2015. This increase was primarily due to the depreciation of the Peso against the U.S. Dollar from an average exchange rate of Ps. 15.85 per U.S. Dollar for the year ended December 31, 2015 to an average exchange rate of Ps. 18.66 per U.S. Dollar for the year ended December 31, 2016, partially offset by (i) a slight decline of 1.2% in sales volume and (ii) a decline of international aluminum prices, which we pass-through in the prices to our customers.

Cost of Sales

Cost of sales was Ps. 65,345 million in 2016, an increase of 10.5% compared to Ps. 59,143 million in 2015. This increase was primarily due to the depreciation of the Peso against the U.S. Dollar, as described above, partially offset by (i) a 1.2% decline in sales volume and (ii) operating efficiencies and lower aluminum prices.

Gross Profit

Gross profit was Ps. 13,899 million in 2016, an increase of 18.3% compared to Ps. 11,748 million in 2015. This increase was primarily due to the factors described above.

Administrative and Selling Expenses

Administrative and selling expenses were Ps. 4,957 million in 2016, an increase of 12.8% compared to Ps. 4,393 million in 2015. This increase was primarily due to the effect of the depreciation of the Peso against the U.S. Dollar as described above.

Financial Result, Net

Financial result, net consisted of an expense of Ps. 1,439 million in 2016, an increase of 11.3% compared to an expense of Ps. 1,293 million in 2015. This increase was primarily due to the effect of the depreciation of the Peso against the U.S. Dollar as described above.

Income Tax

Income tax consisted of a tax expense of Ps. 1,890 million in 2016, an increase of 21.8% compared to a tax expense of Ps. 1,552 million in 2015. This increase was primarily due to a higher gross profit in 2016 as described

above. Our effective tax rate was 26% for the year ended December 31, 2016 and 25% for the year ended December 31, 2015.

Profit for the Period

Profit for the period was Ps. 5,410 million in 2016, an increase of 17.6% compared to Ps. 4,601 million in 2015. This increase was primarily due to an increase in operating profit, partially offset by an increase in net financial expense and income tax.

Results of Operations for the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

The following financial information has been derived from the Annual Audited Financial Statements appearing elsewhere in this offering memorandum:

	Year Ended December 31,				Percent Change 2014 to 2015
	2015	Percent of Revenue	2014	Percent of Revenue	
	(in millions of Pesos, except percentages)				
Revenue	70,891	100.0	61,490	100.0	15.3
Cost of sales	(59,143)	(83.4)	(52,456)	(85.3)	12.7
Gross profit	11,748	16.6	9,034	14.7	30.0
Administrative and selling expenses	(4,393)	(6.2)	(3,587)	(5.8)	22.5
Other revenues (expenses), net	43	0.1	61	0.1	(29.5)
Operating profit	7,398	10.4	5,508	9.0	34.3
Financial income	6,245	8.8	299	0.5	1,988.6
Financial expenses	(7,538)	(10.6)	(998)	(1.6)	655.3
Financial result, net	(1,293)	(1.8)	(699)	(1.1)	85.0
Share of gain of associates	48	0.1	39	0.1	23.1
Profit before income tax	6,153	8.7	4,848	7.9	26.9
Income tax	(1,552)	(2.2)	(1,454)	(2.4)	6.7
Profit for the period	4,601	6.5	3,394	5.5	35.6

Revenue by Region

The following table shows the breakdown of our revenue by region for 2015 and 2014:

	Year Ended December 31,				Percent Change 2014 to 2015
	2015	Percent of Revenue	2014	Percent of Revenue	
	(in millions of Pesos, except percentages)				
North America	43,559	61.4	37,660	61.2	15.7
Europe	21,829	30.8	18,985	30.9	15.0
Rest of the world	5,502	7.8	4,845	7.9	13.6
Total	70,891	100.0	61,490	100.0	15.3

North America

North America revenue was Ps. 43,559 million in 2015, an increase of 15.7% compared to Ps. 37,660 million in 2014. This increase was primarily due to a 1% increase in sales volume, driven by a 3% increase in light vehicle production, which vehicles contain parts manufactured by us, and the depreciation of the Peso against the U.S. Dollar from an average exchange rate of Ps. 13.30 per U.S. Dollar in 2014 compared to Ps. 15.85 per U.S. Dollar in 2015.

Europe

Europe revenue was Ps. 21,829 million in 2015, an increase of 15.0% compared to Ps. 18,985 million in 2014. This increase was primarily due to an 8% increase in sales volume, driven by a 4% increase in light vehicle production in Europe, which vehicles contain parts manufactured by us, and additional revenue as a result of new contracts awarded.

Rest of the World

Rest of the world revenue was Ps. 5,502 million in 2015, an increase of 13.6% compared to Ps. 4,845 million in 2014. This increase was primarily due to a 2% increase in sales volume.

General

Revenue

Revenue was Ps. 70,891 million in 2015, an increase of 15.3% compared to Ps. 61,490 million in 2014. This increase was primarily due to a 3% increase in sales volume, a better sales mix, and the depreciation of the Peso against the U.S. Dollar from an average exchange rate of Ps. 13.30 per U.S. Dollar in 2014 compared to Ps. 15.85 per U.S. Dollar in 2015, partially offset by a decrease of the aluminum price, which is a cost we pass through to our customers.

Cost of Sales

Cost of sales was Ps. 59,143 million in 2015, an increase of 12.7% compared to Ps. 52,456 million in 2014. This increase was primarily due to the increase in sales and production volume described above partially offset by economies of scale associated with higher sales volumes and a decrease of the aluminum price.

Gross Profit

Gross profit was Ps. 11,748 million in 2015, an increase of 30.0% compared to Ps. 9,034 million in 2014. This increase was primarily due to the increase in sales volume, operational efficiencies and the depreciation of the Peso as described above.

Administrative and Selling Expenses

Administrative and selling expenses were Ps. 4,393 million in 2015, an increase of 22.5% compared to Ps. 3,587 million in 2014. This increase was primarily due to the increase in sales volume described above, which was partially offset by operational efficiencies gained as a result of economies of scale associated with higher sales volumes.

Financial Result, Net

Financial result, net consisted of an expense of Ps. 1,293 million in 2015, an increase of 85.0% compared to an expense of Ps. 699 million in 2014. This increase was primarily due to debt issuance costs in connection with the refinancing of the Peso-denominated bonds (*Certificados Bursátiles*) in 2015, and net foreign exchange loss registered in 2015 compared to net foreign exchange gain registered in 2014.

Income Tax

Income tax consisted of a tax expense of Ps. 1,552 million in 2015, an increase of 6.7% compared to a tax expense of Ps. 1,454 million in 2014. This increase was primarily due to a higher gross profit. Our effective tax rate was 25% for the year ended December 31, 2015 and 30% for the year ended December 31, 2014.

Profit for the Period

Profit for the period was Ps. 4,601 million in 2015, an increase of 35.6% compared to Ps. 3,394 million in 2014. This increase was primarily due to an increase in operating profit, which was partially offset by an increase in net financial expense and income tax.

Liquidity and Capital Resources

Liquidity

Our ability to meet our debt and other obligations is primarily dependent on the earnings and cash flows of our subsidiaries and the ability of those subsidiaries to pay us interest or principal payments on intercompany loans, dividends or other amounts.

As a holding company, we finance the operations of our subsidiaries through our normal internal cash management and treasury functions. To the extent our subsidiaries are not able to satisfy their financing needs through internal cash generation (for example, for acquisitions, other investments or working capital needs), we provide centralized financing through intercompany loans or through debt facilities.

The following table summarizes the cash flows from operating, investing and financing activities for the years ended December 31, 2016, 2015 and 2014:

	Year Ended December 31,		
	2016	2015	2014
	(in millions of Pesos)		
Operating activities	12,825	10,225	6,974
Investing activities	(8,864)	(7,238)	(5,066)
Financing activities	(3,842)	(2,356)	(2,661)
Cash and cash equivalents at the end of the period [(1)]	2,661	1,793	976

(1) Does not include restricted cash and includes bank overdrafts.

Operating Activities

In 2016, net cash generated from operating activities was Ps. 12,825 million, primarily attributable to the profit of the period, partially offset by investments in net working capital and income tax paid.

In 2015, net cash generated from operating activities was Ps. 10,225 million, primarily attributable to the profit of the period, partially offset by investments in net working capital and income tax paid.

In 2014, net cash generated from operating activities was Ps. 6,974 million, primarily attributable to the profit of the period, partially offset by investments in net working capital and income tax paid.

Investing Activities

In 2016, net cash used in investing activities was Ps. 8,864 million and primarily consisted of the expansion of our production capacity, the revamping of existing equipment for new product lines, the capitalization of development expenses of new products and the acquisition of Cevher Döküm.

In 2015, net cash used in investing activities was Ps. 7,238 million and primarily consisted of the expansion of our production capacity, the revamping of existing equipment for new product lines and the capitalization of development expenses of new programs.

In 2014, net cash used in investing activities was Ps. 5,066 million and primarily consisted of the expansion of our production capacity, the revamping of existing equipment for new product lines and the capitalization of development expenses of new programs.

Financing Activities

In 2016, net cash used in financing activities was Ps. 3,842 million and primarily consisted of the net payment of debt, financial interest and dividends, partially offset by the proceeds from loans.

In 2015, net cash used in financing activities was Ps. 2,356 million and primarily consisted of the net payment of debt, capital distribution, derivative financial instruments, financial interest and dividends, partially offset by capital stock contributed.

In 2014, net cash used in financing activities was Ps. 2,661 million and primarily consisted of the net payment of debt, financial interest and dividends.

Capital Expenditures

In 2016, 2015 and 2014 we made capital expenditures of Ps. 10,164 million (US$545 million), Ps. 7,253 million (US$457 million) and Ps. 4,471 million (US$336 million), respectively. We estimate that our capital expenditures for 2017 will be approximately US$430 million, excluding expenditures made in connection with any acquisition.

Existing Indebtedness

As of December 31, 2016, we had gross debt of Ps. 28,944 million (US$1,401 million), not including accrued interest payable and debt issuance costs, with an average maturity of 4.2 years. As of December 31, 2016, we had total indebtedness of Ps. 29,009 million (US$1,404 million), including accrued interest payable and debt issuance costs, of which Ps. 24,176 million (US$1,170 million) was denominated in U.S. Dollars, Ps. 3,624 million (US$175 million) was denominated in Euros and Ps. 1,209 million (US$58 million) was denominated in other currencies. Approximately 60% of our debt accrues interest at floating rates. The primary use of our debt has been to fund acquisitions, capital expenditures and other corporate needs.

As of December 31, 2016, Ps. 3,699 million (US$179 million) of our total indebtedness constituted short-term debt, including interest payable of Ps. 277 million (US$13 million), and Ps. 25,310 million (US$1,225 million) constituted long-term debt, including debt issuance costs of Ps. 212 million (US$10 million). As of December 31, 2016, we had up to approximately US$349 million in committed credit facilities available to borrow to finance our working capital and other requirements. As of December 31, 2016, we had not drawn from these committed credit facilities.

The following table sets forth our debt maturity amortizations as of December 31, 2016:

	Payments Due By									
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025+**	**Total**
					(millions of US$)					
Debt amortizations [(1)]	179	266	154	127	16	22	520	54	66	1,404

(1) Including accrued interest payable of US$13 million and debt issuance costs of US$10 million.

As of December 31, 2016, we were not in default with respect to any principal and interest payments and we were in compliance with the covenants under all our indebtedness.

Material Indebtedness

The following description summarizes material terms of certain of our credit arrangements, including a description of certain covenants contained in such credit arrangements. We are currently in compliance with these covenants. The following description is only a summary and does not purport to describe all of the terms of the credit arrangements that may be important.

Nemak 2023 Senior Notes

In February 2013, Nemak issued notes in the international capital markets in an aggregate principal amount of US$500 million (the "Nemak 2023 Notes"). The Nemak 2023 Notes bear interest at a fixed rate of 5.500% per annum, which is payable on February 28 and August 28 of each year. The Nemak 2023 Notes mature on February 28, 2023. The outstanding principal amount of the Nemak 2023 Notes as of December 31, 2016 was US$500 million.

The Nemak 2023 Notes contain certain restrictive covenants which, among other things, limit our ability to (i) incur additional debt; (ii) make certain dividend payments, redeem capital stock and make certain investments; (iii) transfer and sell assets; (iv) enter into any agreements that would limit the ability of subsidiaries to pay dividends or make distributions; (v) create liens on assets; (vi) effect a consolidation, merger or sale of assets; and (vii) enter into transactions with affiliates. The indenture governing the Nemak 2023 Notes contains customary events of default. Nemak's obligations under the Nemak 2023 Notes are guaranteed, in the form of a corporate guarantee, by the following subsidiaries: (i) Nemak Mexico, S.A., (ii) Nemak USA Inc., (iii) Nemak of Canada Corporation, (iv) Nemak Dillingen GmbH, (v) Nemak Wernigerode GmbH, (vi) Nemak Györ Alumíniumöntöde Korlátolt Felelősségű Társaság, (vii) Nemak Dillingen Casting GmbH & Co. KG and (viii) Nemak Wernigerode Casting GmbH & Co. KG.

We have the right, at our option, to redeem any of the Nemak 2023 Notes, in whole or in part, at any time on or after February 28, 2018, at the redemption prices set forth in the indenture governing the Nemak 2023 Notes. Prior to February 28, 2018, we have the right, at our option, to redeem the Nemak 2023 Notes, in whole but not in part, at a redemption price equal to the greater of (i) 100% of the principal amount of such notes and (ii) the sum of the present value at such redemption date of (a) the redemption price of the Nemak 2023 Notes at February 28, 2018 plus (b) all required interest payments on the notes through February 28, 2018 (excluding accrued but unpaid interest to the date of redemption), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, plus in each case any accrued interest on the principal amount of the Nemak 2023 Notes to, but excluding, the date of redemption.

Nemak 2013 Senior Unsecured Loan

On December 2, 2013, Nemak entered into an unsecured loan agreement with certain financial institutions and Citibank, N.A., as administrative agent, in the amount of US$465 million (the "Nemak 2013 Senior Loan"). This loan is composed of two tranches: (i) a US$372 million tranche and (ii) a €68.7 million tranche.

The Nemak 2013 Senior Loan has a five-year amortization schedule beginning in December 2014 with a maturity date of December 2, 2018. The facility provides a pricing grid based on the net leverage ratio. The margin ranges between 2.25% and 1.50% per annum. As of December 31, 2016, the applicable interest rate is three-month LIBOR plus 1.5%. The outstanding principal amount of the Nemak 2013 Senior Loan was US$258 million as of December 31, 2016.

This facility contains maintenance covenants that require us to comply with certain financial ratios. Failure to comply with such covenants, if not cured within a specified time period, can lead to the loan then outstanding becoming immediately due and payable. These maintenance covenants include: (i) a leverage ratio that requires that the ratio at any date of (a) consolidated net debt to (b) consolidated EBITDA (as defined therein) for the four consecutive fiscal quarters most recently ended on or prior to such date not exceed 3.5 to 1.0; (ii) an interest coverage ratio which requires that the ratio of (a) consolidated EBITDA for the four consecutive fiscal quarters most recently ended on or prior to such date to (b) consolidated net interest expense for such period not be less than 3.0 to 1.0, as of the last day of each fiscal quarter; and (iii) a minimum consolidated total net worth ratio (as defined therein) at the end of each calendar year greater than or equal to 80% of the consolidated total net worth stated in Nemak's December 31, 2012 consolidated audited financial statements plus an amount equal to 50% of cumulative consolidated net profit from the immediately preceding calendar year.

The Nemak 2013 Senior Loan also contains certain customary events of default. The Nemak 2013 Senior Loan is guaranteed, in the form of a corporate guarantee, by the following subsidiaries: (i) Nemak Mexico, S.A.; (ii) Nemak USA Inc.; (iii) Nemak of Canada Corporation; (iv) Nemak Dillingen GmbH; (v) Nemak Wernigerode GmbH; (vi) Nemak Györ Alumíniumöntöde Korlátolt Felelősségű Társaság; (vii) Nemak Dillingen Casting GmbH & Co. KG; and (vii) Nemak Wernigerode Casting GmbH & Co. KG.

Nemak 2015 Senior Unsecured Loan

On November 13, 2015, Nemak entered into an unsecured loan agreement with certain financial institutions and BBVA Bancomer, S.A., as administrative agent, in the amount of US$300 million (the "Nemak 2015 Senior Loan"). This loan is composed of two tranches: (i) a US$253 million tranche and (ii) a €45 million tranche.

The Nemak 2015 Senior Loan has a five-year amortization schedule beginning in November 2017 with a maturity date of November 13, 2020. The facility provides a pricing grid based on the net leverage ratio. The margin ranges between 2.00% and 1.25% per annum. As of December 31, 2016, the applicable interest rate is three-month LIBOR plus 1.25%. The outstanding principal amount of the Nemak 2015 Senior Loan was US$300 million as of December 31, 2016.

This facility contains maintenance covenants that require us to comply with certain financial ratios. Failure to comply with such covenants, if not cured within a specified time period, can lead to the loan then outstanding becoming immediately due and payable. These maintenance covenants include: (i) a leverage ratio that requires that the ratio of (a) consolidated net debt to (b) consolidated EBITDA (as defined therein) for the four consecutive fiscal quarters most recently ended on or prior to such date not exceed 3.5 to 1.0; and (ii) an interest coverage ratio which requires that the ratio of (a) consolidated EBITDA for the four consecutive fiscal quarters most recently ended on or prior to such date to (b) consolidated net interest expense for such period not be less than 3.0 to 1.0, as of the last day of each fiscal quarter.

The Nemak 2015 Senior Loan also contains certain customary events of default. The Nemak 2015 Senior Loan is guaranteed, in the form of a corporate guarantee, by the following subsidiaries: (i) Nemak Mexico, S.A.; (ii) Nemak USA Inc.; (iii) Nemak of Canada Corporation; (iv) Nemak Dillingen GmbH; (v) Nemak Wernigerode GmbH; (vi) Nemak Györ Alumíniumöntöde Korlátolt Felelősségű Társaság; (vii) Nemak Dillingen Casting GmbH & Co. KG; and (vii) Nemak Wernigerode Casting GmbH & Co. KG.

Nemak-Bancomext Credit Agreement

On December 21, 2015, Nemak entered into a credit agreement with Banco Nacional de Comercio Exterior, S.N.C., as lender (the "Nemak-Bancomext Credit Agreement"), in an aggregate principal amount of US$120 million. The credit facility has a maturity date of December 21, 2025. The applicable interest rate is three-month LIBOR plus 2.80%. We have the option to prepay the loan at any time without penalty by giving a 30 business days, prior notice to the lender. Nemak's obligations under the Nemak-Bancomext Credit Agreement are guaranteed by Nemak Mexico, S.A. as joint obligor. The outstanding principal amount under this bilateral loan as of December 31, 2016 was US$120 million.

Nemak–Nafin Credit Agreement

On December 23, 2015, Nemak entered into a credit agreement with Nacional Financiera, S.N.C., I.B.D., as lender, (the "Nemak-Nafin Credit Agreement"), in an aggregate principal amount of US$80 million. The credit facility has a maturity date of December 23, 2025. The applicable interest rate is three-month LIBOR plus 2.80%. We have the option to prepay the loan at any time without penalty. Nemak's obligations under the Nemak-Nafin Credit Agreement are guaranteed by Nemak Mexico, S.A. as joint obligor. The Nemak-Nafin Credit Agreement was amended on January 15, 2016 in order to modify certain interest payment dates. The outstanding principal amount under this bilateral loan as of December 31, 2016 was US$80 million.

This facility contains a maintenance covenant, a leverage ratio that requires that the ratio of (a) consolidated net debt to (b) consolidated EBITDA (as defined therein) for the four consecutive fiscal quarters most recently ended on or prior to such date not exceed 3.5 to 1.0. Failure to comply with such covenant, if not cured within a specified time period, can lead to the loan then outstanding becoming immediately due and payable.

Committed Credit Lines

Nemak has entered into several revolving committed credit lines with certain financial institutions for a total amount of approximately US$349 million. These credit lines are denominated in Dollars or Euros and mature between December 2018 and February 2020.

As of December 31, 2016, we did not have any outstanding amounts under any of our committed credit lines.

Tabular Disclosure of Contractual Obligations

The following table is a summary of our contractual obligations as of December 31, 2016:

	Less than 1 year	1 -3 years	3- 5 years	More than 5 years	Total
		(in millions of Pesos)			
Short-term debt obligations	1,788	-	-	-	1,788
Long-term debt obligations	1,588	8,618	2,852	13,764	26,822
Capital lease obligations	48	63	109	114	334
Total [(1)]	3,425	8,681	2,961	13,878	28,944

(1) Does not include accrued interest payable of Ps. 277 million and debt issuance costs of Ps. 212 million.

In the ordinary course of business, we also enter into long-term supply arrangements for raw materials and energy, which are not reflected in the above table. In addition, our obligations under derivative financial instruments are described below.

Off Balance Sheet Arrangements

As of December 31, 2016, we did not have any off balance sheet arrangements.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks, which are adverse changes in the value of financial instruments caused by interest rate changes, foreign currency fluctuations and inflation rate changes. In addition to the following descriptions of certain of these risks, see Note 4 to the Annual Audited Financial Statements.

Derivative Financial Instruments

We have entered into exchange rate derivatives for purposes of reducing the overall cost of financings and the volatility associated with exchange rates. Additionally, due to the nature of the industry in which we operate and our consumption of energy, we have entered into hedge contracts covering natural gas.

We maintain a system of internal control over derivative financial instruments. The negotiation, authorization, contracting, operating, monitoring and recording of derivative financial instruments are subject to IAS 39, “Financial Instruments: Recognition and measurement by International Accounting Standards Board (IASB),” and to internal control procedures overseen by our treasury, legal, accounting and auditing departments.

In accordance with our policy, the derivatives that we enter into are for non-speculative purposes in the ordinary course of business. From an economic point of view, these derivatives are entered into for hedging purposes; however, for accounting purposes, some of our derivative financial instruments have not been designated as hedges because they do not meet all the accounting requirements established by IFRS and, therefore, may be classified as trading instruments. Derivative financial instruments employed by us are contracted in the over-the-counter market with international financial institutions. The main characteristics of the transactions refer to the obligation to buy or sell a certain underlying asset given certain criteria such as cap rate, trigger level, spread and strike price, among others.

We did not have any derivative financial instruments for the years ended December 31, 2016 and 2015.

INDUSTRY

We provide lightweighting solutions to the automotive industry for use in powertrain, structure and other systems, primarily for light vehicles.

Automotive Industry

The automotive industry is characterized by long-term growth but is also subject to seasonality and may experience short-term volatility. New vehicle demand is driven by macro-economic conditions and other factors such as consumer confidence, employment and income growth trends, interest rates, manufacturer and dealer sales incentives, and fuel costs, among others. These factors ultimately determine vehicle sales and production rates.

The table below sets forth recent light vehicle production trends in regions in which Nemak competes, based on data compiled by IHS Markit for 2010 through 2016.

Light Vehicle Production (Millions of Units)

Region	2010	2011	2012	2013	2014	2015	2016
North America	11.9	13.1	15.4	16.2	17.0	17.5	17.8
Europe	19.0	20.2	19.3	19.5	20.1	20.9	21.5
South America	4.2	4.3	4.3	4.5	3.8	3.1	2.8
China	16.8	17.3	18.2	20.9	22.6	23.7	27.0
Rest of the world	22.5	22.0	24.2	23.6	23.9	23.5	23.9
Total	**74.4**	**76.9**	**81.4**	**84.7**	**87.4**	**88.7**	**93.0**

Source: IHS Markit

As shown in the table above, according to IHS Markit, light vehicle production worldwide has increased by 18.6 million units from 74.4 million units in 2010 to 93.0 million units in 2016. This growth represents a 3.8% CAGR.

Automotive Castings and Components

Casting refers to the manufacturing process of transforming molten metal into a solid component with specific shape and performance characteristics. Typically, this manufacturing process involves pouring or compressing the molten metal into a mold, or die, which in some cases contains one or more sand cores, depending on the casting process or product. The cores form the internal shape by creating hollow areas inside the finished component that serve as passageways for air, oil or coolant. Historically, the automotive industry has used casting technologies to manufacture a variety of components, including engine, transmission, suspension, wheel, brake, and structural components.

Automotive components are cast using a wide variety of materials, each of which offers different design, weight, performance, and cost characteristics. Due to their characteristics, aluminum and iron are the primary materials for engine components and steel has been the primary material for body and chassis components. Historically, iron and steel have been the dominant materials for engine components and body and chassis components, respectively. However, in light of stricter CO_2 emissions standards and increased fuel economy regulations, OEMs have looked to aluminum as a way of reducing vehicle weight to comply with these requirements. The density of aluminum is one third of the density of iron, which results in cast aluminum automotive components weighing 50% less than their iron counterparts. Other materials, such as magnesium, carbon fiber and titanium, are also used for engine components, but their lack of certain mechanical properties, such as heat resistance, cost competitiveness and other important qualities, have limited their market penetration.

We estimate that the worldwide market for the main cast powertrain components of all metal types was approximately US$27.0 billion in 2016. Our primary market is the cast aluminum powertrain components market, which represented a total market value of approximately US$23.8 billion, or 88%, of the total cast powertrain component market in 2016, according to our estimates. Aluminum powertrain components can be manufactured using a number of casting technologies, including gravity semi-permanent mold (GSPM), Sand Package, HPDC, and Lost Foam. Each casting technology offers different design, weight, performance and cost characteristics.

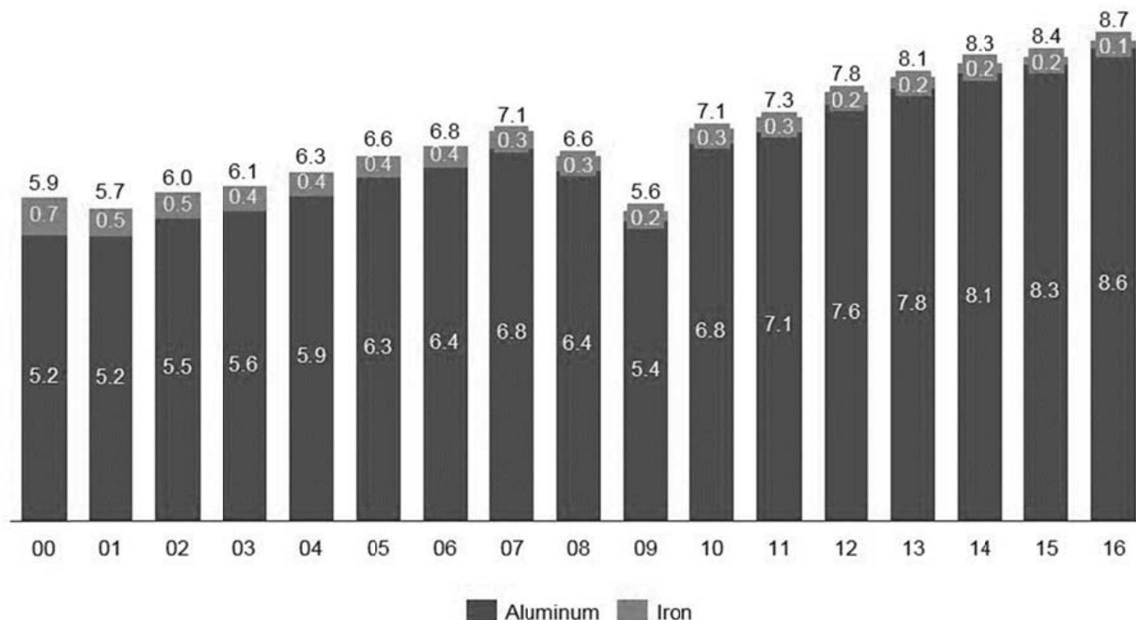
Automakers are increasingly required to comply with strict CO_2 emissions and fuel economy standards. One of the main tools OEMs are using to comply with these standards is weight reduction in body and chassis components. The body and chassis are assembled with structural components, which are increasingly made from aluminum rather than steel. According to our internal estimates, based on the shift from steel to aluminum in certain vehicle platforms, the cast aluminum structural components market is expected to triple by 2020 from approximately US$2 billion in 2016. Aluminum structural components can be produced using a number of different technologies, including HPDC, stamping and extrusion. Each technology offers different design, weight, performance and cost characteristics.

Cast Aluminum Powertrain Components

The cast aluminum powertrain components market includes cylinder heads, engine blocks and transmission components.

Due to their cost and the comparative ease of production, cylinder heads were among the first engine components to transition from iron to aluminum. According to IHS Markit, aluminum and iron cylinder heads accounted for approximately 98% and 2% of the global unit demand, respectively, in 2016, as compared to approximately 86% and 14%, respectively, in 2000. IHS Markit expects further growth to be organic, as iron currently accounts for only 2% of cylinder head programs. The graph below shows the aluminum and iron cylinder head demand for the periods shown:

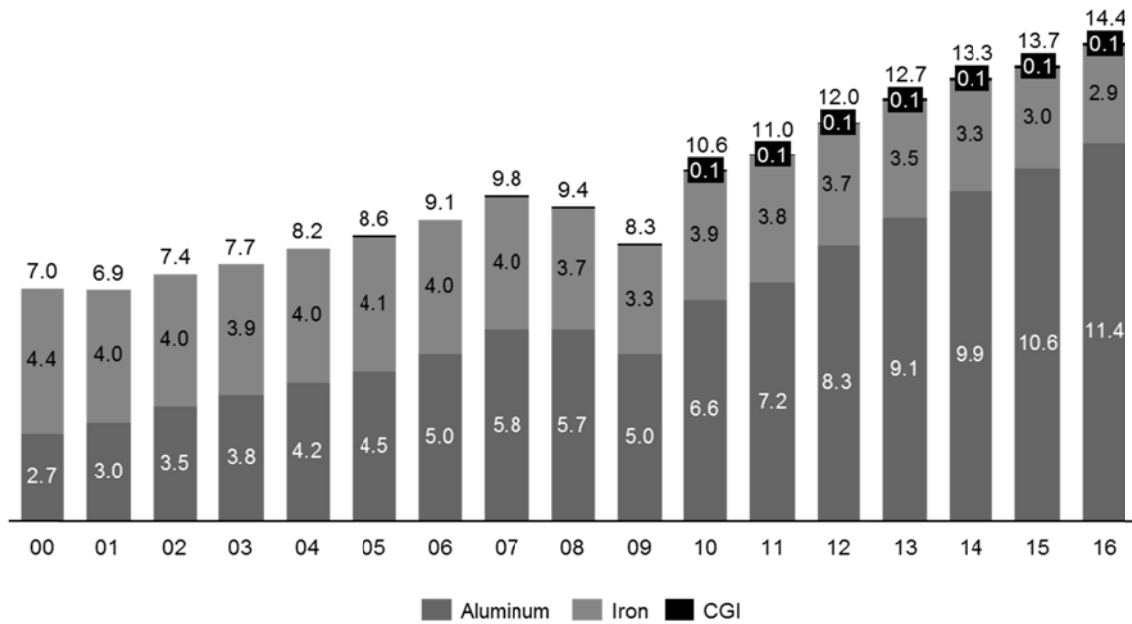
Global Cylinder Head Demand (Billions of US$)



Source: IHS Markit

According to IHS Markit, the growth of aluminum engine blocks' market penetration has been slower than that of aluminum cylinder heads. In 2016, aluminum engine block penetration was 68% and is expected to continue growing in the next years. Engine blocks are among the heaviest components in light vehicles. As a result, engine blocks offer OEMs one of the most significant remaining opportunities to achieve vehicle weight savings and increased vehicle fuel efficiency.

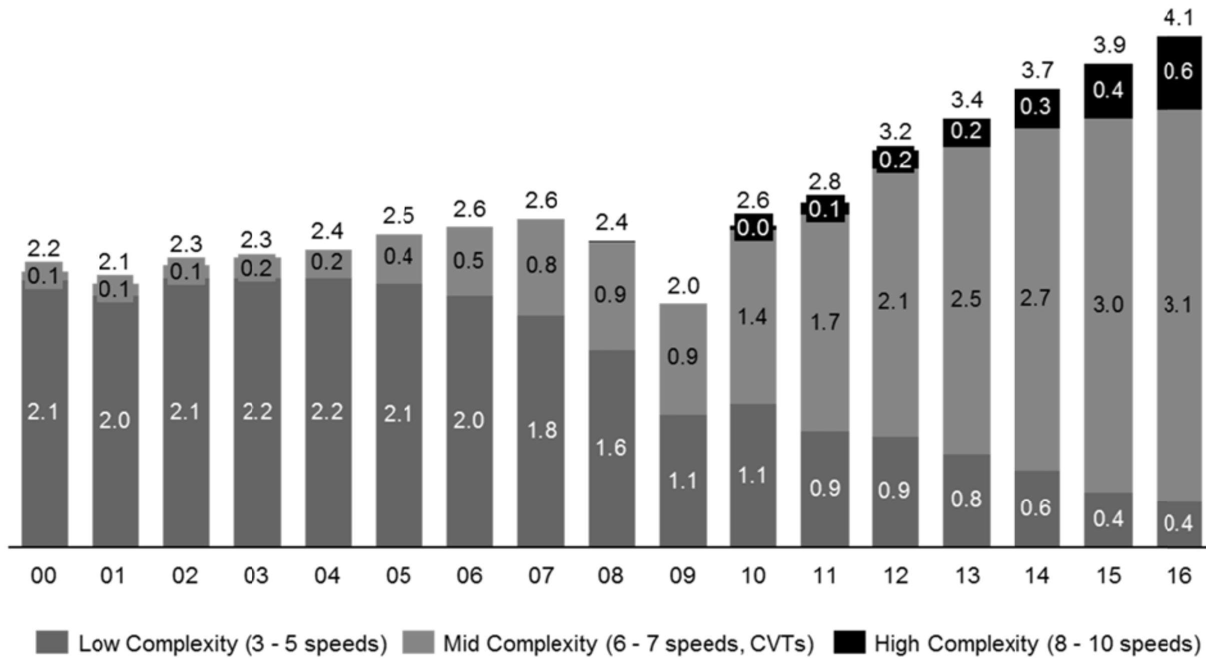
Global Engine Block Demand (Billions of US$)



Source: IHS Markit

According to IHS Markit, the market penetration of complex automatic transmissions, which allow vehicles to reduce CO_2 emissions and decrease fuel consumption, has increased due to stricter emissions and fuel consumption regulations. IHS Markit estimates that high complexity transmissions will continue to penetrate the global market in the years to come.

Global Automatic Transmissions Demand (Billions of US$)



Source: IHS Markit

Growth Opportunities for Worldwide Production

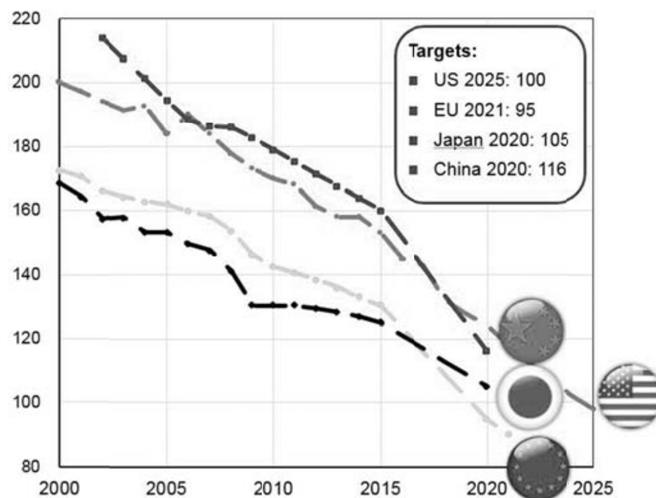
We believe the following factors will contribute to continued growth in worldwide production of cast aluminum powertrain components by independent manufacturers, such as us:

- increased aluminum content in light vehicles to reduce weight, driven by stricter CO_2 emissions and fuel consumption regulations;
- growth in outsourcing of powertrain component production by OEMs; and
- growth of high-volume, global vehicle programs.

Increased aluminum content in light vehicles. According to Ducker Worldwide, the average aluminum content per light vehicle in North America and Europe has grown at a compounded annual growth rate of approximately 5% in the past ten years, reaching approximately 390 pounds in 2015. We expect that this trend will continue with worldwide continued adoption of aluminum engine-blocks and the adoption of aluminum for structural components. The growth of aluminum content in light vehicles has been driven primarily by stricter government fuel economy or CO_2 emissions standards, which have generally required OEMs to improve the fuel economy of the vehicles they produce. Replacing iron with lighter materials, such as aluminum, reduces vehicle weight and improves vehicle fuel economy. In addition, according to an industry study conducted by WardsAuto, aluminum is considered the most important material used by the automotive industry to meet future CO_2 emission standards and fuel economy requirements. The chart below shows historical and projected fuel economy standards by region.

Fuel Economy – Normalized to E.U. Standards

(grams of CO_2/km)



In addition to lowering vehicle weight, aluminum also offers OEMs several ancillary benefits, including greater design flexibility. Cast aluminum products allow OEMs to integrate several parts into one, decreasing the assembly costs of the vehicle.

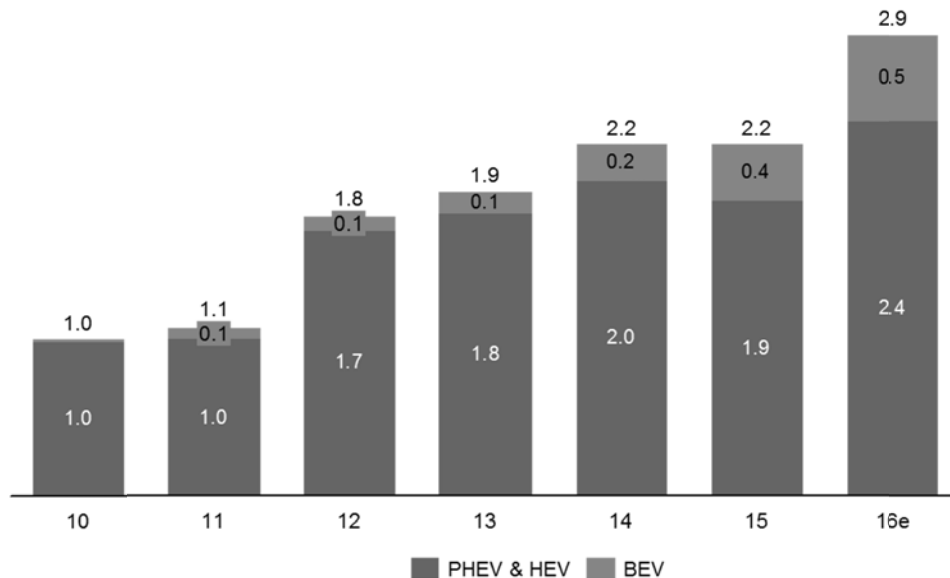
Penetration of aluminum structural and chassis components. Vehicle lightweighting has become an important solution to reach current emissions targets. We believe that OEMs must shed from 200 to 400 kilograms of weight per vehicle by 2025 in order to comply with future emissions targets. To decrease the weight of the vehicle, OEMs are using new lighter materials. Aluminum is one of the main lightweight materials used by OEMs, as aluminum provides structural support to the vehicle and is lighter than steel. However, there are other materials that are being used for lightweighting purposes such as high-strength steel, magnesium, plastics, composites and carbon fiber. We

believe that aluminum will continue to be one of the OEMs' main choices due to the structural advantages that aluminum has over the previously mentioned materials regarding cost, design flexibility, and mechanical properties.

With respect to aluminum structural and chassis parts, we believe that the main components that will be in demand are shock towers, longitudinal members, and pillar reinforcements. On the other hand, for chassis components the main components that will be in demand are steering housings, knuckles, and control arms.

Electric vehicles penetration. Despite OEMs' move towards lightweighting, traditional lightweighting solutions are not sufficient to meet the needs of manufacturers beyond 2020. As electric vehicles have become more affordable and battery technology has improved, vehicle electrification could be a solution to reach future emission targets. We believe there are several drivers that will promote the use of electric vehicles, including government fuel economy or CO_2 emissions regulations, battery technology developments, electric vehicle availability and affordability, charging infrastructure, and consumer and mobility trends. Electric vehicle propulsion systems have different components when compared to internal combustion engines. The main electric vehicle components are electric motor housing, battery housing and reduction gear housing. Most of these components are made of aluminum complex designs. Many OEMs are shifting their strategies to include electrification as part of their core business.

Global Electric Vehicle Production (M vehicles)



As shown in the graph above, according to IHS Markit, electric vehicle production worldwide has increased by 1.9 million vehicles from 1.0 million vehicles in 2010 to 2.9 million vehicles in 2016. This represents a CAGR of 20%. For future years, IHS Markit has forecasted higher electric vehicle penetration with growth in HEVs, PHEVs, and BEVs.

Development of aluminum blocks for diesel engines. The application of aluminum engine blocks started in gasoline engines in the late 1970s. However, due to the more demanding technical requirements, the substitution of cast iron was very limited in diesel engines until the mid-1990s. In recent years, stricter emission standards applicable to both gasoline and diesel engines have forced automakers to increase the use of aluminum components in diesel engines as well.

We believe the maximum lightweight potential growth of aluminum diesel engine blocks has not yet been reached. While the use of aluminum in diesel engines was previously considered impracticable, recent alloy development and process improvements have made its use possible. As a result, aluminum use in diesel engines continues to advance. However, due to recent developments in the diesel engine market, consumers are shifting towards gasoline vehicles. In this regard, we expect that aluminum penetration in diesel engines will continue but at a slower pace.

Growth in outsourcing by OEMs. Historically, powertrain components have been manufactured by internal or "captive" foundries owned by OEMs. Until recently, OEMs were reluctant to outsource the production of these components on a large-scale basis, primarily because the components are critical parts of vehicles. Therefore, OEMs viewed the cost of failure as too high, and few independent suppliers had established the requisite credibility to obtain outsourced business from OEMs.

Over the past decade, several factors have led OEMs to outsource production of powertrain components to independent producers. Increasingly, OEMs view casting operations as non-core to their business, and some are divesting all or a portion of their casting businesses, primarily through outsourcing arrangements or closing their existing foundry operations. In recent years, Ford and Renault sold a significant portion of their foundry operations. Moreover, the Volkswagen Group and BMW have increased the outsourcing of global powertrain programs to independent foundries.

In addition, converting production capacity from iron to aluminum requires a significant amount of capital investment. Many OEMs determine that they do not have the economies of scale necessary to earn a sufficient return on their investment. In contrast, independent producers invest in aluminum capacity that can be used to service multiple programs and customers, thereby leveraging their economies of scale, while also investing in a broader set of casting technologies to meet the specific needs of their customers. As a result, we believe that independent producers will continue to increase their market share of aluminum powertrain components.

Growth of high volume, global vehicle programs. Over the last decade, OEMs have pursued a strategy of consolidating smaller engine programs to achieve economies of scale and optimization of capital investments, opting for high volume global programs that supply engines for multiple vehicle models. Given the size and scale of these programs, many OEMs have been unwilling to make additional capital investments required to produce aluminum powertrain components for these programs and have outsourced this production to independent producers.

Examples of "high volume, global vehicle programs" include GM's Small Gasoline Engine (SGE), Large Gasoline Engine (LGE) I4 and High Feature V6 engines; Ford's Sigma I4 and Duratec HE I4 engines; FCA's Pentastar V6 engine, the Volkswagen Group's EA211 and EA888 engines; and Renault's K and D engines. We believe the increase in the number of high volume powertrain programs has resulted in significant growth opportunities for the suppliers of these programs.

Engine Downsizing Trend and Alternatives to Internal Combustion Engines

The market for aluminum cylinder heads and engine blocks, particularly in the NAFTA region, is directly affected by the average engine displacement in passenger vehicles. In recent years, engine design trends and customer preferences have shifted towards engines with smaller displacement (engine downsizing). This trend may result in a shift from eight cylinder applications to six cylinders and from six cylinder applications to four cylinders. This downsizing trend may impact component producers' sales volume because it will reduce the number of cylinder heads and engine blocks required. However, this trend may also result in more complex designs and, therefore, a higher value added price for the components. For a discussion of the emergence of alternatives to the internal combustion engine, see "Risk Factors—Risks Relating to Our Business—If the use of aluminum in engine blocks and structural components does not continue to increase, we may not achieve anticipated future growth."

Barriers to Entry and Switching Costs

We believe the following characteristics create favorable industry dynamics for our business:

- **Manufacturing process and casting technology expertise.** Effective manufacturing of cast aluminum engine components is a complex process. The quality of the components produced is dependent on many variables, including the control of the flow of molten metal and the solidification pattern. Improving the quality of the products and reducing scrap requires fine-tuning of the manufacturing process. Consequently, there is a significant amount of expertise involved in the manufacture of cast aluminum powertrain components. We believe the components we produce are of a higher complexity and therefore add higher value when compared to other aluminum castings components such as pistons, instrument panels, intake manifolds, front covers, breaks, aluminum wheels, oil pans and seat frames. This know-how is generally developed over a long period of time. We believe our technological expertise provides us with an advantage when competing for new aluminum programs against competitors.

- **Supplier reliability.** Due to the fact that delivery or quality problems can delay production of multiple vehicle models and result in lost sales and significant incremental costs, OEMs are typically willing to outsource powertrain components only to suppliers that have proven they are able to manage large-scale production launches. We believe that few automotive parts suppliers have the necessary manufacturing process expertise and launch experience to effectively manage major aluminum powertrain programs.

- **High switching costs.** Tooling costs require a significant amount of investment from OEMs and their suppliers. In order to control costs, OEMs and their suppliers typically purchase tooling as needed to meet specific program requirements. Thus, once manufacturing of a component has begun, there is usually no additional tooling or machining capacity available in the industry for another supplier to commence production. Once a program has been awarded to a supplier and development has begun, OEMs incur significant costs to switch a sole source aluminum powertrain component program to a competing supplier. These switching costs relate primarily to the supply interruption costs, including lost net revenues, associated with adopting customized program tooling for the new supplier's equipment lines. Moreover, production launches usually require long lead times and result in significant incremental costs. As a result, switching from a sole source supplier of powertrain components to another supplier could take up to several years and be significantly more expensive for OEMs. Given these costs, OEMs rarely switch from a sole source supplier once a powertrain component program has entered production. We estimate that approximately 85% of our sales volume in 2016 was related to components for which we were the sole source provider.

- **High cost of entry.** Casting aluminum powertrain components requires significant investments in facilities, equipment and product development. We believe that these high capital costs make it difficult for potential competitors to enter the industry.

BUSINESS

Our Company

We are a leading global provider of innovative lightweighting solutions for the global automotive industry in terms of revenue and production capacity, specializing in the development and manufacturing of high-tech, complex aluminum components for powertrain, body and structure applications, and electric vehicle components. We believe that our product portfolio, which consists of cylinder heads, engine blocks, transmission components, structural and electric vehicle components, and other components, enables our customers to reduce the weight and therefore improve the performance and efficiency of the vehicles they manufacture. Weight reduction is a fundamental factor that allows OEMs to comply with stricter global CO_2 emissions and fuel efficiency regulations, as well as an increasing consumer preference for more fuel efficient vehicles. We provide our components primarily as a Tier 1 supplier to OEMs. Our global manufacturing footprint, which consists of 36 modern facilities in 16 countries throughout North America, Europe, South America and Asia, and two additional facilities currently under construction in Mexico and Slovakia, allows us to efficiently serve all major global automotive manufacturers.

For the year ended December 31, 2016, we generated revenue, Adjusted EBITDA and net profit for the period of Ps. 79.2 billion (US$4.2 billion), Ps. 14.8 billion (US$796 million) and Ps. 5.4 billion (US$290 million), respectively. From 2014 to 2016, our revenue, Adjusted EBITDA and net profit for the period grew at a CAGR of 14%, 26% and 26%, respectively. Our total assets as of December 31, 2016 were Ps. 91.9 billion (US$4.4 billion).

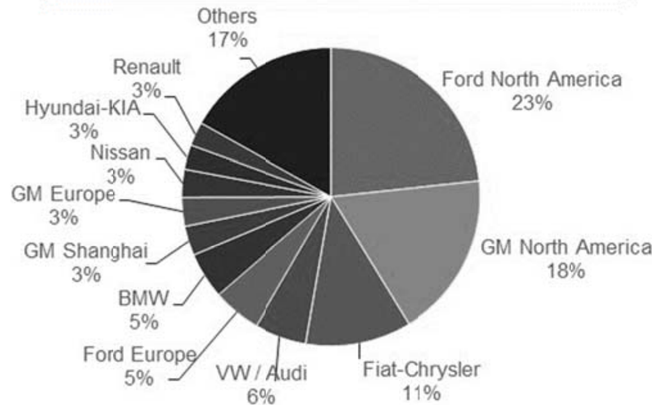
We focus on the production of complex aluminum castings for the automotive industry, primarily for powertrain, structural and electric vehicle components. Powertrain components consist of engine components (cylinder heads, engine blocks and others), transmission (transmission cases, converter housings and others) and electric vehicle components (electric motor and battery housings). Together, the cylinder head and engine block form the main body of the engine. Transmission cases serve as the primary housing for various parts of the transmission system. Structural components are used to integrate the main structure of the body and chassis of the vehicle and include shock towers, longitudinal members, cross members, pillars, door frames, window frames, roof beams and connection tunnels, among other components. E-drives are used in hybrid and electric vehicles and battery housings are used in plug-in hybrid and electric vehicles to enclose the lithium-ion battery packs.

Our products are manufactured using a variety of casting technologies involving the application of molten aluminum to a mold, offering a broad range of advanced casting technologies with complementary machining expertise. We believe this broad range of casting technologies enables us to improve the "co-design" and the production of component parts in partnership with our customers, allowing us to match their design and performance criteria with the appropriate casting technology. We believe that our close collaboration with customers in the early design and engineering phases of product development fosters customer loyalty and provides us with a competitive advantage in securing new business.

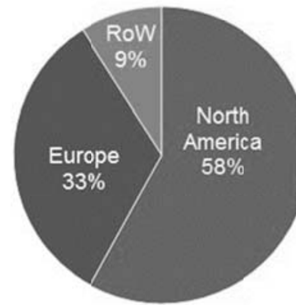
Among our broad customer base, comprised of over 60 customers we supply worldwide, are 10 major global manufacturing groups and their subsidiaries, including: BMW, Daimler, Fiat-Chrysler, Ford, GMC, Hyundai-KIA, PSA, Renault-Nissan, Toyota and the Volkswagen Group. We estimate that, as of December 31, 2016, we supplied over 170 engine, transmission structural and electric vehicle components used in approximately 650 vehicle platforms that are currently in production or under development out of a total of approximately 1,300 existing vehicle platforms worldwide. Our engine and transmission components are primarily sole-sourced and their lifecycle extends over an engine program's life of six to eight years. This lifecycle compares with four years for interior components and two years for body and exterior components.

The following charts show our equivalent volume distribution by customer and revenue by region in 2016:

2016 Equivalent Volume(1)
By Customer



2016 Revenue(2)
By Region



(1) The "other" category includes American Axle, AMG, BBAC, Borg Warner, Bosch, BRP, CAF, CFME, Cummins, Dacia, Daimler, FAW-VW, Ferrari, Fiat, Ford Australia, Ford India, Ford SA, GAC-Fiat, Getrag, GM Holden, GM Korea, GM SA, GM Thai, International, JMC, Köhler, Lombardini, Magna, NEAPCO, Nexteer, Pierburg, Porsche, PSA, Rege, Rotax, Shanghai VW, Tata, Toyota, Volvo and ZBG.

(2) Includes intercompany eliminations such as aluminum supply, machining operations, royalties and trademark fees.

We have a global presence with 58% of our 2016 revenue coming from North America, 33% from Europe and the remainder from the rest of the world. We have over 23,000 employees globally with a presence in high-growth regions, including facilities in North America, Europe and Asia. Our manufacturing facilities are strategically located in close proximity to the leading OEMs in the automotive industry. We place great emphasis on our R&D footprint, which consists of six strategically located modern product development centers around the world, each specializing in a particular casting technology, allowing us to provide our customers with rapid development and implementation of product enhancements. In addition, we own 62 inventions, which comprise 283 patents worldwide, 13 patent applications and 11 trademarks, most of which are registered on a global scale. We have also produced or contributed to more than 250 scientific publications.

Our sales are driven by the number of vehicles produced by the OEMs, which ultimately depends on consumer demand for automotive vehicles. Ten global parent groups (Ford, GMC, Fiat-Chrysler, the Volkswagen Group, Hyundai-KIA, BMW, Renault-Nissan, PSA, Toyota and Daimler) accounted for 93% of our sales volume in 2016.

We believe our broad range of products, global footprint, modern facilities, leading OEM customer base, advanced R&D capabilities, experienced management team and industry leadership position us well for continued above-market growth and margin expansion opportunities.

Our History and Recent Accomplishments

We were incorporated in Mexico in 1979 with the purpose of manufacturing high-tech, complex aluminum components for the automotive industry. We began operations in Mexico in 1981, producing cylinder heads for Ford. By 1985, Chrysler and GMC had joined our customer group. In search for additional growth opportunities in the aluminum casting sector, we began producing aluminum engine blocks in 1999.

In 2000, we acquired two aluminum casting plants from Ford located in Windsor, Canada: the Windsor aluminum plant dedicated to the production of engine blocks and the Essex aluminum plant dedicated to the production of cylinder heads. This was our first experience in acquiring and integrating an external facility and was essential in providing the necessary experience for future M&A growth opportunities.

In 2001, as part of our strategy to increase our global footprint, we started operations in the Czech Republic in a new greenfield facility dedicated to the production of cylinder heads. This facility was strategically constructed to offer our European customers our ROTACAST™ technology.

In 2005, we completed the acquisition of Rautenbach. This acquisition provided us with strategic manufacturing locations in Slovakia and Germany which enabled us to expand our technology portfolio by adding ROTACAST™ technology and further enhanced our cylinder head and engine block manufacturing capabilities in Europe. In addition, this acquisition was an important opportunity to diversify our customer portfolio by incorporating key European OEMs such as the Volkswagen Group, Daimler, and Porsche.

In 2007, we continued with our consolidation strategy by completing the acquisitions of three global suppliers:

- **Hydro Aluminum casting operations**. This acquisition included four modern plants located in Austria, Germany, Hungary, and Sweden (which we divested in 2009), which already supplied key European OEMs such as Audi, BMW, Daimler, Ford, GM of Europe and Renault. Three of these facilities are dedicated to the production of high-tech aluminum components for the auto industry such as engine blocks and cylinder heads. With the acquisition of Hydro Aluminum casting operations, a business unit of Norsk Hydro, we addressed a strategic objective by expanding our European footprint and diversifying our customer base. This transaction increased our technology portfolio, incorporating specialized casting processes for engine block production known as like Sand Package.

- **Teksid Aluminum casting operations**. This transaction involved the acquisition of strategic assets located in Mexico, the United States, Brazil, China, Poland and Argentina, comprising nine manufacturing facilities. This acquisition reinforced our global leadership position in the industry, allowing us to expand our customer base to incorporate Asian companies such as Nissan, Hyundai and Toyota, as well as European manufacturers such as Fiat Chrysler and PSA. Additionally, this transaction allowed us to solidify our presence in the North American market by acquiring facilities in Alabama and Tennessee in the United States and Monclova, Mexico; to acquire a leading position in the South American market with facilities in Betim, Brazil and Cordoba, Argentina; as well as to gain a strategic foothold in the fast-growing Chinese market with a facility in Nanjing, China. This acquisition accelerated our global expansion into Asia and provided us with access to Asian OEMs such as Chery, Dong Feng and Chongqing Chang'an Automobile. Finally, the acquisition also complemented our engine block technology portfolio with the addition of High Pressure Die Casting (HPDC) technology, a casting process preferred by OEMs in the manufacturing of engine blocks for small engines.

- **Castech**. This acquisition included high-tech, modern facilities focused on cylinder head and engine block production located in Mexico, close to our headquarters in Monterrey, Nuevo León, Mexico. Through this acquisition from Grupo Industrial Saltillo (GIS), we integrated Castech's highly-trained staff, gaining an increased presence in North America.

In 2010, we built a new facility in India in order to supply aluminum components to local customers such as Ford of India and Tata Motors Group, as well as to capitalize on future growth opportunities with other OEMs in one of the fastest growing automotive markets in the world. This new facility became operational in 2012 and has the capacity to manufacture aluminum cylinder heads and engine blocks.

In 2012, we built a new facility in Chongqing, China, our second plant in China. This facility became fully operational during the first quarter of 2014 and has the capacity to produce aluminum cylinder heads, engine blocks, and transmission components for local customers such as Chang'an Ford Automobile Co., LTD (CAF) and global OEMs such as Ford, Daimler, Audi, and Fiat-Chrysler. This expansion allowed us to continue capturing market share in China. This facility is expected to also have the capability to produce structural components in the future.

In 2012, we acquired J.L. French, one of the major HPDC suppliers in the automotive industry. The acquisition included four modern facilities located in the United States and in Spain, which produce engine blocks, transmission cases, and other components. As a result of this acquisition, we expanded our product and technology portfolio, while at the same time increasing our technological know-how in HPDC. On June 24, 2014, J.L. French merged into Nemak USA Inc.

In 2014, we completed the construction of a machining facility in Mexico, marking an important step in our machining strategy. Furthermore, we established a product development center in Poland to develop structural components, which will support our global structural components program launches. We also announced the construction of a new HPDC facility in Mexico, which will have the capability to produce blocks, transmission components and structural components. We estimate the facility will have the capacity to produce 2.2 million components per year and we expect production to begin during the second quarter of 2017.

In 2015, we officially inaugurated our first plant in Russia located in Ulyanovsk, the 35th facility in our system, where we are now producing cylinder heads and engine blocks for gasoline applications to supply the Volkswagen Group in that country. The plant has an annual capacity of 600,000 parts and required an investment of approximately US$60 million. We also completed an initial public offering of our shares in Mexico and a private offering of shares in international markets in 2015.

In 2016, we successfully completed the acquisition of Cevher Döküm, an aluminum castings supplier located in Izmir, Turkey, mainly focused on the production of cylinder heads and other powertrain components. This acquisition further enhanced Nemak's global manufacturing footprint as well as its core business. We also announced the construction of a new facility in Slovakia, adjacent to our current production site. This will be the third facility in our system with the capability to produce structural components. We plan to invest US$55 million and expect to start operations in 2017.

Competitive Strengths

- ***Leading position as a lightweight solutions company.*** We are a leading global independent manufacturer of high-tech, complex aluminum components for the automotive industry in terms of revenue and production capacity. The complex aluminum components market has considerable barriers to entry and our large operations result in significant economies of scale for us and cost reduction opportunities for our customers. We believe that one out of every four new light vehicles sold worldwide includes one of our components. OEMs have recently been increasing the outsourcing of these types of products in an effort to reduce their costs. The majority of aluminum cylinder heads and engine blocks for light vehicles not produced by us are manufactured by the OEM's internal foundries. See "Industry—Growth Opportunities for Worldwide Production—Growth in outsourcing by OEMs." The structural and electric vehicle components markets represent an important avenue of growth for aluminum castings that we believe will enable us to position ourselves as a lightweighting solutions partner for OEMs.

- ***Broad portfolio of casting technologies with high quality standards.*** We offer a broad and advanced portfolio of aluminum casting technologies which we believe are superior to those offered by most other independent manufacturers of aluminum components. Due to the broad range of major casting technologies that we provide, we believe that we are in an ideal position to partner with OEMs to co-design, engineer, and test components and that our broad and advanced portfolio of technologies will enable us to capture a larger portion of growing markets for aluminum engine blocks, complex automatic transmissions, and structural and electric vehicle components. Our main technologies include: Gravity Semi-Permanent Mold (GSPM), ROTACAST™, Sand Package, Low Pressure Die Casting (LPDC), High Pressure Die Casting (HPDC), Lost Foam and Tilt Casting. In contrast, based on our research, we believe that most of our competitors generally focus on one or two of the major casting technologies, and only a few of the large, independent competitors have the capacity to provide as many as three of the primary aluminum casting technologies. We have received numerous accolades from our customers, recognizing our high quality standards, including, among many others: Ford's World Excellence Award (2016); Volvo's Quality Excellence Award (2016); Nexteer's Perfect Quality Award (2016); BMW's Supplier Innovation Award (2016); Daimler's Innovation Award (2015); Ford's Q1 Award (2014); the Volkswagen Group's Product Quality Award (2014); Renault's Quality Supplier Award (2014); GMC's Quality, Service, Technology and Price (QSTP) Award (2010) and Porsche's Supplier Award (2001).

- ***Leading product development capabilities supported by skilled workforce.*** Product development is a key part of our business and we have invested on average 1% of our annual revenue in research and development over the last three years. We have product development centers which are strategically located near our customers' engineering centers which enable us to work together with the OEMs on the design and development of our components. We co-design our components with multiple OEMs, allowing us to

provide added value and to participate in new programs at an early stage of development. We are fully committed to continuing to develop our product launching capabilities, which enable us to launch over 150 programs per year. We have over 400 employees dedicated to this task and an additional 500 employees indirectly involved in product development. As of December 31, 2016, we had approximately 19,000 hourly employees and approximately 4,100 salaried employees in 16 countries. Over 95% of our full time employees have an engineering degree and 20% have a Masters or PhD degree. Our talent management system has allowed us to identify and retain key individuals, which has been critical in developing and retaining a diverse and highly skilled workforce. This enables us to maintain our position as a technological leader in the automotive aluminum foundry industry. As a result of our significant investments in R&D, we own 62 inventions, which comprise 283 patents world-wide, 13 patent applications and 11 trademarks, most of which are registered on a global scale. We have produced or contributed to more than 250 scientific publications, which we believe provide a distinct competitive advantage.

- ***Solid customer relationships offering diversified revenue streams.*** We believe that early participation in the conceptual design process through simultaneous engineering enables us to develop strong, long-term customer relationships and provides a significant barrier to entry to our competitors. We estimate that approximately 85% of our sales volume in 2016 was related to components for which we were the sole source provider to our customers. We believe that the switching costs for the production of our components are relatively high because of (i) proprietary technology and (ii) high interruption costs for a customer that switches from one supplier to another. Furthermore, we have a strong track record of securing business from our existing customers, as our rate of securing replacement business for the period from 2013 through 2016 was approximately 88% of our current business. We have a geographically diverse base of customers, with average existing customer relationships of over 20 years. We estimate that we currently supply more than 170 engine, transmission, structural and electric vehicle components to more than 60 customers worldwide including 10 major global OEMs. In 2016, 58% of our revenue was derived from our operations in North America, 33% from Europe and the remainder from the rest of the world. This diversity reduces our exposure to the failure of any single vehicle model or platform and to fluctuations in demand from a particular OEM or a particular geographic region.

- ***Modern facilities with a global footprint near key customer sites.*** We have 36 modern facilities operating in 16 countries throughout North America, Europe, South America, and Asia, and two additional facilities currently under construction in Mexico and Slovakia. Most of our facilities are strategically located close to our customers' plants, a key factor in reducing transportation costs and allowing just-in-time delivery of components. We believe our global footprint helps us to best serve our customers regionally as they look for suppliers who can manufacture key components in their major business regions with global consistency. During the last seven years we have launched several greenfield projects, including our facilities in India, Chongqing in China, Russia, Mexico, and Slovakia.

- ***Proven track record of growth and financial resilience.*** Since the beginning of our operations, we have been able to grow both organically and inorganically through selected acquisitions, such as those of Ford's casting facilities, Rautenbach, J.L. French, selected facilities from Teksid and Cevher Döküm. From 1993 to 2016, our revenue and Adjusted EBITDA grew at a CAGR of 18% and 19%, respectively. During the same period, our revenue grew from Ps. 0.3 billion (US$87 million) in 1993 to Ps. 79.2 billion (US$4.2 billion) in 2016 while our Adjusted EBITDA grew from Ps. 49 million (US$16 million) in 1993 to Ps. 14.8 billion (US$796 million) in 2016.

- ***Experienced management team and strong shareholder base.*** Our senior management team has an average of 22 years of experience in the aluminum casting industry. We believe that our team has substantial depth of knowledge in critical operational areas and has demonstrated success through adverse industry cycles in reducing costs and integrating business acquisitions. We are 75.24% owned by Alfa, one of Mexico's largest public companies based on revenue, and 5.45% owned by Ford, one of the largest OEMs in the world. We believe the participation of Ford in our shareholder structure allows us to be at the forefront of the latest industry trends and customer needs.

Business Strategy

Our business strategy is based on maintaining our position as a leading lightweighting solutions company by leveraging our technological capabilities, global footprint, human capital, operational excellence, innovation and customer focus and capitalizing on industry trends. We believe that maintaining high quality standards and successful product launches will position us as a key supplier for our customers in order to capture replacement programs and new opportunities.

- ***Maintain our leading position in the complex, high value-added aluminum components market.*** Powertrain components such as cylinder heads, engine blocks, and complex automatic transmission components require a high degree of manufacturing complexity. Customers are developing increasingly complex casting designs which require modern manufacturing processes and advanced technical expertise. The increasing number of casting and machining steps and the continuously changing processes required to manufacture these components have significantly increased the added value of aluminum components over time. Our objective is to drive organic growth in high value-added products with high barriers to entry and superior margins and benefit from the increased use of aluminum in the manufacturing of automotive parts. We will seek to maintain and strengthen our relationship with OEMs by working together in the design and development of complex, high value-added aluminum components allowing us to maintain our leading position.

- ***Drive growth through aluminum penetration in engine blocks.*** We plan to continue capturing new business in aluminum engine blocks, which we believe are relatively high-margin and high-growth products. Engine blocks are among the heaviest automotive components that have not fully transitioned from cast iron to aluminum. We anticipate that aluminum engine blocks will continue to represent a growing percentage of all engine blocks manufactured given the fuel efficiency trend.

- ***Increase focus on rapidly developing regions to best serve our customers globally.*** While we will continue to focus on capturing market share in our core markets, countries like China (the largest automotive market in the world), India, and Russia provide attractive growth opportunities given that most of our main customers have built or plan to build manufacturing plants in these countries. Although GDP growth in such countries has slowed down over the past few years, the expansion of our customers' business in these countries continues to provide us with development prospects in the long-term. We believe that OEMs are increasingly developing global high-volume powertrain programs and that our modern facilities and global footprint position us to better and more efficiently respond to the requirements of such programs. We plan to continue investing in these developing regions and leverage this global scale in the future as we focus on growth opportunities in these markets. For example, our facility in Chongqing, China became fully operational during the first quarter of 2014, and our new facility in Russia became fully operational during the fourth quarter of 2015.

- ***Continue to invest in human capital development.*** We expect to continue investing in attracting, developing and retaining the best human capital through our talent management system. Furthermore, we plan to continue to maintain and improve our efficient working environment, while offering career development opportunities to our employees in order to motivate and retain them.

- ***Capitalize on the lightweighting trend by securing a leading position in structural components.*** Weight reduction is a key component for automakers to comply with stricter CO_2 emissions and fuel economy regulations. Structural components are increasingly being manufactured from aluminum instead of steel given the significant weight reduction that OEMs obtain by using this material. We estimate that a large number of structural components in vehicles that are currently built with steel or other materials will be replaced with aluminum components over the next decade. According to our estimates, based on the shift from steel to aluminum in certain vehicle platforms and applications, the aluminum structural components market will continue to grow. We believe we are well-positioned to take advantage of the shift from steel to aluminum structural components and capture part of this growth to become a leading player in this growing segment, given the technical expertise we have developed in recent years. Since the beginning of 2014, we have been awarded six high volume structural components contracts worth over US$160 million in revenues from four major premium OEMs. We continue to execute our strategy of improving our

technological base by expanding our structural component product development centers in Poland and Mexico and by establishing an engineering team in Germany and Mexico.

- ***Capture a leading position in new electric vehicle components.*** As emission regulations tighten and battery technologies advance, we believe electric vehicles are becoming an important avenue of growth for the automotive market. These vehicles include new components such as electric motor and battery housings. As OEMs are making efforts to minimize vehicle weight, we believe these components are viable candidates to be produced as aluminum castings. We believe we are well-positioned to capture a segment of this new market with our product offerings. As of December 31, 2016, we have successfully secured three main programs to produce electric motor and battery housings from two major premium OEMs. We believe our technological portfolio and global footprint will enable us to be an important competitor in this market and meet our customers' requirements.

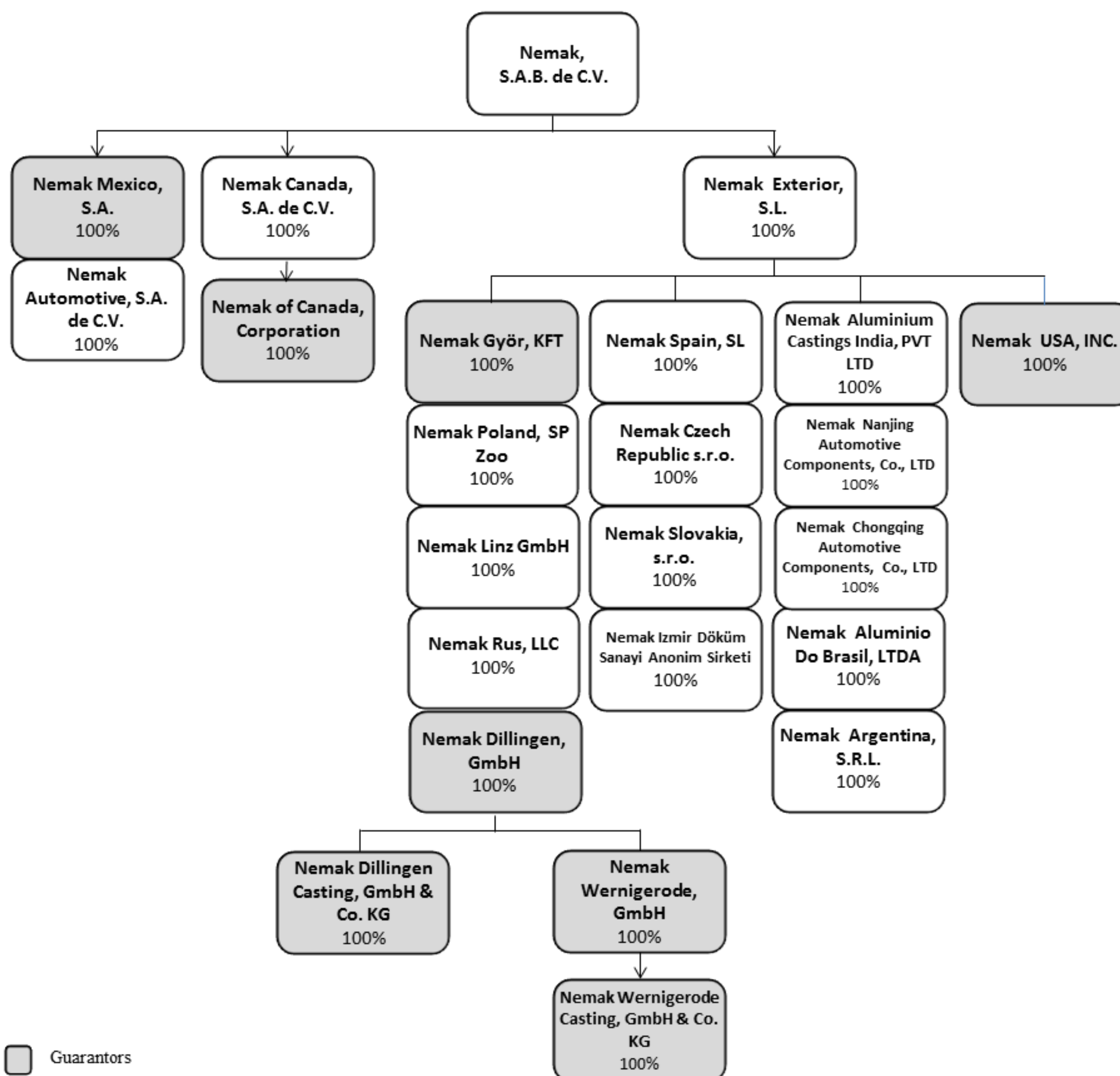
- ***Integrate vertically into higher value-added operations such as machining and subassembly of components.*** We are continuously expanding our product and technology offerings while vertically integrating into higher value-added operations, such as machining and subassembly of components, as customers are constantly looking for suppliers that can provide a more comprehensive array of products and solutions. We believe that integrating downstream into machining and subassembly operations will allow us to achieve operational efficiencies and to respond faster to our customers, while protecting our Tier 1 position and strengthening our relationships with our customers. In 2007, 73% of the components we produced were machined in-house, and this amount decreased to approximately 54% in 2016. Through renewed investment in this area, we anticipate outsourcing less of our machining of components and we believe that we will reach a 70% in-house machining target by 2020. As a result, we believe that machining and subassembly operations will provide us with the opportunity to increase our Adjusted EBITDA.

- ***Continue growing through strategic M&A processes.*** Although we currently do not have any understandings or agreements regarding acquisitions, we may selectively pursue complementary strategic acquisitions that allow us to leverage the marketing, R&D, manufacturing and technology strengths of our existing business and create value for our shareholders. Our past acquisitions have enabled us to become a global supplier with the capability to offer high-tech aluminum components for complex powertrain systems. In addition, these acquisitions have allowed us to diversify our revenue base by customer, geography and/or product offerings and achieve meaningful synergies. We are confident that our evaluation criteria allows us to be selective in our M&A processes, as we evaluate each company according to its portfolio attractiveness; process, customer, and regional diversification; potential synergies; and technical expertise.

Corporate Structure

The Issuer is a publicly traded variable capital stock corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico. We were originally incorporated under the name "Acciones Corporativas de Mexico, S.A. de C.V." and later changed our corporate name to "Tenedora Nemak, S.A. de C.V." On June 15, 2015, the Issuer adopted its current corporate form and its name was changed to Nemak, S.A.B. de C.V.

The following chart summarizes our corporate structure as of the date of this offering memorandum, including our main subsidiaries and our direct or indirect percentage ownership in them:



Corporate Information

On June 30, 2015, we completed an initial public offering in Mexico and a private offering of shares in the international markets. We issued a total of 594,832,845 shares (including the exercise of an overallotment option) at an offering price of Ps. 20.0 per share, for a total of Ps. 11,897 million. We are 75.24% owned by Alfa, one of the largest public companies in Mexico based on its 2016 revenue, 5.45% owned by Ford, one of the largest automotive companies in the world, and 19.31% of our shares are publicly traded. Alfa is publicly listed and traded on the Mexican Stock Exchange and Latibex, the market for Latin American shares of the Madrid Stock Exchange. Alfa conducts its operations in 27 countries through five business units: (i) Alpek, S.A.B. de C.V. (one of the world's largest producers of polyester (purified terephthalic acid (PTA)), polyethylene terephthalate (PET) and polyester fibers), which also leads the Mexican market in polypropylene, expandable polystyrene (EPS) and caprolactam; (ii) Sigma Alimentos, S.A. de C.V. (an important producer, marketer and distributor of foods through recognized brands in Mexico, the United States, Europe and Latin America); (iii) Nemak, S.A.B. de C.V. (a leading provider of innovative lightweighting solutions for the automotive industry, specializing in the development and manufacturing of aluminum components for powertrain and body structure), which represented 27% of the consolidated revenue of Alfa for the year ended December 31, 2016; (iv) Axtel, S.A.B. de C.V. (a provider of information technology and

communication services for the enterprise, government and residential markets, through its Alestra and Axtel brands) and (v) Newpek, S.A. de C.V. (a company in the hydrocarbons industry in Mexico and the United States). Ford is a publicly listed company with its stock traded on the New York Stock Exchange. Ford designs, manufactures and distributes automobiles across six continents and also provides financial services for vehicle loans.

Our corporate offices are located at Libramiento Arco Vial Km. 3.8, 66001 García, Nuevo León, México. Our corporate website address is www.nemak.com. We do not incorporate the information available on our corporate website into this offering memorandum, and you should not consider it part of this offering memorandum.

Automotive Components

We specialize in producing innovative lightweighting solutions, including highly complex aluminum automotive components in three main categories: powertrain, structural and electric vehicle components. Powertrain components consist of parts of the engine (cylinder heads, engine blocks and others), and transmission components (gearboxes, converter boxes and others). Structural components make up an automobile's structure and chassis (pillars or posts, suspension bars, door structures, crossbars, motor brackets, suspension arms and others). Electric vehicle components consist of electric motor components (electric motor housings) and battery housings.

For the years ended December 31, 2016, 2015 and 2014, the majority of our revenue was generated from the sale of powertrain components; we started our structural and electrical vehicle components production in 2016. Below is a description of the key components we offer.

Cylinder Heads

The cylinder head is the most complicated casting in an engine. Its intricate design incorporates multiple passages for intake and exhaust of gases to and from the combustion chamber. It also holds cooling passages for the adequate transfer of heat. The cylinder head is where combustion takes place, which makes it one of the most critical parts of an engine. The cylinder head holds other components such as camshafts, spark plugs, valve seats, and injectors. All in-line configuration engines require one cylinder head, while "V," "H" and "W" configuration engines require two.

Engine Blocks

The engine block is the largest casting component of the engine system and houses all of the operating components of the engine, including pistons and rods. Together with the cylinder head, it forms the main structure of an engine. Every internal combustion engine requires one block.

Transmission Components

Transmission components serve as the primary housing for various parts of the automotive transmission system, including the clutch, gears, transfer cases, and timing chain covers. A majority of our transmission programs are for complex automatic transmission cases. We produce these components by utilizing HPDC technologies in dedicated automated production lines.

Structural Components

Structural components support a vehicle's powertrain, suspension and body, while carrying and protecting the occupants. They integrate the body and chassis of the vehicle. These components may be produced in aluminum, steel or magnesium. Structural components include shock towers, longitudinal members, cross members, pillars, door frames, window frames, roof beams, and connection tunnels, among others.

Electric Vehicle Components

The main electric vehicle components are e-drive housings, battery housings and gear reduction housings. The e-drive housing is one of the main components of an electric motor. These housings are composed of several aluminum components, including outer and inner housings. Electric motors are used in HEVs, PHEVs and BEVs. In the case of PHEV, an internal combustion engine is used to extend the range of the vehicle. The battery housing is

one of the main components of the battery system, and protects and serves as a support structure for the battery, as well as the vehicle in some cases. The gear reduction housing serves as a transmission housing in an electric vehicle.

Other Components

Other aluminum components that we produce include bedplates, oil pans, front covers, housings, and covers among others. Bedplates are placed below the engine block to house the crankshaft; oil pans are attached to the bottom of the crankcase and collect the oil below the engine; front covers are used to house the timing chain which connects the crankshaft to the camshaft; and housings and covers are parts that are used to protect specific parts or systems of the vehicle.

Casting Technologies

Our capabilities and experience with a broad portfolio of casting technologies enable us to understand the benefits and challenges associated with each available option. This knowledge allows us to specifically match the customer's design and performance objectives with the appropriate casting technology and we believe positions us as a more attractive supplier than our competitors. Based on our research, we believe that most of our competitors generally focus solely on one or two of the major casting technologies and only a few of the large, independent competitors have the capability to provide as many as three of the primary aluminum casting technologies, while we are capable of utilizing all of the following aluminum casting technologies:

Gravity Semi-Permanent Mold (GSPM)

GSPM is the leading aluminum casting technology for the production of cylinder heads. Steel molds are employed as receptacles for molten aluminum and one-time-use sand cores that form the internal shape by creating hollow areas. Semi-permanent mold technology is a relatively cost-effective casting technology for a large number of engine components.

ROTACAST™

ROTACAST™ technology uses the same principle as the GSPM process, but the pouring is controlled not by a robot, but by the rotation of the entire mold which has the liquid aluminum in the bottom of the mold. As the mold rotates, the aluminum flows at a controlled rate that fills up the entire mold. Although it is less productive than the typical GSPM process due to longer cycle times, the mechanical properties of the finished product are far superior, thus making it the process of choice for cylinder heads for high-performance engines of premium OEMs.

High Pressure Die-Casting (HPDC)

In HPDC, molten aluminum is injected into a chamber, and a steel piston pushes the aluminum into a water-cooled steel die cavity at a high speed. This casting technology is characterized by a high productivity rate due to short cycle times. It is particularly suitable for high volume production of cast components with relatively simple shapes, such as small engine blocks, transmission cases, front covers, oil pans, structural and electric vehicle components.

Sand Package

Sand Package casting technology uses sand cores and molds. Sand Package is particularly well suited for thin V-engine blocks. Similar to low pressure die-casting ("LPDC"), molten aluminum is pumped into the molds to attain greater density and a better shape. Sand Package is a good alternative to HPDC when the latter cannot be used due to the specific performance requirements of the components or complex geometrical design.

Low Pressure Die-Casting (LPDC)

This casting technology uses manufacturing processes similar to those used for GSPM, except that molten aluminum is slowly pumped into the mold from holding furnaces. LPDC produces a more consistent component than other casting technologies do because the metal attains greater density, which results in fewer voids and cavities in the component. This casting technology is particularly cost-effective when the geometrical complexity of the component is significant, as it is in cylinder heads, chassis and suspension components.

Lost Foam

For this casting technology, a styrene foam replica of the component to be produced is packed into sand. Molten aluminum is then poured onto the foam in the sand mold. The foam evaporates, and the aluminum fills the void left by the foam. This manufacturing process is capable of producing highly complex and integrated components in "near net-shape." Since it allows OEMs to eliminate the need to assemble various parts, the Lost Foam process can reduce the total unit cost of the components to the OEMs.

Tilt Casting

For this casting technology, the metal is poured into a holding cup while the mold is in its horizontal position. Then the casting machine raises to a vertical position, allowing the metal to enter the die cavity at a slow, continuous pour rate. The tilt casting method provides good feed/gate flexibility, which allows for a wide variety of casting shapes, as required mainly in the production of cylinder heads.

Research and Development

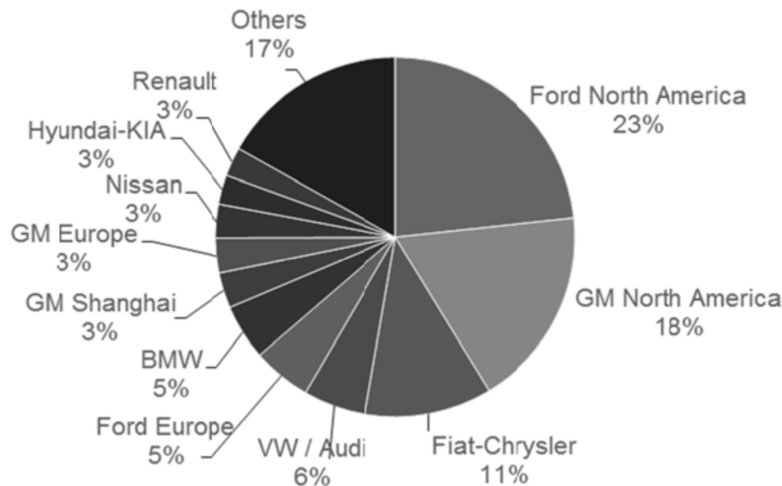
We have an R&D strategy with six Product Development Centers ("PDCs") throughout the world, each specializing in a particular casting technology, which are located in: Monterrey (GSPM, LPDC), Canada (Cosworth), Dillingen (CPS), Wernigerode (GSPM), Linz (ROTACAST™), and Poland (HPDC). All PDCs focus on the development of commercially viable casting technologies and improvement of existing ones. In 2016, R&D expenses were 1% of our revenues, and we employed over 400 dedicated R&D personnel. We intend to continue investing in the design, development and testing of new components and casting technologies, which we believe will continue to set us and our products apart from our competitors.

Customers

Our customer base is diversified and includes many of the major global OEMs. Our supply relationships are typically sole source and extend over a program's life, which is generally from six to eight years.

The chart below shows our equivalent volume distribution by customer in 2016.

Nemak Equivalent Volume Distribution by Customer in 2016[(1)]



(1) The "other" category includes American Axle, AMG, BBAC, Borg Warner, Bosch, BRP, CAF, CFME, Cummins, Dacia, Daimler, FAW-VW, Ferrari, Fiat, Ford Australia, Ford India, Ford SA, GAC-Fiat, Getrag,

GM Holden, GM Korea, GM SA, GM Thai, International, JMC, Köhler, Lombardini, Magna, NEAPCO, Nexteer, Pierburg, Porsche, PSA, Rege, Rotax, Shanghai VW, Tata, Toyota, Volvo and ZBG.

When we are selected as a supplier for a new component, we typically enter into a memorandum of understanding or letter of intent with the OEM. These memoranda of understanding and letters of intent contain general terms regarding the development and production of a component or engine program and the expected volumes over the life of the program. Once production begins, OEMs generally provide purchase orders that contain the commercial and delivery terms for components to be supplied to the customer over a short-term period. Purchase orders for components usually provide for the supply over a short-term period of all or a specific portion of the customer's component requirements for a specific program. Purchase orders for pre-production series or samples usually provide for the purchase of a specific quantity of components. Our customers reserve the right to terminate purchase orders unilaterally. In addition, in most cases, the value-added portion of the component price declines over the course of the program as we pass through to our customers the benefit from expected increases in our production efficiency over the life of the program.

We have solid customer relationships, with average existing customer relationships of over 20 years.

Distribution Channels

We deliver most of our products directly to our customers' auto plants and there are no special packaging or transport requirements. Most of our sales are free-on-board so our customers bear the insurance and transportation costs. Due to the particular requirements of certain of our customers, some of our products are delivered at border or maritime discharge crossing points.

Cylinder heads and engine blocks produced in Mexico and destined for North America are transported exclusively by land, with an average time of delivery of approximately 18 hours in Mexico and 3 days in the United States and Canada. Our products destined for Europe or Australia are shipped overseas with an estimated time of delivery of approximately six weeks. Cylinder heads and engine blocks produced in the United States and Canada are primarily destined for customers within the U.S. market and are transported exclusively by land, with an average time of delivery of less than 24 hours.

Our products made in Europe destined for the local market are transported either by cargo trucks or train depending on the plant to which it is being delivered. The estimated time of delivery may vary depending on the region and ranges between one and three days. Products made in Europe are exported to other regions by ship. Our products produced in South America are transported by land when destined for the domestic market and are shipped overseas when exported to other regions. Our products produced in Asia are transported by land when destined for the domestic market.

Material Source and Supply

The primary raw material we use in the manufacturing of our products is aluminum alloy, which is generally available from a variety of sources as well as produced in-house at our melting facilities. Other than aluminum alloy, the most significant commodities for our manufacturing process are electricity and natural gas. The balance of our materials are auxiliary materials such as resins, coatings, sands, glues, salts, cast iron liners for engine blocks, and indirect materials such as maintenance materials and spare parts.

Our facilities worldwide are supplied by different sources of aluminum; some facilities in Mexico and the United States use internal melting centers and the rest of our facilities are supplied by diverse sources. These suppliers provide just-in-time delivery of molten aluminum directly to our plants. Some of our facilities have entered into long-term agreements with aluminum alloy suppliers for a percentage of their internal demand, while purchasing the remaining demand on the spot market in order to react to trends in the aluminum alloy markets. Although all of our contracts with OEMs allow for the pass-through of aluminum alloy price fluctuations to minimize the risks related to variations in the market price of aluminum alloy, there may be a time lag in passing through such fluctuations to the OEMs. In some regions we rely on a limited number of suppliers for the sourcing of aluminum. This is done for cost efficiency purposes and it would not preclude us from acquiring aluminum from other sources in the event that any of our single source suppliers were to encounter problems in meeting our requirements. We believe alternative sources of aluminum are available in such regions.

As of December 31, 2016, we had approximately 780 aluminum suppliers. We do not believe we depend on a single aluminum supplier, but among our most important aluminum suppliers are: Aleris Corp., Aluminac Comercio, Affinage de Lorraine, Alumetal Corp., Bermco Aluminum, Talum and Alcoa.

Aluminum is considered a commodity and we annually purchase approximately 850,000 tons of aluminum. The price of aluminum is indexed to the international markets, primarily the London Metal Exchange (LME), Platt's Metals Week (MW) and WirtschaftsVereinigung Metalle (WVM), which have a daily quoting.

Competition

We compete with a number of independent manufacturers and internal foundries owned by some of the OEMs on a regional and global basis. The independent suppliers include Linamar, Martinrea Honsel, and Ryobi in North America; Linamar, Martinrea Honsel, Georg Fischer, KS Aluminum and Magna Cosma in Europe; Teksid Aluminum, FBA, Magal, WHB and Italspeed in South America; and several local suppliers in Asia such as KPSNC, Ruiming, DongSeo, Daerim, Jaya Hind and Ryobi. Some of our OEM customers are vertically integrated and have internal aluminum casting foundries; although competition with internal foundries is customarily limited to programs for the same OEM. We compete primarily on the basis of co-design and product development capability, technology, price, geographic scope, and reputation for quality and delivery.

Environmental Regulation

We are subject to numerous foreign, federal, state and local environmental, health and safety laws, regulations and official standards governing, among other things, land use and construction licenses, environmental impact and risk, the generation, storage, handling, use and transportation of hazardous materials and wastes, the responsible use of water, the emission and discharge of hazardous materials into the ground, air or water, and the health and safety of our employees. We are required to obtain environmental permits for many of our operations from governmental authorities at the federal, state and local level. These authorities can modify or revoke our permits and can enforce compliance through fines, injunctions, or closure for non-compliance. We cannot assure you that we have been or will be at all times in complete compliance with such laws, regulations and permits. If we violate or fail to comply with these laws, regulations and permits, we could be fined, closed or otherwise sanctioned by regulators. We could also be held liable for any and all consequences arising out of human exposure to hazardous substances or other environmental damage, including any investigation and remediation of contamination.

Certain environmental laws assess liability on current or previous owners or operators of real property for the cost of removal or remediation of hazardous substances or waste. In addition to remediation actions brought by federal, state and local agencies, plaintiffs could raise personal injury or other private claims due to the presence of hazardous substances or waste on a property. Certain environmental laws, particularly those in the United States, impose liability even if the owner or operator did not know of, or was not responsible for, the release of hazardous substances or waste. In addition, persons who arrange for the disposal or treatment of hazardous substances or waste may be responsible for the cost of removal or remediation of these substances, even if such persons never owned or operated any disposal or treatment facility.

Intellectual Property

As of December 31, 2016, we owned 62 inventions, which comprised 283 patents world-wide, 13 patent applications and 11 trademarks, most of which are registered on a global scale, and we have produced or contributed to more than 250 scientific publications. As of the date of this offering memorandum, all of our patent and trademark registrations are in full force and effect, and we expect to renew the registration of our trademarks as they expire. We consider our patents, patent applications, licenses, trademarks and trade names to be valuable. We do not believe, however, that a loss of any of these rights would have a material adverse effect on our business. We sell many of our products under a number of registered trademarks, which we believe are widely recognized in the sales channels we serve. We do not believe that any single patent, trademark or trade name is material to our business as a whole.

Facilities

Our corporate headquarters are located in García, Nuevo León, Mexico. As of December 31, 2016, we had an estimated molding production capacity of approximately 60 million equivalent units, and 36 production plants at 23

sites in 16 countries, and two additional facilities under construction in Mexico and Slovakia, as shown in the table below.

Site (Location)	Region	Plants	Capabilities	Age	Size (m^2)
Monterrey (Monterrey, Nuevo León, Mexico) (1)	North America	7	Cylinder Heads, Blocks, Trans and Struct. Comp.	33	250,324
Saltillo (Ramos Arizpe, Coahuila, Mexico)	North America	2	Cylinder Heads, Blocks	16	42,500
Monclova (Monclova, Coahuila, Mexico)	North America	2	Cylinder Heads, Blocks	13	21,600
Tennessee (Dickson, Tennessee, U.S.)	North America	1	Cylinder Heads	28	26,700
Alabama (Sylacauga, Alabama, U.S.)	North America	2	Blocks	11	27,730
Wisconsin (Sheboygan, Wisconsin, U.S.)	North America	2	Blocks, Trans	20	57,136
Kentucky (Glasgow, Kentucky, U.S.)	North America	1	Trans, Others	15	42,271
Canada (Windsor, Ontario, Canada)	North America	1	Blocks	23	24,000
Brazil (Betim, Minas Gerais, Brazil)	South America	2	Cylinder Heads, Blocks and Trans	39	100,824
Argentina (Córdoba, Argentina)	South America	1	Cylinder Heads, Others	39	8,900
Dillingen (Dillingen, Saarland, Germany)	Europe	2	Cylinder Heads, Blocks	23	63,300
Czech Republic (Most, Czech Republic)	Europe	1	Cylinder Heads	16	24,565
Györ (Györ, Györ -Moson-Sopron, Hungary)	Europe	1	Cylinder Heads	22	24,900
Linz (Linz, Oberösterreich, Austria)	Europe	1	Cylinder Heads	33	13,000
Slovakia (Ziär, Banská Bystrica Region, Slovakia) (3)	Europe	2	Cylinder Heads, Others (4)	15	18,319
Wernigerode(Wernigerode, Saxony-Anhalt, Germany)	Europe	2	Cylinder Heads, Others (4)	22	48,430
Poland (Bielsko-Biala, Silesian Voivodeship, Poland)	Europe	2	Cylinder Heads, Blocks, Trans and Struct. Comp.	39	62,000
Spain (Etxebarria, Bizkaia, Spain)	Europe	1	Trans, Others (4)	16	15,886
Russia (Ulyanovsk, Russia)	Europe	1	Cylinder Heads, Blocks	1	12,201
Turkey (Izmir, Turkey) (2)	Europe	1	Cylinder Heads, Others (4)	19	30,000
Nanjing (Nanjing, Jiangsu, China)	Asia	1	Cylinder Heads	9	11,250
India (Chennai, India)	Asia	1	Cylinder Heads, Blocks	4	17,235
Chongqing (Chongqing, China)	Asia	1	Blocks, Trans	3	9,000

(1) Construction of the seventh plant began during the first quarter of 2015.

(2) We acquired this plant as a result of the acquisition of Cevher Döküm in November 2016.

(3) We began construction of the second plant in 2016 and it is expected to become operational in 2017.

(4) “Others” means other aluminum components.

The following map shows the locations of our facilities:

We believe our plants currently comply with the environmental safety and maintenance standards of the industry and that currently no environmental regulations exist that restrict the use of our assets.

Insurance

We are insured against three key categories of risk: (i) assets and business interruption; (ii) cargo/marine; and (iii) general liability. Our insurance policies are negotiated on our behalf by Alfa and apply to our operations in every country in which we have production facilities.

Our all-risk policy insures assets and protects us against business interruptions caused by natural disasters, equipment malfunctions and other catastrophic events. Our cargo/marine policies provide coverage for all import and export operations, including raw materials, inventories and products, whether shipped by air, land or sea. We also maintain general liability policies that provide coverage for damage to third parties and insurance for our properties, products and individuals, including our directors and officers. In addition, each of our subsidiaries maintains other insurance policies as necessary to comply with local regulations or specific needs, including commercial auto, workers' compensation, environmental liability and employment practices liability insurance.

We believe that our insurance coverage is reasonable in amount and consistent with industry standards, and do not anticipate any difficulty in renewing any of our insurance policies.

Seasonality

Our results of operations are somewhat subject to seasonality effects. These effects are the result of seasonal demand in the automotive industry. These effects on our sales volume are generally observed during the months of July and December.

Employees

As of December 31, 2016, we had approximately 19,000 hourly employees and approximately 4,100 salaried employees in 16 countries throughout the world. Most of our employees in Austria, Argentina, Brazil, Canada, China, Germany, Hungary, Mexico, Poland, Slovakia and Turkey are represented by trade unions, national labor councils or their equivalents. Our employees in the Wisconsin, Kentucky, Alabama and Tennessee sites in the

United States, and in the Czech Republic and India sites are not represented by a union. In total, we estimate that approximately 87% of our workforce is represented by one of a number of trade unions, national labor councils or their equivalents. We believe that our relationships with our employees and labor unions are satisfactory as we have not had a strike at any of our facilities since we began operating each such facility.

Mexican employers are required to make profit-sharing payments ("PTU"), to their employees in an aggregate amount equal to 10% of the employer's profit (calculated in accordance with the applicable provisions of the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*) without reference to dividends, inflation adjustments or tax loss carry forwards, among other items). Employers are liable for PTU regardless of agreed compensation and benefits. It is uncertain how the Mexican authorities will interpret recent amendments to the Mexican Federal Labor Law, and other existing applicable legislation. Some of our employees in Mexico are employed by a services company, and we currently pay labor benefits based on the profit of the employee's direct employer (our services company), without considering our profit or that of any other company within our group. As a result of the recent amendments to the Mexican Federal Labor Law, we could potentially be considered an employer of the employees of our services companies, and as such could be required to pay an increased PTU taking into account the profit of an operating company instead of the employees' direct employer. See "Risk Factors—Risks Relating to Our Business—Any deterioration of relations with our employees or increase in labor costs may have a negative impact on our business, financial condition, results of operations and prospects."

The following table shows the number of employees by geographic location as of December 31, 2016, 2015 and 2014:

	As of December 31,		
	2016	**2015**	**2014**
North America	14,077	14,667	13,367
Europe	6,880	5,884	5,085
Rest of the world	2,172	2,460	2,294
Total employees	23,129	23,012	20,746

Legal Proceedings

In the ordinary course of business, we are involved in various legal proceedings in different countries where we operate. While the results of any such proceedings cannot be predicted with certainty, we do not believe that there are any pending or threatened actions, suits or proceedings against or affecting us which, if determined adversely to us, would in our view, individually or in the aggregate, materially harm our business, financial condition or results of operations.

We have received assessments from the Brazilian tax authorities corresponding to tax claims and other labor and social security contingencies in connection with their review of our operations in Brazil. Pending resolution of those assessments, we have made required judicial restricted deposits amounting to Ps. 474 million, Ps. 323 million and Ps. 390 million as of December 31, 2016, 2015 and 2014, respectively. For more information, see Note 28b to the Annual Audited Financial Statements.

MANAGEMENT

Board of Directors

Our board of directors is responsible for the management of our business. Set forth below are the name, age, position and biographical description of each of our current directors. Our directors were appointed and/or such appointments were ratified in an ordinary shareholders' meeting held on February 27, 2017. The business address of our directors is that of our principal office.

Name	Age	Title
Armando Garza Sada	59	Board Member – Chairman
Álvaro Fernández Garza	48	Board Member
Juan Carlos Calderón Rojas	52	Board Member
Robert J. Fascetti	54	Board Member
Eugenio Garza Herrera	59	Independent Board Member
Fabiola Garza Sada	47	Board Member
Eduardo Garza T. Fernández	68	Independent Board Member
Alfonso González Migoya	72	Independent Board Member
Gary Lapidus	55	Independent Board Member
Stuart Rowley	49	Board Member
Alejandro Ruiz Fernández	45	Board Member
Adrián G. Sada Cueva	41	Independent Board Member

Armando Garza Sada. Mr. Garza Sada is the Chairman of the board of directors of the Issuer and the Chairman of the board of directors of Alfa. He joined Alfa in 1978. Mr. Garza Sada is a member of the Boards of FEMSA, Cemex, Frisa, Lamosa, Liverpool, Proeza and the *Instituto Tecnológico y de Estudios Superiores de Monterrey* ("ITESM"). He held the positions of Chairman of the Manufacturing Industry Chamber (CAINTRA) of the State of Nuevo León and of the Private Sector Industrial and Economic Council (CEESP). He holds a degree from the Massachusetts Institute of Technology and an MBA from the Stanford Graduate School of Business. Mr. Garza Sada is Fabiola Garza Sada's brother and a cousin of Álvaro Fernández Garza.

Álvaro Fernández Garza. Mr. Fernández Garza is the President of Alfa. He joined Alfa in 1991. Prior to his current position, he was President of Sigma Alimentos, S.A. de C.V. He is a member of the boards of Vitro, Cydsa and Universidad de Monterrey. He earned a degree in Economics from Notre Dame University, a Master's degree from ITESM and an MBA from Georgetown University. Mr. Fernandez Garza is a cousin of Armando Garza Sada and Fabiola Garza Sada.

Juan Carlos Calderón Rojas. Mr. Calderón Rojas is the Director of Sustainability of Alfa. He joined Alfa in 1990. Prior to his current position, he held multiple executive positions at Alfa and Hylsa. He is a member of the board of directors of Coparmex Nuevo León and Grupo Franca. He earned a degree in Business Administration at ITESM and an MBA from Georgetown University.

Robert J. Fascetti. Mr. Fascetti is the Powertrain Engineering Vice President at Ford. He currently performs this position from Ford's offices in Dearborn, Michigan. He has held several roles at Ford since 1990. From 1985 to 1990 he worked at GMC. He earned an electrical engineering degree from Oakland University in Rochester, Minnesota, and a Master's Degree in Systems Engineering from the same institution.

Eugenio Garza Herrera. Mr. Garza Herrera joined Xignux, S.A. de C.V. (Xignux) in 1978 and currently serves as Chairman of the board of directors of Xignux. In addition, he is a member of the board of directors of Consejo Regional Banco de México, Corporación EG, Grupo Aeroméxico, S.A.B. de C.V., Banco Nacional de México, S.A. (Banamex) and Mitsui de México. He actively participates in the community, where he is member of the Executive Board, member of the Committee of Institutional Government and Chairman of the Development Committee of the ITESM. Mr. Garza Herrera is a graduate of ITESM and holds a postgraduate degree in Administration from Tulane University.

Fabiola Garza Sada. Mrs. Garza Sada is currently a member of the board of directors of Alfa Fundación. She holds a degree of Business Administration from ITESM. Mrs. Garza Sada is Armando Garza Sada's sister and a cousin of Álvaro Fernández Garza.

Eduardo Garza T. Fernández. Mr. Garza T currently holds the position of President of Grupo Frisa Industrias. He has been a member of the board of directors of Grupo Lamosa, S.A.B. de C.V. since March 2012. He participates as counsel in various companies, organizations and institutions of technical and higher education, which include the ITESM, Colegio de Educación Profesional Técnica del Estado de Nuevo León, Consejo Nacional de Alianzas Educativas, BBVA Bancomer S.A., Corporación EG Ruhrpumpen Group Consejo Nuevo León para la Planeación Estratégica, Endeavor Mexico, and the US-Mexico Foundation. He received a Civil Engineer degree at ITESM.

Alfonso Gonzalez Migoya. Mr. Gonzalez has been a member of the board of directors and Chairman of Controladora Vuela Compañía de Aviación, S.A.B. de C.V. since November 2014. He has also been a member of the board of directors of, among others, FEMSA, Coca Cola FEMSA, the Mexican Stock Exchange and ITESM. Previously, Mr. González was Chairman of the board of directors and the President of Grupo Industrial Saltillo, President of Services Interpuerto Monterrey, held various important positions in the Alfa group and was Executive Vice President and Director of Finance of Grupo Financiero BBVA Bancomer. Mr. González holds a degree in Mechanical and Electrical engineering from ITESM and an MBA from Stanford University Graduate School of Business.

Gary Lapidus. Mr. Lapidus is an independent investor and consultant. He was an Institutional Investor-ranked automobile and auto parts industry Senior Equity Research Analyst at Goldman, Sachs & Co. and Sanford C. Bernstein & Co. Previously he was a Principal with the consulting firm Booz Allen Hamilton. He holds an MBA from Harvard Business School, a Master's degree in Chemical Engineering from the California Institute of Technology, and a B.S. in Chemical Engineering from the University of Massachusetts at Amherst.

Stuart Rowley. Mr. Rowley is the Strategy Vice President at Ford, based in Dearborn, Michigan. Since joining Ford in 1990, Mr. Rowley has held senior roles in Australia, Volvo Cars and Ford of Europe. Most recently he was Vice President & Controller of Ford from April 2012 until assuming his present position in June of 2016. He earned a Bachelor's Degree in Engineering from the University of Leeds and a Master's Degree in Business Administration from Manchester Business School, both in the United Kingdom.

Alejandro Ruiz Fernández. Mr. Ruiz Fernández is the President of Pronto Proyects, S.A. de C.V. Currently, he is member of the board of directors of Pyosa, S.A. de C.V., Pronto Proyects, S.A. de C.V. and Constructora e Inmobiliaria Malsa, S.A. de C.V. He holds a degree in Business Administration from Universidad de Monterrey. Mr. Ruiz Fernández is Álvaro Fernández Garza's nephew.

Adrián G. Sada Cueva. Mr. Sada Cueva is President of Vitro, S.A.B. de C.V. ("Vitro"). He is member of the board of directors of Comegua, Club Industrial de Monterrey, Grupo Financiero Banorte, Banco Mercantil del Norte and CAINTRA of the State of Nuevo León. He is also a member of the boards of directors of civil associations, wildlife organization, Salinas of the Pacific and Club Deportivo Cazadores Monterrey. At Vitro, he has served as President of Envases (2012-2013), Operating Director of Envases (2011), Director General of Administration and Finance of Envases (2009-2010), General Manager of Vitro Automotriz (2006-2008) and President of Vitro Cristalglass, S.L. (2003-2005). He earned a degree in Business Administration from ITESM and subsequently obtained an MBA from Stanford Graduate School of Business.

Three of our directors are currently employees of Alfa, and two of our directors are currently employees of Ford. The interests of Alfa and Ford could conflict with your interests as a holder of the notes in material respects. See "Principal Shareholders" and "Related Party Transactions."

Board Practices

Our board of directors is composed of twelve members appointed in accordance with our by-laws. Alfa and Ford have agreed that Ford has the right to designate two members of our board of directors.

Pursuant to the Mexican Securities Market Law, at least 25% of the directors of a public company are required to be independent. Unless otherwise provided in our by-laws, any vote by the board of directors generally requires a majority of directors as a quorum and a majority of those present for approval of any decision. The members of our board of directors are elected on a yearly basis at our annual shareholders' meeting, and may be removed or ratified at such shareholders' meeting. Each director is allowed to continue in his or her position until a replacement is appointed, or until his or her death, resignation or removal.

Audit and Corporate Governance Committee

The Mexican Securities Market Law requires us to have an audit and corporate governance committee, which must be composed of at least three independent members under the Mexican Securities Market Law. We believe that all of the members of the audit and corporate governance committee qualify as independent under the Mexican Securities Market Law.

As of the date of this offering memorandum, the audit and corporate governance committee is composed of the following three members:

Name	Title
Alfonso González Migoya	Chairman
Eugenio Garza Herrera	Member
Eduardo Garza T. Fernández	Member

Executive Officers

Name	Age	Position	Years in the Casting Industry
Armando Tamez Martínez	61	Chief Executive Officer	32
Alberto Sada Medina	47	Chief Financial Officer	24
José Carlos Pons de la Garza	42	Vice President of Business Development	21
Markus Nolte	51	Vice President of Commercial	21
Marc Winterhalter	47	Vice President of Purchasing	20
Marco Landeros	45	Vice President of Human Resources	19
Dietrich Kahn	48	Vice President of Manufacturing and Product Development	17
Napoleón Cantú Treviño	51	Mexico Business Unit Co-Director	24
Knut Bentin	52	Mexico Business Unit Co-Director	19
Klaus Lellig	52	Europe Business Unit Director	19
Luis Manuel Peña Cavazos	43	U.S., Canada and South America Business Unit Director	19
Ernesto Saenz Díaz	50	Asia Business Unit Director	20

Armando Tamez Martínez. Mr. Tamez has worked at Nemak for the past 32 years. During his time at Nemak he has been responsible for several areas including: Commercial, Strategic Planning, Product Development and Engineering and Capital Goods Purchasing, among others. He also served as Nemak's main customer liaison in Canada and the United States for five years during the 1980s. After occupying the COO office from 2009 to 2010, he was appointed President of the company. On December 5, 2012, he was officially appointed President and CEO and has held that position since February 1, 2013. Mr. Tamez holds a Bachelor's of Science degree in Industrial Engineering from ITESM and a Master's degree in Administration and Engineering from the George Washington University.

Alberto Sada Medina. Mr. Sada has worked at Nemak for the past 24 years. During his time at Nemak, he has held positions such as Vice President of Business Development, North America Commercial Director, Planning and Development Director and Financial Planning & Treasury. He was appointed as our Chief Financial Officer in May 2015. He graduated with a degree in Electrical and Electronic Engineering from ITESM and obtained a Master's in Business Administration from the University of Texas at Austin.

José Carlos Pons de la Garza. Mr. Pons has served as Vice President of Business Development of Nemak since 2016. Previously, he held several executive positions including Strategic Planning Director and Co-Director of Nemak's South America Business Unit. During his 21 years with the company, he has held key roles in initiatives to further reinforce Nemak's competitive position including successful acquisitions, joint-ventures and greenfield investments. He has also recently led the process to develop Nemak's 2025 strategic plan. José Carlos holds a bachelor's degree and an MBA from the ITESM as well as a Master's degree from IPADE.

Markus Nolte. Dr. Nolte has been our Vice President of Commercial since February 1, 2013. He holds a Master's degree in Metallurgy & Materials Engineering and in Business Engineering as well as a PhD in Materials Engineering from the Technical University RWTH Aachen, Germany. He held executive positions in several areas including R&D, Manufacturing, Operations, Sales and Marketing while working at VAW Aluminum and Hydro

Aluminum. After the acquisition of Hydro Aluminum in 2007, he assumed the position of Director of Sales and Marketing for Nemak in Europe and Asia.

Marc Winterhalter. Mr. Winterhalter joined Nemak in 2016 as Vice President of Purchasing. He has more than 20 years of experience in supply chain management in the automotive industry. He earned a degree from the Karlsruhe Institute of Technology in Germany.

Marco Landeros. Mr. Landeros has worked at Nemak for the past 20 years. During his time at Nemak, he has held executive positions in several areas including Administration, Commercial, Purchasing, Strategic Planning and Human Resources. He was appointed Vice President of Human Resources in 2016. He earned a bachelor's degree from ITESM and a Master's degree from Stanford University.

Dietrich Kahn. Dr. Kahn has worked at Nemak for the past 8 years. During his time at Nemak, he has held executive positions including South America Business Unit Director. He was appointed Vice President of Manufacturing and Product Development in 2016. He earned a PhD from the RWTH Aachen University in Germany.

Napoleón Cantú Treviño. Mr. Cantú has worked at Nemak for the past 24 years. During his career at Nemak, he has held executive positions in several areas including Operations, Commercial, and Program Management. He was appointed Mexico Business Unit Co-Director in 2016. He graduated with a degree in Mechanical Engineering and obtained a Master's in Business Administration from ITESM.

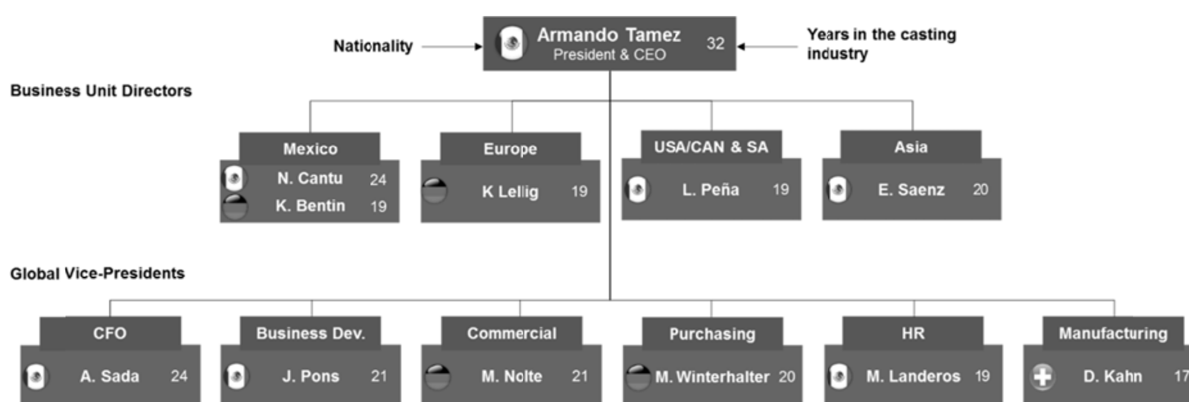
Knut Bentin. Mr. Bentin is currently serving as Mexico Business Unit Co-Director Commercial and Administration since 2016. Previously he held several executive positions including: Vice President of Human Resources and Vice President of Administration for Nemak Europe. He entered the automotive industry in 1997 as Chief Financial Officer of Castech, in Saltillo, Mexico. He holds a Bachelor's degree from the University of Mannheim and a Master's degree in Business Administration and Political Sciences from the University of Cologne, Germany.

Klaus Lellig. Dr. Lellig is our Europe Business Unit Director, a position he has held since 2010. Dr. Lellig holds a PhD in Metallurgy and Materials Engineering from the Technical University RWTH Aachen. Dr. Lellig joined Nemak in 1997 as Head of Product Development with Hydro Aluminum Alucast GmbH. Eight years later he was appointed Managing Director of the plant in Dillingen and in 2010 was promoted to Europe Operations and Product Development Director.

Ernesto Saenz Díaz. Mr. Saenz is our Asia Business Unit Director. Mr. Saenz holds a Bachelor's degree in Mechanical & Electrical Engineering, a Master's degree in Manufacturing Systems Engineering, and a Master's degree in Finance from ITESM. He joined Nemak in 1996 and since then has held several positions such as South America Operations and Product Development Director and Plant Manager in Monterrey, the Czech Republic, Argentina and Brazil.

Luis Manuel Peña Cavazos. Mr. Peña is our USA, Canada & South America Business Unit Director. Mr. Peña has 19 years of professional experience at Nemak. He has occupied positions in Strategic Planning, Program Management and Operations. After Nemak acquisitions, he supported post-merger integration activities working as an expatriate in Canada and Germany. He holds an Industrial and Systems Engineering degree and a Master's degree in Business Administration from ITESM.

Management Structure



Compensation of Senior Officers

Wages and benefits received by our senior officers for the years ended December 31, 2016, 2015 and 2014 were Ps. 131 million, Ps. 200 million and Ps. 230 million, respectively, an amount comprising base salary, social benefits and supplemented mainly by a variable compensation program in place for our Directors and Executive Officers based on our results and the average price of Alfa's share, under which payments are made over a five-year period. The cash amounts payable during such period are based primarily on the financial results of Alfa and to a lesser extent on the performance of Alfa's stock as compared to similar companies that are listed on the Mexican Stock Exchange.

Internal Controls

We have internal control policies and procedures designed to promote (i) the efficiency and effectiveness of our operations, (ii) the reliability of our financial information and (iii) the compliance with all applicable legislation, regulations, statutory rules and guidelines. Our board of directors is responsible for establishing and maintaining our internal controls with support from Alfa. This allows us to assure that our internal controls continuously function and are independent from our general management activities and internal audit.

PRINCIPAL SHAREHOLDERS

We are a subsidiary of Alfa, which beneficially owns 75.24% of our outstanding common shares. The table below sets forth certain information regarding the ownership of our capital structure as of the date of this offering memorandum.

Shareholder	Number of shares	%
Alfa, S.A.B. de C.V.	2,317,921,869	75.24%
Ford Motor Company	167,992,610	5.45%
Public float	594,832,845	19.31%
Total	3,080,747,324	100.0%

Nemak's common shares are listed on the Mexican Stock Exchange. On June 30, 2015, we completed an initial public offering in Mexico and a private offering of shares in the international markets. We issued a total of 594,832,845 shares (including the exercise of an overallotment option) at an offering price of Ps. 20.00 per share, for a total of Ps. 11,897 million. To the best of our knowledge, none of our officers or directors own more than 1% of our common shares.

RELATED PARTY TRANSACTIONS

Related Party Transactions

We may enter into transactions with parties that have relationships with Alfa, Ford, and our officers, our directors or entities in which we have an ownership interest.

Transactions with related parties during the years ended December 31, 2016, 2015 and 2014were as follows:

	For the Year Ended December 31,			
	2016	2016	2015	2014
	(US$)[1]	(Ps.)	(Ps.)	(Ps.)
Sales revenues and other:				
Finished goods:				
Ford	1,307	24,380	23,540	22,312
Finished goods	1,307	24,380	23,540	22,312
Interest:				
Parent	2	32	24	11
Interest	2	32	24	11
Dividends:				
Associates [2]	-	-	17	-
Dividends	-	-	17	-
Others:				
Ford	-	-	-	-
Affiliates	-	-	-	4
Associates [2]	11	198	217	147
Others	11	198	217	151
Cost of sales and other expenses:				
Interest:				
Parent	-	-	-	18
Affiliates	-	-	-	4
Interest	-	-	-	22
Administrative services:				
Affiliates	4	73	87	70
Administrative services	4	73	87	70
Other cost and expenses:				
Ford	-	-	-	-
Affiliates	10	194	225	174
Associates [2]	11	196	215	143
Other cost and expenses	21	390	440	317
Dividends paid:				
Parent	71	1,321	1,112	779
Ford	5	95	80	57
Dividends paid	76	1,416	1,192	836
Outstanding accounts receivable:				
Current:				
Parent	-	-	-	-
Ford	109	2,260	2,701	1,132
Affiliates	0	8	8	2
Associates [2]	-	-	-	44
Current	110	2,268	2,709	1,178
Non-current:				
Parent	35	720	655	513
Non-current	35	720	655	513

	For the Year Ended December 31,			
	2016	2016	2015	2014
	(US$)[(1)]	(Ps.)	(Ps.)	(Ps.)
Outstanding accounts payable:				
Current:				
Parent	-	-	-	-
Affiliates	3	54	50	24
Current	3	54	50	24
Non-current:				
Parent	-	-	-	-
Affiliates	-	-	-	-
Non-current	-	-	-	-

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of (i) Ps. 20.6640 per U.S. Dollar, the Official Exchange Rate in effect on December 31, 2016, with respect to statement of financial position data and (ii) Ps. 18.6567 per U.S. Dollar, the daily average of the Official Exchange Rates on each day during the year ended December 31, 2014, with respect to financial information other than statement of financial position data. These convenience translations should not be construed as representations that the Peso amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the specified rate or at all. See "Exchange Rates."

(2) For more information, see Note 3b(iv) to our Annual Audited Financial Statements.

Services Provided by Affiliates

In the ordinary course of our business, we obtain administrative and corporate services from Alfa and several of its subsidiaries, including, among others, Alliax, S.A. de C.V. ("Alliax"), Alfa Corporativo, S.A. de C.V. ("Alfa Corporativo") and Axtel, S.A.B. de C.V. ("Axtel"). We have paid Alfa for the following administrative and support services, among others: government and institutional lobbying; human resources planning; financial and treasury planning; legal and tax advice; strategic planning; communication; and investor relations. Such payments were made on market terms.

Through Alliax, we outsource certain administrative services, including accounts payable, travel expense processing, payroll and other administrative services. We also lease office space for our headquarters from Alfa Corporativo, and Axtel provides us with telecommunications services (voice, data and video). Additionally, some of our affiliates provide certain services to us and our subsidiaries such as air transportation, security services, leases and other corporate and administrative services. As required under IFRS, these transactions are valued on an arms-length basis.

Transactions with Ford

We often enter into transactions with Ford that are on market terms.

DESCRIPTION OF THE NOTES

The notes will be issued under the indenture (the "Indenture") dated March 14, 2017 among us, the Subsidiary Guarantors (as defined below), The Bank of New York Mellon (the "Trustee"), as trustee, registrar and transfer agent, and The Bank of New York Mellon, London Branch, as paying agent.

We summarize below certain provisions of the Indenture, but do not restate that agreement in its entirety. We urge you to read the Indenture because it, and not this description, defines your rights. You may obtain a copy of the Indenture, including the form of notes and guarantees, in the manner described under "Available Information" in this offering memorandum for the life of the notes, and, for so long as the notes are listed on the Official List of the Irish Stock Exchange and trading on the Global Exchange Market, at the office of the paying agent in London.

You will find the definitions of capitalized terms used in this section under "—Certain definitions." For purposes of this section of this offering memorandum, when we refer to:

- "we," "us," "our," "the Company" or "Nemak," we mean Nemak, S.A.B. de C.V. (parent company only) and not its Subsidiaries;
- the "Subsidiary Guarantors," we mean the existing and future Subsidiaries of the Company that will issue guarantees of the notes, which initially are those Subsidiaries identified under "—General"; and
- the "notes," we mean the notes offered pursuant to this offering memorandum and, unless the context otherwise requires, any additional notes, as described below in "—General."

General

The notes will:

- be senior unsecured obligations of the Company;
- rank equal in right of payment with all other existing and future senior unsecured indebtedness of the Company (subject to certain labor, tax and social security obligations for which preferential treatment is given under Mexican law);
- rank senior in right of payment to all existing and future subordinated indebtedness of the Company, if any;
- be structurally subordinated to all existing and future secured indebtedness of the Company to the extent of the value of the assets securing such indebtedness;
- be unconditionally and irrevocably guaranteed by the following direct and indirect Subsidiaries of the Company: (i) Nemak México, S.A., (ii) Nemak USA Inc., (iii) Nemak of Canada Corporation, (iv) Nemak Dillingen GmbH, (v) Nemak Dillingen Casting GmbH & Co. KG (vi) Nemak Wernigerode GmbH, (vii) Nemak Wernigerode Casting GmbH & Co. KG (viii) Nemak Győr Aluminiumontode Korlatolt Felelossegii Tarsasag ("Győr") and (ix) any Restricted Subsidiary that provides a Subsidiary Guarantee after the Issue Date (collectively, the "Subsidiary Guarantors"). As of and for the year ended December 31, 2016, the Company and the Subsidiary Guarantors accounted for 67.1% of our total assets and 83.5% of our Adjusted EBITDA on a consolidated basis; and
- be effectively subordinated to claims of creditors (including trade creditors and preferred stockholders, if any) of each of the Company's Subsidiaries that is not a Subsidiary Guarantor.

The Company may, subject to the limitations set forth under "—Covenants—Limitation on Incurrence of Additional Indebtedness," issue an unlimited principal amount of securities under the Indenture. The Company may, without your consent, issue additional notes ("Additional Notes") in one or more transactions, which have substantially identical terms (other than issue price, issue date and initial interest payment date) as notes issued on the Issue Date. Such Additional Notes may be issued in one or more series and with the same or different ISIN or Common Code; *provided, however,* that unless such Additional Notes are issued under a separate ISIN or Common

Code, such Additional Notes are issued either (i) as part of the same "issue" for U.S. federal income tax purposes, (ii) with no more than a *de minimis* amount of original issue discount, or (iii) pursuant to a "qualified reopening" for U.S. federal income tax purposes. Any Additional Notes will be consolidated and form a single class with the notes issued on the Issue Date, so that, among other things, Holders of any Additional Notes will have the right to vote together with Holders of notes issued on the Issue Date as one class.

The notes will be represented by one or more registered notes in global form and may be exchanged for notes in definitive form only in limited circumstances. They will be deposited with a common depositary for, and in respect of interests held through, Euroclear and Clearstream. The notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. See "— Book-Entry; Delivery and Form" below.

Ranking of Notes and Guarantees

The notes will constitute our direct senior unsecured obligations. The notes rank *pari passu* in priority of payment with each other, and if we were to issue any debt other than the notes, the notes would rank at least *pari passu* in priority of payment with all our other existing and future senior unsecured indebtedness.

In the event of a bankruptcy, *concurso mercantil, quiebra,* liquidation or other similar proceeding by or against us, our obligations under the notes will rank equal in right of payment to all other of our existing and future senior unsecured indebtedness, and junior to certain obligations given preference under applicable law, including labor, tax and social security claims.

The Subsidiary Guarantors will fully, jointly and severally, unconditionally and irrevocably guarantee the full and punctual payment of principal, premium, if any, interest, including any Additional Amounts, and any other amounts that may become due and payable by us in respect of the Indenture and the notes. The Subsidiary Guarantors will waive any defenses provided under applicable law.

The Subsidiary Guarantors' guarantees of the notes will not be secured by any of their assets or properties. As a result, if the Subsidiary Guarantors are required to pay under the guarantees, Holders of the notes would be unsecured creditors of the Subsidiary Guarantors. The guarantees will not be subordinated to any of the Subsidiary Guarantors' other unsecured debt obligations. In the event of a bankruptcy, *concurso mercantil, quiebra*, liquidation or other similar proceeding against any of the Subsidiary Guarantors, the guarantees would rank equally in right of payment with all of such Subsidiary Guarantors' other unsecured and unsubordinated debt.

None of our Subsidiaries other than the existing Subsidiary Guarantors will have any obligations with respect to the notes unless other entities become guarantors. As a result, the notes and guarantees will be effectively subordinated to claims of creditors (including trade creditors and preferred stockholders, if any) of each of our Subsidiaries other than the existing Subsidiary Guarantors.

A Subsidiary Guarantor's guarantee of the notes will terminate: (i) upon a sale or other disposition (including by way of consolidation or merger) of the Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (other than to us or another Subsidiary), as provided below under "— Limitation on Merger, Consolidation and Sale of Assets"; (ii) if the guarantee is no longer required pursuant to the terms of the Indenture; or (iii) defeasance or discharge of the notes, as provided below under the caption "— Defeasance." As of December 31, 2016, we and our Subsidiaries had total consolidated indebtedness of Ps. 29,009 million (US$1,404 million), of which Ps. 26,021 million (US$1,259 million) was unsecured indebtedness of the Issuer and the Subsidiary Guarantors and Ps. 2,988 million (US$145 million) was total indebtedness of our non-guarantor Subsidiaries. As of December 31, 2016, none of the Company, any Subsidiary Guarantor or any non-guarantor Subsidiary had any secured indebtedness.

Principal, Maturity and Interest

The notes will mature on March 15, 2024, unless earlier redeemed in accordance with the terms of the notes. See "— Optional Redemption" below.

The notes will not be entitled to the benefit of any mandatory sinking fund.

Interest on the notes will begin to accrue from March 14, 2017. Interest on the notes will accrue at the rate of 3.250% per year and will be payable semi-annually in arrears on March 15 and September 15 of each year, commencing on September 15, 2017. Payments of interest will be made to the persons in whose name the notes are registered at the close of business on the February 28 and August 31 (whether or not a Business Day) immediately preceding the applicable interest payment date.

Interest will be computed on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months).

Issuance in Euro; Payment on the Notes

Initial investors in the notes will be required to pay for the notes in Euro, and all payments on the notes will be payable in Euro; provided that if on or after the date of this offering memorandum the Euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the Euro is no longer being used by the then-member states of the European Economic and Monetary Union that have adopted the Euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes will be made in U.S. Dollars until the Euro is again available to us or so used. Under those circumstances, the amount payable on any date in Euro will be converted into U.S. Dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second business day prior to the relevant payment date or, in the event the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the most recent U.S. Dollar/Euro exchange rate published in The Wall Street Journal on or prior to the second business day prior to the relevant payment date. Any payment in respect of the notes so made in U.S. Dollars will not constitute an event of default under the notes or the Indenture. Neither the Trustee nor the paying agent will have any responsibility for any calculation or conversion in connection with the foregoing.

Investors will be subject to foreign exchange risks as to payments on the notes that may have important economic and tax consequences to them. See "Risk Factors" in this offering memorandum.

Principal of, premium, if any, and interest on the notes will be payable, and the notes may be exchanged or transferred, at the office or agency maintained by us for such purpose which initially will be the office of the paying agent, The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL, United Kingdom. Payments of principal of, premium, if any, and interest on notes in global form registered in the name of the common depository will be made in immediately available funds to the common depository as the registered holder of such global note. If any of the notes are no longer represented by global notes, payment of interest on the notes in definitive form may, at our option, be made by check mailed directly to holders at their registered addresses. If any interest payment date or maturity date of a note falls on a day that is not a business day, the required payment of principal, premium, if any, and interest will be made on the next succeeding business day as if made on the date that the payment was due and no interest will accrue on that payment for such period from and after that interest payment date or maturity date, as the case may be, to the date of that payment on the next succeeding business day. All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of "—Additional Amounts." No commissions or expenses will be charged to the holders in respect of such payments.

Subject to any applicable abandoned property law, the paying agent will pay to us upon our written request any monies held by it for the payment of principal or interest that remains unclaimed for two years, and, thereafter, holders entitled to such monies must look to us for payment as our general creditors. After the return of such monies by the paying agent to us, the paying agent shall not be liable to the holders in respect of such monies.

Additional Amounts

We are required by Mexican law to deduct Mexican withholding taxes at a rate of 4.9% (subject to certain exceptions) from payments of interest to investors who are not residents of Mexico for tax purposes, and we will pay additional amounts on those payments and certain other payments to the extent described below ("Additional Amounts").

The Company and the Subsidiary Guarantors will pay to Holders of the notes such Additional Amounts as may be necessary so that every net payment of interest (including any premium paid upon redemption of the notes and any discount deemed interest under Mexican law) or principal to the Holders will not be less than the amount

provided for in the notes, it being understood that for tax purposes, the payment of such Additional Amounts will be deemed and construed as additional interest. By net payment, we mean the amount that we, any Subsidiary Guarantor or our paying agent pay any Holder after deducting or withholding an amount for or on account of any present or future taxes, duties, assessments or other governmental charges imposed with respect to that payment by Mexico or any political subdivision or taxing authority thereof or therein.

Our obligation to pay Additional Amounts is subject to several important exceptions. The Company and any Subsidiary Guarantor will not be required to pay Additional Amounts to any Holder for or on account of, any of the following:

- any taxes, duties, assessments or other governmental charges imposed solely because at any time there is or was a connection between the Holder and Mexico (other than the mere receipt of a payment or the ownership or holding of a note);

- any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, duty, assessment or other governmental charge imposed with respect to the notes;

- any taxes, duties, assessments or other governmental charges imposed solely because the Holder or any beneficial owner of the note fails to comply with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with Mexico, for tax purposes, of the Holder or any beneficial owner of the note if compliance is required by law, regulation, published administrative guidance or by an applicable income tax treaty to which Mexico is a party and which is in effect, as a precondition to exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and we have given the Holders at least 30 days' notice that Holders will be required to provide such information and identification;

- any tax, duty, assessment or other governmental charge payable otherwise than by deduction or withholding from payments on the notes;

- any taxes, duties, assessments or other governmental charges with respect to a note presented for payment more than 30 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to Holders, whichever occurs later, except to the extent that the Holder of such note would have been entitled to such Additional Amounts on presenting such note for payment on any date during such 30-day period;

- any withholding or deduction that is imposed on a note presented for payment by or on behalf of a beneficial owner who would have been able to avoid the withholding or deduction by presenting the note to another paying agent in a Member State of the European Union;

- any payment on the note to a Holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the Holder of the note;

- any taxes, duties, assessments or other governmental charges imposed under Section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended as of the issue date (or any amended or successor version that is substantively comparable) and any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b)(1) of the Code, any intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any law, regulation or practice adopted pursuant to any such intergovernmental agreement; or

- any combination of any of the above.

The limitations on our obligations to pay Additional Amounts stated in the third bullet point above will not apply if the provision of information, documentation or other evidence described in the applicable bullet point would

be materially more onerous, in form, in procedure or in the substance of information disclosed, to a Holder or beneficial owner of a note than comparable information or other reporting requirements imposed under U.S. tax law (including the United States-Mexico Income Tax Treaty), regulations and administrative practice.

The limitations on our obligations to pay Additional Amounts stated in the third bullet point above also will not apply if, with respect to taxes imposed by Mexico or any political subdivision or taxing authority thereof or therein, Article 166, Section II, subsection a), of the Mexican income tax law (or a substitute or equivalent provision) is in effect, unless (a) the provision of the information, documentation or other evidence described in the third bullet point is expressly required by the applicable Mexican laws and regulations in order to apply such Article 166, Section II, subsection a) (or substitute or equivalent provision), (b) we cannot obtain the information, documentation or other evidence necessary to comply with the applicable Mexican laws and regulations on our own through reasonable diligence and (c) we otherwise would meet the requirements for application of the applicable Mexican laws and regulations.

In addition, the third bullet point above does not and shall not be construed to require that any Person, including any non-Mexican pension fund, retirement fund or financial institution, register with the Mexican Tax Management Service (*Servicio de Administración Tributaria*) or the Mexican Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) to establish eligibility for an exemption from, or a reduction of, Mexican withholding tax.

We will also pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies, and any penalties, additions to tax or interest due with respect thereto, which arise in any jurisdiction from the execution, delivery, registration or the making of payments in respect of the notes, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of Mexico, other than those resulting from, or required to be paid in connection with, the enforcement of the notes following the occurrence of any Default or Event of Default.

Upon request, the Company will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of taxes in respect of which we have paid any Additional Amount. We will make copies of such documentation available to the Holders of the notes or the relevant paying agent upon request.

Any reference in this offering memorandum, the Indenture or the notes to principal, premium, interest or any other amount payable in respect of the notes by us will be deemed also to refer to any Additional Amount that may be payable with respect to that amount under the obligations referred to in this section.

Following any merger or other transaction described and permitted under "—Limitation on Merger, Consolidation and Sale of Assets" below, in which the Company or the Surviving Entity is organized under the laws of a Permitted Jurisdiction other than Mexico, all references to Mexico, Mexican law or regulations, and Mexican political subdivisions or taxing authorities under this "Additional Amounts" section will be deemed to also include such Permitted Jurisdiction and any political subdivision therein or thereof, such Permitted Jurisdiction's law or regulations, and any taxing authority of such Permitted Jurisdiction or any political subdivision therein or thereof, respectively.

Optional Redemption

General Optional Redemption

Except as stated below, the Company may not redeem the notes prior to March 15, 2021. The Company may redeem the notes, at its option, in whole at any time or in part from time to time, on and after March 15, 2021, at the following redemption prices, expressed as percentages of the principal amount thereof, if redeemed during the twelve-month period commencing on March 15 of any year set forth below:

Year	Percentage
2021	101.625%
2022	100.813%
2023	100.000%

Prior to March 15, 2021, the Company will have the right, at its option, to redeem the notes, in whole or in part, at a redemption price equal to the greater of (1) 100% of the principal amount of such notes and (2) the sum of the present value at such redemption date of (a) the redemption price of the notes at March 15, 2021 (such redemption price being set forth in the table above) and (b) all required interest payments on the notes through March 15, 2021 (excluding accrued but unpaid interest to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months), at the applicable Comparable Government Bond Price plus 50 basis points (the "Make-Whole Amount"), plus in each case any accrued interest on the principal amount of the notes to, but excluding, the date of redemption and any Additional Amounts payable with respect thereto.

"*Comparable Government Bond*" means, in relation to any Comparable Government Bond Price calculation, the German government bond (*Bundesanleihe*) selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of Euro-denominated corporate debt securities of a maturity of March 15, 2024.

"*Comparable Government Bond Price*" means, with respect to any redemption date for the notes, (i) the arithmetic average as determined by the Independent Investment Banker of the Reference Government Bond Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Government Bond Dealer Quotations, or (ii) if the Independent Investment Banker obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

"*Comparable Government Bond Rate*" means, with respect to any redemption date for the notes, the rate per annum equal to the yield to maturity, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), on the third business day prior to the date fixed for redemption, calculated in accordance with customary financial practice in pricing new issues of comparable corporate debt securities paying interest on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) of the Comparable Government Bond, calculated using a price for the Comparable Government Bond (expressed as a percentage of its principal amount) equal to the Comparable Government Bond Price for such redemption date. The Comparable Government Bond Price will be calculated by the Independent Investment Banker and reported to the Trustee on the third Business Day preceding the redemption date.

"*Independent Investment Banker*" means one of the Reference Government Bond Dealers appointed by the Company.

"*Reference Government Bond Dealer*" means each of BNP Paribas, J.P. Morgan Securities plc and Morgan Stanley & Co. International plc, or their respective affiliates or successors which are primary Comparable Government Bond dealers, and no less than one other leading primary Comparable Government Bond dealers reasonably designated by the Company; provided, however, that if any of the foregoing or their affiliates shall cease to be a primary Comparable Government Bond dealer, the Company will substitute therefor another primary Comparable Government Bond dealer.

"*Reference Government Bond Dealer Quotations*" means, with respect to each Reference Government Bond Dealer and any redemption date, the arithmetic average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Government Bond (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Government Bond Dealer at 11:00 a.m., London Time, on the third business day preceding such redemption date.

Optional Redemption Upon Eligible Equity Offerings

At any time, or from time to time, prior to or on March 15, 2021, the Company may, at its option, use an amount not to exceed the net cash proceeds of one or more Eligible Equity Offerings to redeem up to 35% of the aggregate principal amount of the outstanding notes (including any Additional Notes) at a redemption price equal to 103.250% of the principal amount on the redemption date, plus any accrued and unpaid interest to, but excluding, the redemption date; *provided* that:

- after giving effect to any such redemption, at least 65% of the aggregate principal amount of the notes (including any Additional Notes) issued under the Indenture remains outstanding; and

- the Company will make such redemption not more than 60 days after the consummation of such Eligible Equity Offering.

"*Eligible Equity Offering*" means the issuance and sale for cash of Qualified Capital Stock of the Company to any Person other than an Affiliate of the Company pursuant to (i) a public offering in accordance with U.S. or Mexican laws, rules and regulations, or (ii) a private offering in accordance with Rule 144A and Regulation S under the Securities Act.

Optional Redemption upon Tax Event

If, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of Mexico or any political subdivision or taxing authority thereof or therein, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change of such laws, rules or regulations becomes effective on or after the date of this offering memorandum, we or a Subsidiary Guarantor would be obligated, after taking all reasonable measures to avoid this requirement, to pay any Additional Amounts in excess of those attributable to a Mexican withholding tax rate of 4.9% with respect to the notes (see "—Additional Amounts" and "Taxation — Mexican Federal Taxation"), then, at our option, all, but not less than all, of the notes may be redeemed at any time at a redemption price equal to 100% of the outstanding principal amount, plus any accrued and unpaid interest and any Additional Amounts to the redemption date due thereon up to but not including the date of redemption; *provided* that (1) no notice of redemption for tax reasons may be given earlier than 60 days prior to the earliest date on which we or, as the case may be, a Subsidiary Guarantor would be obligated to pay these Additional Amounts if a payment on the notes were then due, and (2) at the time such notice of redemption is given such obligation to pay such Additional Amounts remains in effect.

Prior to giving any notice of redemption to the Holders pursuant to this provision, we will deliver to the Trustee:

- an Officers' Certificate stating that we are entitled to effect the redemption in accordance with the terms of the Indenture and setting forth in reasonable detail a statement of facts showing that the conditions precedent to our right to redeem have occurred; and

- an Opinion of Counsel from Mexican legal counsel (which may be our counsel) of recognized standing and experienced in tax and other related matters to the effect that (1) we or a Subsidiary Guarantor have or will become obligated to pay such Additional Amounts as a result of such change or amendment and (2) all governmental approvals necessary for us to effect the redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained.

We will give notice of any redemption at least 30 days (but not more than 60 days) before the redemption date to Holders as described in "—Notices" below. We will give notice of any redemption to the Trustee no later than 15 days (unless a shorter period is acceptable to the Trustee) prior to the date such notice is to be given to the Holders of the notes. This notice, once delivered by us to the Trustee, will be irrevocable.

Following any merger or other transaction described and permitted under "—Limitation on Merger, Consolidation and Sale of Assets" below, in which the Company or the Surviving Entity is organized under the laws of a Permitted Jurisdiction other than Mexico, all references to Mexico, Mexican law or regulations, and Mexican political subdivisions or taxing authorities under this "—Optional Redemption upon Tax Event" section will be deemed also to include such other Permitted Jurisdiction, such other Permitted Jurisdiction's law or regulations, and any taxing authority of such other Permitted Jurisdiction or any political subdivision therein or thereof, respectively; *provided*, that for this purpose, the above reference to an amendment to or change of laws, rules or regulations occurring "on or after the date of this offering memorandum" shall instead be deemed to refer only to such amendments or changes occurring after the effective date of such merger or other transaction, and the above reference to "a Mexican withholding tax rate of 4.9%" shall instead refer to the applicable withholding rate of such other Permitted Jurisdiction as of the effective date of such merger or other transaction.

Optional Redemption Procedures

In the event that less than all of the notes are to be redeemed at any time, selection of notes for redemption will be made by the Trustee in compliance with the requirements governing redemptions of the principal securities

exchange, if any, on which the notes are listed or if such securities exchange has no requirement governing redemption or the notes are not then listed on a securities exchange, on *a pro rata* basis, by lot or by any other method as the Trustee shall deem fair and appropriate or as may be required by the depositary in accordance with its applicable procedures. No notes of a principal amount of €100,000 or less may be redeemed in part, and notes of a principal amount in excess of €100,000 may be redeemed in part in multiples of €1,000 only.

We will give notice of any redemption at least 30 days (but not more than 60 days) before the redemption date to Holders as described below in "— Notices" below. If notes are to be redeemed in part only, the notice of redemption will state the portion of the principal amount thereof to be redeemed. For so long as the notes are listed on the Official List of the Irish Stock Exchange and trading on the Global Exchange Market and the rules of the exchange require, the Company will cause notices of redemption to also be published as described in "— Notices" below. We will give notice of any redemption to the Trustee no later than 15 days (unless a shorter period is acceptable to the Trustee) prior to the date such notice is to be given to the Holders of the notes. This notice, once delivered by us to the Trustee, will be irrevocable. A new note in a principal amount equal to the unredeemed portion thereof, if any, will be issued in the name of the Holder thereof upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate).

Notes called for redemption will become due on the date fixed for redemption. The Company will pay the redemption price for any note together with accrued and unpaid interest thereon to, but excluding, the date of redemption. On and after the redemption date, interest will cease to accrue on notes or portions thereof called for redemption as long as the Company has deposited with the paying agent funds in satisfaction of the applicable redemption price pursuant to the Indenture. Upon redemption of any notes by the Company, such redeemed notes will be cancelled.

Change of Control Triggering Event

Upon the occurrence of a Change of Control Triggering Event, each Holder will have the right to require that the Company purchase all or a portion (in integral multiples of €1,000, *provided* that the principal amount of such Holder's note after such purchase may not be less than €100,000) of the Holder's notes at a purchase price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest thereon to, but excluding, the purchase date (the "Change of Control Payment").

Within 30 days following the date upon which the Change of Control Triggering Event occurs, the Company must deliver a notice to each Holder, with a copy to the Trustee, offering to purchase the notes as described above (a "Change of Control Offer") and, for so long as the notes are listed on the Irish Stock Exchange and trading on the Global Exchange Market and the rules of the exchange so require, publish such notice as described in "— Notices" below. The Change of Control Offer will state, among other things, the purchase date, which must be at least 30 days but not more than 60 days from the date the notice is given, other than as may be required by law (the "Change of Control Payment Date").

By 11:00 a.m. London Time on the Business Day prior to the Change of Control Payment Date, the Company shall, to the extent lawful, deposit with the Trustee or a paying agent funds in an amount equal to the Change of Control Payment in respect of all notes or portions thereof so tendered.

On the Change of Control Payment Date, the Company will, to the extent lawful:

(1) accept for payment all notes or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Offer; and

(2) deliver or cause to be delivered to the Trustee the notes so accepted together with an Officers' Certificate stating the aggregate principal amount of notes or portions thereof being purchased by the Company.

If only a portion of a note is purchased pursuant to a Change of Control Offer, a new note in a principal amount equal to the portion thereof not purchased will be issued in the name of the Holder thereof upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate). Notes (or portions thereof) purchased pursuant to a Change of Control Offer will be cancelled and cannot be reissued.

The Company will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all notes validly tendered and not withdrawn under such Change of Control Offer.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations in connection with the purchase of notes in connection with a Change of Control Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the Change of Control Triggering Event provisions of the Indenture, the Company will comply with such securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by doing so.

Other existing and future indebtedness of the Company may contain prohibitions on the occurrence of events that would constitute a Change of Control or require that Indebtedness be purchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Company to repurchase the notes upon a Change of Control Triggering Event may cause a default under such Indebtedness even if the Change of Control itself does not.

If a Change of Control Offer occurs, the Company may not have sufficient available funds to make the Change of Control Payment for all the notes that might be delivered by Holders seeking to accept the Change of Control Offer. In the event the Company is required to purchase outstanding notes pursuant to a Change of Control Offer, the Company expects that it would seek third-party financing to the extent it does not have available funds to meet its purchase obligations and any other obligations in respect of Senior Indebtedness. However, we cannot assure you that the Company would be able to obtain necessary financing, and the terms of the Indenture may restrict the ability of the Company to obtain such financing.

Holders will not be entitled to require the Company to purchase their notes in the event of a takeover, recapitalization, leveraged buyout or similar transaction which is not a Change of Control Triggering Event.

Covenants in the Indenture restricting the ability of the Company and its Restricted Subsidiaries to incur additional Indebtedness, to grant Liens on property, to make Restricted Payments and to make Asset Sales may also discourage a takeover of the Company or make a takeover more difficult, whether favored or opposed by the management or its Board of Directors. Consummation of any Asset Sale may, in certain circumstances, require redemption or repurchase of the notes, and the Company or the acquiring party may not have sufficient financial resources to effect such a redemption or repurchase. In addition, restrictions on transactions with Affiliates may, in certain circumstances, discourage any leveraged buyout of the Company or any of its Subsidiaries or make a leveraged buyout more difficult. While these restrictions cover a wide variety of arrangements that have traditionally been used to effect highly leveraged transactions, the Indenture may not afford the Holders protection in all circumstances from the adverse aspects of a highly leveraged transaction, reorganization, restructuring, merger, recapitalization or similar transaction.

One of the events that constitutes a Change of Control under the Indenture is the disposition of “all or substantially all” of the Company’s assets under certain circumstances. This term varies based upon the facts and circumstances of the subject transaction and has not been interpreted under New York State law (which is the governing law of the Indenture) to represent a specific quantitative test. As a consequence, in certain circumstances there may be uncertainty in ascertaining whether a particular transaction involved a disposition of “all or substantially all” of the assets of a Person. In the event that Holders elect to require the Company to purchase the notes and the Company contests such election, there can be no assurance as to how a court interpreting New York State law would interpret the phrase under certain circumstances.

Covenants

Suspension of Covenants

During any period of time that (i) the notes have Investment Grade Ratings from at least two of the three Rating Agencies and (ii) no Default or Event of Default has occurred and is continuing (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a “Covenant Suspension Event”), the Company and its Restricted Subsidiaries will not be subject to the provisions of the Indenture described under:

- "—Covenants—Limitation on Incurrence of Additional Indebtedness";
- "—Covenants—Limitation on Restricted Payments";
- "—Covenants—Limitation on Asset Sales";
- "—Covenants—Limitation on Transactions with Affiliates";
- "—Covenants—Designation of Unrestricted Subsidiaries";
- "—Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries"; and
- clause (b) of "—Covenants—Limitation on Merger, Consolidation and Sale of Assets"; (collectively, the "Suspended Covenants").

In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the "Reversion Date") one of the two Rating Agencies withdraws its Investment Grade Rating or downgrades its rating assigned to the notes below an Investment Grade Rating, then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. The period of time between the Suspension Date and the Reversion Date is referred to as the "Suspension Period." Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with the Suspended Covenants during the Suspension Period (or upon termination of the Suspension Period or after that time based solely on events that occurred during the Suspension Period).

On the Reversion Date, all Indebtedness incurred during the Suspension Period will be classified as having been incurred pursuant to section (1) of "—Certain Covenants— Limitation on Incurrence of Additional Indebtedness" below or one of the clauses set forth in section (2) of "—Certain Covenants— Limitation on Incurrence of Additional Indebtedness" below (to the extent such Indebtedness would be permitted to be incurred thereunder as of the Reversion Date and after giving effect to Indebtedness incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred pursuant to sections (1) or (2) of "—Certain Covenants— Limitation on Incurrence of Additional Indebtedness," such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (c) of section (2) of "—Certain Covenants— Limitation on Incurrence of Additional Indebtedness." Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under "—Certain Covenants—Limitation on Restricted Payments" will be made as though the covenant described under "—Certain Covenants—Limitation on Restricted Payments" had been in effect since the Issue Date and throughout the Suspension Period.

The Company shall give the Trustee prompt written notice of any Covenant Suspension Event. In the absence of such notice, the Trustee shall assume the Suspended Covenants apply and are in full force and effect. The Company shall give the Trustee prompt written notice of any occurrence of a Reversion Date and in any event, not later than 15 days after such Reversion Date. Upon receipt of such notice, the Trustee shall assume the Suspended Covenants apply and are in full force and effect. In the absence of such notice, the Trustee shall assume the Suspended Covenants continue to be suspended.

There can be no assurance that the notes will ever achieve or maintain Investment Grade Ratings.

Limitation on Incurrence of Additional Indebtedness

(1) The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) except that the Company and any Subsidiary Guarantor may Incur Indebtedness if, at the time of and immediately after giving *pro forma* effect to the Incurrence thereof and the application of the net proceeds therefrom, the Company's Consolidated Fixed Charge Coverage Ratio is greater than or equal to 2.0 to 1.0.

(2) Notwithstanding clause (1) above, the Company and its Restricted Subsidiaries, as applicable, may, at any time, Incur the following Indebtedness ("Permitted Indebtedness"):

(a) Indebtedness in respect of the notes (excluding Additional Notes);

(b) Guarantees by any Restricted Subsidiary of Indebtedness of the Company or any other Restricted Subsidiary, in each case permitted under the Indenture;

(c) other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Issue Date;

(d) Hedging Obligations entered into by the Company and its Restricted Subsidiaries in the ordinary course of business and for bona fide hedging purposes and not for speculative purposes;

(e) intercompany Indebtedness between the Company and any Restricted Subsidiary or between any Restricted Subsidiaries (in each case, other than a Receivables Subsidiary); *provided* that:

(1) such Indebtedness must be expressly subordinated to the prior payment in full of all obligations under the notes and the Indenture; and

(2) in the event that at any time any such Indebtedness ceases to be held by the Company or a Restricted Subsidiary, such Indebtedness will be deemed to be Incurred by the Company or the relevant Restricted Subsidiary, as the case may be, and not permitted by this clause (e) at the time such event occurs;

(f) Indebtedness of the Company or any of its Restricted Subsidiaries arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (including daylight overdrafts paid in full by the close of business on the day such overdraft was Incurred) drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within five Business Days of Incurrence;

(g) Indebtedness of the Company or any of its Restricted Subsidiaries represented by letters of credit for the account of the Company or any Restricted Subsidiary, as the case may be, in order to provide security for workers' compensation claims, payment obligations in connection with self-insurance or similar requirements in the ordinary course of business;

(h) Indebtedness consisting of performance and other similar bonds and reimbursement obligations Incurred by the Company or any Restricted Subsidiary in the ordinary course of business securing the performance of contractual, franchise or license obligations of the Company or any Restricted Subsidiary (in each case, other than for an obligation for borrowed money);

(i) Indebtedness of the Company or any of its Restricted Subsidiaries to the extent the net proceeds thereof are promptly used to redeem the notes in part or in full or deposited to defease or discharge the notes, in each case in accordance with the Indenture;

(j) Refinancing Indebtedness in respect of:

(1) Indebtedness (other than Indebtedness owed to the Company or any Subsidiary of the Company) Incurred pursuant to clause (1) above (it being understood that no Indebtedness outstanding on the Issue Date is Incurred pursuant to such clause (1)); or

(2) Indebtedness Incurred pursuant to clause (a), (c), (j) or (m) (in each case, excluding Indebtedness owed to the Company or a Subsidiary of the Company);

(k) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred in connection with the disposition of any business, assets or Subsidiary, other than Guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate

liability in respect of all such Indebtedness will at no time exceed the gross proceeds actually received by the Company and the Restricted Subsidiary in connection with such disposition;

(l) Strategic Subordinated Indebtedness;

(m) Indebtedness of Persons that are acquired by the Company or any of its Restricted Subsidiaries or merged into the Company or a Restricted Subsidiary in accordance with the terms of the Indenture; *provided* that such Indebtedness is not Incurred in contemplation of such acquisition or merger or to provide all or a portion of the funds or credit support required to consummate such acquisition or merger; and *provided*, *further*, that after giving effect to such acquisition and the Incurrence of such Indebtedness either:

(1) the Company will be able to Incur at least US$1.00 of additional Indebtedness pursuant to clause (1) above; or

(2) the Company's Consolidated Fixed Charge Coverage Ratio is not less than the Company's Consolidated Fixed Charge Coverage Ratio immediately prior to such acquisition;

(n) Indebtedness of the Company or any of its Restricted Subsidiaries Incurred to fund the working capital and other operating needs of the Company or any Restricted Subsidiary in an aggregate principal amount at any one time outstanding not to exceed the greater of (1) US$200.0 million (or the equivalent in other currencies) and (2) the sum of (A) 80% of the net book value of the Receivables and (B) 60% of the net book value of the inventory, each calculated in accordance with IFRS with respect to the Company and its Restricted Subsidiaries, as of the end of the most recently ended month for which a consolidated balance sheet of the Company is available;

(o) (1) Indebtedness of the Company in connection with any Qualified Receivables Transaction or (2) obligations pursuant to receivables or factoring arrangements or facilities in the ordinary course of business, in each case in a true sale transaction without recourse to the Issuer or its Restricted Subsidiaries that would not be required to be classified and accounted for as debt under IFRS;

(p) Capitalized Lease Obligations and Purchase Money Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount not to exceed the greater of (1) US$300.0 million (or the equivalent in other currencies) and (2) 6.0% of Consolidated Total Assets, at any one time outstanding; and

(q) in addition to Indebtedness referred to in clauses (a) through (p) above, Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount not to exceed the greater of (1) US$325.0 million (or the equivalent in other currencies) and (2) 7.5% of Consolidated Total Assets, at any one time outstanding.

(3) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness Incurred pursuant to and in compliance with this covenant:

(a) the outstanding principal amount of any item of Indebtedness will be counted only once;

(b) in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (2)(a) through (q) above or is entitled to be Incurred pursuant to clause (1) above, the Company may, in its sole discretion, divide and classify (or at any time reclassify) such item of Indebtedness in any manner that complies with this covenant;

(c) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness, but may be permitted in part by such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(d) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with IFRS;

(e) Guarantees of, or obligations in respect of letters of credit or similar instruments relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness will not be included; and

(f) the accrual of interest, the accretion or amortization of original issue discount, the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Disqualified Capital Stock in the form of additional Disqualified Capital Stock with the same terms will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; *provided* that any such outstanding additional Indebtedness or Disqualified Capital Stock paid in respect of Indebtedness Incurred pursuant to any provision of clause (2) above will be counted as Indebtedness outstanding thereunder for purposes of any future Incurrence under such provision.

(4) For purposes of determining compliance with any U.S. Dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. Dollar-equivalent principal amount of Indebtedness denominated in a non-U.S. currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred or, in the case of revolving credit Indebtedness, first committed; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a non-U.S. currency, and such refinancing would cause the applicable U.S. Dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. Dollar-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, will be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, take any of the following actions (each, a "Restricted Payment"):

(a) declare or pay any dividend or return of capital or make any distribution on or in respect of shares of Capital Stock of the Company or any Restricted Subsidiary to holders of such Capital Stock, other than:

- dividends or distributions payable in Qualified Capital Stock of the Company;
- dividends or distributions payable to the Company and/or a Restricted Subsidiary; or
- dividends, distributions or returns of capital made on a *pro rata* basis to the Company and its Restricted Subsidiaries, on the one hand, and minority holders of Capital Stock of a Restricted Subsidiary, on the other hand (or on a less than *pro rata* basis to any minority holder);

(b) purchase, redeem or otherwise acquire or retire for value:

- any Capital Stock of the Company; or
- any Capital Stock of any Restricted Subsidiary held by an Affiliate of the Company or any Preferred Stock of a Restricted Subsidiary, except for Capital Stock held by the Company or a Restricted Subsidiary or purchases, redemptions, acquisitions or retirements for value of Capital Stock on a *pro rata* basis from the Company and/or any Restricted Subsidiaries, on the one hand, and minority holders of Capital Stock of a Restricted Subsidiary, on the other hand;

(c) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, as the case may be, any Subordinated Indebtedness; or

(d) make any Investment (other than Permitted Investments),

if at the time of the Restricted Payment and immediately after giving *pro forma* effect thereto:

(1) a Default or an Event of Default has occurred and is continuing;

(2) the Company is not able to Incur at least US$1.00 of additional Indebtedness pursuant to paragraph (1) of "— Limitation on Incurrence of Additional Indebtedness"; or

(3) the aggregate amount (the amount expended for these purposes, if other than in cash, being the Fair Market Value of the relevant property) of the proposed Restricted Payment and all other Restricted Payments made subsequent to the Issue Date up to the date thereof will exceed the sum of:

(A) 50% of the cumulative Consolidated Net Income of the Company or, if such cumulative Consolidated Net Income of the Company is a loss, minus 100% of the loss, accrued during the period, treated as one accounting period, from the beginning of the second fiscal quarter before the fiscal quarter in which the Issue Date occurs to the end of the most recent fiscal quarter for which consolidated financial information of the Company is available; *plus*

(B) 100% of the aggregate net cash proceeds received by the Company from any Person:

- from any contribution to the Capital Stock of the Company not representing an interest in Disqualified Capital Stock or issuance and sale of Qualified Capital Stock of the Company, in each case subsequent to the Issue Date; or

- from any Indebtedness of the Company or its Restricted Subsidiaries issued subsequent to the Issue Date that is reduced on the Company's balance sheet upon the conversion or exchange of any Indebtedness for borrowed money of the Company or any Restricted Subsidiary for Qualified Capital Stock of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); or

- upon the sale, liquidation or repayment of any Investment or, in the case of a Guarantee, the amount of the Guarantee upon the unconditional release of the Company and its Restricted Subsidiaries in full, less any payments previously made by the Company or any Restricted Subsidiary in respect of such Guarantee,

excluding, in each case, any net cash proceeds:

(x) received from a Subsidiary of the Company;

(y) used to acquire Capital Stock or other assets from an Affiliate of the Company; or

(z) applied in accordance with clause (2) or (3) of the second paragraph of this covenant below; *plus*

(C) in the case of a Revocation of the Designation of an Unrestricted Subsidiary, an amount equal to the lesser of:

(i) the portion of the Fair Market Value of the net assets of such Unrestricted Subsidiary that is proportionate to the Company's equity interest in such Unrestricted Subsidiary, in each case at the time of such Revocation; and

(ii) the Designation Amount with respect to such Unrestricted Subsidiary upon its Designation which was treated as a Restricted Payment.

Notwithstanding the preceding paragraph, this covenant does not prohibit:

(1) the payment of any dividend within 60 days after the date of declaration of such dividend if the dividend would have been permitted on the date of declaration pursuant to the preceding paragraph;

(2) the acquisition of any shares of Capital Stock of the Company,

(x) in exchange for Qualified Capital Stock of the Company; or

(y) through the application of the net cash proceeds received by the Company from a substantially concurrent sale of Qualified Capital Stock of the Company or a contribution to the equity capital of the Company not representing an interest in Disqualified Capital Stock, in each case not received from a Subsidiary of the Company,

provided, that the value of any such Qualified Capital Stock issued in exchange for such acquired Capital Stock and any such net cash proceeds will be excluded from clause (d)(3)(B) of the first paragraph of this covenant (and will not be included therein at any time);

(3) the voluntary prepayment, purchase, defeasance, redemption or other acquisition or retirement for value of any Subordinated Indebtedness solely in exchange for, or through the application of net cash proceeds of a substantially concurrent sale, other than to a Subsidiary of the Company, of:

(x) Qualified Capital Stock of the Company; or

(y) Refinancing Indebtedness for such Subordinated Indebtedness;

provided, that the value of any Qualified Capital Stock issued in exchange for Subordinated Indebtedness and any net cash proceeds referred to above shall be excluded from clause (d)(3)(B) of the first paragraph of this covenant (and will not be included therein at any time);

(4) if no Default or Event of Default (other than solely pursuant to clause (3) of the definition of "Event of Default") has occurred and is continuing, the declaration and payment of dividends or distributions to holders of any class or series of Disqualified Capital Stock of the Company issued or Incurred in accordance with the covenant described under "— Limitation on Incurrence of Additional Indebtedness" to the extent such payments are included in the definition of "Consolidated Fixed Charges";

(5) if no Default or Event of Default has occurred and is continuing, repurchases by the Company of Capital Stock of the Company or options, warrants or other securities exercisable or convertible into Capital Stock of the Company from employees or directors of the Company or any of its Subsidiaries or their authorized representatives upon the death, disability or termination of employment or directorship of the employees or directors, in an amount not to exceed US$1.0 million (or the equivalent in other currencies) in any calendar year and US$2.5 million (or the equivalent in other currencies) in the aggregate;

(6) if no Default or Event of Default has occurred and is continuing or would exist after giving *pro forma* effect thereto, Restricted Payments in an amount of up to US$200.0 million until the notes mature (or the equivalent in other currencies), to the extent that such amount is not otherwise available to make Restricted Payments under clause (d)(3)(A) of the first paragraph of this covenant; and

(7) any Restricted Payment as long as if, at the date of and immediately after giving *pro forma* effect to the payment thereof and to any related financing transactions, the Net Debt to EBITDA Ratio shall not exceed 2.0 to 1.0.

In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date, amounts expended pursuant to clauses (1) (without duplication for the declaration of the relevant dividend), (4), (5) and (6), above will be included in such calculation and amounts expended pursuant to clauses (2), (3) and (7) above will not be included in such calculation.

The amount of any Restricted Payments not in cash will be the Fair Market Value on the date of such Restricted Payment of the property, assets or securities proposed to be paid, transferred or issued by the Company or the relevant Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment.

Limitation on Asset Sales

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(a) the Company or such Restricted Subsidiary, as the case may be, receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets sold or otherwise disposed of; and

(b) at least 75% of the consideration received for the assets sold by the Company or the Restricted Subsidiary, as the case may be, in the Asset Sale is in the form of (1) cash or Cash Equivalents; (2) assets (other than current assets as determined in accordance with IFRS or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business; (3) Capital Stock in a Person principally engaged in a Permitted Business that will become a Restricted Subsidiary as a result of such Asset Sale or (4) a combination of cash, Cash Equivalents and such assets.

Solely for purposes of this covenant, the following are deemed to be cash or Cash Equivalents: (x) the assumption of Indebtedness of the Company or any Restricted Subsidiary by any Person and the release of the Company or such Restricted Subsidiary from any liability in connection with the Asset Sale; and (y) any securities received by the Company or any Restricted Subsidiary that are promptly converted by the Company or any Restricted Subsidiary into cash or Cash Equivalents.

The Company or such Restricted Subsidiary, as the case may be, may apply the Net Cash Proceeds of any such Asset Sale within 365 days thereof to:

(1) repay, prepay or purchase any Senior Indebtedness of the Company or any Restricted Subsidiaries, in each case for borrowed money or constituting a Capitalized Lease Obligation and permanently reduce the commitments with respect thereto without Refinancing; or

(2) purchase (or enter into a binding agreement to purchase; *provided* that such purchase is consummated within 90 days after the date that is 365 days after such Asset Sale):

 (A) assets (other than current assets as determined in accordance with IFRS or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business; or

 (B) Capital Stock of a Person principally engaged in a Permitted Business that will become, upon purchase, a Restricted Subsidiary, from a Person other than the Company and its Restricted Subsidiaries; or

(3) make capital expenditures (including refurbishments) to be used by the Company or any Restricted Subsidiary in a Permitted Business.

To the extent all or a portion of the Net Cash Proceeds of any Asset Sale are not applied within 365 days of the Asset Sale as described in clause (1), (2) or (3) of the immediately preceding paragraph (or, if a binding agreement has been entered into as set forth in clause (2) of such paragraph, the date of the expiration of the 90-day period set forth in such clause (2)), the Company will make an offer to purchase notes (the "Asset Sale Offer"), at a purchase price equal to 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest thereon, to the purchase date (the "Asset Sale Offer Amount"). The Company will purchase pursuant to an Asset Sale Offer from all tendering Holders on *a pro rata* basis, and, at the Company's option, on *a pro rata* basis with the holders of any other Senior Indebtedness with similar provisions requiring the Company to offer to purchase the other Senior Indebtedness with the proceeds of Asset Sales, that principal amount (or accreted value in the case of Indebtedness issued with original issue discount) of notes and the other Senior Indebtedness to be purchased equal to such unapplied Net Cash Proceeds. The Company may satisfy its obligations under this covenant with respect to the Net Cash Proceeds of an Asset Sale by making an Asset Sale Offer prior to the expiration of the relevant 365-day period.

The purchase of notes pursuant to an Asset Sale Offer will occur not less than 20 Business Days following the date of the related Asset Sale, or any longer period as may be required by applicable law or regulation, nor more than 60 days following the 365th day following the Asset Sale (or, if a binding agreement has been entered into as set forth in clause (2) of the third paragraph of this covenant, not more than 60 days following the date of the expiration of the 90-day period set forth in such clause (2)). The Company may, however, defer an Asset Sale Offer until there is an aggregate amount of unapplied Net Cash Proceeds from one or more Asset Sales equal to or in excess of US$75.0 million (or the equivalent in other currencies). At that time, the entire amount of unapplied Net Cash Proceeds, and not just the amount in excess of US$75.0 million (or the equivalent in other currencies), will be applied as required pursuant to this covenant.

Pending application in accordance with this covenant, Net Cash Proceeds will be applied to temporarily reduce revolving credit borrowings, if any, that can be reborrowed or Invested in Cash Equivalents.

Each notice of an Asset Sale Offer will be given to the record Holders as shown on the register of Holders no later than 20 days following such 365th day (or, if a binding agreement has been entered into as set forth in clause (2) of the third paragraph of this covenant, within 20 days following the date of the expiration of the 90-day period set forth in such clause (2)), with a copy to the Trustee offering to purchase the notes as described above. Each notice of an Asset Sale Offer will state, among other things, the purchase date, which must be at least 30 days and not more than 60 days from the date the notice is given, other than as may be required by law (the "Asset Sale Offer Payment Date"). Upon receiving notice of an Asset Sale Offer, Holders may elect to tender their notes in whole or in part in integral multiples of €1,000 in exchange for cash; *provided* that the principal amount of such tendering Holder's note after such tender may not be less than €100,000.

By 11:00 a.m. London Time on the Business Day prior to the Asset Sale Offer Payment Date, the Company shall, to the extent lawful, deposit with the Trustee or a paying agent funds in an amount equal to the Asset Sale Offer Amount in respect of all notes or portions thereof so tendered.

On the Asset Sale Offer Payment Date, the Company will, to the extent lawful:

(1) accept for payment all notes or portions thereof properly tendered pursuant to the Asset Sale Offer; and

(2) deliver or cause to be delivered to the Trustee the notes so accepted together with an Officers' Certificate stating the aggregate principal amount of notes or portions thereof being purchased by the Company.

To the extent that Holders of notes and holders of other Senior Indebtedness, if any, which are the subject of an Asset Sale Offer properly tender and do not withdraw notes or the other Senior Indebtedness in an aggregate amount exceeding the amount of unapplied Net Cash Proceeds, the Company will purchase the notes and the other Senior Indebtedness on *a pro rata* basis (based on amounts tendered). If only a portion of a note is purchased pursuant to an Asset Sale Offer, a new note in a principal amount equal to the portion thereof not purchased will be issued in the name of the Holder thereof upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate). Notes (or portions thereof) purchased pursuant to an Asset Sale Offer will be cancelled and cannot be reissued.

Upon completion of an Asset Sale Offer, the amount of Net Cash Proceeds will be reset to zero. Accordingly, to the extent that the aggregate amount of notes and other Senior Indebtedness tendered pursuant to an Asset Sale Offer is less than the aggregate amount of unapplied Net Cash Proceeds, the Company may use any remaining Net Cash Proceeds for general corporate purposes of the Company and its Restricted Subsidiaries.

In the event of the transfer of substantially all (but not all) of the property and assets of the Company and its Restricted Subsidiaries as an entirety to a Person in a transaction permitted under "— Limitation on Merger, Consolidation and Sale of Assets," the Surviving Entity will be deemed to have sold the properties and assets of the Company and its Restricted Subsidiaries not so transferred for purposes of this covenant, and will comply with the provisions of this covenant with respect to the deemed sale as if it were an Asset Sale. In addition, the Fair Market Value of properties and assets of the Company or its Restricted Subsidiaries so deemed to be sold will be deemed to be Net Cash Proceeds for purposes of this covenant.

If at any time any non-cash consideration received by the Company or any Restricted Subsidiary, as the case may be, in connection with any Asset Sale is converted into or sold or otherwise disposed of for cash (other than interest received with respect to any non-cash consideration), the conversion or disposition will be deemed to constitute an Asset Sale hereunder and the Net Cash Proceeds thereof will be applied in accordance with this covenant within 365 days of conversion or disposition.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws in connection with the purchase of notes pursuant to an Asset Sale Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the "Asset Sale" provisions of the Indenture, the Company will comply with these laws and regulations and will not be deemed to have breached its obligations under the "Asset Sale" provisions of the Indenture by doing so.

Limitation on Designation of Unrestricted Subsidiaries

The Company may designate after the Issue Date any Subsidiary of the Company as an "Unrestricted Subsidiary" under the Indenture (a "Designation") only if:

(1) no Default or Event of Default has occurred and is continuing at the time of or after giving effect to such Designation and any transactions between the Company or any of its Restricted Subsidiaries and such Unrestricted Subsidiary are in compliance with "— Limitation on Transactions with Affiliates";

(2) at the time of and after giving effect to such Designation, the Company could Incur US$1.00 of additional Indebtedness pursuant to clause (1) of "— Limitation on Incurrence of Additional Indebtedness"; and

(3) the Company would be permitted to make an Investment at the time of Designation (assuming the effectiveness of such Designation and treating such Designation as an Investment at the time of Designation) as a Restricted Payment pursuant to the first paragraph of "— Limitation on Restricted Payments" in an amount (the "Designation Amount") equal to the amount of the Company's Investment in such Subsidiary on such date.

Neither the Company nor any Restricted Subsidiary will at any time, except as permitted by "—Limitation on Incurrence of Additional Indebtedness" and "—Limitation on Restricted Payments":

(1) provide credit support for, subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary) to the satisfaction of, or Guarantee, any Indebtedness of any Unrestricted Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness);

(2) be directly or indirectly liable for any Indebtedness of any Unrestricted Subsidiary; or

(3) be directly or indirectly liable for any Indebtedness which provides that the holder thereof may (upon notice, lapse of time or both) declare a default thereon or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity upon the occurrence of a default with respect to any Indebtedness of any Unrestricted Subsidiary, except for any non-recourse Guarantee given solely to support the pledge by the Company or any Restricted Subsidiary of the Capital Stock of any Unrestricted Subsidiary.

The Company may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (a "Revocation") only if:

(1) no Default or Event of Default has occurred and is continuing at the time of and after giving effect to such Revocation; and

(2) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Revocation would, if Incurred at such time, have been permitted to be Incurred for all purposes of the Indenture.

The Designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be deemed to include the Designation of all of the Subsidiaries of such Subsidiary. All Designations and Revocations must be evidenced by Board Resolutions of the Company's Board of Directors and an Officers' Certificate delivered to the Trustee certifying compliance with the preceding provisions.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(a) Except as provided in paragraph (b) below, the Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on or in respect of its Capital Stock to the Company or any other Restricted Subsidiary or pay any Indebtedness owed to the Company or any other Restricted Subsidiary;

(2) make loans or advances to, or Guarantee any Indebtedness or other obligations of, or make any Investment in, the Company or any other Restricted Subsidiary; or

(3) transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(b) Paragraph (a) above of this covenant will not apply to encumbrances or restrictions existing under or by reason of:

(1) applicable law, rule, regulation or order;

(2) the Indenture or the notes;

(3) any agreement governing Acquired Indebtedness, not incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired;

(4) restrictions on the transfer of assets subject to any Permitted Lien;

(5) customary provisions restricting the ability of any Restricted Subsidiary to undertake any action described in clauses (a)(1) through (a)(3) above in joint venture agreements and other similar agreements entered into in the ordinary course of business and with the approval of the Company's Board of Directors;

(6) restrictions in other Indebtedness incurred by a Restricted Subsidiary of the Company in compliance with the covenant described under "— Limitation on Incurrence of Additional Indebtedness"; *provided* that such restrictions are not materially more restrictive with respect to such encumbrances and restrictions than those applicable to Restricted Subsidiaries in agreements related to Indebtedness referenced in clause (2) above;

(7) customary restrictions on cash or other deposits imposed by customers under contracts or other arrangements entered into or agreed to in the ordinary course of business;

(8) customary non-assignment provisions of any license agreement or other contract and customary provisions restricting the assignment or subletting of any lease governing a leasehold interest of any Restricted Subsidiary, or any customary restriction on the ability of a Restricted Subsidiary to dividend, distribute or otherwise transfer any asset that is subject to a Lien that secures Indebtedness, in each case permitted to be Incurred under the Indenture;

(9) restrictions with respect to a Restricted Subsidiary of the Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of Capital Stock or assets of such Restricted Subsidiary; *provided* that such restrictions apply solely to the Capital Stock or assets of such Restricted Subsidiary being sold;

(10) customary restrictions imposed on the transfer of copyrighted or patented materials;

(11) contractual requirements Incurred with respect to a Qualified Receivables Transaction relating exclusively to a Receivables Subsidiary that, in the good faith determination of the Board of Directors, are necessary to effect such Qualified Receivables Transaction; and

(12) Purchase Money Indebtedness and Capitalized Lease Obligations for assets acquired in the ordinary course of business that impose encumbrances and restrictions only on the assets so acquired or subject to lease.

Limitation on Liens

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Liens of any kind (except for Permitted Liens) against or upon any of their respective properties or assets, whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, to secure any Indebtedness or trade payables, unless contemporaneously therewith effective provision is made to secure the notes, any Subsidiary Guarantees and all other amounts due under the Indenture equally and ratably with such Indebtedness or other obligation (or, in the event that such Indebtedness is subordinated in right of payment to the notes or any Subsidiary Guarantee prior to such Indebtedness or other obligation) with a Lien on the same properties and assets securing such Indebtedness or other obligation for so long as such Indebtedness or other obligation is secured by such Lien.

Limitation on Merger, Consolidation and Sale of Assets

The Company will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Company is the surviving or continuing Person), or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Restricted Subsidiary to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Company's properties and assets (determined on a consolidated basis for the Company and its Restricted Subsidiaries), to any Person unless:

(a) either:

(1) the Company is the surviving or continuing corporation; or

(2) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and of the Company's Restricted Subsidiaries substantially as an entirety (the "Surviving Entity"):

(A) is a corporation organized and validly existing under the laws of Mexico, the United States of America, any State thereof or the District of Columbia or any other OECD member country (each such country, a "Permitted Jurisdiction"); and

(B) expressly assumes, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest on all of the notes and the performance and observance of the covenants of the notes and the Indenture on the part of the Company to be performed or observed;

(b) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including giving effect on *a pro forma* basis to any Indebtedness (including any Acquired Indebtedness) Incurred or anticipated to be Incurred in connection with or in respect of such transaction), the Company or such Surviving Entity, as the case may be, will either:

(1) be able to Incur at least US$1.00 of additional Indebtedness pursuant to clause (1) of "—Limitation on Incurrence of Additional Indebtedness"; or

(2) have a Consolidated Fixed Charge Coverage Ratio of not less than the Consolidated Fixed Charge Coverage Ratio of the Company and its Restricted Subsidiaries immediately prior to such transaction;

(c) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including, without limitation, giving effect on *a pro forma* basis to any Indebtedness (including any Acquired Indebtedness) Incurred or anticipated to be Incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default has occurred or is continuing;

(d) any Subsidiary Guarantor (including Persons that are required to provide Subsidiary Guarantees as a result of the transaction) has confirmed by supplemental indenture that its Subsidiary Guarantee will apply for the Obligations of the Surviving Entity in respect of the Indenture and the notes;

(e) if the Company is organized under the laws of a Permitted Jurisdiction or any political subdivision thereof or therein, and (i) the Company merges with a corporation organized under the laws of any other Permitted Jurisdiction or any political subdivision thereof or therein, or (ii) the Surviving Entity is organized under the laws of any other Permitted Jurisdiction or any political subdivision thereof or therein, then the Company or the Surviving Entity will have delivered to the Trustee an Opinion of Counsel from each such Permitted Jurisdiction to the effect that, as applicable:

(1) the Holders of the notes will not recognize income, gain or loss for purposes of the income tax of either Permitted Jurisdiction as a result of the transaction and will be taxed in the Holder's home jurisdiction in the same manner and on the same amounts (assuming solely for this purpose that no Additional Amounts are required to be paid on the notes) and at the same times as would have been the case if the transaction had not occurred;

(2) any payment of interest or principal under or relating to the notes or any Subsidiary Guarantee will be paid in compliance with any requirements under the section "—Additional Amounts"; and

(3) no other taxes on income, including capital gains, will be payable by Holders of the notes under the laws of either Permitted Jurisdiction relating to the acquisition, ownership or disposition of the notes, including the receipt of interest or principal thereon; *provided* that the Holder is not a tax resident of either Permitted Jurisdiction, as applicable, and does not use or hold, and is not deemed to use or hold the notes in carrying on a business in either Permitted Jurisdiction, as applicable; and

(f) the Company or the Surviving Entity has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture, comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to the transaction have been satisfied.

For purposes of this covenant, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Restricted Subsidiaries of the Company, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Company (determined on a consolidated basis for the Company and its Restricted Subsidiaries), will be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The provisions of clause (b) above will not apply to:

(1) any transfer of the properties or assets of a Restricted Subsidiary to the Company or to another Restricted Subsidiary;

(2) any merger of a Restricted Subsidiary into the Company or another Restricted Subsidiary; or

(3) any merger of the Company into an Affiliate of the Company incorporated solely for purposes of reincorporating the Company in another jurisdiction,

so long as, in each case the Indebtedness of the Company and its Restricted Subsidiaries taken as a whole is not increased thereby.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries in accordance with this covenant, in which the Company is not the continuing Person, the Surviving Entity formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture and the notes with the same effect as if such Surviving Entity had been named as such. For the avoidance of doubt, compliance with this covenant will not affect the obligations of the Company (including a Surviving Entity, if applicable) under "— Change of Control," if applicable.

Any merger, consolidation, transfer or sale of assets conducted in accordance with the provisions described above will be deemed to have been authorized by the Holders of the notes for purposes of Article 225 of the Mexican Law on Commercial Companies (*Ley General de Sociedades Mercantiles*).

Limitation on Transactions with Affiliates

(1) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with, or for the benefit of, any of its Affiliates (each an "Affiliate Transaction"), unless:

(a) the terms of such Affiliate Transaction are not materially less favorable than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of the Company;

(b) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of US$25.0 million (or the equivalent in other currencies), the terms of such Affiliate Transaction will be set forth in an Officers' Certificate delivered to the Trustee stating that such transaction complies with clause (a) above;

(c) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of US$50.0 million (or the equivalent in other currencies), the terms of such Affiliate Transaction will be approved by a majority of the members of the Company's Board of Directors (including a majority of the disinterested members thereof), the approval to be evidenced by a Board Resolution stating that the Board of Directors has determined that such transaction complies with clause (a) above; and

(d) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of US$150.0 million (or the equivalent in other currencies), the Company will, prior to the consummation thereof, obtain a favorable opinion as to the fairness of such Affiliate Transaction to the Company and any such Restricted Subsidiary, if any, from a financial point of view from an Independent Financial Advisor and file the same with the Trustee.

(2) Paragraph (1) above will not apply to:

(a) Affiliate Transactions with or among the Company and any Restricted Subsidiary or between or among Restricted Subsidiaries (in each case, other than any Receivables Subsidiary);

(b) reasonable fees and compensation paid to, and any indemnity provided on behalf of, officers, directors and employees of the Company or any Restricted Subsidiary as determined in good faith by the Company's Board of Directors;

(c) Affiliate Transactions undertaken pursuant to the terms of any agreement or arrangement to which the Company or any of its Restricted Subsidiaries is a party as of or on the Issue Date, as these agreements or arrangements may be amended, modified, supplemented, extended or renewed from time to time; *provided* that any future amendment, modification, supplement, extension or renewal

entered into after the Issue Date will be permitted to the extent that its terms are not materially more disadvantageous to the Holders of the notes as a whole than the terms of the agreements or arrangements in effect on the Issue Date;

(d) any Restricted Payments made in compliance with "— Limitation on Restricted Payments";

(e) sales or other transfers or dispositions of accounts receivable and other related assets customarily transferred in an asset securitization transaction involving accounts receivable to a Receivables Subsidiary in a Qualified Receivables Transaction, and acquisitions of Permitted Investments in connection with a Qualified Receivables Transaction;

(f) loans and advances to officers, directors and employees of the Company or any Restricted Subsidiary in the ordinary course of business and not exceeding US$1 million (or the equivalent in other currencies) outstanding at any one time;

(g) any issuance or sale of Capital Stock of the Company (other than Disqualified Capital Stock) to Affiliates of the Company.

(h) Guarantees granted by the Company to any of its Restricted Subsidiaries, by a Restricted Subsidiary to the Company and between or among Restricted Subsidiaries.

Conduct of Business

The Company and its Restricted Subsidiaries will not engage in any business other than a Permitted Business.

Additional Guarantees

The Company will, on the date it furnishes its annual audited consolidated financial statements to the Holders pursuant to clause (a) of the covenant described under "—Reports to Holders," and subject to compliance with the provisions described below in "— Limitation on Guarantees and Indebtedness by Restricted Subsidiaries," cause each of its Restricted Subsidiaries that is not a Subsidiary Guarantor and is a Significant Subsidiary as of the end of the most recently completed fiscal year to become a Subsidiary Guarantor and to execute and deliver to the Trustee, together with an Officers' Certificate and an Opinion of Counsel, a supplemental indenture to the Indenture, pursuant to which it provides a Subsidiary Guarantee. Thereafter, such Significant Subsidiary that was not a Subsidiary Guarantor shall be a Subsidiary Guarantor for all purposes of the Indenture. The Company may cause any other Restricted Subsidiary of the Company to issue a Subsidiary Guarantee and become a Subsidiary Guarantor.

The Obligations of each Subsidiary Guarantor in respect of its Subsidiary Guarantee will be limited to the maximum amount permitted such that the Obligations will not constitute a fraudulent conveyance, fraudulent transfer or similar illegal transfer under applicable law.

Each Subsidiary Guarantor will be released and relieved of its obligations under its Subsidiary Guarantee in the event that:

(1) there is a sale or other disposition of such Subsidiary Guarantor (whether by merger, consolidation, the sale of its Capital Stock or the sale of all or substantially all of its assets), following which such Subsidiary Guarantor is no longer a direct or indirect Subsidiary (other than a Receivables Subsidiary) of the Company;

(2) such Subsidiary Guarantor is designated as an Unrestricted Subsidiary in accordance with "— Covenants — Limitation on Designation of Unrestricted Subsidiaries";

(3) there is a Legal Defeasance of the notes or upon satisfaction and discharge of the Indenture; or

(4) the Indebtedness, the Incurrence of which gave rise to such Subsidiary Guarantor's obligation to provide such Subsidiary Guarantee, has been repaid in full or otherwise discharged;

provided that such transaction is carried out pursuant to, and in accordance with, the applicable provisions of the Indenture.

Reports to Holders

The Company will provide the Trustee and, upon request, the Holders of the notes, with the following reports:

(a) an English language version in electronic format of our annual audited consolidated financial statements prepared in accordance with IFRS promptly upon such financial statements becoming available but not later than 135 days after the close of each fiscal year;

(b) an English language version in electronic format of our unaudited quarterly financial statements prepared in accordance with IFRS, promptly upon such financial statements becoming available but not later than 60 days after the close of each fiscal quarter (other than the last fiscal quarter of each fiscal year); and

(c) so long as we are not subject to Section 13 or Section 15(d) of the Exchange Act and we are not exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, upon request, to any Holder and any prospective purchaser of the notes, the information required pursuant to Rule 144A(d)(4) under the Securities Act.

To the extent such information is not publicly available on its website, the Company will maintain a non-public website or other electronic distribution system to which the beneficial owners of the notes, prospective investors, the Trustee and security analysts will be given access and on which the reports and information referred to in clauses (a), (b) and (c) above are posted; provided, however, that the Company may, in its sole discretion, exclude direct competitors, customers and suppliers from access thereto.

Simultaneously with the delivery of each set of financial statements referred to in clause (a) above, the Company will provide the Trustee with an Officers' Certificate stating whether a Default or Event of Default exists on the date of such certificate and, if a Default or Event of Default exists, setting forth the details thereof and the action which we are taking or propose to take with respect thereto. Promptly following any of our directors or executive officers becoming aware of the existence of a Default or Event of Default or any event by reason of which payments of either principal or interest on the notes are prohibited, the Company will provide the Trustee with an Officers' Certificate setting forth the details thereof and the action we are taking or propose to take with respect thereto.

In addition, so long as the notes are listed on the Official List of the Irish Stock Exchange and trading on the Global Exchange Market, the Company will make available the information specified in the foregoing clauses (a), (b) and (c) at the specified office of the London paying agent.

Delivery of the reports referred to in clauses (a), (b) and (c) above to the Trustee is for informational purposes only and the Trustee's receipt of such reports will not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including our compliance with any covenant in the Indenture (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Notices

For so long as notes in global form are outstanding, notices to be given to holders will be given to the depositary, in accordance with its applicable policies as in effect from time to time. If notes are issued in individual definitive form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the notes at their registered addresses as they appear in the registrar's records. For so long as the notes are listed on the Official List of the Irish Stock Exchange and trading on the Global Exchange Market and the rules of such exchange so require, publication of such notice to the holders of the notes will be in English in a leading newspaper having general circulation in Ireland (which is expected to be the Irish Times). Notices may also be published on the website of the Irish Stock Exchange (www.ise.ie). Neither the failure to give any notice to a particular holder of the notes, nor any defect in a notice given to a particular holder of the notes, will affect the sufficiency of any notice given to another holder of the notes.

Events of Default

The following are "Events of Default" with respect to the notes:

(1) default in the payment when due of the principal of or premium, if any, on (including, in each case, any related Additional Amounts) any notes, including the failure to make a required payment to purchase notes tendered pursuant to an optional redemption, Change of Control Offer or an Asset Sale Offer;

(2) default for 30 days or more in the payment when due of interest (including any related Additional Amounts) on any notes;

(3) the failure to perform or comply with any of the provisions described under "— Covenants — Limitation on Merger, Consolidation and Sale of Assets";

(4) the failure by the Company or any Restricted Subsidiary to comply with any other covenant or agreement contained in the Indenture or the notes for 45 days or more after written notice to the Company from the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the outstanding notes;

(5) default by the Company or any Restricted Subsidiary on any Indebtedness which:

(a) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness prior to the expiration of any applicable grace period provided in such Indebtedness on the date of such default; or

(b) results in the acceleration of such Indebtedness prior to its Stated Maturity; and the principal or accreted amount of Indebtedness covered by clause (a) or (b) at the relevant time, aggregates US$65.0 million (or the equivalent in other currencies) or more;

(6) failure by the Company or any of its Restricted Subsidiaries to pay one or more final judgments against any of them, aggregating US$65.0 million (or the equivalent in other currencies) or more, which are not paid, discharged or stayed for a period of 60 days or more (to the extent not covered by a reputable and creditworthy insurance company that has acknowledged liability therefor in writing);

(7) certain events of bankruptcy affecting the Company or any of its Significant Subsidiaries that are Restricted Subsidiaries; or

(8) except as permitted by the Indenture, any Subsidiary Guarantee is held to be unenforceable or invalid in a judicial proceeding or ceases for any reason to be in full force and effect or any Restricted Subsidiary denies or disaffirms its obligations under its Subsidiary Guarantee.

If an Event of Default (other than an Event of Default specified in clause (7) above with respect to the Company) has occurred and is continuing, the Trustee or the Holders of at least 25% in principal amount of outstanding notes may declare the unpaid principal of and premium, if any, and accrued and unpaid interest on all the notes to be immediately due and payable by notice in writing to the Company (and the Trustee, if given by the Holders) specifying the Event of Default and that it is a "notice of acceleration." If an Event of Default specified in clause (7) above occurs with respect to the Company, then the unpaid principal of and premium, if any, and accrued and unpaid interest on all the notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after a declaration of acceleration with respect to the notes as described in the preceding paragraph, the Holders of a majority in principal amount of the outstanding notes may rescind and cancel such declaration and its consequences:

(1) if the rescission would not conflict with any judgment or decree;

(2) if all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;

(3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; and

(4) if the Company has paid the Trustee its reasonable compensation and reimbursed the Trustee for its reasonable expenses, disbursements, costs, indemnities and advances.

No rescission will affect any subsequent Default or impair any rights relating thereto.

The Holders of a majority in principal amount of the outstanding notes may waive any existing Default or Event of Default under the Indenture, and its consequences, except a Default or Event of Default in the payment of the principal of, premium, if any, or interest on any notes.

The Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the Holders, unless such Holders have offered to the Trustee indemnity and/or security reasonably satisfactory to it. Subject to all provisions of the Indenture and applicable law, the Holders of a majority in aggregate principal amount of the then-outstanding notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

No Holder or Holders of any notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless:

(1) such Holder or Holders give to the Trustee written notice of a continuing Event of Default;

(2) Holders of at least 25% in principal amount of the then-outstanding notes make a written request to pursue the remedy;

(3) such Holder or Holders provide to the Trustee satisfactory indemnity and/or security;

(4) the Trustee does not comply within 60 days; and

(5) during such 60-day period the Holders of a majority in principal amount of the outstanding notes do not give the Trustee a written direction which, in the opinion of the Trustee, is inconsistent with the request;

provided that a Holder of a note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such note on or after the respective due dates expressed in such note.

The Company is required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee written notice of such Default or Event of Default, the status thereof and what action the Company is taking or proposes to take in respect thereof. In addition, the Company is required to deliver to the Trustee, within 135 days after the end of each fiscal year, an Officers' Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous fiscal year. The Indenture provides that if a Default or Event of Default occurs, is continuing and is actually known to a responsible officer of the Trustee, the Trustee must give to each Holder notice of the Default or Event of Default within 45 days after such Default or Event of Default is actually known to a responsible officer of the Trustee. Except in the case of a Default or Event of Default in the payment of principal of, premium, if any, or interest on any note, the Trustee may withhold notice if and so long as a committee of its trust officers in good faith determines that withholding notice is in the interests of the Holders.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have its obligations and those of the Subsidiary Guarantors discharged with respect to the outstanding notes ("Legal Defeasance"). Legal Defeasance means that the Company will be deemed to have paid and discharged the entire indebtedness represented by the outstanding notes on the 91st day after the deposit specified in clause (1) of the third paragraph under "—Legal Defeasance and Covenant Defeasance," except for:

(1) the rights of Holders to receive payments in respect of the principal of, premium, if any, and interest on, the notes when such payments are due;

(2) the Company's obligations with respect to the notes concerning issuing temporary notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payments;

(3) the rights, powers, trust, duties, indemnities and immunities of the Trustee and the Company's (and each Subsidiary Guarantor's) obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have its obligations released with respect to the covenants that are described under "— Covenants" (other than "Limitation on Merger, Consolidation and Sale of Assets") ("Covenant Defeasance") and thereafter any omission to comply with such obligations will not constitute a Default or Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders cash in Euro, German government obligations, or a combination thereof, in such amounts as will be sufficient without reinvestment, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest (including Additional Amounts) on the notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;

(2) in the case of Legal Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee and independent of the Company to the effect that:

    (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or

    (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law; and

    in either case to the effect that, and based thereon such Opinion of Counsel shall state that, the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee and independent of the Company to the effect that the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) in the case of Legal Defeasance or Covenant Defeasance, the Company has delivered to the Trustee (a) an Opinion of Counsel from Mexican counsel reasonably acceptable to the Trustee and independent of the Company to the effect that, based upon Mexican law then in effect, Holders will not recognize income, gain or loss for Mexican tax purposes, including withholding tax except for withholding tax then payable on interest payments due, as a result of such Legal Defeasance or Covenant Defeasance, as the case may be, and will be subject to Mexican taxes on the same amounts and in the same manner and at the same time as would have been the case if such Legal Defeasance or Covenant Defeasance, as the case may be, had not occurred or (b) a ruling directed to the Trustee received from tax authorities of Mexico to the same effect as the Opinion of Counsel described in clause (a) above;

(5) no Default or Event of Default has occurred and is continuing on the date of the deposit pursuant to clause (1) of this paragraph (except any Default or Event of Default resulting from any failure to comply with "— Covenants — Limitation on Incurrence of Additional Indebtedness" as a result of the borrowing of the funds required to effect such deposit);

(6) the Company has delivered to the Trustee an Officers' Certificate stating that such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, the Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(7) the Company has delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or any Subsidiary of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others;

(8) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee and independent of the Company, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with;

(9) the Company has delivered to the Trustee an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee and independent of the Company to the effect that the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally; and

(10) the Company has delivered to the Trustee an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee and independent of the Company to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940, as amended.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the notes and the rights, powers, trust, duties, immunities and indemnities of the Trustee and the obligations of the Company and the Subsidiary Guarantors with respect thereto, as expressly provided for in the Indenture) as to all outstanding notes when:

(1) either:

(a) all the notes theretofor authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has theretofor been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or

(b) all notes not theretofor delivered to the Trustee for cancellation (i) have become due and payable or (ii) are subject to irrevocable instructions that have been given for redemption within 60 days under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee, in the form delivered to the Trustee by the Company, in the name, and at the expense, of the Company, and, in each case, the Company has irrevocably deposited or caused to be deposited with the Trustee funds and/or certain direct, non-callable obligations of, or guaranteed by, Germany without reinvestment to pay and discharge the entire Indebtedness on the notes not theretofor delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the notes to the date of deposit (in the case of notes that have become due and payable) or to the maturity or redemption date, as the case may be, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment of the notes;

(2) the Company has paid all other sums payable under the Indenture and the notes by it; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Modification of the Indenture

From time to time, the Company and the Trustee, without the consent of the Holders, may amend, modify or supplement the Indenture and the notes for the following purposes:

(1) to cure any ambiguity, defect or inconsistency contained therein;

(2) to provide for the assumption by a successor Person of the obligations of the Company under the Indenture;

(3) to add Subsidiary Guarantees or additional Guarantees with respect to the notes or release the Subsidiary Guarantee of a Subsidiary Guarantor in accordance with the terms of the Indenture;

(4) to secure the notes;

(5) to add to the covenants of the Company for the benefit of the Holders or surrender any right or power conferred upon the Company;

(6) to provide for the issuance of Additional Notes in accordance with the Indenture;

(7) to conform the terms of the Indenture or the notes with the description thereof set forth in this "Description of the Notes" to the extent that such description was intended to be a verbatim recitation of a provision of the Indenture or the notes;

(8) to evidence the replacement of the Trustee as provided for under the Indenture;

(9) if necessary, in connection with any release of any security permitted under the Indenture; or

(10) to make any other change that does not adversely affect the rights of any Holder in any material respect.

In formulating its opinion on the foregoing, the Trustee will be entitled to rely on such evidence as it deems appropriate, including, without limitation, solely on an Opinion of Counsel and an Officers' Certificate.

Other modifications to, amendments of, and supplements to, the Indenture or the notes may be made with the consent of the Holders of a majority in principal amount of the then-outstanding notes issued under the Indenture, except that, without the consent of each Holder affected thereby, no amendment may:

(1) reduce the percentage of the principal amount of the notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or change or have the effect of changing the time for payment of interest on any notes;

(3) reduce the principal of or change or have the effect of changing the fixed maturity of any notes, or change the date on which any notes may be subject to redemption, or reduce the redemption price therefor;

(4) make any notes payable in money, or change the place of payment, other than as stated in the notes;

(5) make any change in provisions of the Indenture entitling each Holder to receive payment of principal of, premium, if any, and interest on such notes on or after the due date thereof or to bring suit to enforce such payment, or permitting Holders of a majority in principal amount of outstanding notes to waive Defaults;

(6) amend, change or modify in any material respect the obligation of the Company to make and consummate a Change of Control Offer in respect of a Change of Control Triggering Event that has occurred or make and consummate an Asset Sale Offer with respect to any Asset Sale that has been consummated;

(7) eliminate or modify in any manner a Subsidiary Guarantor's obligations with respect to its Subsidiary Guarantee which adversely affects Holders in any material respect, except as contemplated in the Indenture;

(8) make any change in the provisions of the Indenture described under "— Additional Amounts" that adversely affects the rights of any Holder or amend the terms of the notes in a way that would result in a loss of exemption from any applicable taxes; and

(9) make any change to the provisions of the Indenture or the notes that adversely affect the ranking of the notes.

Governing Law; Jurisdiction

The Indenture, the notes and the Subsidiary Guarantees will be governed by, and construed in accordance with, the law of the State of New York.

The Company and each Subsidiary Guarantor will submit to the jurisdiction of the U.S. federal and New York state courts located in The City of New York, Borough of Manhattan and will appoint an agent for service of process with respect to any actions brought in these courts arising out of or based on the Indenture, the notes or any Subsidiary Guarantee.

The Trustee

The Bank of New York Mellon is the Trustee under the Indenture. Its address is 101 Barclay Street, Floor 7 East, New York, New York 10286.

Except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payments of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; *provided* that if the Trustee acquires any conflicting interest, it must eliminate such conflict or resign.

The Trustee may resign at any time by so notifying the Company. In addition, the Holders of a majority in aggregate principal amount of the notes then outstanding may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee. The Company will remove the Trustee if (1) the Trustee is no longer eligible; (2) the Trustee is adjudged bankrupt or insolvent; (3) a receiver or other public officer takes charge of the Trustee or its property; or (4) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns, is removed by the Company or by the Holders of a majority in aggregate principal amount of the notes then outstanding and such Holders do not reasonably promptly appoint a successor Trustee, or if a vacancy exists in the office of Trustee for any reason, the Company will promptly appoint a successor Trustee. If the Company does not appoint, or is not capable of appointing, a successor Trustee within 60 days of the resignation or removal of the Trustee, then the Company or the Trustee may petition a court of competent jurisdiction for the appointment of a successor Trustee. The successor Trustee will give notice of its succession to the Holders of the notes and, as long as the notes are listed on the Official List of the Irish Stock Exchange and trading on the Global Exchange Market and the rules of the exchange so require, the successor Trustee will also publish such notice as described under "—Notices."

Notwithstanding any other provision herein to the contrary, we and our affiliates may from time to time enter into normal banking and trustee relationships with the Trustee and its affiliates.

No Personal Liability

No past, present or future incorporator, director, officer, employee, shareholder or controlling Person, as such, of the Company will have any liability for any obligations of the Company under the notes or the Indenture or for any claims based on, in respect of or by reason of such obligations or their creation. By accepting a note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the U.S. federal securities laws or under Mexican corporate law, and it is the view of the SEC that such a waiver may be contrary to public policy.

Currency Indemnity

The Company and the Subsidiary Guarantors will pay all sums payable under the Indenture, the notes or such Subsidiary Guarantee solely in Euro. Any amount that any recipient receives or recovers in a currency other than Euro in respect of any sum expressed to be due from the Company and the Subsidiary Guarantors will only constitute a discharge to us, to the greatest extent permitted under applicable law, to the extent of the Euro amount which the recipient is able to purchase with the amount received or recovered in that other currency on the date of the receipt or recovery or, if it is not practicable to make the purchase on that date, on the first date on which the recipient is able to do so. If the Euro amount is less than the Euro amount expressed to be due from the Company and the Subsidiary Guarantors, then the Company and the Subsidiary Guarantors will indemnify the recipient against any loss the recipient sustains as a result. In any event, the Company will indemnify the recipient against the cost of making any purchase of Euro. For purposes of this paragraph, it will be sufficient for the recipient to certify in a satisfactory manner that the recipient would have suffered a loss had an actual purchase of Euro been made with the amount received in that other currency on the date of receipt or recovery or, if it was not practicable to make the purchase on that date, on the first date on which the recipient was able to do so. In addition, the recipient will also be required to certify in a satisfactory manner the need for a change of the purchase date.

The indemnities described above:

- constitute a separate and independent obligation from the other obligations of the Company and the Subsidiary Guarantors;
- will give rise to a separate and independent cause of action;
- will apply irrespective of any indulgence granted by any Holder; and
- will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

Listing

In the event that the notes are listed on the Official List of the Irish Stock Exchange for trading on the Global Exchange Market, the Company will use its commercially reasonable efforts to maintain such listing; *provided*, *however*, that if the Company is unable to list the notes on the Official List of the Irish Stock Exchange and/or the notes do not trade on the Global Exchange Market, or if the Company is unable to maintain such listing and trading, or if as a result of regulations adopted or enforced by authorities governing the Irish Stock Exchange continued listing on such exchange becomes impracticable or materially more burdensome, the Company may delist the notes from such exchange and will, prior to the delisting of such notes, use its commercially reasonable efforts to list and maintain a listing of the notes on another internationally recognized stock exchange.

Certain Definitions

The following sets forth certain of the defined terms used in the Indenture. Reference is made to the Indenture for full disclosure of all such terms, as well as any other terms used herein for which no definition is provided.

"*Acquired Indebtedness*" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Company or any of its Restricted Subsidiaries or is assumed in connection with the acquisition of assets from such Person. Acquired Indebtedness will be deemed to have been Incurred at the time such Person becomes a Restricted Subsidiary or at

the time it merges or consolidates with the Company or a Restricted Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

"*Additional Amounts*" has the meaning set forth under "— Additional Amounts" above. "*Additional Notes*" has the meaning set forth under "— General" above.

"*Affiliate*" means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. Solely for purposes of this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"*Alfa*" means Alfa, S.A.B. de C.V.

"*Asset Acquisition*" means:

(1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person will become a Restricted Subsidiary, or will be merged with or into the Company or any Restricted Subsidiary; or

(2) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person (other than a Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprise any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business; or

(3) any Revocation with respect to an Unrestricted Subsidiary.

"*Asset Sale*" means any direct or indirect sale, disposition, issuance, conveyance, transfer, lease, assignment or other transfer, including, without limitation, a Sale and Leaseback Transaction (each, a "disposition"), by the Company or any Restricted Subsidiary of:

(a) any Capital Stock other than Capital Stock of the Company; or

(b) any property or assets (other than cash, Cash Equivalents or Capital Stock) of the Company or any Restricted Subsidiary;

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(1) the disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries as permitted under "— Covenants — Limitation on Merger, Consolidation and Sale of Assets" or any disposition which constitutes a Change of Control;

(2) the sale of property or equipment that, in the reasonable determination of the Company, has become worn out, obsolete or damaged or otherwise unsuitable for use in connection with the business of the Company or any Restricted Subsidiary;

(3) sales or other dispositions of equipment, inventory, accounts receivable or other assets in the ordinary course of business, including the sale of Receivables pursuant to factoring arrangements;

(4) for purposes of "— Covenants — Limitation on Asset Sales" only, the making of a Restricted Payment permitted under "— Covenants — Limitation on Restricted Payments";

(5) a disposition to the Company or a Restricted Subsidiary (other than a Receivables Subsidiary), including a Person that is or will become a Restricted Subsidiary immediately after the disposition;

(6) sales of accounts receivable and related assets or an interest therein of the type specified in the definition of "Qualified Receivables Transaction" to a Receivables Subsidiary;

(7) the creation of a Permitted Lien;

(8) dispositions of receivables and related assets or interests in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(9) the licensing or sublicensing of intellectual property or other general intangibles in the ordinary course of business;

(10) a Sale and Leaseback Transaction within one year of the acquisition of the relevant asset in the ordinary course of business; and

(11) any transaction or series of related transactions involving property or assets with a Fair Market Value not in excess of US$25.0 million (or the equivalent in other currencies).

"*Asset Sale Offer*" has the meaning set forth under "— Covenants — Limitation on Asset Sales."

"*Asset Sale Transaction*" means any Asset Sale and, whether or not constituting an Asset Sale, (1) any sale or other disposition of Capital Stock, (2) any Designation with respect to an Unrestricted Subsidiary and (3) any sale or other disposition of property or assets excluded from the definition of Asset Sale by clause (4) of that definition.

"*Average Exchange Rate*" means, with respect to any calculation of Consolidated Adjusted EBITDA for any period, the arithmetic average of the daily exchange rates for such period for converting non-Dollar-denominated income statement accounts into Dollars that the Company and its auditors would use in the preparation of the consolidated balance sheet of the Company and its consolidated Subsidiaries in accordance with IFRS.

"*Board of Directors*" means, with respect to any Person, the board of directors or similar governing body of such Person or any duly authorized committee thereof.

"*Board Resolution*" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"*Business Day*" means any day, other than a Saturday or Sunday, (1) which is not a day on which banking institutions in New York City, London or Mexico City are authorized or required by law or executive order to close and (2) on which the Trans-European Automated Real-time Gross Settlement Express Transfer system (the TARGET2 system), or any successor thereto, operates.

"*Capital Stock*" means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated and whether or not voting) of equity of such Person, including each class of Common Stock, Preferred Stock, limited liability interests or partnership interests, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under IFRS. For purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with IFRS.

"*Cash Equivalents*" means:

(1) any investment in direct, non-callable obligations of, or guaranteed by, Germany;

(2) investments in time deposit accounts, certificates of deposit and money market deposits maturing within 270 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof or any foreign country recognized by the United States, and which bank or trust company has capital, surplus and undivided profits, aggregating in excess of US$500 million or the foreign currency equivalent thereof and has outstanding debt which is rated "A", or such similar equivalent rating, or higher by at least one

nationally recognized statistical rating organization, as defined in Rule 436 under the Securities Act; *provided* that in the case of Argentina, Brazil, India, China, Russia and Turkey, a minimum local rating of "A" from Standard & Poor's Ratings Services, Inc. or from Moody's Investors Service, Inc. shall be required (or if no financial institution has a minimum local rating of "A", the highest available credit rating in such country shall be required) or demand deposits maintained in the ordinary course of business with any of the Lenders or any other top tier commercial banks maintaining deposit accounts in countries where the Borrower and its Subsidiaries have operating facilities if such accounts with such other commercial banks are limited to amounts customary for working capital purposes for operations in such country;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank meeting the qualifications described in clause (2) above;

(4) investments in demand deposits, commercial paper, maturing not more than 270 days after the date of acquisition, issued by a corporation other than an Affiliate of the Company, organized and in existence under the laws of the United States of America or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of at least "P-1" according to Moody's or "A-1" according to S&P;

(5) investments in securities with maturities of six months or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, with a rating at the time at which any investment therein is made of at least "A" by S&P or "A" by Moody's;

(6) *Cetes* or *Bonos de Desarrollo del Gobierno Federal* or *Bonos Adjustables del Gobierno Federal* or other similar securities issued by the Mexican government and maturing not more than 180 days after the acquisition thereof, and debt instruments issued by the Mexican government which are denominated and payable in U.S. Dollars and maturing not later than one year after the acquisition thereof;

(7) Investments in money market funds substantially all of whose assets are comprised of securities of the types described in clauses (1) through (6) above; and

(8) investments in demand deposits, certificates of deposit, bank promissory notes and bankers' acceptances denominated in Pesos, maturing not more than 180 days after the acquisition thereof and issued or Guaranteed by any one of the five largest banks (based on assets as of the immediately preceding December 31) organized under the laws of Mexico and which are not under intervention or controlled by the Mexican government.

"*Change of Control*" means the occurrence of one or more of the following events:

(1) (a) the consummation of any transaction (including without limitation any merger or consolidation) the result of which is that any "person" (as defined in Section 13(d) and 14(d) under the Exchange Act), other than Alfa and its Affiliates, becomes the beneficial owner, directly or indirectly, of more than 35% of the Voting Stock of the Company and (b) Alfa and its Affiliates beneficially own, directly or indirectly, in the aggregate, a lesser percentage of the total Voting Stock of the Company than such other person and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of the Company, unless, as a result of such transaction, the ultimate direct or indirect ownership of the Company is substantially the same immediately after such transaction as it was immediately prior to such transaction;

(2) the sale, conveyance, assignment, transfer, lease or other disposition of all or substantially all of the assets of the Company, determined on a consolidated basis, to any "person" (as defined in Sections 13(d) and 14(d) under the Exchange Act) other than Alfa, or any subsidiary of Alfa that is a holding company for Alfa's interest in the Company (or one or more of the Subsidiaries of the Company), whether or not otherwise in compliance with the Indenture; and

(3) the approval by the holders of Capital Stock of the Company of any plan or proposal for the liquidation or dissolution of the Company, whether or not otherwise in compliance with the Indenture.

Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control if (i)(A) the Company becomes a wholly-owned Subsidiary of a holding company and (B) the holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Company's Voting Stock immediately prior to that transaction, (ii) pursuant to a transaction in which the shares of the Company's Voting Stock of the surviving person immediately after giving effect to such transaction or (iii) the "person" referenced in clause (1) or (2) of the preceding sentence previously became the beneficial owner of the Company's Voting Stock so as to have constituted a Change of Control in respect of which a Change of Control Offer was made (or otherwise would have required a Change of Control Offer in the absence of the waiver of such requirement by the holders of the notes).

"*Change of Control Payment*" has the meaning set forth under "— Change of Control." "*Change of Control Payment Date*" has the meaning set forth under "— Change of Control."

"*Change of Control Triggering Event*" means the occurrence of a Change of Control that results in a Ratings Decline.

"*Clearstream*" means Clearstream Banking S.A.

"*Commodity Agreement*" means, with respect to any Person, any commodity or raw material futures contract or any other agreement designed to protect against fluctuations in prices of any commodity or raw material used in a Permitted Business.

"*Common Stock*" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests.

"*Consolidated Adjusted EBITDA*" means, with respect to any Person for any period, Consolidated Net Income for such Person for such period, *plus* the following (without duplication) to the extent deducted or added in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense for such Person for such period;

(2) Consolidated Income Tax Expense for such Person for such period; and

(3) Consolidated Non-cash Charges for such Person for such period,

less (x) all non-cash credits and gains increasing Consolidated Net Income for such Person for such period and (y) all cash payments made by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) during such period relating to non-cash charges that were added back in determining Consolidated Adjusted EBITDA in any prior period.

Notwithstanding the foregoing, the items specified in clauses (1) and (3) above for any Subsidiary (Restricted Subsidiary in the case of the Company) will be added to Consolidated Net Income in calculating Consolidated Adjusted EBITDA for any period:

(a) in proportion to the percentage of the total Capital Stock of such Subsidiary (Restricted Subsidiary in the case of the Company) held directly or indirectly by such Person at the date of determination; and

(b) to the extent that a corresponding amount would be permitted at the date of determination to be distributed to such Person by such Subsidiary (Restricted Subsidiary in the case of the Company) pursuant to its charter and bylaws (*estatutos sociales*) and each law, regulation, agreement or judgment applicable to such distribution.

"*Consolidated Fixed Charge Coverage Ratio*" means, with respect to any Person as of any date of determination, the ratio of the aggregate amount of Consolidated Adjusted EBITDA of such Person for the four most recent full fiscal quarters for which financial statements are available ending prior to the date of such determination (the "Four-Quarter Period") to Consolidated Fixed Charges for such Person for such Four-Quarter Period.

For purposes of this definition, Consolidated Adjusted EBITDA and Consolidated Fixed Charges will be calculated after giving effect on a *pro forma* basis in good faith for the period of such calculation for the following:

(1) the Incurrence, repayment or redemption of any Indebtedness (including Acquired Indebtedness) of such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Company) and the application of the proceeds thereof, including the Incurrence of any Indebtedness (including Acquired Indebtedness), and the application of the proceeds thereof, giving rise to the need to make such determination, occurring during such Four-Quarter Period and at any time subsequent to the last day of such Four-Quarter Period and prior to or on such date of determination, as if such Incurrence, and the application of the proceeds thereof, repayment or redemption occurred on the first day of such Four-Quarter Period; and

(2) any Asset Sale Transaction or Asset Acquisition by such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Company), including any Asset Sale or Asset Acquisition giving rise to the need to make such determination, occurring during the Four-Quarter Period or at any time subsequent to the last day of the Four-Quarter Period and prior to or on such date of determination, as if such Asset Sale Transaction or Asset Acquisition occurred on the first day of such Four-Quarter Period.

For purposes of making such *pro forma* computation:

(a) interest on any Indebtedness bearing a floating rate of interest will be calculated as if the rate in effect on the applicable date of determination had been the applicable rate for the entire Four-Quarter Period (taking into account any Interest Rate Agreements applicable to such Indebtedness);

(b) interest on any Indebtedness under a revolving credit facility will be computed based upon the average daily balance of such Indebtedness during such Four-Quarter Period, or if such facility was created after the end of such Four-Quarter Period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation; and

(c) interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, will be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Company may designate.

"*Consolidated Fixed Charges*" means, for any Person for any period, the sum (without duplication) of:

(1) Consolidated Interest Expense for such Person for such period, plus

(2) the product of:

(a) the amount of all cash and non-cash dividend payments on any series of Preferred Stock or Disqualified Capital Stock of such Person (other than dividends paid on Qualified Capital Stock) or any Subsidiary of such Person (Restricted Subsidiary in the case of the Company) paid, accrued or scheduled to be paid or accrued during such period, excluding dividend payments on Preferred Stock or Disqualified Capital Stock paid, accrued or scheduled to be paid to such Person or another Subsidiary (Restricted Subsidiary in the case of the Company), *times*

(b) a fraction, the numerator of which is one and the denominator of which is one minus the then-current effective income tax rate of such Person in its principal taxpaying jurisdiction (Mexico, in the case of the Company), expressed as a decimal.

"*Consolidated Income Tax Expense*" means, with respect to any Person for any period, the provision for any income taxes payable by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period as determined on a consolidated basis in accordance with IFRS (including, for purposes of this definition, any alternative taxes payable in lieu of income taxes, such as the Mexican *Impuesto Empresarial a Tasa Unica* (IETU)).

"*Consolidated Interest Expense*" means, with respect to any Person for any period, the sum (without duplication) determined on a consolidated basis in accordance with IFRS of:

(1) the aggregate of cash and non-cash interest expense of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period determined on a consolidated basis in accordance with IFRS, including, without limitation, the following (whether or not interest expense in accordance with IFRS):

(a) any amortization or accretion of debt discount or any interest paid on Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) in the form of additional Indebtedness;

(b) any amortization of deferred financing costs;

(c) the net costs under Hedging Obligations (including amortization of fees) in respect of Indebtedness or that are otherwise treated as interest expense or equivalent under IFRS; *provided* that if Hedging Obligations result in net benefits rather than costs, such benefits will be credited to reduce Consolidated Interest Expense unless, pursuant to IFRS, such net benefits are otherwise reflected in Consolidated Net Income;

(d) all capitalized interest;

(e) the interest portion of any deferred payment obligation;

(f) commissions, discounts and other fees and charges Incurred in respect of letters of credit or bankers' acceptances; and

(g) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Subsidiaries (Restricted Subsidiaries in the case of the Company) or secured by a Lien on the assets of such Person or one of its Subsidiaries (Restricted Subsidiaries in the case of the Company), whether or not such Guarantee or Lien is called upon; and

(2) the interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) during such period; and

(3) Receivables Fees.

"*Consolidated Net Income*" means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries (after deducting (or adding) the portion of such net income (or loss) attributable to minority interests in Subsidiaries of such Person) for such period on a consolidated basis, determined in accordance with IFRS; *provided* that there will be excluded therefrom to the extent reflected in such aggregate net income (loss):

(1) net after-tax gains or losses from Asset Sale Transactions or abandonments or reserves relating thereto;

(2) net after-tax items classified as extraordinary gains or losses;

(3) the net income (or loss) of any Person, other than such Person and any Subsidiary of such Person (Restricted Subsidiary in the case of the Company); except that the Company's equity in the net income of any Person will be included up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary, to the limitations contained in clause (4) below); and except further that the Company's equity in the net loss of any Person will be included to the extent such loss may have been funded with cash from the Company or a Restricted Subsidiary;

(4) the net income (but not loss) of any Subsidiary of such Person (Restricted Subsidiary in the case of the Company) to the extent that a corresponding amount could not be distributed to such Person at the date of determination as a result of any restriction pursuant to the constituent documents of such Subsidiary (Restricted Subsidiary in the case of the Company) or any law, regulation, agreement or judgment applicable to any such distribution;

(5) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of Consolidated Net Income accrued at any time following the Issue Date;

(6) any gain (or loss) from foreign exchange translation or change in net monetary position;

(7) any net gain or loss (after any offset) resulting in such period from Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes; *provided* that the net effect on income or loss (including in any prior periods) will be included upon any termination or early extinguishment of such Hedging Obligations, other than any Hedging Obligations with respect to Indebtedness (that is not itself a Hedging Obligation) and that are extinguished concurrently with the termination or other prepayment of such Indebtedness;

(8) the amount of amortization or write-off of deferred financing costs and debt issuance costs of the Company and its Restricted Subsidiaries during such period and any premium or penalty paid in connection with redeeming or retiring Indebtedness of the Company and its Restricted Subsidiaries prior to the stated maturity thereof pursuant to the agreements governing such Indebtedness; and

(9) the cumulative effect of changes in accounting principles.

"*Consolidated Non-cash Charges*" means, with respect to any Person for any period, the aggregate depreciation, amortization and other non-cash expenses or losses of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period, determined on a consolidated basis in accordance with IFRS (excluding any such charge which constitutes an accrual of or a reserve for cash charges for any future period or the amortization of a prepaid cash expense paid in a prior period).

"*Consolidated Total Assets*" means the total amount of the consolidated assets of the Company and its consolidated subsidiaries, as set forth as "Total assets" in the consolidated balance sheet of the Company, as of the end of the most recently completed fiscal quarter or full-year period for which the Company's published financial statements are available.

"*Consolidated Total Indebtedness*" means, with respect to a Person as of any date of determination, an amount equal to the aggregate amount (without duplication) of all Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) outstanding at such time.

"*Covenant Defeasance*" has the meaning set forth under "— Legal Defeasance and Covenant Defeasance."

"*Currency Agreement*" means, with respect to any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed solely to hedge foreign currency risk of such Person.

"*Default*" means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

"*Designation*" and "*Designation Amount*" have the meanings set forth under "Covenants — Limitation on Designation of Unrestricted Subsidiaries" above.

"*Disqualified Capital Stock*" means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, in any case, prior to or on the 91st day after the final maturity date of the notes.

"*Euro*" or "€" means the single currency of the participating member states of the European Union adopting a single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union signed February 7, 1992.

"*Euroclear*" means Euroclear Bank SA/NV.

"*Event of Default*" has the meaning set forth under "— Events of Default."

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"*Fair Market Value*" means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) which could be negotiated in an arm's-length free market transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction. The Fair Market Value of any such asset or assets will be determined conclusively by the Board of Directors of the Company acting in good faith.

"*Fitch*" means Fitch Ratings Ltd. and its successors and assigns.

"*Four-Quarter Period*" has the meaning set forth in the definition of Consolidated Fixed Charge Coverage Ratio above.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person:

(1) to purchase or pay, or advance or supply funds for the purchase or payment of, such Indebtedness of such other Person, whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise; or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part;

provided that "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. "Guarantee," when used as a verb, has a corresponding meaning.

"*Hedging Obligations*" means the obligations of any Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

"*Holder*" means the Person in whose name a note is registered in the note register pursuant to the terms of the Indenture.

"*IFRS*" means International Financial Reporting Standards as adopted by the International Accounting Standards Board, and any financial reporting standards authorized by the Mexican *Comisión Nacional Bancaria y de Valores* and applied by the Company.

"*Incur*" means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Indebtedness or other obligation on the balance sheet of such Person. "Incurrence," "Incurred" and "Incurring" have corresponding meanings.

"*Indebtedness*" means, with respect to any Person, without duplication:

(1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;

(2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all Capitalized Lease Obligations of such Person;

(4) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable in the ordinary course of business);

(5) letters of credit, banker's acceptances or similar credit transactions, including reimbursement obligations in respect thereof (except to the extent reimbursement obligations relate to trade payables in the ordinary course of business and such obligation is satisfied within 20 Business Days of Incurrence);

(6) Guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (5) above and clauses (8) through (10) below;

(7) all Indebtedness of any other Person of the type referred to in clauses (1) through (6) above which is secured by any Lien on any property or asset of such Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset and the amount of the Indebtedness so secured;

(8) all net obligations under Hedging Obligations (not including hedging obligations entered into for non-speculative purposes) of such Person (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time);

(9) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding (i) accrued dividends, if any, and (ii) any shares of a Mexican company that are part of the variable portion of its Capital Stock and that are redeemable, under the Mexican General Law of Business Corporations (*Ley General de Sociedades Mercantiles*)*; provided* that:

    (a) if the Disqualified Capital Stock does not have a fixed repurchase price, such maximum fixed repurchase price will be calculated in accordance with the terms of the Disqualified Capital Stock as if the Disqualified Capital Stock were purchased on any date on which Indebtedness will be required to be determined pursuant to the Indenture; and

    (b) if the maximum fixed repurchase price is based upon, or measured by, the fair market value of the Disqualified Capital Stock, the fair market value will be the Fair Market Value thereof; and

(10) to the extent not otherwise included in the foregoing, the Receivables Transaction Amount outstanding relating to a Qualified Receivables Transaction.

"*Independent Financial Advisor*" means an accounting firm, appraisal firm, investment banking firm or consultant of internationally recognized standing that is, in the judgment of the Company's Board of Directors, qualified to perform the task for which it has been engaged and which is independent in connection with the relevant transaction.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed solely to hedge the interest rate risk of such Person.

"*Investment*" means, with respect to any Person, any:

(1) direct or indirect loan, advance or other extension of credit (including, without limitation, a Guarantee) to any other Person (other than advances or extensions of credit to customers in the ordinary course of business);

(2) capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) any other Person; or

(3) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person.

"Investment" will exclude accounts receivable, trade credits, advances to customers, commissions, travel or similar advances to employees or consultants or deposits arising in the ordinary course of business. "Invest," "Investing" and "Invested" have corresponding meanings.

For purposes of the "— Limitation on Restricted Payments" covenant, the Company will be deemed to have made an "Investment" in an Unrestricted Subsidiary at the time of its Designation, which will be valued at the Fair Market Value of the sum of the net assets of such Unrestricted Subsidiary at the time of its Designation and the amount of any Indebtedness of such Unrestricted Subsidiary or owed to the Company or any Restricted Subsidiary immediately following such Designation. Any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of a Restricted Subsidiary (including any issuance and sale of Capital Stock by a Restricted Subsidiary) such that, after giving effect to any such sale or disposition, such Restricted Subsidiary would cease to be a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the sum of the Fair Market Value of the Capital Stock of such former Restricted Subsidiary held by the Company or any Restricted Subsidiary immediately following such sale or other disposition and the amount of any Indebtedness of such former Restricted Subsidiary Guaranteed by the Company or any Restricted Subsidiary or owed to the Company or any other Restricted Subsidiary immediately following such sale or other disposition.

"*Investment Grade Rating*" means a rating equal to or higher than (i) BBB- (or the equivalent) by Fitch, (ii) Baa3 (or the equivalent) by Moody's or (iii) BBB- (or the equivalent) by S&P, or, if any such entity ceases to rate the notes for reasons outside of the control of the Company, the equivalent investment grade credit rating from any other Rating Agency.

"*Issue Date*" means the first date of issuance of the notes under the Indenture.

"*Legal Defeasance*" has the meaning set forth under "— Legal Defeasance and Covenant Defeasance."

"*Lien*" means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest); *provided* that the lessee in respect of a Capitalized Lease Obligation or Sale and Leaseback Transaction will be deemed to have Incurred a Lien on the property leased thereunder; *provided, further*, that any security interest with respect to a non-recourse true sale of any assets will not constitute a Lien.

"*Moody's*" means Moody's Investors Service, Inc., or any successor thereto.

"*Net Cash Proceeds*" means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents received by the Company or any of its Restricted Subsidiaries from such Asset Sale, net of:

(1) out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions);

(2) taxes paid or payable in respect of such Asset Sale after taking into account any reduction in consolidated tax liability due to available tax credits or deductions and any tax sharing arrangements;

(3) repayment of Indebtedness secured by a Lien permitted under the Indenture that is required to be repaid in connection with such Asset Sale;

(4) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Sale; and

(5) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with IFRS, against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, but excluding any reserves with respect to Indebtedness.

"*Net Debt to EBITDA Ratio*" means, with respect to any Person as of any date of determination, the ratio of the aggregate amount of Consolidated Total Indebtedness (less cash and Cash Equivalents, excluding any amount listed in the Company's consolidated statement of financial position as "restricted" on such statement of financial position) for such Person as of such date to Consolidated Adjusted EBITDA for such Person for the Four-Quarter Period.

For purposes of this definition, Consolidated Total Indebtedness and Consolidated Adjusted EBITDA will be calculated after giving effect on a *pro forma* basis in good faith for the period of such calculation for the following:

(1) the Incurrence, repayment or redemption of any Indebtedness (including Acquired Indebtedness) of such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Company) and the application of the proceeds thereof, including the Incurrence of any Indebtedness (including Acquired Indebtedness), and the application of the proceeds thereof, giving rise to the need to make such determination, occurring during such Four Quarter Period and at any time subsequent to the last day of such Four Quarter Period and prior to or on such date of determination, as if such Incurrence, and the application of the proceeds thereof, repayment or redemption occurred on the first day of such Four Quarter Period; and

(2) any Asset Sale Transaction or Asset Acquisition by such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Company), including any Asset Sale or Asset Acquisition giving rise to the need to make such determination, occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and prior to or on such date of determination, as if such Asset Sale Transaction or Asset Acquisition occurred on the first day of such Four Quarter Period.

For purposes of making such *pro forma* computation:

(a) interest on any Indebtedness bearing a floating rate of interest will be calculated as if the rate in effect on the applicable date of determination had been the applicable rate for the entire Four Quarter Period (taking into account any Interest Rate Agreements applicable to such Indebtedness);

(b) interest on any Indebtedness under a revolving credit facility will be computed based upon the average daily balance of such Indebtedness during such Four Quarter Period, or if such facility was created after the end of such Four Quarter Period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation;

(c) interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, will be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Company may designate; and

(d) the Company will only be required to give effect on a *pro forma* basis to Indebtedness Incurred, repaid or redeemed and not already reflected in the calculation of Consolidated Total Indebtedness on the date of determination.

For purposes of calculating the Net Debt to EBITDA Ratio: (i) Consolidated Total Indebtedness shall be calculated by converting all relevant amounts into U.S. Dollars as of the relevant date of calculation using the Period-End Exchange Rate and (ii) Consolidated Adjusted EBITDA shall be calculated by converting the relevant

amounts on the basis of the Average Exchange Rate during the relevant period and aggregating the twelve monthly calculations for such period.

"*Obligations*" means, with respect to any Indebtedness, any principal, interest (including, without limitation, Post-Petition Interest), premium, Additional Amounts, penalties, fees, indemnifications, reimbursements, damages, and other liabilities payable under the documentation governing such Indebtedness, including in the case of the notes and any Subsidiary Guarantees, the Indenture.

"*OECD*" means the Organization for Economic Cooperation and Development or any successor thereto.

"*Officers' Certificate*" means a certificate signed on behalf of the Company or a Subsidiary Guarantor, as the case may be, by two officers of the Company or such Subsidiary Guarantor, as applicable, one of whom must be the principal executive officer, principal financial officer, treasurer, or principal accounting officer of the Company or the Subsidiary Guarantor, as applicable, that meets the requirements set forth in the Indenture.

"*Opinion of Counsel*" means a written opinion of counsel, who may be an employee of or counsel for the Company or any of its Affiliates (except as otherwise provided in the Indenture) and who is reasonably acceptable to the Trustee.

"*Period-End Exchange Rate*" means, with respect to any calculation of Consolidated Total Indebtedness for any period, the exchange rate at the end of such period for converting such relevant non-U.S. Dollar amounts into U.S. Dollars that the Company and its auditors would use in the preparation of the consolidated balance sheet of the Company and its consolidated Subsidiaries in accordance with IFRS.

"*Permitted Business*" means the business or businesses conducted by the Company and its Restricted Subsidiaries as of the Issue Date and any business related, ancillary or complementary thereto.

"*Permitted Indebtedness*" has the meaning set forth under clause (2) of "— Covenants — Limitation on Incurrence of Additional Indebtedness."

"*Permitted Investments*" means:

(1) Investments by the Company or any Restricted Subsidiary in any Person that is, or that result in any Person becoming, immediately after such Investment, a Restricted Subsidiary (other than a Receivables Subsidiary) or constituting a merger or consolidation of such Person into the Company or with or into a Restricted Subsidiary (other than a Receivables Subsidiary);

(2) Investments by any Restricted Subsidiary in the Company;

(3) Investments in cash and Cash Equivalents;

(4) Investments in existence on the Issue Date;

(5) any extension, modification or renewal of any Investments existing as of the Issue Date (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof, other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms of such Investment as of the Issue Date);

(6) Investments permitted pursuant to clause (2)(b) or (e) of "— Covenants — Limitation on Transactions with Affiliates";

(7) Investments received as a result of the bankruptcy or reorganization of any Person or taken in settlement of or other resolution of claims or disputes, and, in each case, extensions, modifications and renewals thereof;

(8) Investments made by the Company or its Restricted Subsidiaries as a result of non-cash consideration permitted to be received in connection with an Asset Sale made in compliance with the covenant described under "— Covenants — Limitation on Asset Sales";

(9) Investments in the form of Hedging Obligations permitted under clause 2(d) of "— Covenants — Limitation on Incurrence of Additional Indebtedness";

(10) receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided* that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances;

(11) Investments consisting of payroll, travel or similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(12) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments;

(13) loans to a supplier, potential supplier or other Person involved directly in the business of the Company and its Restricted Subsidiaries, in an aggregate amount outstanding at any one time not to exceed the greater of (i) US$75.0 million (or the equivalent in other currencies) or (ii) 2.0% of Consolidated Total Assets;

(14) minority Investments, in an aggregate amount not to exceed the greater of (i) US$75.0 million (or the equivalent in other currencies) or (ii) 2.0% of Consolidated Total Assets;

(15) any Investment by the Company or a Restricted Subsidiary in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person, in each case, in connection with a Qualified Receivables Transaction; *provided* that the Investment in any Person is in the form of a Purchase Money Note or an equity interest or interest in Receivables and related assets generated by the Company or a Restricted Subsidiary and transferred to any Person in connection with a Qualified Receivables Transaction or any Person owning those accounts receivable; and

(16) Investments by the Company or any of its Restricted Subsidiaries, together with all other Investments pursuant to this clause (16), in an aggregate amount at the time of such Investment not to exceed the greater of (a) US$325.0 million (or the equivalent in other currencies) and (b) 7.5% of Consolidated Total Assets outstanding at any one time (with the Fair Market Value of each such Investment being measured at the time made and without giving effect to subsequent changes in value); *provided* that any Person in which such Investments are made is principally engaged in a Permitted Business.

"*Permitted Jurisdiction*" has the meaning set forth under "—Covenants—Limitation on Merger, Consolidation and Sale of Assets."

"*Permitted Liens*" means any of the following Liens:

(1) Liens existing on the Issue Date;

(2) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by IFRS shall have been made in respect thereof;

(3) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(4) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(5) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(6) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company or a Restricted Subsidiary, including rights of offset and set-off;

(7) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings promptly initiated and diligently conducted, *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(8) encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or liens incidental to the conduct of the business of such Person or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(9) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceeding may be initiated has not expired;

(10) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution;

(11) Liens securing Hedging Obligations so long as the related Indebtedness is, and is permitted to be under the Indenture, secured by Liens on the same assets securing such Hedging Obligations;

(12) Liens to secure any Refinancing Indebtedness which is Incurred to Refinance any Indebtedness below which has been secured by a Lien permitted under the covenant described under "— Covenants — Limitation on Liens" not incurred pursuant to clause (15) or (16) and which Indebtedness has been Incurred in accordance with "— Covenants — Limitation on Incurrence of Additional Indebtedness"; *provided* that such new Liens:

(a) are no less favorable to the Holders and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced and

(b) do not extend to any property or assets other than the property or assets securing the Indebtedness Refinanced by such Refinancing Indebtedness;

(13) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Company or another Restricted Subsidiary (other than a Receivables Subsidiary) and permitted to be Incurred under the Indenture;

(14) Liens securing Acquired Indebtedness Incurred in accordance with "— Covenants — Limitation on Incurrence of Additional Indebtedness" not incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; *provided* that

(a) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary and were not granted in

connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary and

(b) such Liens do not extend to or cover any property of the Company or any Restricted Subsidiary other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Company or a Restricted Subsidiary and are no more favorable to the lienholders than the Liens securing the Acquired Indebtedness prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary;

(15) Liens securing Purchase Money Indebtedness or Capitalized Lease Obligations Incurred to finance the acquisition or leasing of property of the Company or a Restricted Subsidiary used in a Permitted Business; *provided* that:

(a) the related Purchase Money Indebtedness does not exceed the cost of such property and will not be secured by any property of the Company or any Restricted Subsidiary other than the property so acquired; and

(b) the Lien securing such Indebtedness will be created within 180 days of such acquisition; and

(16) Liens on assets transferred to a Receivables Subsidiary or on assets of a Receivables Subsidiary, in either case Incurred in connection with a Qualified Receivables Transaction;

(17) Liens in favor of the Company or any Restricted Subsidiary;

(18) Liens incurred in the ordinary course of business with respect to obligations that do not exceed US$30.0 million at any one time outstanding;

(19) Liens on the Capital Stock of any Unrestricted Subsidiary;

(21) any Lien securing Indebtedness for the purpose of financing all or part of the cost of the acquisition, construction or development of a project; provided that the lenders of such Indebtedness expressly agree to limit their collateral in respect of such Indebtedness to assets (including Capital Stock of the project entity) and/or revenues of such project; and provided, further, that the Lien is incurred before, or within 180 days after the completion of, that acquisition, construction or development and does not apply to any other property or assets owned by us or any Restricted Subsidiary; and

(22) Liens securing an amount of Indebtedness outstanding at any one time not to exceed the greater of (i) US$325.0 million (or the equivalent in other currencies) and (ii) 7.5% of Consolidated Total Assets at the time of incurrence of such Indebtedness.

"*Person*" means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"*Post-Petition Interest*" means all interest accrued or accruing after the commencement of any insolvency or liquidation proceeding (and interest that would accrue but for the commencement of any insolvency or liquidation proceeding) in accordance with and at the contract rate (including, without limitation, any rate applicable upon default) specified in the agreement or instrument creating, evidencing or governing any Indebtedness, whether or not, pursuant to applicable law or otherwise, the claim for such interest is allowed as a claim in such insolvency or liquidation proceeding.

"*Preferred Stock*" means, with respect to any Person, any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

"*Purchase Money Indebtedness*" means Indebtedness Incurred for the purpose of financing all or any part of the purchase price, or other cost of construction or improvement of any property; *provided* that the aggregate principal amount of such Indebtedness does not exceed the lesser of the Fair Market Value of such property or such purchase

price or cost, including any Refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less) thereof as of the date of the Refinancing.

"*Purchase Money Note*" means a promissory note evidencing a line of credit, or evidencing other Indebtedness owed to the Company or any Restricted Subsidiary in connection with a Qualified Receivables Transaction, which note shall be repaid from cash available to the maker of such note, other than amounts required to be established as reserves, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts paid in connection with the purchase of newly generated accounts receivable.

"*Qualified Capital Stock*" means any Capital Stock that is not Disqualified Capital Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Capital Stock that are not convertible into or exchangeable into Disqualified Capital Stock.

"*Qualified Receivables Transaction*" means any transaction or series of transactions that may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Company or any Restricted Subsidiary) and (b) any other person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any Receivable (whether now existing or arising in the future) of the Company or any Restricted Subsidiary and any asset related thereto, including, without limitation, all collateral securing such Receivables, all contracts and all guarantees or other obligations in respect of the accounts receivable, proceeds of such Receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitization transactions involving Receivable.

"*Rating Agencies*" means (i) Fitch, (ii) Moody's and (iii) S&P or (iv) if any of Fitch, Moody's or S&P shall not make a rating of the notes publicly available, a nationally recognized United States securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for any of Fitch, Moody's or S&P, as the case may be.

"*Ratings Decline*" means that at any time within 90 days (which period shall be extended so long as the rating of the notes is under publicly announced consideration for possible downgrade by Moody's, S&P or Fitch or a substitute or successor of any thereof) after the date of public notice of a Change of Control, of an arrangement that could result in a Change of Control, or of the Company's intention or that of any other Person to effect a Change of Control, (i) in the event the notes are assigned an Investment Grade Rating by at least two of the Rating Agencies prior to such public notice, the rating of the notes by at least two of the Rating Agencies shall be below an Investment Grade Rating; or (ii) in the event the notes are rated below an Investment Grade Rating by at least two of the Rating Agencies prior to such public notice, the rating of the notes by at least two of the Rating Agencies shall be decreased by one or more categories; provided that, in each case, any such rating decline is in whole or in part in connection with a Change of Control.

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or the performance of services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, including, without limitation, an account receivable.

"*Receivables Fees*" means any fees or interest paid to purchasers or lenders providing the financing in connection with a Qualified Receivables Transaction, factoring agreement or other similar agreement, including any such amounts paid by discounting the face amount of Receivables or participations therein transferred in connection with a Qualified Receivables Transaction, factoring agreement or other similar arrangement, regardless of whether any such transaction is structured as on-balance sheet or off-balance sheet or through a Restricted Subsidiary or an Unrestricted Subsidiary

"*Receivables Subsidiary*" means a Wholly Owned Subsidiary of the Company which engages in no activities other than in connection with the financing of accounts receivables and which is designated by the Company as a Receivables Subsidiary:

(1) no portion of the Indebtedness or any other Obligations (contingent or otherwise) of which (a) is guaranteed by the Company or any other Restricted Subsidiary (excluding guarantees of Obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization

Undertakings), (b) is recourse to or obligates the Company or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (c) subjects any property or asset of the Company or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Company nor any other Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Qualified Receivables Transaction) other than on terms no less favorable to the Company or such other Restricted Subsidiary than those that might be obtained at the time from persons that are not Affiliates of the Company, other than fees payable in the ordinary course of business in connection with servicing accounts receivable; and

(3) to which neither the Company nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

"*Receivables Transaction Amount*" means the amount of obligations outstanding under the legal documents entered into as part of such Qualified Receivables Transaction on any date of determination that would be characterized as principal if such Qualified Receivables Transaction were structured as a secured lending transaction rather than as a purchase.

"*Refinance*" means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to refinance, replace, defease or refund such Indebtedness in whole or in part. "Refinanced" and "Refinancing" have correlative meanings.

"*Refinancing Indebtedness*" means Indebtedness of the Company or any Restricted Subsidiary issued to Refinance any other Indebtedness of the Company or a Restricted Subsidiary so long as:

(1) the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Indebtedness being Refinanced (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable expenses incurred by the Company in connection with such Refinancing);

(2) such new Indebtedness has:

(a) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced; and

(b) a final maturity that is equal to or later than the final maturity of the Indebtedness being Refinanced; and

(3) if the Indebtedness being Refinanced is Subordinated Indebtedness, then such Refinancing Indebtedness will be subordinate to the notes or any relevant Subsidiary Guarantee, if applicable, at least to the same extent and in the same manner as the Indebtedness being Refinanced.

"*Restricted Payment*" has the meaning set forth under "— Covenants — Limitation on Restricted Payments."

"*Restricted Subsidiary*" means any Subsidiary (including, without limitation, a Receivables Subsidiary) of the Company which at the time of determination is not an Unrestricted Subsidiary.

"*Revocation*" has the meaning set forth under "— Covenants — Limitation on Designation of Unrestricted Subsidiaries."

"*Sale and Leaseback Transaction*" means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Company or a Restricted Subsidiary of any property, whether owned by the Company or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such property.

"*S&P*" means Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc. and its successors.

"*SEC"* means the U.S. Securities and Exchange Commission.

"*Senior Indebtedness*" means the notes and the Subsidiary Guarantees and any other Indebtedness of the Company or any Restricted Subsidiary that ranks equal in right of payment with the notes or the relevant Subsidiary Guarantee, as the case may be.

"*Significant Subsidiary*" means a Subsidiary of the Company that would constitute a "significant subsidiary" of the Company in accordance with Rule 1-02 under Regulation S-X under the Securities Act in effect on the Issue Date.

"*Standard Securitization Undertakings*" means representations, warranties, covenants and indemnities entered into by the Company or any Restricted Subsidiary which are reasonably customary in securitization of Receivables transactions.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"*Strategic Subordinated Indebtedness*" means Indebtedness of the Company or any Restricted Subsidiary owed or payable to solely an Affiliate of the Company (other than a Subsidiary) which by its terms, or by the terms of any agreement or instrument pursuant to which such Indebtedness is Incurred:

(1) is expressly made subordinate in right of payment to the notes; and

(2) provides that no payment of principal or premium, if any, or interest on, or any other payment with respect to, such Indebtedness may be made prior to the payment in full of all of the Company's obligations under the notes.

"*Subordinated Indebtedness*" means, with respect to the Company or any Restricted Subsidiary, any Indebtedness of the Company or such Restricted Subsidiary, as the case may be, which is expressly subordinated in right of payment to the notes or the relevant Subsidiary Guarantee, as the case may be.

"*Subsidiary*" means, with respect to any Person, any other Person of which such Person owns, directly or indirectly, more than 50% of the voting power of the other Person's outstanding Voting Stock.

"*Subsidiary Guarantee*" means the unconditional Guarantee, on a joint and several basis, of the full and prompt payment of all Obligations of the Company under the Indenture and the notes, in accordance with the terms of the Indenture.

"*Surviving Entity*" has the meaning set forth under "— Covenants — Limitation on Merger, Consolidation and Sale of Assets."

"*Unrestricted Subsidiary*" means any Subsidiary of the Company Designated as an Unrestricted Subsidiary pursuant to "— Covenants — Limitation on Designation of Unrestricted Subsidiaries." Any such Designation may be revoked by a Board Resolution of the Company, subject to the provisions of such covenant.

"*U.S. Dollars*" or "*U.S.$*" means such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

"*Voting Stock*" means, with respect to any Person, securities of any class of Capital Stock of such Person then outstanding and normally entitled to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person. The term "normally entitled" means without regard to any contingency.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one-twelfth) obtained by dividing:

(1) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into

(2) the sum of the products obtained by multiplying:

   (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by

   (b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

"*Wholly Owned Subsidiary*" means, for any Person, any Subsidiary (Restricted Subsidiary in the case of the Company) of which all the outstanding Capital Stock (other than, in the case of a Subsidiary not organized in the United States, directors' qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law) is owned by such Person or any other Person that satisfies this definition in respect of such Person.

BOOK-ENTRY, DELIVERY AND FORM

We have obtained the information in this section concerning Clearstream and Euroclear and their book-entry systems and procedures from sources that we believe to be reliable. We take no responsibility for an accurate portrayal of this information. In addition, the description of the clearing systems in this section reflects our understanding of the rules and procedures of Clearstream and Euroclear as they are currently in effect. Those clearing systems could change their rules and procedures at any time.

The notes will initially be represented by one or more fully registered global notes. Each such global note will be deposited with a common depositary for, and in respect of interests held through, Euroclear as operator of Euroclear and Clearstream. Except as set forth below, the global notes may be transferred, in whole and not in part, only to Euroclear or Clearstream or their respective nominees. You may hold your interests in the global notes in Europe through Clearstream or Euroclear, either as an accountholder in such systems or indirectly through organizations that are accountholders in such systems. Clearstream and Euroclear will hold interests in the global notes on behalf of their respective participating organizations or customers through customers' securities accounts in Clearstream's or Euroclear's names on the books of their respective depositaries. Book-entry interests in the notes and all transfers relating to the notes will be reflected in the book-entry records of Clearstream and Euroclear.

The distribution of the notes will be cleared through Clearstream and Euroclear. Any secondary market trading of book-entry interests in the notes will take place through Clearstream and Euroclear accountholders and will settle in same-day funds. Owners of book-entry interests in the notes will receive payments relating to their notes in euro, except as described under the heading "Description of the Notes—Issuance in Euro; Payment on the Notes."

Clearstream and Euroclear have established electronic securities and payment transfer, processing, depositary and custodial links among themselves and others, either directly or through custodians and depositaries. These links allow the notes to be issued, held and transferred among the clearing systems without the physical transfer of certificates. Special procedures to facilitate clearance and settlement have been established among these clearing systems to trade securities across borders in the secondary market.

The policies of Clearstream and Euroclear will govern payments, transfers, exchanges and other matters relating to the investor's interest in the notes held by them. We have no responsibility for any aspect of the records kept by Clearstream or Euroclear or any of their direct or indirect accountholders. We also do not supervise these systems in any way.

Clearstream and Euroclear and their accountholders perform these clearance and settlement functions under agreements they have made with one another or with their customers. You should be aware that they are not obligated to perform or continue to perform these procedures and may modify them or discontinue them at any time.

Except as provided below, owners of beneficial interests in the notes will not be entitled to have the notes registered in their names, will not receive or be entitled to receive physical delivery of the notes in definitive form and will not be considered the owners or holders of the notes under the indenture, including for purposes of receiving any reports delivered by us or the trustee pursuant to the indenture. Accordingly, each person owning a beneficial interest in a note must rely on the procedures of the depositary and, if such person is not an accountholder, on the procedures of the accountholder through which such person owns its interest, in order to exercise any rights of a holder of notes.

We have been advised by Clearstream and Euroclear, respectively, as follows:

Clearstream

Clearstream advises that it is incorporated under the laws of Luxembourg as a professional depositary. Clearstream holds securities for its participating organizations ("Clearstream Participants") and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depositary, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance*

du Secteur Financier). Clearstream Participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the underwriters. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Participant, either directly or indirectly.

Distributions with respect to interests in the notes held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures.

Euroclear

Euroclear advises that it was created in 1968 to hold securities for participants of Euroclear ("Euroclear Participants") and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank SA/NV (the "Euroclear Operator"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, or the Euroclear Terms and Conditions, and applicable Belgian law govern securities clearance accounts and cash accounts with the Euroclear Operator. Specifically, these terms and conditions govern:

- transfers of securities and cash within Euroclear;
- withdrawal of securities and cash from Euroclear; and
- receipt of payments with respect to securities in Euroclear.

All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants and has no record of or relationship with persons holding securities through Euroclear Participants.

Distributions with respect to interests in the notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Euroclear Terms and Conditions.

Global Clearance and Settlement Procedures

We understand that investors that hold their notes through Clearstream or Euroclear accounts will follow the settlement procedures that are applicable to conventional eurobonds in registered form. Notes will be credited to the securities custody accounts of Clearstream and Euroclear accountholders on the business day following the settlement date, for value on the settlement date. They will be credited either free of payment or against payment for value on the settlement date.

We understand that secondary market trading between Clearstream and/or Euroclear accountholders will occur in the ordinary way following the applicable rules and operating procedures of Clearstream and Euroclear. Secondary market trading will be settled using procedures applicable to conventional eurobonds in registered form.

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the notes through Clearstream and Euroclear on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, there may be problems with completing transactions involving Clearstream and Euroclear on the same business day as in the United States. United States investors who wish to transfer their interests in the notes, or to make or receive a payment or delivery of the notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg or Brussels, depending on whether Clearstream or Euroclear is used.

Clearstream or Euroclear will credit payments to the cash accounts of Clearstream customers or Euroclear accountholders, as applicable, in accordance with the relevant system's rules and procedures, to the extent received by its depositary, Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by a holder under the indenture on behalf of a Clearstream customer or Euroclear participant only in accordance with its relevant rules and procedures.

Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of the notes among accountholders of Clearstream and Euroclear. However, they are under no obligation to perform or continue to perform those procedures, and they may discontinue those procedures at any time.

Certificated Notes

We will issue notes in definitive form upon surrender of the Global Notes in accordance with their terms only if:

a) an Event of Default has occurred and is continuing;

b) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days or more (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the trustee is available;

c) the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the notes in definitive form and a certificate to such effect signed by an authorized signatory of the Issuer is given to the trustee; or

d) the depositary for the notes notifies the Issuer at any time that it is unwilling or unable to continue as depositary for the Global Notes and a successor depositary is not appointed within 90 days.

Thereupon (in the case of (a) or (b) above) the holder of a Global Note (acting on behalf of one or more of the accountholders) or the trustee may give notice to the Issuer and (in the case of (c) above) the Issuer may give notice to the trustee and the noteholders, of its intention to exchange a Global Note for notes in definitive form on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Global Note may, or in the case of (c) above, shall surrender it to or to the order of the London paying agent. In exchange for the Global Note, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of definitive notes, security printed in accordance with any applicable legal and stock exchange requirements. On exchange of the Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive notes.

For these purposes, "Exchange Date" means a day specified in the notice requiring exchange falling not less than 60 days after that on which the notice requiring exchange is given and being a day on which banks are open for general business in London, the place in which the specified office of the London paying agent is located and, except in case of exchange pursuant to (b) above, in the place in which Euroclear and Clearstream, Luxembourg are located.

In all cases, definitive notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the holder of the relevant Global Notes.

Neither we nor the trustee nor any of our respective agents will be liable for any delay by the holder of the relevant Global Notes identifying the holders of beneficial interests in the Global Notes, and each such person may

conclusively rely on, and will be protected in relying on, instructions from Euroclear or Clearstream, Luxembourg for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the definitive notes to be issued).

In considering the interests of holders of the notes while any relevant Global Notes are held on behalf of Euroclear and Clearstream, Luxembourg, the trustee may have regard to any information provided to it by such clearing systems as to the identity (either individually or by category) of their accountholders and may consider such interests as if such accountholders were holders of the relevant Global Notes and interests therein.

TRANSFER RESTRICTIONS

The notes and the guarantees have not been, and will not be, registered under the Securities Act, or the securities laws of any other jurisdiction and may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, we are offering the notes only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A; and

- outside the United States to non-U.S. persons in offshore transactions meeting the requirements of Rule 903 of Regulation S.

As used herein, the terms “offshore transaction,” “United States” and “U.S. person” have the respective meanings given to them in Regulation S.

Purchasers’ Representations and Restrictions on Resale and Transfer

Each purchaser of notes (other than the initial purchasers in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;

- it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any state, that the notes are being offered in a transaction that does not involve any public offering in the United States within the meaning of the Securities Act and that the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

- it understands and agrees that notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that notes offered outside the United States pursuant to Regulation S will also be represented by a global note;

- it will not resell or otherwise transfer any of such notes except (a) to us, (b) within the United States to a qualified institutional buyer in a transaction in compliance with Rule 144A, (c) outside the United States in compliance with Rules 903 or 904 under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;

- it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;

- it acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred either in compliance with (a) Rule 144A or (b) Regulation S) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;

- it acknowledges that the trustee, registrar or transfer agent for the notes will not be required to accept for registration transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with;

- if it is a non-U.S. purchaser acquiring a beneficial interest in a Regulation S global note offered pursuant to this offering memorandum, it acknowledges and agrees that, until the expiration of the 40 day

“distribution compliance period” within the meaning of Regulation S, any offer, sale, pledge or other transfer shall not be made by it in the United States or to, or for the account or benefit of, a U.S. person, except pursuant to Rule 144A to a qualified institutional buyer taking delivery thereof in the form of a beneficial interest in a U.S. global note;

- it acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify us and the initial purchasers; and
- if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note and which will be used to notify transferees of the foregoing restrictions on transfer:

> “THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF NEMAK, S.A.B. DE C.V. (THE “COMPANY”) THAT THIS NOTE OR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER APPLICABLE JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES THAT IT SHALL NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “U.S. PERSON” HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.
>
> THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ONLY AT THE OPTION OF THE ISSUER.”

The following is the form of restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

> “THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES THAT, PRIOR TO THE EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S (“REGULATION S”) UNDER THE SECURITIES ACT), NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE AFTER 40 DAYS BEGINNING ON AND INCLUDING THE LATER OF (A) THE DATE ON WHICH THE NOTES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AND (B) THE ORIGINAL ISSUE DATE OF THE NOTES."

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in global notes and certificated notes, see "Description of the Notes."

Other Jurisdictions

The distribution of this offering memorandum and the offer and sale or resale of the notes may be restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum comes are required by us and the initial purchasers to inform themselves about and to observe any such restrictions.

TAXATION

General

The following summary contains a description of certain material United States and Mexican federal income tax consequences of the purchase, ownership and disposition of the notes, by holders that are non-resident of Mexico for tax purposes.

This summary is based upon federal tax laws of the United States and Mexico as in effect on the date of this offering memorandum, including certain of the provisions of the income tax treaty entered into between the United States and Mexico, which we refer to in this offering memorandum as the "Tax Treaty", all of which are subject to change, including changes with retroactive effects (which may affect the validity of this summary). This summary does not purport to be a comprehensive description of all the U.S. or Mexican tax considerations that may be relevant to a decision to purchase, hold or dispose of the notes. The summary does not address any tax consequences under the laws of any state, municipality or locality of Mexico or the United States or the laws of any taxing jurisdiction other than the federal tax laws of Mexico and the United States.

Prospective investors should consult their own tax advisors as to the Mexican and United States tax consequences of the purchase, ownership and disposition of notes, including, in particular, the effect of any foreign (non-Mexican and non-U.S.), national, state, municipal or other non-national tax laws.

Mexico has also entered into or is negotiating several double taxation treaties with various countries that may have an impact on the tax treatment of the purchase, ownership or disposition of notes. Prospective purchasers of notes should consult their own tax advisors as to the tax consequences, if any, of the application of the Tax Treaty and any other such treaties and the effectiveness of any such treaty.

Mexican Federal Tax Considerations

General

The following is a general summary of the principal Mexican federal income tax consequences of the purchase, ownership and disposition of the notes by holders that are treated as non-residents of Mexico, for Mexican federal income tax purposes, and that do not hold such notes through a permanent establishment for tax purposes in Mexico to which income under the notes is attributable; for purposes of this summary, each such non-resident holder is referred to as a foreign holder.

This summary is based on the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*) and regulations in effect on the date of this offering memorandum, which are subject to change, possibly with retroactive effect, or to new or different interpretations, which could affect the continued validity of this summary.

This summary does not constitute tax advice and not address all of the Mexican tax consequences that may be applicable to specific holders of the notes and does not purport to be a comprehensive description of all the Mexican tax considerations that may be relevant to a decision to purchase, own or dispose of the notes, including a comprehensive description of all Mexican federal tax considerations. In addition, this summary does not describe any tax consequences arising under the laws of any state or municipality of Mexico.

Potential investors should consult with their own tax advisors regarding the particular consequences of the purchase, ownership or disposition of the notes under the federal laws of Mexico (and the laws of any state or municipality of Mexico) or any other jurisdiction or under any applicable double taxation treaty to which Mexico is a party, which is in effect.

For purposes of Mexican taxation, an individual or corporation that does not satisfy the requirements to be considered a resident of Mexico for tax purposes, as specified below, is treated as a non-resident of Mexico for tax purposes, a foreign holder for purposes of this summary, and generally subject to taxation solely in respect of income under the notes, at a Mexican federal level, as specified in this summary.

Tax residency is a highly technical definition that involves the application of a number of factors that are specified in the Mexican Tax Code (*Código Fiscal de la Federación).* An individual is a resident of Mexico for tax

purposes, if he/she established his/her home in Mexico. When the individual has a home in another country, the individual will be deemed a resident in Mexico if his/her center of vital interests is located in Mexican territory, this will be deemed to occur if (i) more than 50.0% of the aggregate income realized by such individual in the calendar year is from a Mexican source of income, or (ii) the principal center of the professional activities of the individual is located in Mexico. A Mexican national who filed a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico and where his/her income is subject to a preferred tax regime as defined by Mexican law, will be considered resident of Mexico for tax purposes during the fiscal year of the filing of notice of such residence change and during the following three fiscal years. Unless otherwise proven, a Mexican national is deemed a resident of Mexico for tax purposes.

A legal entity is a resident of Mexico if it maintains the principal administration of its business or the effective location of its management in Mexico.

If a legal entity or an individual is deemed to have a permanent establishment in Mexico for Mexican tax purposes or is deemed to be a resident of Mexico for tax purposes, any and all income attributable to that permanent establishment of such resident, or to such deemed resident, will be subject to Mexican income tax, in accordance with applicable Mexican tax laws.

Payments of Interest

Pursuant to the Mexican Income Tax Law, payments of interest on the notes (including original issue discount or any premium paid in respect of the notes, which is deemed to be interest) made by us to foreign holders, will be subject to Mexican withholding tax at a rate of 4.9%, if, as expected, the following requirements are met:

- the issuance of the notes (including the principal characteristics of the notes) is notified to the CNBV pursuant to Article 7 of the Mexican Securities Market Law and Articles 24 Bis, 24 Bis 1 and other applicable provisions of the General Regulations Applicable to Issuers and Other Market Participants (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores*);

- the notes, as expected, are placed outside of Mexico through banks or brokerage houses, in a country with which Mexico has entered into a treaty that is in force for the avoidance of double taxation which is in effect (which currently includes the United States); and

- we timely comply with the informational requirements specified from time to time by the Mexican tax authorities under their general rules, including, after completion of the transaction described in this offering memorandum, the filing with the Mexican Tax Administration Service (*Servicio de Administración Tributaria* or "SAT"), fifteen business days after the placement of the notes, certain information regarding such placement and this offering memorandum (including the principal characteristics of the notes).

If any of the above mentioned requirements is not met, the Mexican withholding tax will be 10.0% or higher. If the effective beneficiaries, whether acting directly or indirectly, individually or jointly with related parties, that receive more than 5% of any interest paid under the notes (i) are persons who own, directly or indirectly, individually or with related parties, 10% of our voting stock, or (ii) are corporations or other entities, of which 20% or more of the voting stock is owned, directly or indirectly, jointly or severally, by persons related to us, then the Mexican withholding tax rate applicable to payments of interest under our notes may increase to the maximum applicable rate according to the law (currently 35%). For these purposes, persons will be related if:

- one person holds an interest in the business of the other person;

- both persons have common interests; or

- a third party has an interest in the business or assets of both persons.

As of the date of this offering memorandum, the Tax Treaty is not expected to have any effect on the Mexican tax consequences described in this summary, because, as described above, under the Mexican Income Tax Law, we expect to be entitled to withhold taxes in connection with interest payments under the notes at a 4.9% rate (as described above).

Payments of interest on the notes made by us to non-Mexican pension and retirement funds will be exempt from Mexican withholding tax provided that:

- the applicable fund is duly incorporated pursuant to the laws of its country of residence and is the effective beneficiary of the interest payment;
- such income is exempt from taxes in the country of residence of the applicable fund; and
- such fund provides information to us, that we may in turn provide to the SAT in accordance with rules issued by SAT for these purposes.

Holders or beneficial owners of the notes may be requested to, subject to specified exceptions and limitations, provide certain information or documentation necessary to enable us to apply the appropriate Mexican withholding tax rate on interest payments under the notes made by us to such holders or beneficial owners. Additionally, the Mexican Income Tax Law provides that, in order for a foreign holder to be entitled to the benefits under the treaties for the avoidance of double taxation entered into by Mexico, which are in effect, it is necessary for the foreign holder to meet the procedural requirements established in such Law (that relate to evidencing a place of residence). In the event that the specified information or documentation concerning the holder or beneficial owner of the notes, if requested, is not timely provided, we may withhold Mexican tax from interest payments on the notes to that holder or beneficial owner at the maximum applicable rate in effect, and our obligation to pay Additional Amounts relating to those withholding taxes will be limited as described under "Description of the Notes—Additional Amounts."

Payments of Principal

Under Mexican Income Tax Law, payments of principal on the notes made by us to foreign holders will not be subject to any Mexican withholding tax.

Taxation of Capital Gains

Under the Mexican Income Tax Law, capital gains resulting from the sale or other disposition of the notes by a foreign holder to another foreign holder are not taxable in Mexico. Gains resulting from the sale of the notes by a foreign holder to a Mexican resident for tax purposes or to a foreign holder deemed to have a permanent establishment in Mexico for tax purposes, will be subject to the Mexican taxes pursuant to the rules described above with respect to interest payments on the notes.

Taxation of Make-Whole Amount

Under the Mexican Income Tax Law, the payment of the make-whole amounts as a result of the optional redemption of the notes, as provided in "Description of the Notes—Optional Redemption", will be subject to the Mexican taxes pursuant to the rules described above with respect to interest payments (as applied to make-whole amounts).

Other Mexican Taxes

Under current Mexican tax laws, generally there are no estate, inheritance, succession or gift taxes, applicable to the purchase, ownership or disposition of the notes by a foreign holder. Gratuitous transfers of the notes in certain circumstances may result in the imposition of a Mexican federal income tax upon the recipient. There are no Mexican stamp, issue, registration or similar taxes or duties payable by us or by foreign holders of the notes with respect to the notes (including their issuance).

U.S. Federal Income Tax Considerations

The following is a general summary of certain U.S. federal income tax consequences of the ownership and disposition of the notes. This summary is limited to holders of the notes that purchase the notes at the original issuance, at their "issue price" (as defined below) and who hold the notes as capital assets (within the meaning of the U.S. Internal Revenue Code of 1986 (the "Code"). This summary is based upon provisions of the Code and U.S. Treasury regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those

summarized below. This summary does not address all aspects of U.S. federal income taxation that may be relevant to a particular holder or to certain types of holders subject to special treatment, such as persons subject to certain U.S. federal income tax laws regarding expatriates, dealers in securities or foreign currency, financial institutions, insurance companies, tax-exempt organizations, real estate investment trusts, regulated investment companies, partnerships, pass-through entities or persons that hold the notes through partnerships or pass through entities, "U.S. Holders" (as defined below) whose functional currency is not the U.S. Dollar, or persons who hold the notes as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or other integrated investment. In addition, this summary does not address alternative minimum tax consequences or the indirect effects on holders of interests in a beneficial owner of the notes. This summary also does not describe any tax consequences arising under the laws of any taxing jurisdiction other than the U.S. federal government.

As used in this section, the term "U.S. Holder" means a beneficial owner of the notes that is for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) any estate the income of which is subject to U.S. federal income tax regardless of its source; or (iv) any trust if (A) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (B) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

A "Non-U.S. Holder" is a beneficial owner of the notes that is neither a U.S. Holder nor a partnership (or entity treated as such for U.S. federal income tax purposes).

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner in a partnership that acquires or holds the notes should consult its own tax advisors.

If you are considering the purchase of notes, you should consult your own tax advisors concerning the particular United States federal, state and local tax consequences to you regarding purchase, ownership and disposition of the notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

U.S. Holders

The following summary applies to you if you are a holder of notes that is a U.S. Holder.

Contingent Payment Debt Obligations

Certain debt instruments that provide for one or more contingent payments are subject to U.S. Treasury regulations governing contingent payment debt instruments. A payment is not treated as a contingent payment under these regulations if, as of the issue date of the debt instrument, the likelihood that such payment will be made is remote and/or the payments are incidental. In certain circumstances as set forth in the Description of the Notes, we may be required to redeem the notes in advance of their stated maturity, in which case we may pay amounts on the notes that are in excess of the stated interest or principal of the notes. For example, in the event of a Change of Control (as defined in the indenture), we must offer to repurchase the notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the repurchase date (see "Description of the Notes—Change of Control Triggering Event"). We intend to take the position that the possibility that any such payment will be made is remote and/or the payments are incidental and therefore the notes are not subject to the rules governing contingent debt instruments. Our determination that these contingencies are remote and/or incidental is binding on you unless you disclose your contrary position to the Internal Revenue Service ("IRS") in the manner that is required by applicable U.S. Treasury regulations. Our determination is not, however, binding on the IRS. It is possible that the IRS might take a different position from that described above, in which case the timing, character and amount of taxable income in respect of the notes may differ adversely from that described herein. The remainder of this discussion assumes that the notes will not be treated as contingent payment debt instruments.

Stated Interest

The amount of stated interest payments on a note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for tax purposes.

In addition to interest on the notes, you will be required to include in income any Additional Amounts and any tax withheld from the interest payments you receive, even if you do not in fact receive this withheld tax. You may be entitled to deduct or credit this tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your foreign taxes for a particular tax year). Interest income (including Mexican taxes withheld, if any, from the interest payments and any Additional Amounts) on a note generally will be considered foreign source income and generally should constitute "passive category income" for foreign tax credit purposes. You may be denied a foreign tax credit for foreign taxes imposed with respect to the notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Payments of interest on the notes will be denominated in Euro and, accordingly, the following rules will apply. A cash basis U.S. Holder will be required to include in income the U.S. Dollar value of the Euro amount of interest received, determined by translating such amount into U.S. Dollars at the spot exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. Dollars on such date. A cash basis U.S. Holder generally will not recognize any foreign currency gain or loss on receipt of a Euro interest payment.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to interest payments in accordance with either of two methods. Under the first method, the U.S. Holder will be required to accrue interest income on a note in Euro and translate the amount accrued into U.S. Dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the U.S. Holder's taxable year). Under the second method, an accrual basis U.S. Holder may elect to accrue interest income at the spot exchange rate in effect on the last day of the accrual period (or last day of the taxable year within such accrual period if the accrual period spans more than one taxable year) or at the spot exchange rate in effect on the date the interest payment is received if such date is within five business days of the last day of the accrual period. A U.S. Holder that makes an election under the second method must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS and, accordingly, U.S. Holders should consult their own tax advisors as to the desirability, mechanics and collateral consequences of making this election. Upon receipt of a Euro interest payment (including amounts received upon the disposition of a note attributable to accrued but unpaid interest), an accrual basis U.S. Holder will recognize foreign currency gain or loss in an amount equal to the difference between the U.S. Dollar value of such payment (determined by translating the payment at the spot exchange rate for Euro in effect on the date received) and the U.S. Dollar value of the interest income that the U.S. Holder has previously accrued with respect to such payment, regardless of whether the payment is actually converted into U.S. Dollars on the date of receipt. Foreign currency gain or loss will be treated as ordinary income or loss and generally as U.S. source for foreign tax credit purposes, and generally will not be treated as interest income or expense.

Original Issue Discount

The notes will be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes if their stated redemption price at maturity exceeds their "issue price" by more than a *de minimis* amount. The "issue price" of a note generally is the first price at which a substantial amount of the issue of which the note is a part is sold to persons other than bond houses, brokers or similar persons acting in the capacity of underwriters, placement agents or wholesalers. The "stated redemption price at maturity" is generally defined as the sum of all payments provided by the note other than "qualified stated interest," which is stated interest that is unconditionally payable in cash or property (other than debt instruments issued by us) at least annually at a single fixed interest rate over the entire term of the note. If a note is treated as issued with more than a *de minimis* amount of OID, you will be required, regardless of your tax accounting method, to include in ordinary income a portion of the OID for each day during each taxable year in which you held the note, determined by using a constant yield-to-maturity method that reflects compounding interest. The amount of income recognized by a cash basis or accrual basis U.S. Holder with respect to OID would generally be calculated in the manner that an accrual basis U.S. Holder determines the amount of income recognized with respect to interest payments. See "—Stated Interest," above.

Sale, Exchange and Retirement of Notes

Unless a nonrecognition provision of the U.S. federal income tax law applies, upon the sale, exchange, redemption, retirement or other taxable disposition of a note, a U.S. Holder will recognize taxable gain or loss in an amount equal to the difference, if any, between the amount realized (determined in U.S. Dollars) on the sale,

exchange, redemption, retirement or other taxable disposition (other than amounts attributable to accrued but unpaid interest, which will be treated as described above) and the U.S. Holder's tax basis in the note (determined in U.S. Dollars). If a U.S. Holder receives Euro on the sale, exchange, redemption, retirement or other disposition of a note, the amount realized generally will be the U.S. Dollar value of the Euro received, calculated at the spot exchange rate on the date of the sale, exchange, retirement or other disposition. However, if the notes are traded on an established securities market, a cash basis U.S. Holder (or, upon election, an accrual basis U.S. Holder) will determine the U.S. Dollar amount realized by translating the Euro received at the spot exchange rate on the settlement date of the sale, exchange, redemption, retirement or other disposition. If an accrual basis U.S. Holder makes such an election, the election must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS. If an accrual basis U.S. Holder does not make such an election, such a holder will determine the U.S. Dollar value of the amount realized by translating that amount at the spot exchange rate on the date of the sale, exchange, redemption, retirement or other disposition and generally will recognize foreign currency gain or loss equal to the difference (if any) between (i) the U.S. Dollar value of the Euro amount realized based on the spot exchange rates in effect on the disposition date and (ii) the U.S. Dollar value of the Euro amount realized based on the spot exchange rates in effect on the settlement date.

A U.S. Holder's tax basis in a note generally will be its U.S. Dollar cost for the note. If a U.S. Holder pays the purchase price for a note in Euro, such U.S. Holder's tax basis in the note generally will be the U.S. Dollar value of the Euro purchase price on the date of purchase, calculated at the spot exchange rate in effect on such date. However, if the notes are traded on an established securities market, a cash basis U.S. Holder (or, upon election, an accrual basis U.S. Holder) will determine the U.S. Dollar value of the Euro purchase price by translating the Euros paid at the spot exchange rate on the settlement date of the purchase. As described above, if an accrual basis U.S. Holder makes such an election, the election must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS. If an accrual basis U.S. Holder does not make such an election, such a holder will determine the U.S. Dollar value of the Euro purchase price by translating the Euro amount paid at the spot exchange rate on the date of the purchase and generally will recognize foreign currency gain or loss equal to the difference (if any) between (i) the U.S. Dollar value of the Euro purchase price based on the spot exchange rate in effect on the purchase date and (ii) the U.S. Dollar value of the Euro purchase price based on the spot exchange rate in effect on the settlement date.

Subject to the foreign currency rules discussed below, gain or loss recognized by a U.S. Holder on the sale, exchange, redemption, retirement or other taxable disposition of a note will generally be capital gain or loss. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holding period for such note is more than one year. Long-term capital gains recognized by individuals and certain other non-corporate U.S. Holders generally are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Such gain or loss will generally be treated as U.S. source income or loss for foreign tax credit purposes, unless the applicable provisions in the Tax Treaty provide otherwise. Accordingly, if Mexican tax is imposed on the sale or other disposition of the notes, such tax generally will not be available as a credit for you against U.S. federal income tax unless you have other income treated as derived from foreign sources, in the appropriate category, for purposes of the foreign tax credit rules. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

A U.S. Holder may recognize foreign currency gain or loss attributable to a change in exchange rates between the date of the purchase of a note and the date of the sale, exchange, redemption, retirement or other disposition of the note. Gain or loss attributable to a change in exchange rates will equal the difference between (1) the U.S. Dollar value of the Euro principal amount of the note (determined based on the spot exchange rate in effect on the date of the sale, exchange, redemption, retirement or other disposition of the note) and (2) the U.S. Dollar value of the Euro principal amount of the note (determined based on the spot exchange rate in effect on the date of the purchase of the note). For this purpose, the principal amount of the note is the U.S. Holder's purchase price for the note in Euro. The realization of such foreign currency gain or loss will be limited to the amount of overall gain or loss realized on the sale, exchange, redemption, retirement or other disposition of the note. Foreign currency gain or loss will be treated as ordinary income or loss and generally as U.S. source for foreign tax credit purposes, and generally will not be treated as interest income or expense.

Foreign Currency Gain or Loss With Respect to Euro

A U.S. Holder that purchases a note with previously owned Euro will recognize foreign currency gain or loss at the time of purchase attributable to the difference at the time of purchase, if any, between the U.S. Holder's tax basis in such Euro and the fair market value of the note in U.S. Dollars on the date of purchase. A U.S. Holder's tax basis in Euro received as interest on, or received on the sale, exchange, redemption, retirement or other disposition of, a note will be the U.S. Dollar value thereof determined at the spot exchange rate in effect on the date the holder received the Euro.

Upon any subsequent conversion or other disposition of the Euro for U.S. Dollars, a U.S. Holder generally will recognize foreign currency gain or loss equal to the difference between the amount of U.S. Dollars received and the U.S. Holder's tax basis in the Euro.

Net Investment Income Tax

Certain U.S. Holders who are individuals, estates or trusts with income that exceeds certain thresholds generally will be subject to a 3.8% tax on "net investment income", including interest on, and capital gains from the sale or other taxable disposition of the notes, subject to certain limitations and exceptions. U.S. Holders should consult their tax advisors regarding the effect, if any, of the net investment income tax on their ownership and disposition of the notes.

Foreign Financial Asset Reporting

You may be required to file Form 8938 (Statement of Specified Foreign Financial Assets) if you own "specified foreign financial assets" with an aggregate value in excess of US$50,000 with respect to such assets. U.S. Treasury regulations provide that "specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as investment in a note not held through an account with a financial institution. Investors who fail to report required information for any year could become subject to substantial penalties and a significant extension of the statute of limitations for their tax return.

Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of these U.S. Treasury regulations on their investment in notes.

Reportable Transaction Reporting

Pursuant to U.S. Treasury regulations, a U.S. Holder that recognizes a foreign currency loss in a taxable year that exceeds $50,000 in the case of an individual or trust, or certain other holders, may be required to disclose the transaction as a "reportable transaction" on IRS Form 8886 (or a suitable substitute). U.S. Holders should consult their own tax advisors as to the possible obligation to file IRS Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received.

Non-U.S. Holders

The following summary applies to you if you are a holder of notes that is a Non-U.S. Holder.

The interest income that you derive with respect to the notes (including the amount of any Mexican taxes withheld, if any, and any Additional Amounts) generally will be exempt from United States federal income taxes, including United States withholding tax on payments of interest (other than as described below under "–Backup Withholding and Information Reporting"), unless such income is effectively connected with your conduct of a trade or business in the United States (and, if required by an applicable tax treaty, is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States).

Any gain you realize on a sale, exchange, redemption or retirement of the notes generally will be exempt from United States federal income tax, including United States withholding tax, unless:

- you are an individual holder and are present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met; or

- your gain is effectively connected with your conduct of a trade or business in the United States (and, if required by an applicable tax treaty, are attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States).

If the first exception above applies, the Non-U.S. Holder generally would be subject to U.S. federal income tax at a rate of 30%, or a lower rate provided by an applicable income tax treaty, on any gain. If the second exception applies, the Non-U.S. Holder generally would be subject to U.S. federal income tax on any gain on a net basis in the same manner as if the Non-U.S. Holder were a U.S. Holder, unless an applicable income tax treaty provides otherwise. A corporate Non-U.S. Holder may also be subject to a branch profits tax equal to 30% (or, if applicable, a lower treaty rate) of the Non-U.S. Holder's effectively connected earnings and profits for the taxable year, as adjusted for certain items.

Backup Withholding and Information Reporting

Generally, information reporting requirements will apply to all payments we make to a U.S. Holder and the proceeds from a sale of a note paid to a U.S. Holder unless such U.S. Holder is an exempt recipient and demonstrates this fact when so required. To avoid the imposition of backup withholding, a U.S. Holder should (i) provide its taxpayer identification number, (ii) certify that it is not subject to backup withholding, and (iii) otherwise comply with the applicable requirements of the backup withholding rules. Although Non-U.S. Holders generally are exempt from backup withholding and information reporting, a Non-U.S. Holder may, in certain circumstances, be required to comply with certification procedures to prove entitlement to this exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a holder's United States federal income tax liability, provided the required information is timely furnished to the IRS.

Foreign Account Tax Compliance

Sections 1471 through 1474 of the Code ("FATCA") impose reporting obligations and a 30% withholding tax with respect to certain payments of interest, as well as payments made upon maturity, redemption, or sale of certain debt instruments. FATCA generally applies to debt instruments issued by U.S. issuers, but may also apply to payments on debt instruments issued by certain non-U.S. issuers made by non-U.S. financial institutions to the extent such payments are attributable to certain U.S. source income ("foreign passthru payments") (a term not yet defined) on the later of January 1, 2019, or the date of publication in the Federal Register of final U.S. Treasury regulations defining the term foreign passthru payments. U.S. Treasury regulations exempt from such withholding any debt instrument of a non-U.S. issuer issued prior to the date that is six months after the date of publication in the Federal Register of final U.S. Treasury regulations defining the term foreign passthru payments, unless such debt instrument is materially modified after such date. As of the date of this offering memorandum, such regulations have not yet been published. If the notes are materially modified in the future, there can be no assurance that the notes will not be considered obligations that are subject to FATCA.

In the event any withholding under FATCA is imposed with respect to any payments on the notes, there will be no Additional Amounts payable to compensate for the withheld amount. Holders of the notes should consult their own tax advisors on how the FATCA rules, including any intergovernmental agreement entered into between the United States and any other jurisdiction implementing FATCA, may apply to their investment in the notes.

The Proposed EU Financial Transactions Tax

The European Commission has published a proposal (the "Commission's Proposal") for a Directive for a common financial transactions tax ("FTT") in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (together, other than Estonia, the "participating Member States"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the notes in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the notes where at least

one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. In such circumstances, it is not possible to predict what effect the proposed FTT might have on the business of the Issuer, there will be no gross-up by any party to the transaction, and amounts due to holders of the notes may be adversely affected.

The FTT remains subject to negotiation between participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw.

Prospective holders of the notes are advised to seek their own professional advice in relation to the FTT and its potential impact on their dealings in the notes before investing.

GENERAL INFORMATION

The Bank of New York Mellon SA/NV, Dublin Branch is acting solely in its capacity as listing agent for the Issuer (and not on its own behalf) in connection with the application for admission of the notes to the Official List of the Irish Stock Exchange and trading on its Global Exchange Market.

The Issuer accepts responsibility for the information contained in these listing particulars and to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and contains no omission likely to affect the import of such information.

The legal and commercial name of the Issuer is Nemak, S.A.B. de C.V. The Issuer is registered in the Public Registry of Property and Commerce (*Registro Público de la Propiedad y del Comercio*) of the state of Nuevo Leon, Mexico under mercantile folio (*folio mercantil*) 43888*9. The Issuer was incorporated on December 6, 1993 and is a publicly traded corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico, operating under the Mexican Securities Market Law (*Ley del Mercado de Valores*). The address of the registered office of the Issuer is Libramiento Arco Vial Km. 3.8, 66001 García, Nuevo León, México and the main phone number at such office is +52 (81) 8748-5200.

These listing particulars contain certain information which has been sourced from third parties, in each case as identified by a note or statement identifying such third party. The Issuer accepts responsibility for accurately reproducing the information and as far as the Issuer is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render such reproduced information inaccurate or misleading.

For information regarding potential conflicts of interest and risks resulting from our corporate structure, see "Risk Factors—Risks Relating to Our Company— We have two principal shareholders, Alfa and Ford, whose interests may not be aligned with the interests of Nemak or you," "Principal Shareholders" and "Related Party Transactions." There are no specific measures in place regarding abuse of control over our business by our parent corporation. We are not aware of any potential conflicts of interest between any duties to the Issuer of the members of our board of directors and their private interests and/or other duties.

Our independent accountant, PricewaterhouseCoopers, S.C., is a member of numerous associations, including the Mexican Institute of Public Accountants (*Instituto Mexicano de Contadores Públicos, A.C.*) and the National Association of Tax Specialists (*Asociación Nacional de Especialistas Fiscales, A.C.*).

There has been no material adverse change in our prospects since December 31, 2016 and no significant change in our financial or trading position since December 31, 2016.

We have not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) over the past 12 months, which may have, or have had in the recent past, significant effects on our financial position or profitability.

For the duration of the listing of the notes on the Official List and their admission to trading on the Global Exchange Market of the Irish Stock Exchange, physical copies of the following documents may be inspected at our main office located at Libramiento Arco Vial Km. 3.8, 66001 García, Nuevo León, México:

(a) the memorandum and articles of association of the Issuer;

(b) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request, any part of which is included or referred to in this listing particulars; and

(c) our historical financial information for each of the two financial years preceding the publication of this listing particulars.

We estimate that the expenses for the listing of the notes on the Official List of the Irish Stock Exchange will be €6,540.

The notes issued in reliance on Rule 144A have a Common Code of 153391602 and an ISIN of XS1533916026. The notes issued in reliance on Regulation S have a Common Code of 153391629 and an ISIN of XS1533916299.

The notes have received a rating of "Ba1 (Positive)" from Moody's Investors Service, "BB+ (Positive)" from S&P Global Ratings and "BB+ (Positive)" from Fitch Ratings. See "Risk Factors—Risks Relating to the Notes—We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies."

The notes will be fully and unconditionally guaranteed by certain of our subsidiaries, as described elsewhere in these listing particulars, on a joint and several basis. The Annual Audited Financial Statements included in these listing particulars include consolidated financial information for both guarantor and non-guarantor subsidiaries of the Issuer.

The board of directors of the Issuer authorized the issuance of the notes on January 25, 2017. The board of directors of Nemak México, S.A. authorized its guarantee on February 23, 2017. The board of directors of each of Nemak USA Inc. and Nemak of Canada Corporation each authorized its respective guarantee on March 2, 2017. The shareholders of each of Nemak Dillingen GmbH, Nemak Dillingen Casting GmbH & Co. KG, Nemak Wernigerode GmbH and Nemak Wernigerode Casting GmbH & Co. KG each authorized its respective guarantee on March 2, 2017. The founder, sole member and supervisory board of Nemak Győr Alumíniumöntöde Korlátolt Felelősségű Társaság each authorized its guarantee on March 3, 2017. We have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the notes and guarantees.

As of December 31, 2016, the Issuer had net assets of Ps.7,607 million (accounting for 8.3% of its consolidated net assets) and for the year ended December 31, 2016, the Issuer had EBITDA of Ps.4,728 million (accounting for 31.8% of its consolidated EBITDA). As of December 31, 2016, the subsidiary guarantors had net assets of Ps.54,090 million (accounting for 58.9% of our consolidated net assets) and for the year ended December 31, 2016, the subsidiary guarantors had EBITDA of Ps.7,664 million (accounting for 51.6% of our consolidated EBITDA). As of December 31, 2016, our non-guarantor subsidiaries had net assets of Ps.30,195 million (accounting for 32.9% of our consolidated net assets) and for the year ended December 31, 2016, our non-guarantor subsidiaries had EBITDA of Ps.2,450 million (accounting for 16.5% of our consolidated EBITDA).

One of the subsidiary guarantors, Nemak México, S.A., had net assets of Ps.29,035 million (accounting for 31.6% of our consolidated net assets) as of the year ended December 31, 2016 and EBITDA of Ps.3,482 million (accounting for 23.5% of our consolidated EBITDA) for the year ended December 31, 2016. Nemak México, S.A. was incorporated on March 12, 1979 and is registered in the Public Registry of Property and Commerce (*Registro Público de la Propiedad y del Comercio*) of the state of Nuevo Leon, Mexico under mercantile folio (*folio mercantil*) 14723*9. The registered office of Nemak México, S.A. is Libramiento Arco Vial Km. 3.8, 66001 García, Nuevo León, México. Nemak México, S.A. is primarily engaged in the production and sale of aluminum components.

PLAN OF DISTRIBUTION

BNP Paribas, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc and Citigroup Global Markets Limited are acting as joint bookrunners of the offering and initial purchasers.

Subject to the terms and conditions contained in a purchase agreement among us and the initial purchasers, we have agreed to sell to the initial purchasers, and each of the initial purchasers has, severally and not jointly, agreed to purchase from us, the principal amount of the notes that appears opposite its name in the table below:

Initial Purchaser		Principal Amount
BNP Paribas	€	163,333,000
J.P. Morgan Securities plc	€	163,334,000
Morgan Stanley & Co. International plc	€	163,333,000
Citigroup Global Markets Limited	€	10,000,000
Total	€	500,000,000

The initial purchasers may offer and sell the notes through any of their affiliates. The notes will be offered in the United States by the initial purchasers or their affiliates that are registered to offer and sell the notes for sale in the United States. Subject to applicable law, the initial purchasers or their affiliates will offer and sell the notes outside of the United States.

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed to purchase all of the notes sold under the purchase agreement if any notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The initial purchasers have advised us that they propose initially to offer the notes at the offering price set forth on the cover page of this offering memorandum and to certain dealers at that price less a selling concession. After the initial offering, the offering price, concession or any other term of the offering may be changed.

Notes Are Not Being Registered

The notes have not been registered under the Securities Act, or the securities law of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgements, representations and agreements as described under "Transfer Restrictions." In connection with sales outside the United States, each of the initial purchasers has agreed that it will not offer, sell or deliver the notes to, or for the account of, U.S. persons (unless in reliance on Rule 144A) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, and it will send to each dealer to whom it sells such notes during such period a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons. Resales of the notes are restricted as described under "Transfer Restrictions."

Further, until 40 days after the commencement of the offering, an offer or sale of the notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

New Issue of Notes

The notes will constitute a new issue of securities with no established trading market. Application has been made to the Irish Stock Exchange to admit the notes to listing on the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market. However, we cannot assure you that the listing application will be approved. We have been advised by the initial purchasers that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

No Sales of Similar Securities

The Issuer and the subsidiary guarantors have agreed that for a period of 30 days after the date of this offering memorandum, neither the Issuer nor the subsidiary guarantors will, without first obtaining the prior written consent of the initial purchasers, directly or indirectly, offer, sell or announce the offering of, or file any registration statement under the Securities Act in respect of, any long-term, U.S. dollar or Euro-denominated debt securities of the Issuer or any of the subsidiary guarantors offered or sold in the international capital markets, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Short Positions

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market.

Similar to other purchase transactions, purchases by the initial purchasers to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor the initial purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Affiliates of certain of the initial purchasers are lenders under facilities which will be repaid with the proceeds of the notes. If any of the initial purchasers or their affiliates have a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or

publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Sales Outside the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Selling Restrictions

European Economic Area

In relation to each member state of the European Economic Area, an offer of securities described in this offering memorandum may not be made to the public in that member state other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;

- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by us for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of securities shall require us or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an "offer of securities to the public" in any member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in that relevant member state.

The European Economic Area selling restriction is in addition to any other selling restriction set out in this offering memorandum.

The sellers of the securities have not authorized and do not authorize the making of any offer of securities through any financial intermediary on their behalf, other than offers made by the initial purchasers with a view to the final placement of the securities as contemplated in this offering memorandum. Accordingly, no purchaser of the securities, other than the initial purchasers, is authorized to make any further offer of the securities on behalf of the sellers or the initial purchasers.

Notice to Prospective Investors in the Netherlands

The notes (including the rights representing an interest in the notes in global form) which are the subject of this Offering Memorandum, have not been and shall not be offered, sold, transferred or delivered in the Netherlands other than to qualified investors (within the meaning of the Prospectus Directive).

For the purposes of the abovementioned paragraphs, the expression an "offer of Notes to the public" in relation to any notes in the Netherlands means the announcement or communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Netherlands.

No approved prospectus within the meaning of the Prospectus Directive is required to be made generally available in connection with the offer.

Switzerland

The notes may not and will not be publicly offered, distributed or re-distributed in or from Switzerland and neither this document nor any other solicitation for investments in the notes may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 1156 or 652a of the Swiss Code of Obligations. The notes are not a collective investment within the meaning of the Federal Collective Investment Schemes Act of June 23, 2006 (*Bundesgesetz über die kollektiven Kapitalanlagen, KAG*). This document may not be copied, reproduced, distributed or passed on to others without the Global Coordinator's prior written consent. This document is not a prospectus within the meaning of Articles 1156 and 652a of the Swiss Code of Obligations or a listing prospectus according to articles 27 et seq. of the Listing Rules of SIX Exchange Regulation, the regulator of SIX Swiss Exchange AG, and may not comply with the information standards required thereunder. We will not apply for a listing of the notes on any Swiss stock exchange or other Swiss regulated market and this document may not comply with the information required under the relevant listing rules. The notes offered hereby have not been and will not be registered with the Swiss Federal Financial Market Supervisory Authority (FINMA) and have not been and will not be authorized under the Federal Collective Investment Schemes Act of June 23, 2006 (*Bundesgesetz über die kollektiven Kapitalanlagen, KAG*). The investor protection afforded by the Federal Collective Investment Schemes Act (*Bundesgesetz über die kollektiven Kapitalanlagen, KAG*) does not extend to acquirers of the notes.

United Kingdom

This offering memorandum is only being distributed to, and is only directed at, persons who are outside the United Kingdom or persons in the United Kingdom that are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a "relevant person"). Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Canada

The notes may be sold only to purchasers in the provinces of Alberta, British Columbia, New Brunswick, Nova Scotia, Ontario, Prince Edward Island and Quebec purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Brazil

The notes have not been, and will not be, registered with the *Comissão de Valores Mobiliários*, or CVM (Securities Commission). The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

Chile

Pursuant to Law No. 18,045 of Chile (the securities market law of Chile) and Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the Superintendency of Securities and Insurance of Chile (*Superintendencia de Valores y Seguros de Chile*, or "SVS"), the notes may be privately offered in Chile to certain "qualified investors" identified as such by Rule 336 (which in turn are further described in rule No. 216, dated June 12, 2008, of the SVS).

Rule 336 requires the following information to be provided to prospective investors in Chile:

(1) Date of commencement of the offer: March 1, 2017. The offer of the notes is subject to Rule (Norma de Carácter General) No. 336, dated June 27, 2012, issued by the SVS;

(2) The notes and the offering memorandum are not registered with the Securities Registry (*Registro de Valores*) of the SVS, nor with the foreign securities registry (*Registro de Valores Extranjeros*) of the SVS and as such as not subject to the oversight of the SVS;

(3) Since the notes are not registered in Chile, there is no obligation by the issuer to make publicly available information about the notes in Chile; and

(4) The notes shall not be subject to a public offering in Chile unless registered with the relevant Securities Registry of the SVS.

Colombia

The notes will not be authorized by the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) and will not be registered under the National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*), and, accordingly, the notes will not be offered or sold to persons in Colombia except in circumstances which do not result in a public offering under Colombian law.

Mexico

The notes have not been and will not be registered with the RNV maintained by the CNBV, and may not be offered or sold publicly, or otherwise be the subject of brokerage activities in Mexico, except that the notes may be sold, on a private placement basis, to Mexican institutional and qualified investors, pursuant to the private placement exemption set forth in the Mexican Securities Market Law and regulations thereunder.

Peru

The notes have not been and will not be approved by or registered with the Peruvian securities regulatory authority, the National Supervisory Commission of Companies and Securities (*Comisión Nacional Supervisora de Empresas y Valores*).

Hong Kong

The notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case, whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Japan

The notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law"), and the notes have not, directly or indirectly, been offered or sold and will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws and regulations of Japan.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case, subject to compliance with conditions set forth in the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes, pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interests in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

LEGAL MATTERS

The validity of the notes will be passed upon for us by Paul Hastings LLP, our United States counsel, and for the initial purchasers by Cleary Gottlieb Steen & Hamilton LLP, United States counsel to the initial purchasers. Certain matters of Mexican law relating to the notes will be passed upon for the initial purchasers by Ritch, Mueller, Heather y Nicolau, S.C., Mexican counsel to the initial purchasers.

INDEPENDENT AUDITORS

The annual audited consolidated financial statements as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 included in this offering memorandum, together with the notes thereto, have been audited by PricewaterhouseCoopers, S.C., independent auditors, as stated in their report included herein.

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Nemak, S. A. B. de C. V. and subsidiaries
(subsidiary of Alfa, S. A. B. de C. V.)
Consolidated Financial Statements
December 31, 2016, 2015 and 2014

Report of independent auditors

Monterrey, N.L., February 17, 2017

To the Shareholders and Directors of
Nemak, S. A. B. de C. V. and subsidiaries

Opinion

We have audited the consolidated financial statements of Nemak, S. A. B. de C. V. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015 and the related consolidated statements of income, of comprehensive income, of changes in stockholders' equity and of cash flows for the years ended December 31, 2016, 2015 and 2014, and the explanatory notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its consolidated cash flows for the years ended December 31, 2016, 2015 and 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company in accordance with the Ethics Standards of Mexican Institute of Public Accountants, A.C. together with other requirements applicable to our audits of consolidated financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with those requirements and standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment As described in Note 3.k.a), the Note 5.1.a) and Note 12 to the consolidated financial statements, the Company performs annual impairment assessment on the goodwill balance. We have focused on this matter due to the importance of the balance thereof at December 31, 2016 totals Ps5,837 million and because the impairment testing involves applying significant management judgments in determining: i) the company's cash generating units ("CGU") and ii) the assumptions and premises related to assessment of the recovery value of said CGUs. In particular, we focused on the following significant assumptions that the Company considered when assessed the goodwill: estimation of future projections, growth rates, gross margins and discount rates used.	As part of our audit, we assessed future cash flows projections prepared by Management and the processes used to prepare them. In particular, we assessed whether all relevant CGUs were identified and the internal processes were carried out by Management to make projections, including timely oversight and analysis by those charged with Governance, and if the projections are consistent with budgets approved by them. Due to the significant judgments used in the valuation models for the determination of recovery values, and with the support of our valuation experts, we questioned the premises and criteria used by Management in such models, following procedures set down below: • We verified that the methods applied to the determination of the recovery values of the assets correspond to used and recognized methodologies to value assets of similar characteristics. • We challenged the financial projections, including terminal value, matching them to the performance and historical trends of the Company, obtaining Management's explanations variations. • We compared actual results for the current year with the figures budgeted for prior year, to determine whether any of the assumptions included in the projections could be considered very optimistic. • We compared the most relevant valuation assumptions (applied discount rate, betas, EBITDA multiples, sale multiples, among others) against those commonly used and accepted for assets of these characteristics for the industry in which the Company operates.

	We discussed with Management the sensitivity calculations for all CGUs and evaluated the extent to which the assumptions would need to be modified for impairment to be required. Moreover, we discussed with Management the probability of those changes being made. With respect to the significant judgment to group CGUs, we analyzed and considered the following aspects: • Understanding of the workings of the commercial and sales strategy area • Understanding the production allocation • Analysis of the operating cash flows and indebtedness policies • Analysis of the legal structure.
Evaluation of the estimation and recoverability of the deferred income tax asset As described in Note 3.m), Note 5.1.b) and Note 16 to the consolidated financial statements, the Company recorded a deferred tax asset arising from tax losses and therefore Management performed a recoverability assessment thereof prior to recognizing it in its financial statements. We have focused on this line item in our audit due to the importance of the balance of the deferred tax asset arising from tax losses at December 31, 2016 (Ps1,538 million) and because the estimate of its recoverable value involves the application of significant judgments to determine expected future income, future projections, as well as tax results by the Company's Management. In particular, we focused our audit efforts on the items mentioned in the previous key matter.	As part of our audit, we evaluated the projections used to determine the recovery of deferred income tax asset of tax losses. We compared these projections with those used to determine the recoverable value of the aforementioned goodwill, over which we apply procedures similar to those indicated above. With the support of experts, we also evaluated and considered the projected tax results prepared by Management, as well as the processes used to elaborate them by applying the above procedures to them. We also challenge, with the support of our tax experts, the assumptions used by Management in the tax projections. We compared the actual results of the current year with the budgeted figures of the previous year for the current year, to consider whether any assumptions included in the projections could be considered very optimistic. Likewise, as discussed above, we discussed sensitivity calculations with Management and assessed the extent to which assumptions would need to be modified to require an adjustment.

Other Information

Management is responsible for the other information presented. The other information comprises the Annual Report presented to Comisión Nacional Bancaria y de Valores ("CNBV") and the Annual Information presented to shareholders (but does not include the consolidated financial statements and our auditor's report thereon), which are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

However, in connection with our audit of the financial statements of the Company, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, we will issue the report required by the CNBV and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if required, describe the issue in our report.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company and subsidiaries audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ricardo Noriega Navarro.

PricewaterhouseCoopers, S.C.

C.P.C. Ricardo Noriega Navarro
Audit Partner

Nemak, S. A. B. de C. V. and subsidiaries

(subsidiary of Alfa, S. A. B. de C. V.)
Consolidated Statements of Financial Position
At December 31, 2016 and 2015

Millions of Mexican pesos

		December 31,	
Assets	Note	2016	2015
Current Assets:			
Cash and cash equivalents	6	Ps 2,661	Ps 1,793
Restricted cash	7	474	323
Trade and other receivables, net	8	11,581	10,720
Inventories	9	11,784	9,667
Available for sale assets		40	-
Advanced payments		367	277
Total current assets		26,907	22,780
Non-current Assets:			
Property, plant and equipment	11	50,094	38,263
Goodwill and intangible assets, net	12	12,057	9,216
Deferred income tax	16	1,520	1,321
Other non-current receivables	8, 26	720	-
Other non-current assets	13	595	439
Total non-current assets		64,986	49,238
Total assets		Ps 91,893	Ps 72,018
Liabilities and Equity			
Liabilities			
Current Liabilities:			
Current debt	15	Ps 3,699	Ps 952
Trade and other payables	14	18,894	16,515
Current income tax liabilities		549	311
Other liabilities	17	542	993
Total current liabilities		23,684	18,771
Non-current Liabilities:			
Non-current debt	15	25,310	21,758
Employee benefits	18	1,058	779
Deferred income tax	16	4,152	2,765
Other non-current liabilities	17	618	6
Total non-current liabilities		31,138	25,308
Total liabilities		54,822	44,079
Equity			
Controlling Interest:			
Capital stock	19	6,607	6,607
Share premium	19	10,434	10,443
Retained earnings	19	12,309	8,645
Other reserves	19	7,721	2,244
Total equity		37,071	27,939
Total liabilities and equity		Ps 91,893	Ps 72,018

The accompanying notes are an integral part of these consolidated financial statements.

Armando Tamez Martínez
Chief Executive Officer

Alberto Sada Medina
Chief Financial Officer

Nemak, S. A. B. de C. V. and subsidiaries

(subsidiary of Alfa, S. A. B. de C. V.)
Consolidated Statements of Income
For the years ended December 31, 2016, 2015 and 2014

Millions of Mexican pesos

	Note	2016	2015	2014
Revenue		Ps 79,244	Ps 70,891	Ps 61,490
Cost of sales	21	(65,345)	(59,143)	(52,456)
Gross profit		13,899	11,748	9,034
Administrative and selling expenses	21	(4,957)	(4,393)	(3,587)
Other (expenses), revenues net	22	(258)	43	61
Operating profit		8,684	7,398	5,508
Financial income	23	14,657	6,245	299
Financial expense	23	(16,096)	(7,538)	(998)
Financial result, net		(1,439)	(1,293)	(699)
Share of gain of associates	13	55	48	39
Profit before income tax		7,300	6,153	4,848
Income tax	25	(1,890)	(1,552)	(1,454)
Net consolidated profit		Ps 5,410	Ps 4,601	Ps 3,394
Profit attributable to:				
Controlling interest		Ps 5,410	Ps 4,599	Ps 3,389
Non-controlling interest	3 b)	-	2	5
		Ps 5,410	Ps 4,601	Ps 3,394
Earnings per basic and diluted share, in pesos		Ps 1.76	Ps 1.65	Ps 1.37
Weighted average of outstanding shares (millions)	19	3,081	2,781	2,486

The accompanying notes are an integral part of these consolidated financial statements.

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Chief Executive Officer

Alberto Sada Medina
Chief Financial Officer

Nemak, S. A. B. de C. V. and subsidiaries

(subsidiary of Alfa, S. A. B. de C. V.)
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2016, 2015 and 2014

Millions of Mexican pesos

	Note	2016	2015	2014
Net consolidated profit		Ps 5,410	Ps 4,601	Ps 3,394
Other comprehensive income for the year, net of tax:				
Items that will not be reclassified to profit or loss				
Remeasurement of obligations for employee benefits	18	(55)	(10)	(24)
Items that will be reclassified to profit or loss				
Effect of derivative financial instruments designated as cash flow hedges	10	46	(248)	(72)
Effect of translation of foreign entities	19	5,486	1,390	452
Total other comprehensive income for the year		5,477	1,132	356
Total comprehensive income for the year		Ps 10,887	Ps 5,733	Ps 3,750
Attributable to:				
Controlling interest		Ps 10,887	Ps 5,732	Ps 3,744
Non-controlling interest	3 b)	-	1	6
Total comprehensive income for the year		Ps 10,887	Ps 5,733	Ps 3,750

The accompanying notes are an integral part of these consolidated financial statements.

Armando Tamez Martínez
Chief Executive Officer

Alberto Sada Medina
Chief Financial Officer

Nemak, S. A. B. de C. V. and subsidiaries

(subsidiary of Alfa, S. A. B. de C. V.)

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016, 2015 and 2014

Millions of Mexican pesos

	Note	Capital stock	Share premium	Retained earnings	Other reserves	Total controlling interest	Non-controlling interest	Total equity
Balances at January 1, 2014		Ps 874	Ps	Ps 16,976	Ps 722	Ps 18,572	Ps 12	Ps 18,584
Transactions with shareholders:								
Dividends declared	19			(836)	-	(836)		(836)
Net profit				3,389	-	3,389	5	3,394
Other items of comprehensive income for the year				(24)	379	355	1	356
Total comprehensive income for the year				3,365	379	3,744	6	3,750
Balances at December 31, 2014		874	-	19,505	1,101	21,480	18	21,498
Transactions with shareholders:								
Dividends declared	19	-	-	(1,253)	-	(1,253)	-	(1,253)
Increase of capital stock	19	14,196	-	(14,196)	-	-	-	-
Merger with GIALFA	19	55	-	-	-	55	-	55
Capital distribution	19	(9,544)	-	-	-	(9,544)	-	(9,544)
Initial public offering	19	1,026	10,443	-	-	11,469	-	11,469
		5,733	10,443	(15,449)	-	727	-	727
Acquisition of non-controlling interest	3b	-	-	-	-	-	(19)	(19)
Net profit		-	-	4,599	-	4,599	2	4,601
Other items of comprehensive income for the year		-	-	(10)	1,143	1,133	(1)	1,132
Total comprehensive income for the year		-	-	4,589	1,143	5,732	1	5,733
Balances at December 31, 2015		6,607	10,443	8,645	2,244	27,939	-	27,939
Transactions with shareholders:								
Dividends declared	19	-	-	(1,755)	-	(1,755)	-	(1,755)
Initial public offering	19	-	(9)	9	-	-	-	-
		-	(9)	(1,746)	-	(1,755)	-	(1,755)
Net profit		-	-	5,410	-	5,410	-	5,410
Other items of comprehensive income for the year		-	-	-	5,477	5,477	-	5,477
Total comprehensive income for the year		-	-	5,410	5,477	10,887	-	10,887
Balances at December 31, 2016		Ps 6,607	Ps 10,434	Ps 12,309	Ps 7,721	Ps 37,071	Ps -	Ps 37,071

The accompanying notes are an integral part of these consolidated financial statements.

Armando Tamez Martínez
Chief Executive Officer

Alberto Sada Medina
Chief Financial Officer

Nemak, S. A. B. de C. V. and subsidiaries

(subsidiary of Alfa, S. A. B. de C. V.)
Consolidated Statements of Cash Flows
For the years ended December 31, 2016, 2015 and 2014

Millions of Mexican pesos

	Note	2016	2015	2014
Cash flows from operating activities				
Profit before income tax		Ps 7,300	Ps 6,153	Ps 4,848
Depreciation and amortization	11, 12	5,872	4,609	3,784
Costs associated with seniority premiums and pension plan		97	57	67
Loss on sale of property, plant and equipment		4	12	18
Impairment of property, plant and equipment	22	293	0	0
Effect of changes in the fair value of derivative financial		0	617	302
Exchange gain(loss), net		230	(452)	(572)
Interest paid		1,117	1,105	889
Other, net		(28)	(59)	(416)
Increase in trade and other receivables		1,229	(2,193)	(197)
Increase in inventory		(548)	(748)	(1,319)
Increase in accounts payable		(1,361)	2,687	360
Income tax paid		(1,380)	(1,563)	(790)
Net cash generated from operating activities		12,825	10,225	6,974
Cash flows from investing activities				
Interest received		11	15	16
Acquisition of property, plant and equipment	11	(6,896)	(6,265)	(4,470)
Acquisition of intangible assets	12	(1,972)	(988)	(604)
Dividends received		21	-	-
Restricted cash		(1)	(22)	(27)
Business acquisition, net of cash received	2a	(56)	-	-
Other assets		29	22	5
Net cash used in investing activities		(8,864)	(7,238)	(5,066)
Cash flows from financing activities				
Proceeds from borrowings or debt	15	10,994	20,907	7,405
Payments of borrowings or debt	15	(11,960)	(21,075)	(8,355)
Interest paid		(1,112)	(1,115)	(875)
Derivative financial instruments paid	10	-	(1,743)	14
Capital stock contributed, net of issuance costs of Ps428 in 2015	19	(9)	11,469	-
Capital distribution	19	-	(9,544)	-
Acquisition of non-controlling interest	3b	-	(2)	-
Dividends paid		(1,755)	(1,253)	(836)
Cash used in financing activities		(3,842)	(2,356)	(2,661)
Increase in cash and cash equivalents		119	631	753
Foreign exchange in cash and cash equivalents		749	185	10
Cash and cash equivalents at beginning of year	6	1,793	977	1,719
Cash and cash equivalents at end of year	6	Ps 2,661	Ps 1,793	Ps 976

Transactions not requiring cash flow

In 2016, the main transaction no requiring cash flow corresponds to the debt assumed in the acquisition of a business, as explained in Note 2a.

In 2015, the main transaction no requiring cash flow corresponds to capitalization of the restatement of capital stock and retained earnings. See Notes 2b and 2c.

The accompanying notes are an integral part of these consolidated financial statements.

Armando Tamez Martínez
Chief Executive Officer

Alberto Sada Medina
Chief Financial Officer

Millions of Mexican pesos

Note 1 - General information:

Nemak, S. A. B. de C. V. and subsidiaries ("Nemak" or "the Company"), subsidiary of Alfa, S. A. B. de C. V. ("ALFA"), is a company that specializes in the production of complex aluminum components for the automotive industry, such as cylinder heads, engine blocks, transmission parts, structural parts and other components. Nemak's principal executive offices are located at Libramiento Arco Vial Km. 3.8, Col. Centro in García, Nuevo León, México.

References made to the holding company Nemak, S. A. B. de C. V. as an individual legal entity will be referred to as "Nemak SAB".

Nemak SAB is a public corporation and its shares are traded on the Mexican Stock Exchange, S. A. B. de C. V. ("BMV" for its acronym in Spanish). The Company is 75.24% owned by Alfa, S. A. B. de C. V., 5.45% owned by Ford Motor Company and the remaining by a group of Mexican and foreign investors through the BMV. Alfa has the power to control the Company's affairs and policies.

In the following notes to the financial statements pesos or "Ps" refers to Millions of Mexican pesos. On the other hand, "US$" or dollars, refers to millions of US dollars. Information in millions of euros are referred as "EUR" or Euros.

Certain figures included in this financial statements and its notes have been rounded for ease of presentation. Also, certain other amounts that appear in this financial statements and its notes may not sum due to rounding.

Note 2 - Significant Events:

2016

a. Acquisition of Cevher Döküm

On November 1, 2016, Nemak acquired total shares of CEVHER DÖKÜM SANAYİİ A.Ş ("Cevher"), a company engaged in the production of cast aluminum parts for the manufacture of automobile components. The acquired entity operates a production plant in Turkey and a small trading entity. This acquisition is included as part of the Europe segment (See Note 27).

At December 31, 2016, the Company is in the process of concluding the purchase price allocation at the fair values of the assets acquired, due to the fact that it is reviewing the valuation conducted by independent experts. Said analysis is expected to conclude within a twelve-month period, as from the acquisition date.

The opening balance of the business acquired is as follows:

Item	Carrying value
Current assets	Ps 366
Property, plant and equipment	1,287
Intangible assets and other current assets	26
Current liabilities	(747)
Debt	(603)
Deferred tax	(80)
Other non-current liabilities	(192)
Carrying value of the business acquired	Ps 56
Purchase consideration	56
Goodwill	Ps -

The purchase consideration for the business totaled Ps56 (EUR 2.5) in cash.

No contingent liability has arisen from this acquisition that would require posting. Moreover, there are no contingent compensation agreements in place. Nemak is not liable for the environmental liabilities, except for those arising on or after the acquisition date.

Costs related to the acquisition amounted Ps15 and were recorded in the statement of income, in the other expenses, net caption.

Additionally, the entity changed its business name to Nemak Izmir Döküm Sanayii, A. S.

Revenue contributed by former Cevher assets included in the consolidated statement of income since the acquisition date through December 31, 2016 amounted to Ps182 and a net loss of Ps36.

2015

b. Capital stock increase and change of legal name

On May 27, 2015 in a General Extraordinary Shareholders' meeting was approved:

- Modify the shares structure by the conversion of our Series B, Series A-1 and Series B-1 shares into Series A common shares of capital stock, with no par value.
- Remove the par value of one Mexican peso of each share, issuing new shares without par value and replacing the outstanding shares at this date.
- Increase the Capital stock from Ps874 to Ps15,070 through the capitalization of retained earnings. See note 19.
- Change in the legal name from Tenedora Nemak, S. A. de C. V. to Nemak, S. A. de C. V.

c. Merger with GIALFA

On May 28, 2015, the Company held a general extraordinary shareholders' meeting at which they approved the merger by absorption with its affiliate Grupo Gialfa, S. A. de C. V. (Gialfa) subsisting Nemak, S. A. de C. V. (formerly Tenedora Nemak, S. A. de C. V.). Since Gialfa and Nemak, S. A. de C. V. are controlled by ALFA, the merger was accounted as a transaction between companies under common control, therefore, the net assets of Gialfa were accounted by Nemak, S. A. de C. V. at book value according to the historical consolidated financial information of ALFA (cost based in the predecessor accounting method), resulting in an increase in capital stock of Ps55 and the acquisition of tax attributes of Gialfa. As a result, the book value of the net assets merged into Nemak, S. A. de C. V. is equal to that ALFA had in its consolidated financial statements and no goodwill or fair value adjustments were recognized. See Note 19.

d. Capital distribution

On June 5, 2015, Nemak, S. A. de C. V. held a general extraordinary shareholders' meeting at which they approved the decrease of capital stock by a distribution to the shareholders in Ps10,838 without affecting the proportion of shares that each shareholder owns, resulting in an increase in accounts payable to shareholders by the same amount. In accordance with the current tax laws, the decrease generated no income tax (ISR).

On November 20, 2015, the Nemak SAB held a general extraordinary shareholders' meeting at which was agreed to amend the resolution of the shareholders meeting of June 5, 2015 to adjust the Capital distribution amount from the previously agreed value to the actual amount distributed to the shareholders of Ps9,544, and canceling the difference payable to the shareholders at the date of the amendment. See Note 19.

e. Initial Public Offering

During the month of July, 2015, Nemak, S. A. de C. V. carried out an initial public offering of shares ("IPO") in Mexico and a private offering of shares in international markets (together "Global Offering") as follows:

On June 15, 2015, Nemak, S. A. de C. V. had an Ordinary and Extraordinary General shareholders meeting in which was approved amongst other corporate activities the following: the issuance of the capital stock, a change in the legal regime to Sociedad Anónima Bursátil de Capital Variable, the latter, was subject to the placement of the new shares, a change to the bylaws, the appointment of the new board of directors, the establishment of the audit and corporate practices committee, appointment of committee members, amongst others.

On July 1, 2015 Nemak SAB, carried out the Global Offering which corresponded to the issuance of 537,600,000 shares at an offer price of 20.00 pesos, such offering included an overallotment option of up to an additional 80,640,000 shares. The total amount of the offer was Ps10,752.

On July 29, 2015, following up on the Global Offering, the underwriters, both in Mexico and abroad, agreed to exercise the overallotment option. The total amount of the greenshoe reached to Ps1,145 which corresponded to 57,232,845 shares at the offering price of 20.00 pesos each.

Based on the above, the total amount the Company received as a result of the Global Offering was Ps11,469, net of the issuance costs of Ps428. Subsequent to the Global Offering the fully subscribed and paid capital stock of Nemak, is represented by a total of 3,080,747,324 Series A shares. See Note 19.

f. Payment of Peso Bond

In December 2015, the Company prepaid the total of the Peso Bond "Nemak -07" of Ps3,500. See Note 15. Consistent with this prepayment, the "Cross Currency Swap" derivatives which had been linked to this bond, was early terminated in its entirety. See Note 10d.

g. Contracted debt

During December 2015, the Company obtained two new loans, the first being a five year term in the amount of US$300 (Ps5,162) which was used to prepay the total amount of the Peso Bond "Nemak -07" of Ps3,500; the second was a 10 year term in the amount of US$200(Ps3,441) used to pay substantially all of the Company's short term debt. See Note 15.

h. Construction of two new plants in México

During 2015, the Company started the construction of two production units in the same location where are the plants near Monterrey, México. The first of these units will increase the current capacity for machining services for pieces produced by the Company. The second plant will be dedicated to produce pieces by using the technology "High Pressure Die Casting", which is already used in other plants of the Company. It is noteworthy that the new structural components which Nemak will produce soon, will be produced with this technology. The Company will start operation of its new plants in 2017,with a total investment of approximately US$287(Ps4,900). At December 31, 2015 the Company has disbursed Ps1,686 related to the construction of this plants.

2014

i. Construction of plant in Russia

During May 2014, the Company started construction of an aluminum auto parts plant in Russia as announced in 2013. The plant supplies aluminum heads and monoblocks for a new high technology engine to the Volkswagen group in Russia. The initial capacity of the plant is equivalent to 600,000 units per year and started production in the last quarter of 2015. At December 31, 2016, 2015 and 2014, the Company has disbursed Ps1,070, Ps1,686 and Ps946 in relation to the construction of this plant, recorded as construction in progress.

Note 3 - Summary of significant accounting policies:

The accompanying consolidated financial statements and notes were authorized for issuance on February 17, 2017 by officials with the legal power to sign the basic financial statements and accompanying notes.

The following are the most significant accounting policies followed by Nemak and its subsidiaries, which have been consistently applied in the preparation of the financial information in the years presented, unless otherwise specified:

a. Basis for preparation

The consolidated financial statements of Nemak have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). IFRS include all International Accounting Standards ("IAS") in force and all related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC).

The consolidated financial statements have been prepared on a historical cost basis, except for the cash flow hedges which are measured at fair value, and for the financial assets and liabilities at fair value through profit or loss with changes reflected in the statement of income and for financial assets available for sale.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. Additionally, it requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where judgments and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

Nemak’s consolidated financial statements are presented in millions of Mexican Pesos.

b. Consolidation

i. Subsidiaries

The subsidiaries are all the entities over which the Company has the power to govern the financial and operating policies of the entity. The Company controls an entity when it is exposed, or has the right to variable returns from its interest in the entity and it is capable of affecting the returns through its power over the entity. Where the Company's participation in subsidiaries is less than 100%, the share attributed to outside shareholders is reflected recorded as non-controlling interest.

Subsidiaries are consolidated in full from the date on which control is transferred to the Company and up to the date it loses that control.

The method of accounting used by the Company for business combinations is the acquisition method. The Company defines any business combination as a transaction through which it acquires control of a business, based on which it has the power to manage the activities relevant to the group of assets and liabilities of such business in order to provide a return in the form of dividends, less costs or other economic benefits directly related to investors.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable acquired assets and liabilities and contingent liabilities assumed in a business combination

are initially measured at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree based on the share of the non-controlling interest in the net identifiable assets of the acquired entity.

The acquisition-related costs are recognized as expenses when incurred.

Goodwill is initially measured as the excess of the sum of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets and liabilities assured. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of income.

The Company uses the business combination accounting by applying the method of the predecessor in an entity under common control. The predecessor method consists in the incorporation of values in books of the acquired entity, which includes the goodwill recorded at a consolidated level with respect to the acquired entity. Any difference between the consideration paid by the Company and the value in books of net acquired assets at the subsidiary level are recorded in equity.

Transactions and intercompany balances and unrealized gains on transactions between Nemak companies are eliminated in preparing the consolidated financial statements. In order to ensure consistency with the policies adopted by the Company, the accounting policies of subsidiaries have been changed where it was deemed necessary.

At December 31, 2016, the subsidiaries that are included in the consolidated financial statements of Nemak were as follows:

	Country [1]	Ownership percentage (%) [2]	Functional currency
Nemak, S. A. B. de C. V. (Holding)	Mexico		US dollar
Nemak México, S. A.	Mexico	100	US dollar
Modellbau Schönheide GMBH	Germany	100	Euro
Corporativo Nemak, S. A. de C. V. (administrative services)	Mexico	100	Mexican peso
Nemak Canadá, S. A. de C. V. (sub-holding)	Mexico	100	Mexican peso
Nemak of Canada Corporation	Canada	100	Canadian dollar
Nemak Gas, S. A. de C. V.	Mexico	100	Mexican peso
Nemak Automotive, S. A. de C. V.	Mexico	100	Mexican peso
Camen International Trading, Inc.	USA	100	US dollar
Nemak Europe GmbH	Germany	100	Euro
Nemak Exterior, S. L. (sub-holding)	Spain	100	Euro
Nemak Dillingen GmbH	Germany	100	Euro
Nemal Dillingen Casting GmbH & Co KG	Germany	100	Euro
Nemak Wernigerode GmbH	Germany	100	Euro
Nemak Wernigerode GmbH & Co. KG	Germany	100	Euro
Nemak Linz GmbH	Austria	100	Euro
Nemak Györ Kft	Hungary	100	Euro
Nemak Poland Sp. z.o.o.	Poland	100	Euro
Nemak Slovakia, S. r. o.	Slovakia	100	Euro
Nemak Czech Republic, S.r.o.	Czech Republic	100	Euro
Nemak Spain, S. L.	Spain	100	Euro

	Country [(1)]	Ownership percentage (%) [(2)]	Functional currency
Nemak Rus, L. L. C.	Russia	100	Russian ruble
Nemak Pilsting., GmbH	Germany	100	Euro
Nemak Alumínio do Brasil Ltda.	Brazil	100	Brazilian real
Nemak Argentina, S. R. L.	Argentina	100	Argentine peso
Nemak Nanjing Aluminum Foundry Co., Ltd.	China	100	Renminbi yuan
Nemak Chongqing Automotive Components, Co, Ltd.	China	100	Renminbi yuan
Nemak Aluminum Casting India Private, Ltd	India	100	Indian rupee
Nemre Insurance, PTE LTD	Singapore	100	US dollar
Nemak Commercial Services, Inc.	USA	100	US dollar
Nemak USA, Inc.	USA	100	US dollar
Nemak Automotive Castings, Inc.	USA	100	US dollar
J. L. French Servicios, S. de R. L. de C. V.	Mexico	100	Mexican peso
J. L. French, S. de R. L. de C. V.	Mexico	100	Mexican peso
Nemak Izmir Döküm Sanavii A Ş. [(3)]	Turkey	100	Euro
Nemak Izmir Dis Ticaret A. Ş. [(3)]	Turkey	100	Euro

(1) Country of company's incorporation.
(2) Direct and indirect ownership percentage of Nemak SAB. Share ownership percentages as of December 31, 2016, 2015 and 2014, except for the entities constituted in 2015 and Modellbau Schönheide GmbH who became 100% subsidiary of Nemak SAB during 2015.
(3) Business acquisition 2016.

At December 31, 2016, 2015 and 2014, there are no significant restrictions in subsidiaries over the capacity of the Company to access the use of assets and pay off liabilities.

ii. Absorption (dilution) of control in subsidiaries

The effect of absorption (dilution) of control in subsidiaries, i.e., an increase or decrease in the percentage of control, is recorded in equity, directly in retained earnings, in the period in which the transactions that cause such effects occur. The effect of absorption (dilution) of control is determined by comparing the book value of the investment before the event of dilution or absorption against the book value after the relevant event. In the case of loss of control the dilution effect is recognized in income.

iii. Sale or disposal of subsidiaries

When the Company ceases to have control any retained interest in the entity is re-measured at fair value, and the change in the carrying amount is recognized in the income statement. The fair value is the initial carrying value for the purposes of accounting for any subsequent retained interest in the associate, joint venture or financial asset. Any amount previously recognized in comprehensive income in respect of that entity is accounted for as if the Company had directly disposed of the related assets and liabilities. This implies that the amounts recognized in the comprehensive income are reclassified to income for the year.

iv. Associates

Associates are all entities over which the Company has significant influence but not control. Generally an investor must hold between 20% and 50% of the voting rights in an investee for it to be an associate. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Company's investment in associates includes goodwill identified at acquisition, net of any accumulated impairment loss.

If the equity in an associate is reduced but significant influence is maintained, only a portion of the amounts recognized in the comprehensive income are reclassified to income for the year, where appropriate.

The Company's share of profits or losses of associates, post-acquisition, is recognized in the income statement and its share in the other comprehensive income of associates is recognized as other comprehensive income. The cumulative movements after acquisition are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its equity in the associate, including unsecured receivables, the Company does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate.

The Company assesses at each reporting date whether there is objective evidence that the investment in the associate is impaired. If so, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes it in "share of profit/loss of associates recognized by the equity method" in the income statement.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company´s equity in such gains. Unrealized losses are also eliminated unless the transaction provides evidence that the asset transferred is impaired. In order to ensure consistency with the policies adopted by the Company, the accounting policies of associates have been modified. When the Company ceases to have significant influence over an associate, any difference between the fair value of the remaining investment, including any consideration received from the partial disposal of the investment and the book value of the investment is recognized in the income statement.

c. Foreign currency translation

i. Functional and presentation currency

The amounts included in the financial statements of each of the Company's subsidiaries and associates should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in millions of Mexican pesos, which is the Company's presentation currency.

ii. Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rates prevailing at the transaction date or valuation date when the amounts are re-measured. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing exchange rates are recognized as foreign exchange gain or loss in the income statement, except for those which are deferred in comprehensive income and qualify as cash flow hedges.

Changes in the fair value of securities or monetary financial assets denominated in foreign currency classified as available for sale are divided between fluctuations resulting from changes in the amortized cost of such securities and other changes in value. Subsequently, currency fluctuations are recognized in income and changes in the carrying amount arising from any other circumstances are recognized as part of comprehensive income.

Translation differences on non-monetary assets, such as investments classified as available for sale, are included in other comprehensive income.

The exchange differences of monetary assets classified as financial instruments at fair value with changes in income are recorded in the statement of income as part of the fair value gains or losses.

iii. Consolidation of foreign subsidiaries

Incorporation of subsidiaries whose functional currency is different from their recording currency.

The financial statements of foreign subsidiaries, having a recording currency different from their functional currency were translated into the functional currency in accordance with the following procedure:

a. The balances of monetary assets and liabilities denominated in the recording currency were translated at the closing exchange rates.

b. To the historical balances of monetary assets and liabilities and shareholders' equity translated into the functional currency there were added the movements occurred during the period, which were translated at historical exchange rates. In the case of the movements of non-monetary items recognized at fair value, which occurred during the period, stated in the recording currency, these were translated using the historical exchange rates in effect on the date when the fair value was determined.

c. The revenue, costs and expenses of the periods, expressed in the recording currency, were translated at the historical exchange rate of the date they were accrued and recognized in the income statement, except when they arose from non-monetary items, in which case the historical exchange rate of the non-monetary items were used.

d. The differences in exchange arising in the translation from the recording currency to the functional currency were recognized as income or expense in the income statement in the period they arose.

Incorporation of subsidiaries whose functional currency is different from their presentation currency.

The results and financial position of all Nemak entities (none of which is in a hyperinflationary environment) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the balance sheet date.

b. The equity of each balance sheet presented is translated at historical rates.

c. Income and expenses for each income statement are translated at average exchange rate (when the average exchange rate is not a reasonable approximation of the cumulative effect of the rates of the transaction, to the exchange rate at the date of the transaction is used); and

d. All the resulting exchange differences are recognized in comprehensive income.

The goodwill and adjustments to fair value arising at the date of acquisition of a foreign operation so as to measure them at fair value, are recognized as assets and liabilities of the foreign entity and translated at the exchange rate at the closing date. Exchange differences arising are recognized in other comprehensive income.

Listed below are the principal exchange rates in the various translation processes:

		Local currency to Mexican pesos					
		Closing exchange rate at December 31,			Average exchange rate at December 31,		
Country	Functional currency	2016	2015	2014	2016	2015	2014
Canada	Canadian dollar	15.41	12.39	12.70	14.21	12.41	12.04
USA	US dollar	20.66	17.21	14.71	20.54	17.01	13.30
Brazil	Brazilian real	6.35	4.34	5.55	6.21	4.29	5.66
Argentina	Argentine peso	1.30	1.33	1.74	1.30	1.52	1.64
Czech Republic	Euro	21.80	18.70	17.81	21.80	18.09	17.63
Germany	Euro	21.80	18.70	17.81	21.80	18.09	17.63
Austria	Euro	21.80	18.70	17.81	21.80	18.09	17.63
Hungary	Euro	21.80	18.70	17.81	21.80	18.09	17.63
Poland	Euro	21.80	18.70	17.81	21.80	18.09	17.63
Slovakia	Euro	21.80	18.70	17.81	21.80	18.09	17.63
Spain	Euro	21.80	18.70	17.81	21.80	18.09	17.63
China	Renminbi yuan	2.98	2.65	2.37	2.98	2.62	2.16
India	Indian rupee	0.30	0.26	0.23	0.30	0.25	0.22
Russia	Russian ruble	0.34	0.24	0.25	0.33	0.24	0.25
Singapore	US dollar	20.66	17.21	14.71	20.54	17.01	13.30
Turkey	Euro	21.80	18.70	17.81	21.80	18.09	17.63

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits available for operations and other short-term investments of high liquidity with original maturities of three months or less, all of which are subject to insignificant risk of changes in value. Bank overdrafts are presented as current liabilities within other liabilities.

e. Restricted cash

Cash and cash equivalents whose restrictions cause them not to comply with the definition of cash and cash equivalents given above, are presented in a separate line in the statement of financial position and are excluded from cash and cash equivalents in the statement cash flows.

f. Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, investments held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition. Purchases and sales of financial assets are recognized on the settlement date.

Financial assets are written off in full when the right to receive the related cash flows expires or is transferred and the Company has also transferred substantially all risks and rewards of ownership, as well as control of the financial asset.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Gains or losses from changes in fair value of these assets are presented in the income statement as incurred.

ii. Loans and receivables

The receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Loans and receivables are measured initially at fair value plus directly attributable transaction costs and subsequently at amortized cost, using the effective interest method. When circumstances occur that indicate that the amounts receivable will not be collected at the amounts originally agreed or will be collected in a different period, the receivables are impaired.

iii. Maturity investments

If the Company intends and has the demonstrable ability to hold debt securities to maturity, they are classified as held to maturity. Assets in this category are classified as current assets if expected to be settled within the next 12 months, otherwise they are classified as non-current. Initially they are recognized at fair value plus any directly attributable transaction costs, and subsequently they are valued at amortized cost using the effective interest method. Investments held to maturity are recognized or derecognized on the day they are transferred to or by the Company. At December 31, 2016 and 2015, the Company had no such investments.

iv. Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless their maturity is less than 12 months or management intends to dispose of the investment within the next 12 months after the balance sheet date.

Financial assets available for sale are initially recognized at fair value plus directly attributable transaction costs. Subsequently, these assets are carried at fair value (unless they cannot be measured by their value in an active market and the value is not reliable, in which case they will be recognized at cost less impairment).

Gains or losses arising from changes in fair value of monetary and non-monetary instruments are recognized directly in the consolidated statement of comprehensive income in the period in which they occur.

When instruments classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement.

Financial liabilities

Financial liabilities that are not derivatives are initially recognized at fair value and are subsequently valued at amortized cost using the effective interest method. Liabilities in this category are classified as current liabilities if expected to be settled within the next 12 months, otherwise they are classified as non-current.

Trade payables are obligations to pay for goods or services that have been acquired or received from suppliers in the ordinary course of business. Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently carried at amortized cost; any difference between the funds received (net of transaction costs) and the settlement value is recognized in the income statement over the term of the loan using the effective interest method.

Offsetting financial assets and liabilities

Assets and liabilities are offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Impairment of financial instruments

a. Financial assets carried at amortized cost

The Company assesses at the end of each year whether there is objective evidence of impairment of each financial asset or group of financial assets. An impairment loss is recognized if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and provided that the loss event (or events) has an impact on the estimated future cash flows arising from the financial asset or group of financial assets that can be reliably estimated.

Aspects evaluated by the Company to determine whether there is objective evidence of impairment are:

- Significant financial difficulty of the issuer or debtor.
- Breach of contract, such as late payments of interest or principal
- Granting a concession to the issuer or debtor, by the Company, as a result of financial difficulties of the issuer or debtor and that would not otherwise be considered.
- There is a likelihood that the issuer or debtor will enter bankruptcy or other financial reorganization.
- Disappearance of an active market for that financial asset due to financial difficulties.
- Verifiable information indicates that there is a measurable decrease in the estimated future cash flows related to a group of financial assets after initial recognition, although the decrease cannot yet be identified with the individual financial assets of the Company, including:

  i. Adverse changes in the payment status of borrowers in the group of assets
  ii. National or local conditions that correlate with breaches of noncompliance by the issuers of the asset group.

Based on the items listed above, the Company assesses whether there is objective evidence of impairment. Subsequently, for the category of loans and receivables, when impairment exists, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. The carrying amount of the asset is reduced by that amount, which is recognized in the income statement.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. Alternatively, the Company could determine the impairment of the asset given its fair value determined on the basis of a current observable market price.

If in the subsequent years, the impairment loss decreases and the decrease can be related objectively to an event occurring after the date on which such impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the loss impairment is recognized in the income statement.

The calculation of the accounts receivable impairment is described in Note 8.

b. Financial assets available for sale

In the case of debt financial instruments, the Company also uses the above-listed criteria to identify whether there is objective evidence of impairment. In the case of equity financial instruments, a significant or prolonged reduction in its fair value below its cost is also considered objective evidence of impairment. At December 31, 2016 and 2015, the Company has no debt financial instruments classified as available for sale.

Subsequently, in the case of financial assets available for sale, an impairment loss determined by computing the difference between the acquisition cost and the current fair value of the asset, less any impairment loss previously recognized, is reclassified from the other comprehensive income accounts and recorded in the income statement. Impairment losses recognized in the income statement related to equity financial instruments are not reversed through the income statement. Impairment losses recognized in the income statement related to financial debt instruments could be reversed in subsequent years, if the fair value of the asset is increased as a result of a subsequent event.

g. Derivative financial instruments and hedging activities

All derivative financial instruments are identified and classified as fair value hedging hedges or cash flow hedges, for trading or the hedging of market risks and are recognized in the balance sheet as assets and/or liabilities at fair value and similarly measured subsequently at fair value. The fair value is determined based on recognized market prices. When there is no market quote, they are determined based on valuation techniques in the financial sphere.

The fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

Derivative financial instruments classified as hedges are contracted for risk hedging purposes and meet all hedging requirements; their designation at the beginning of the hedging operation is documented, describing the objective, primary position, risks to be hedged and the effectiveness of the hedging relationship, characteristics, accounting recognition and how the effectiveness is to be measured, applicable to this transaction.

During 2015, the Company decided to cancel the hedge accounting of its derivative financial instruments, as a result of which, at December 31, 2016 and 2015, the Company has no derivative financial instruments classified as fair value hedges, cash flow hedges or net investment hedges.

h. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the average cost method. The cost of finished goods and work-in-progress includes cost of product design, raw materials, direct labor, other direct costs and production overheads (based on normal operating capacity). It excludes borrowing costs. The net realizable value is the estimated selling price in the normal course of business, less the applicable variable selling expenses. Costs of inventories include any gain or loss transferred from equity corresponding to raw material purchases that qualify as cash flow hedges.

i. Property, plant and equipment

Items of property, plant and equipment are recorded at cost less the accumulated depreciation and any accrued impairment losses. The costs include expenses directly attributable to the asset acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flows to the Company and the cost of the item can be reliably measured. The carrying amount of the replaced part is derecognized. Repairs and maintenance are recognized in the income statement during the year they are incurred. Major improvements are depreciated over the remaining useful life of the related asset.

Depreciation is calculated using the straight-line method, considering separately each of the asset's components, except for land, which is not subject to depreciation. The average useful lives of assets families are as follows:

Buildings and constructions	33 to 50 years
Machinery and equipment	10 to 14 years
Transportation equipment	4 to 8 years
Furniture and office equipment	6 to 10 years
Other fixed assets	10 to 20 years

The spare parts to be used after one year and attributable to specific machinery are classified as property, plant and equipment in other fixed assets.

General and specific borrowing costs related to the acquisition, construction or production of qualifying assets, which necessarily require a substantial period to be ready prior to their use or sale (9 months), are capitalized as part of the cost of acquiring such qualifying assets, up to the moment when they are suitable for their intended use or sale.

If the carrying value is greater than the estimated recovery value, a decrease in value is recorded in the value in books of an asset and it is immediately recorded at its recovery value.

Assets classified as property, plant and equipment are subject to impairment tests when events or circumstances occur indicating that there are signs of impairment. Impairment losses are recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.

The residual value, useful lives and depreciation method of assets are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

Gains and losses on disposal of assets are determined by comparing the sale value with the carrying amount and are recognized in other expenses, net, in the income statement.

j. Leasing

The classification of leases as finance or operating depends on the substance of the transaction rather than the form of the contract.

Leases in which a significant portion of the risks and rewards relating to the leased property are retained by the lessor are classified as operating leases. Payments made under operating leases (net of incentives received by the lessor) are recognized in the income statement based on the straight-line method over the lease period.

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the beginning of the lease, at the lower of the fair value of the leased property and the present value of the minimum lease payments. If its determination is practical, in order to discount the minimum lease payments to present value, the interest rate implicit in the lease is used; otherwise, the incremental borrowing rate of the lessee should be used. Any initial direct costs of the leases are added to the original amount recognized as an asset.

Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the outstanding balance. The corresponding rental obligations are included in non-current debt, net of finance charges. The interest element of the finance cost is charged to the income for the year during the period of the lease, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

k. Intangible assets

Intangible assets are recognized in the balance sheet when they meet the following conditions: they are identifiable, provide future economic benefits and the Company has control over such benefits.

Intangible assets are classified as follows:

i. Indefinite useful life. - These intangible assets are not amortized and are subject to annual impairment assessment. At December 31, 2016 and 2015, no factors have been identified limiting the life of these intangible assets.

ii. Finite useful life. - These assets are recognized at cost less accumulated amortization and impairment losses recognized. They are amortized on a straight line basis over their estimated useful life, determined based on the expectation of generating future economic benefits, and are subject to impairment tests when triggering events of impairment are identified.

The estimated useful lives of intangible assets with finite useful lives are summarized as follows:

Development costs	5 to 20 years
Customer relationships and others	5 to 17 years
Software and licenses	3 to 11 years
Trademarks and patents	15 to 20 years

a. Goodwill

Goodwill represents the excess of the acquisition cost of a subsidiary over the Company's equity in the fair value of the identifiable net assets acquired, determined at the date of acquisition, and is not subject to amortization. Goodwill is shown under goodwill and intangible assets and is recognized at cost less accumulated impairment losses, which are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the operating segments, which is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

b. Development costs

Research costs are recognized in income as incurred. Expenditures on development activities are recognized as intangible assets when such costs can be reliably measured, the product or process is technically and commercially feasible, potential future economic benefits are obtained and the Company intends also has sufficient resources to complete the development and to use or sell the asset. Their amortization is recognized in income by the straight-line method over the estimated useful life of the asset. Development expenditures that do not qualify for capitalization are recognized in income as incurred.

c. Intangible assets acquired in a business combination

When an intangible asset is acquired in a business combination, it is recorded at fair value at the acquisition date. Subsequently, the intangible assets acquired in a business combination, such as: brands, client relations, intellectual property rights, non-competition agreements, among others, are recorded at cost less the accumulated amortization and the accumulated amount of impairment losses.

d. Other customer relationships

The Company has recognized certain relationships with customers corresponding to the costs incurred to obtain the new contracts with certain OEMs (Original Equipment Manufacturers) and which will be applied to income over the lifetime of said contracts, which varies from 5 to 9 years. The amortization method used is based on the volume of units produced. At December 31, 2016, the Company recorded a charge of Ps2 for this item. There were no amortizations during 2015 and 2014.

l. Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not depreciable or amortizable and are subject to annual impairment tests. Assets that are subject to amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels at which separately identifiable cash flows exist (cash generating units). Non-financial long-term assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

m. Income tax

The amount of income taxes in the income statement represents the sum of the current and deferred income taxes.

The income tax reflected in the consolidated income statement represents the tax incurred in the year, and the effects of deferred income tax determined in each subsidiary using the asset and liability method, applying the rate established by the enacted legislation or substantially enacted at the balance sheet date where the Company operate and generate taxable income. The applicable rates are applied to the total of the temporary differences resulting from comparing the accounting and tax bases of assets and liabilities

in accordance with the years in which the deferred tax asset is realized or deferred tax liability is expected to be settled, considering when applicable, any tax loss carry forwards expected to be recoverable. The effect of a change in tax rates is recognized in the income of the period in which the rate change is substantially enacted.

Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable law is subject to interpretation. Provisions are recognized when appropriate based on the amounts expected to be paid to the tax authorities.

Deferred tax assets are recognized only when it is probable that future taxable profits will exist against which the deductions for temporary differences can be taken.

The deferred income tax on temporary differences arising from investments in subsidiaries and associates is recognized, unless the period of reversal of temporary differences is controlled by Nemak and it is probable that the temporary differences will not reverse in the near future.

Deferred tax assets and liabilities are offset when a legal right exists and offset exists when the taxes are levied by the same tax authority.

n. Employee benefits

Defined contribution plans:

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to their service in the current and past periods. The contributions are recognized as employee benefit expense when they are due.

Defined benefit plans:

i. Pension plans

A defined benefit plan is a plan which specifies the amount of the pension an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rates that are denominated in the currency in which the benefits will be paid, and have maturities that approximate the terms of the pension liability.

Remeasurements from adjustments and changes in actuarial assumptions are recognized directly in equity in other items of the comprehensive income in the year they occur.

The Company determines the net finance expense (income) by applying the discount rate to the liabilities (assets) from net defined benefits.

Past-service costs are recognized immediately in the income statement.

ii. Other post-employment benefits

The Company provides medical benefits to retired employees after termination of employment. The right to access these benefits usually depends on the employee´s having worked until retirement age and completing a minimum of years of service. The expected costs of these benefits are accrued over the period of employment using the same criteria as those described for defined benefit pension plans.

iii. Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date or when an employee accepts voluntary termination of employment in exchange for these benefits. The Company recognizes termination benefits in the first of the following dates: (a) when the Company can no longer withdraw the offer of these benefits, and (b) when the Company recognizes the costs from restructuring within the scope of the IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and it involves the payment of termination benefits. If there is an offer that promotes the termination of the employment relationship voluntarily by employees, termination benefits are valued based on the number of employees expected to accept the offer. Any benefits to be paid more than 12 months after the balance sheet date are discounted to their present value.

iv. Short-term benefits

The Company provides benefits to employees in the short term, which may include wages, salaries, annual compensation and bonuses payable within 12 months. Nemak recognizes an undiscounted provision when it is contractually obligated or when past practice has created an obligation.

v. Employee participation in profits and bonuses

The Company recognizes a liability and an expense for bonuses and employee participation in profits when it has a legal or assumed obligation to pay these benefits and determines the amount to be recognized based on the profit for the year after certain adjustments.

o. Provisions

Liability provisions represent a present legal obligation or a constructive obligation as a result of past events where an outflow of resources to meet the obligation is likely and where the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the value of money over time and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions for legal claims are recognized when the Company has a present obligation (legal or assumed) as a result of past events, it is likely that an outflow of economic resources will be required to settle the obligation and the amount can be reasonably estimated. At December 31, 2016 and 2015, the Company has not any provision.

p. Share-based payments

ALFA (holding company) has compensation plans are based on the market value of its shares in favor of certain senior executives of the Company. The conditions for granting such compensation to the eligible executives include among other things, compliance with certain metrics such as the level of profit achieved, remaining in the Company for up to 5 years, etc. The Board of Directors has appointed a technical committee to manage the plan, and it reviews the estimated cash settlement of this compensation at the end of the year. The payment plan is always subject to the discretion of the senior management of ALFA. Adjustments to this estimate are charged or credited to the income statement.

The fair value of the amount payable to employees in respect of share-based payments which are settled in cash is recognized as an expense, with a corresponding increase in liabilities, over the period of service required. The liability is included under other liabilities and is adjusted at each reporting date and the settlement date. Any change in the fair value of the liability is recognized as compensation expense in the income statement.

q. Capital stock

Nemak's common shares are classified as capital stock within equity. Incremental costs directly attributable to the issuance of new shares are included in equity as a deduction from the consideration received, net of tax. The capital stock includes the effect of inflation recorded up to December 31, 1997.

r. Comprehensive income

Comprehensive income is composed of net income plus other capital reserves, net of taxes, which comprise the effects of the translation of foreign subsidiaries, the effects of derivative financial instruments for cash flow hedging, remeasurement of obligations for employee benefits, the effects of changes in the fair value of financial instruments available for sale, the equity in other items of comprehensive income of associates, and other items specifically required to be reflected in equity and which do not constitute capital contributions, reductions or distributions.

s. Segment reporting

Segment information is presented consistently with the internal reporting provided to the Chief Executive Officer who is the highest authority in operational decision-making, resource allocation and assessment of operating segment performance.

t. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the normal course of operations. Revenue is shown net of estimated customer returns, rebates and similar discounts and after eliminating intercompany sales.

Revenue from the sale of goods and products are recognized when all and each of the following conditions are met:

- The risks and rewards of ownership have been transferred.
- The amount of revenue can be reliably measured.
- It is likely that future economic benefits will flow to the Company.
- The Company retains no involvement associated with ownership nor effective control of the sold goods.
- The costs incurred or to be incurred in respect of the transaction can be measured reasonably.

Revenue recognition criteria depend on the contractual conditions with its customers. In most cases depending of the agreements with each customer the risks and rewards of ownership are transferred when the goods are taken from the plant of the Company to the customers, in other cases the risks and rewards of ownership are transferred when the goods are delivered from the plant to the customers.

The Company estimates are based on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

u. Advanced payments

Advanced payments mainly comprise insurance and the corporate fee paid to suppliers. These amounts are registered based on the contractual value and are carried to the income statement on a monthly basis during the life to which each advanced payment corresponds: the amount that corresponds to the portion to be recognized within the next 12 months is presented in current assets and the remaining amount is presented in non-current assets.

v. Earnings per share

Earnings per share are calculated by dividing the profit attributable to the shareholders of the parent by the weighted average number of common shares outstanding during the year. At December 31, 2016 and 2015 there are no dilutive effects from financial instruments potentially convertible into shares.

w. Changes in accounting policies and disclosures

The following accounting policies were adopted by the Company beginning January 1, 2016 and did not have a material impact on the Company:

- Annual improvements to the IFRS - cycle 2012-2014.
- Initiative of disclosures - Amendments to IAS 1.

The adoption of these changes had no impact in the current period or any previous periods and it is not likely to affect future periods.

x. New accounting pronouncements

A new number of standards, amendments and interpretations to the accounting policies have been published, which are not effective for reporting periods at December 31, 2016, and have not been adopted in advance by the Company. The Company's assessment of the effects of these new standards and interpretations are detailed below:

IFRS 9 "Financial instruments", addresses the classification, measurement and recognition of financial assets and liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made additional changes to the classification and measurement rules and also introduced a new impairment model. These last changes now comprise the entire new financial instruments standard. Following the approved changes, the Company no longer expects any impact from the new rules of classification, measurement and decrease of its financial assets or liabilities. There will be no impact on the Company's accounting from financial liabilities, since the new requirements only affect financial liabilities at fair value through income and the Company has no such liabilities. The new hedge rules pair up the Company's hedge accounting and risk management. As a general rule, the hedge accounting will be much easier to apply since the standard introduces an approach based on principles. The new standard introduces extensive disclosure requirements and changes in presentation, which will continue to be assessed by the Company. The new impairment model is a model of expected credit losses; therefore, it would result in advance recognition of credit losses. The Company continues assessing how its hedge agreements and impairment provisions are affected by the new rules. The standard is effective for the periods beginning on or after January 1, 2018. Early adoption is allowed.

IFRS 15 "Revenue from contracts with customers", is a new standard issued by the IASB for revenue recognition. This standard replaces IAS 18 "Revenues", IAS 11 "Construction contracts", as well as the interpretations to the aforementioned standards. The new standard is based on the fact that revenue should be recorded when the control over the good or different service is transferred to the customer, so that this control notion replaces the existing notion of risks and benefits.

The standard allows for a complete retrospective approach and a modified retrospective approach for its adoption. The Company is assessing which of the two approaches it can use and to date, it considers that the modified retrospective approach might be used for adoption. Under this approach the entities will recognize adjustments from the effect of initial application (January 1, 2018) in retained earnings in the financial statements at December 2018 without restating comparative periods, by applying the new rules to contracts effective as of January 1, 2018 or those that even when held in prior years continue to be effective at the date of initial application.

For disclosure purposes in the financial statements at 2018, the amounts of affected items must be disclosed, considering the application of the current revenue standard, as well as an explanation of the reason for the significant changes made.

Management is assessing the new standard and has identified probable impacts, mainly in the automotive and telecommunication sectors. The most relevant issues being assessed by Management are mentioned below:

- Depending on the contractual agreement, contracts that are currently considered as separate might have to be combined.

- The Company will have to identify, in customer contracts, the promises of goods and services qualifying as different compliance obligations and compliance obligations might arise additional to those currently considered, or vice versa, which may result in changes at the time of the revenue recognition. Upon the distribution of revenues among each compliance obligation not previously identified, based on their related fair value, the amount of revenues to be recorded for each compliance obligation might also change, which could change the time of recognition of the compliance obligation, even though there is no change in the total amount of revenues per contract.

- The impact of the price structures included in the long-term contracts is currently under evaluation. In said structures, the prices of the parts are gradually decreased over the years, and can qualify as a material discount right requiring recognition from the moment of the first sale of parts, thus representing a change in revenue recognition. However, Management considers that the price structures involving decreases over the years is justified by greater efficiencies and cost cuts achieved, and therefore, forms part of the fair value of the price of parts, as a result of which, this item might represent no significant impact.

- With the new Agent and Principal guidelines, presentation of certain revenue could be gross rather than net.

- In the case of goods and services that under the new standard do not qualify as compliance obligations that may be separated, the costs to comply with the contract, such as production costs associated with these goods and services, may have to be capitalized instead of recognized as expenses when incurred.

- The Company is assessing if in any of the cases the time of revenue recognition might change from “at a point in time”, to “through time”, in case all standard conditions are met, when dealing with the manufacturing of goods without any alternative use for other customer, when there is a collection right for the work done.

- The guide of amendments to contracts can affect the manner by which they are recorded in the books of account. An analysis is currently underway to evaluate whether or not some of the amendments should be recognized, taking into account an accumulated adjustment rather than being prospective.

- At present, certain payments are made to customers, which Management is evaluating, to determining whether or not they qualify as costs under the new guidelines, to obtain a contract.

IFRS 16 “Leases”. The IASB issued in January 2016 a new standard for lease accounting. This standard will replace current standard IAS 17, which classifies leases into financial and operating. IAS 17 identifies leases as financial in nature when the risks and benefits of an asset are transferred, and identifies the rest as operating leases. IFRS 16 eliminates the classification between financial and operating leases and requires the recognition of a liability showing future payments and assets for “right of use” in most leases. The IASB has included some exceptions in short-term leases and in low-value assets. The aforementioned amendments are applicable to the lease accounting of the lessee, while the lessor maintains similar conditions to those currently available. The most significant effect of the new requirements is shown in an increase in leasing assets and liabilities, also affecting the statement of income in depreciation expenses and financing of recorded assets and liabilities, respectively, and decreasing expenses relative to leases previously recognized as operating leases.

The standard is effective for periods beginning on or after January 1, 2019. In this stage, the Company has no plans to adopt the standard in advance.

At December 31, 2016, the Company is in the process of evaluating the impact of this new standard on its financial statements. The efforts made with regard to implementation of this standard is considerable.

There are no other additional standards, amendments, or interpretations issued but not effective that might have a significant impact on the Company.

Note 4 - Financial risk management:

4.1 Financial risk factors

The Company's activities expose it to various financial risks: market risk (including foreign exchange, interest rate on cash flows and on fair value), credit risk, liquidity risk, and risks linked to supplies and products. Company's risk management plan considers the unpredictability of the financial markets and seeks to minimize the potential negative effects on its financial performance. Nemak utilizes derivative financial instruments to hedge certain risk exposures.

The objective is to protect the financial health of the business taking into account the volatility associated with foreign exchange and interest rates. Additionally, due to the nature of the industries in which it participates, the Company has entered into derivative hedges of raw material prices.

ALFA (the holding company) has a Risk Management Committee, which is formed by the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer of ALFA and a Financial Executive of ALFA who acts as technical secretary. The Committee oversees derivatives transactions proposed by the Company in which the maximum possible loss exceeds US$1. This Committee supports both the Executive Director and the Chairman of the Company. All new derivative transactions that the Company proposes to make, and the renewal of existing derivatives, require approval by both the Company and ALFA in accordance with the following schedule of authorizations:

	Possible Maximum Loss US$	
	Individual transactions	Annual cumulative transactions
Nemak's CEO	1	5
ALFA's Risk Management Committee	30	100
Finance Committee from Alfa´s Board of Directors	100	300
ALFA's Board of Directors	>100	>300

The proposed transactions must meet certain criteria, including that the hedges are lower than exposures, and that they are the result of a fundamental analysis and properly documented. Sensitivity analyses and other risk analyses should be performed before the operation is executed.

a. Market risk

i. Exchange rate risk

The Company operates internationally and is exposed to foreign exchange risk, primarily related to the currencies other than the functional currency in which its subsidiaries operate, as described in Note 3. Nemak is exposed to foreign exchange risk arising from future commercial transactions in assets and liabilities in foreign currencies and investments abroad.

The respective exchange rates of the Mexican peso, the U.S. dollar and the euro are very important factors for the Company due to the effect they have on their results. Nemak estimates that approximately 56% of its sales are U.S dollar denominated and 35% in Euro, either because they come from products that are exported from Mexico or because they come from products that are manufactured and sold abroad, or because even if sold in Mexico the price of such products are set based on international prices in foreign currencies such as the U.S. dollar or Euro.

Usually, a peso depreciation would result in an increase in the operating margin and a peso appreciation would result in a decrease in operating margin, each case, when is measured in pesos. However, although this correlation factor has appeared on several occasions in the recent past, there is no assurance that it will be repeated if the exchange rates between the Mexican peso and other currencies fluctuate again.

The Company has participated in operations with derivative financial instruments on exchange rates for the purpose of controlling the total comprehensive cost of its financing and the volatility associated with exchange rates. Additionally, it is important to note the high "dollarization" and “eurization” of Nemak's revenues, providing a natural hedge against its obligations in dollars and euros with respect to the level of income of such currencies. Based on the overall exchange rate exposure at December 31, 2016, 2015 and 2014, a 5% increase /decrease in the exchange rate MXN/USD, holding all other variables constant, would result in an effect on the income statement by Ps5, Ps23 and Ps28, respectively.

The risk management policy of the Company is to cover no more than the following percentages with respect to the projected exposure:

	Current year	Prior year
Interest rates	90	90
Commodities	90	90
Energy costs	65	65
Exchange rate for operating transactions	70	70
Exchange rate for financial transactions	90	90

The Company has certain investments in foreign operations, whose net assets are exposed to the risk of foreign currency translation. The currency exposure arising from the net assets of the Company's foreign operations are frequently managed through borrowings denominated in the relevant foreign currency.

ii. Interest rate and cash flow risk

Loans at floating rates expose the Company to interest rate risk on cash flows that are partially offset by cash held at floating rates. Loans at fixed rates expose the Company to interest rate risk at fair value. During 2016 and 2015, floating rate loans are mainly denominated in US dollars. At December 31, 2016, 40% of financing are denominated at fix rate, and 60% at floating rate. See Note 15.

At December 31, 2016, 2015 and 2014 if the interest rates on floating rate loans were increased/decreased by 10%, interest expense would increase/decrease by Ps10, Ps10 and Ps14, respectively.

b. Credit risk

Credit risk is managed on a group basis, except for the credit risk related to accounts receivable balances. Each subsidiary is responsible for managing and analyzing credit risk for each of its new customers before setting the terms and conditions of payment. Credit risk is generated from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposure to customers, including receivables and committed transactions. If wholesale customers are rated independent, these are the ratings used. If there is no independent rating, the Company's risk control group evaluates the creditworthiness of the customer, taking into account their financial position, past experience and other factors.

Individual risk limits are determined based on internal and external ratings in accordance with limits set by the Board. The use of credit risk is monitored regularly.

During 2016 and 2015, credit limits were not exceeded and management does not expect losses in excess of the impairment recognized in the corresponding periods.

The impairment provision for doubtful accounts represents estimated losses resulting from the inability of customers to make required payments. In determining the allowance for doubtful accounts, significant estimates have to be made. Nemak performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current creditworthiness, as determined by a review of their current credit information.

In addition, the Company considers a number of factors to determine the size and appropriate timing for the recognition and amount of allowances, including historical collection experience, customer base, current economic trends and the ageing of the accounts receivable portfolio.

c. Liquidity risk

Projected cash flows are determined at each operating entity of the Company and subsequently the finance department consolidates this information. The finance department of the Company continuously monitors the cash flow projections and liquidity requirements of the Company ensuring that sufficient cash and highly liquid investments are maintained to meet operating needs, as well as keeping some flexibility through available committed and uncommitted credit lines.

The Company regularly monitors and makes decisions ensuring that the limits or covenants set forth in debt contracts are not violated. The projections consider the financing plans of the Company, compliance with covenants, compliance with minimum liquidity ratios and internal legal or regulatory requirements.

The Company's treasury invests those funds in overnight deposits whose maturities or liquidity allow flexibility to meet the cash needs of the Company. At December 31, 2016, 2015 and 2014, the Company had cash and cash equivalents of Ps2,661, Ps1,793 and Ps976, respectively, which are considered sufficient to adequately manage liquidity risk.

The following table analyzes the derivative and non-derivative, grouped according to their maturity, from the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are required to understand the timing of the Company's cash flows.

The amounts disclosed in the table are contractual undiscounted cash flows.

	Less than 3 months	From 3 months to 1 year	From 1 year to 2 years	From 2 years to 5 years	More than 5 years
December 31, 2016					
Trade and other accounts payable	Ps 17,544	Ps 1,836	Ps -	Ps -	Ps -
Bank loans	1,788	1,992	5,625	5,767	3,735
Senior Notes	284	568	568	1,421	11,184
Notes payables	3	12	10	66	12
Financial leases	7	29	29	81	56

	Less than 3 months	From 3 months to 1 year	From 1 year to 2 years	From 2 years to 5 years	More than 5 years
December 31, 2015					
Trade and other accounts payable	Ps 16,236	Ps 1,222	Ps -	Ps -	Ps -
Bank loans	420	577	1,676	9,370	3,463
Senior Notes	118	355	473	1,446	9,602
Notes payables	2	6	6	31	32
Financial leases	4	13	15	34	130

	Less than 3 months	From 3 months to 1 year	From 1 year to 2 years	From 2 years to 5 years	More than 5 years
December 31, 2014					
Trade and other accounts payable	Ps 12,947	Ps 612	Ps -	Ps -	Ps -
Bank loans	3,422	1,131	678	4,362	48
Senior Notes	202	202	405	1,214	8,776
Peso Bond	54	336	1,718	1,818	-
Notes payables	-	13	11	40	6
Derivative financial instruments	11	32	385	446	-
Financial leases	8	25	92	62	9

The Company expects to meet its obligations with cash flows generated by operations. Additionally Nemak has access to credit lines with various banks to meet possible requirements.

At December 31, 2016, 2015 and 2014, the Company has uncommitted short term credit lines unused for more than US$867 (Ps17,916), US$629 (Ps10,823) and US$168(Ps891), respectively. Additionally, at December 31, 2016, 2015 and 2014, Nemak has committed medium-term credit lines of US$349 (Ps7,212), US$302 (Ps5,196) and US$192(Ps3,304), respectively.

d. Price risk of raw materials and derivatives

Nemak utilizes significant amounts of aluminum in the form of scrap, as well as ingots as its main raw material. In order to mitigate the risks related to the volatility of the prices of this commodity, the Company has established agreements with its clients, whereby the variations of aluminum prices are transferred at the sales price of the products through a pre-established formula.

However, there is a residual risk since each OEM uses its own formula to estimate aluminum prices, which normally reflects market prices based on an average term that may range from one to three months. As a result, the basis used by each OEM to calculate the prices of aluminum alloys may differ from the ones used by the Company to buy aluminum, which could negatively impact its business, financial position and the results of its operations.

The Company uses large volumes of natural gas in their production processes. This consumption has been growing as the volume of their end products increase. In order to mitigate exposure to the price of this material, the Company makes from time to time, some natural gas hedging using derivative instruments. At December 31, 2016 and 2015, the Company does not have derivative financial instruments to hedge these risks. See Note 10.

Based on the exposure of aluminum price at December 31, 2016, 2015 and 2014, a hypothetical increase (decrease) of 10% applied at fair value and maintaining all other variables constant, such as exchange rates, the increase (decrease) would result in an impact at December 31, 2016, 2015 and 2014 in the income statement of Ps0, Ps2 and Ps5, respectively.

4.2 Equity risk management

The Company's objectives when managing equity are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and benefits to other interested parties, as well as maintain an optimal capital structure so as to reduce the cost of capital.

To maintain or adjust the equity structure, the Company may adjust the amount of dividends paid to shareholders, return equity to shareholders, issue new shares or sell assets to reduce debt.

Nemak monitors equity based on the degree of leverage. This percentage is calculated by dividing total liabilities by total equity.

The financial ratio of total liabilities/total equity was 1.50, 1.58 and 1.76, at December 31, 2016, 2015 and 2014, respectively.

4.3 Fair value estimation

The following is an analysis of financial instruments measured by the fair value valuation method. The three different levels used are presented below:

- Level 1: Quoted prices for identical instruments in active markets.
- Level 2: Other valuations including quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets, and valuations using models where all significant data are observable in active markets.
- Level 3: Valuations made through techniques wherein one or more of their significant data inputs are unobservable.

Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is considered active if quoted prices are clearly and regularly available from a stock exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regular market transactions at arm-length conditions. The trading price used for financial assets held by the Company is the current bid price.

Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data when available and rely as little as possible on estimates specific to the Company. If all significant inputs required to measure an instrument at fair value are observable, the instrument is classified at Level 2.

The fair values represent a mathematical approximation of their market value at the date of measurement. The market value estimate consists in considering the future rates corresponding to the underlying asset. These future rates are obtained from observable market curves of related sources (such as, but not exclusively, CMAI, OPIS). These estimates are generally confirmed with valuations of considerations issued by each instrument.

Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is classified at Level 3.

Specific valuation techniques used to value financial instruments include:

- Market quotations or offers from retailers for similar instruments.
- The fair value of interest rate swaps calculated as the present value of estimated future cash flows based on observable yield curves.
- The fair value of forward exchange contracts determined using the exchange rates on the balance sheet date, with the resulting value discounted to present value.
- Other techniques, such as the analysis of discounted cash flows, which are used to determine fair value for the remaining financial instruments.

The financial assets included within this level are only the financial assets available for sale, which correspond to investment in shares of companies that are not listed in an active market; therefore, the fair value may not be reliably determined.

At December 31, 2016 and 2015, there are financial assets available for sale in the level 3 classification, totaling Ps71 and Ps70, respectively. The following table shows the movements in Level 3 instruments:

	Financial assets available for sale
Final balance at January 1, 2015 (Note 14)	Ps 70
Exchange difference	-
Final balance at December 31, 2015 (Note 14)	70
Exchange difference	1
Final balance at December 31, 2016 (Note 14)	Ps 71

At December 31, 2016, 2015 and 2014, the Company shows no financial assets or financial liabilities measured at fair value and therefore, there are no financial assets or liabilities classified in Levels 1 and 2.

There are no transfers between Levels for the periods reported on.

Note 5 - Critical accounting estimates and judgments:

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

a. Estimated impairment of goodwill

The Company uses significant judgment to group its UGES, on the basis of aspects such as operation of the commercial area and sales strategy, production allocation, the analysis of operating flows and policies on indebtedness and the analysis of the legal structure.

The identification and measurement of impairment to goodwill involves the estimation of fair values. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge. The Company performs valuation analyses with the assistance of third parties and considers relevant internal data, as well as other market information that is publicly available.

Estimates of fair value are primarily determined using discounted cash flows and market comparisons. These approaches use significant estimates and assumptions, including projected future cash flows (including timing), discount rates reflecting the inherent risk in future cash flows, perpetual growth rates, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables. Inherent in these estimates and assumptions is a certain level of risk, which the Company believes has considered in their valuations. Nevertheless, if future actual results differ from estimates, a possible impairment charge may be recognized in future periods related to the write-down of the carrying value of other intangibles in addition to the amounts recognized previously. See Note 12.

b. Income tax

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

As part of the preparation processes of the financial statements, the Company is required to calculate income tax. This process involves estimating the real exposure of the current tax, as well as evaluating the temporary differences resulting from treating items differently, such as impairment of trade accounts receivable, deferred assets, inventories, property, plant and equipment, accumulated expenses and tax loss carryforwards, for tax and accounting purposes.

These differences result in deferred tax assets and liabilities included within the statement of financial position. The Company then evaluates the probability to recover its deferred tax assets. The Company recognizes deferred tax assets for all deductible temporary differences, insofar as there is a probability that the entity has future tax benefits against which to apply these deductible temporary differences. The most recent projections of available profits are used to determine future tax benefits.

c. Pension benefits

The present value of the pensions obligations depend on several factors that are determined on an actuarial basis using a variety of assumption. Assumptions used in the determination of the net cost (income) for pensions, includes the discount rate. Any change in these assumptions will have an impact on the carrying value of pension obligations. See Note 18.

The Company determines the adequate discount rate at each year end. This interest rate should be used to determine the present value of cash outflows required to settle expected future pension obligations. In determining the appropriate discount rate, the Company considers the discounted interest rate in conformity with IAS 19 "Employee benefits" denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based, partly on current market conditions.

d. Commitments and contingencies

The Company makes judgments regarding the measurement and recognition of provisions and the exposures to contingent liabilities related to pending litigations or other pending complaints subject to negotiation of settlement, mediation, arbitration or regulation of the government, as well as other contingent liabilities. The Company makes judgments to assess the probability of a pending complaint to be effective or to result in the recognition of a liability, as well as to quantify the possible settlement range. Due to the uncertainty inherent to this assessment process, actual losses may be different to the originally estimated provision.

Contingencies are recorded as provisions when it is likely that a liability has been incurred and the amount of the loss is reasonably estimable. It is not practical to estimate sensitivity to potential losses if other assumptions were used to record these provisions, due to the number of underlying assumptions and the range of possible reasonable outcomes regarding potential actions by third parties, such as regulators, both in terms of loss probability and estimates of such loss.

5.2 Critical judgments in applying the entity's accounting policies

a. Revenue recognition

The Company has recognized revenue amounting to Ps79,244, Ps70,891 and Ps61,490, for the sale of products to OEM's during 2016, 2015 and 2014, respectively. The buyer has the right to return the goods if they are dissatisfied. The Company believes that, based on past experience with similar sales, the rate of

returned products will not exceed 3% of revenue. The Company has, therefore, recognized revenue on these transactions with a corresponding provision for estimated returns. If the estimate changes by 1%, the revenue would have been reduced/increased by Ps792, Ps709 and Ps614, during 2016, 2015 and 2014, respectively.

Note 6 - Cash and cash equivalents:

Cash and cash equivalents consist of the following:

	December 31,	
	2016	2015
Cash at bank and in hand	Ps 2,115	Ps 1,270
Short-term bank deposits	546	523
Total cash and cash equivalents	Ps 2,661	Ps 1,793

For purposes of the cash flow statement the cash and cash equivalents include the following items:

	December 31,	
	2016	2015
Cash and cash equivalents	Ps 2,661	Ps 1,793
Bank overdrafts (Note 17)	-	(1)
Cash and cash equivalents at end of year	Ps 2,661	Ps 1,792

Note 7 - Restricted cash

The value of restricted cash is composed as follows:

	December 31,	
	2016	2015
Current[1]	Ps 474	Ps 323
Non-current (Note 13)	12	10
Restricted cash	Ps 486	Ps 333

[1] The Company has certain legal disputes with the Brazilian tax authorities. The main dispute is related to the application of certain criteria and other minor contingencies related to labor and social security issues. In this process, the company made deposits by the amounts in dispute and is waiting for a final decision to their claims. The amounts mentioned above are Ps474 in 2016 and Ps323 in 2015. See Note 28b.

Note 8 - Trade and other receivables, net:

	December 31,	
	2016	2015
Current:		
Trade receivables	Ps 5,071	Ps 4,304
Receivables from related parties (Note 26)	3,100	3,407
Value-added tax and other taxes	2,997	2,811
Sundry debtors	465	231
Provision for impairment	(52)	(33)
	Ps 11,581	Ps 10,720
Non-current:		
Non-current related parties receivables (Note 26)	Ps 720	Ps -

Customers and other accounts receivable include past-due balances of Ps1,774 and Ps1,014 at December 31, 2016 and 2015, respectively.

At December 31, 2016 and 2015, there are impaired accounts receivable of (Ps52) and (Ps33), which have been provisioned in their entirety.

The analysis by age of the balances due from customers and other receivables not covered by impairment provisions is as follows:

	December 31	
	2016	2015
1 to 30 days	Ps 1,091	Ps 638
31 to 90 days	438	141
91 to 180 days	138	100
More than 180 days	107	135
Total	Ps 1,774	Ps 1,014

Movements in the provision for impairment of customers and other receivables are analyzed as follows:

	2016	2015
Initial balance (January 1)	(Ps 33)	(Ps 28)
Provision for impairment of customers and other receivables	(51)	(34)
Receivables written off during the year	27	18
Unused amounts reversed	5	11
Final balance (December 31)	(Ps 52)	(Ps 33)

Increases in the provision for impairment of customers and other receivables are recorded in the statement of income under sales expenses.

At December 31, 2016 and 2015, the maximum risk of accounts receivable is their carrying value.

Note 9 - Inventories:

	December 31,	
	2016	2015
Raw material and other consumables	Ps 8,278	Ps 7,026
Production in process	1,589	1,416
Finished goods	1,917	1,225
	Ps 11,784	Ps 9,667

The cost of inventories recorded in income and included in cost of sales amounted to Ps65,345, Ps59,143 and Ps52,456, for 2016 and 2015, respectively.

In the years ended on December 31, 2016, 2015 and 2014, damaged, slow-moving and obsolete inventory was charged to cost of sales in the amount of Ps4, Ps26 and Ps45, respectively.

At December 31, 2016 and 2015, there were no inventories provided in guarantee.

Note 10 - Financial Instruments:

a. Financial instruments by category

	At December 31, 2016				
	Receivables and liabilities at amortized cost	Financial assets and liabilities at fair value with changes in income	Available for sale	Derivative contracted as hedge	Total
Financial assets:					
Cash and cash equivalents	Ps 2,661	Ps -	Ps -	Ps -	Ps 2,661
Restricted cash	486	-	-	-	486
Trade and other accounts receivable	12,301	-	-	-	12,301
Financial assets available for sale	-	-	71	-	71
	Ps 15,448	Ps -	Ps 71	Ps -	Ps 15,519
Financial liabilities:					
Debt	Ps 29,009	Ps -	Ps -	Ps -	Ps 29,009
Trade and other payables	18,894	-	-	-	18,894
	Ps 47,903	Ps -	Ps -	Ps -	Ps 47,903

	At December 31, 2015				
	Receivables and liabilities at amortized cost	Financial assets and liabilities at fair value with changes in income	Available for sale	Derivative contracted as hedge	Total
Financial assets:					
Cash and cash equivalents	Ps 1,793	Ps -	Ps -	Ps -	Ps 1,793
Restricted cash	333	-	-	-	333
Trade and other accounts receivable	10,720	-	-	-	10,720
Advanced payments	277	-	-	-	277
Financial assets available for sale		-	70	-	70
	Ps 13,113	Ps -	Ps 70	Ps -	Ps 13,183
Financial liabilities:					
Debt	Ps 22,710	Ps -	Ps -	Ps -	Ps 22,710
Trade and other payables	16,515	-	-	-	16,515
	Ps 39,225	Ps -	Ps -	Ps -	Ps 39,225

b. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	December 31,	
	2016	2015
Trade and other receivables and related parties		
Counterparties with external credit rating		
"A+"	Ps 248	Ps 218
"A"	20	16
"A-"	620	48
"BBB+"	3,472	243
"BBB"	2,054	87
"BBB-"	532	2,088
"BB+"	238	-
"BB"	1,179	332
"BB-"	-	740
Other categories	31	10
	8,394	3,782
Counterparties without external credit rating		
"Type Y clients"	3,239	6,971
Total unimpaired accounts receivable	Ps 11,633	Ps 10,753
Cash and cash equivalents		
"A+"	Ps 18	Ps 28
"A"	123	217
"A-"	1,063	47
"BBB+"	207	128
"BBB"	566	592
"BBB-"	33	5
"BB+"	6	93
Other categories	645	683
	Ps 2,661	Ps 1,793

Group Y - clients/current related parties (more than 6 months) without noncompliance in the past.

c. Fair value of financial assets and liabilities

The amounts of cash and cash equivalents, restricted cash, trade and other receivables, other current assets, suppliers and other payables, outstanding debt, provisions and other current liabilities approximate their fair value due to their short maturity. The carrying value of these accounts represents the expected cash flow.

The carrying value and estimated fair value of financial assets and financial liabilities carried at amortized cost are as follows:

	At December 31, 2016		At December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Non-current accounts receivable	Ps 720	Ps 653	Ps -	Ps -
Financial liabilities:				
Bank loans	15,776	15,760	13,611	13,652
Peso Bond and other liabilities	11,380	11,256	8,876	8,930

The estimated fair values were determined based on discounted cash flows and these fair values are considered Level 3. These fair values do not consider the current portion of financial assets and liabilities, since the current portion approximates its fair value.

d. Derivative financial instruments

The effectiveness of derivative financial instruments designated as hedges is measured periodically. At December 31, 2016 and 2015, the Company has no derivative financial instruments operation contracted.

Notional amounts related to derivative financial instruments reflect the contracted reference volume; however they do not reflect the amounts at risk with respect to future cash flows. The amounts at risk are generally limited to the unrealized profit or loss from the market valuation of such instruments, which may vary according to changes in the market value of the underlying, its volatility and the credit quality of the counterparties.

At December 31, 2016, the principal obligations which the Company was subject to, depend on the type of contract and the conditions established in each one of the derivative financial instruments in force at this date.

Trading derivatives are classified as current assets or liabilities. The fair value of hedges is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

During the last quarter of the year 2015, the following changes to the company's derivative financial instruments occurred:

a. Cancellation of Cross Currency Swap MXN / USD:

In December 2015, the Company paid in advance the total of its Peso Bond amounting to Ps3,500. Consistent with this prepayment, it also fully canceled the "Cross Currency Swap" which converted via derivatives, the loan from MXN to USD. The "Cross Currency Swap" was acquired as a hedging transaction at an average exchange rate of Ps12.30, therefore Ps3,500 were converted to US$285 (Ps4,904).

The cancellation of the derivative resulted in an cash outflow of US$83 (Ps1,412), amount recorded in the statement of income; however, it should be noted that the exchange rate MXN / USD at the time of completion was Ps17.01, so Ps3,500 equivalent at that time to US$206 (Ps3,504). These derivatives were designated as fair value hedges. See Note 2.

b. Cancellation of Cross Currency Swap EUR-USD:

In November 2015, the Company terminated in advance a trading derivative that had contracted since 2012 in order to increase exposure to the EUR, given the growing activities in that region. The transaction was agreed at a level of exchange of US$1.25 per euro. The instrument had a remaining balance of €41 and final maturity in 2016. At the time of cancellation, the exchange rate USD / EURO was approximately 1.06 resulting in a cash redemption value in favor of Nemak of US$5.3 (Ps89). This effect was recorded in the statement of income.

c. Cancellation of natural gas derivative:

In December 2015, Nemak early terminated a hedge operation on approximately 40% of its volume of consumption of energy for its operations in North America that had been contracted for the period 2016-2020. The early cancellation was decided in anticipation of further declines in the price of this commodity. The termination of these hedges resulted in a cash outflow for Nemak of US$27.7 (Ps476). At 31 December 2015, the balance in accumulated other comprehensive income related to this coverage is Ps329. This amount will be reclassified to income statement as the forecasted transaction were to take place.

Note 11 - Property, plant and equipment:

	Land	Buildings and constructions	Machinery and equipment	Transportation equipment	Furniture and office equipment	Construction in progress	Other fixed assets	Total
Year ended December 31, 2015								
Opening balance	Ps 971	Ps 5,734	Ps 20,607	Ps 51	Ps 370	Ps 4,272	Ps 530	Ps 32,535
Exchange differences	104	635	2,435	6	46	342	3	3,572
Additions	174	6	3	0	1	6,129	32	6,344
Disposals and write downs	(5)	(1)	(66)	(0)	(0)	-	(7)	(79)
Depreciation charge for the year	-	(319)	(3,612)	(32)	(146)	-	-	(4,108)
Transfers	2	546	4,319	36	176	(5,195)	117	0
	Ps 1,246	Ps 6,601	Ps 23,687	Ps 61	Ps 446	Ps 5,548	Ps 675	Ps 38,263
At December 31, 2015								
Cost	Ps 1,246	Ps 10,379	Ps 52,842	Ps 266	Ps 1,433	Ps 5,548	Ps 675	Ps 72,388
Accumulated depreciation	-	(3,778)	(29,155)	(205)	(987)	-	-	(34,125)
Net carrying value at December 31, 2015	Ps 1,246	Ps 6,601	Ps 23,687	Ps 61	Ps 446	Ps 5,548	Ps 675	Ps 38,263

	Land	Buildings and constructions	Machinery and equipment	Transportation equipment	Furniture and office equipment	Construction in progress	Other fixed assets	Total
Year ended December 31, 2016								
Opening balance	Ps 1,246	Ps 6,601	Ps 23,687	Ps 61	Ps 446	Ps 5,548	Ps 675	Ps 38,263
Exchange differences	264	1,346	4,689	13	98	1,036	116	7,563
Additions	-	(3)	1,193	0	14	8,110	18	9,332
Additions due to business acquisitions	132	129	825	7	6	124	(0)	1,223
Disposals and write downs	-	(1)	(901)	(0)	(1)	(6)	4	(905)
Depreciation charge for the year	-	(402)	(4,545)	(28)	(164)	-	-	(5,139)
Transfers	34	495	4,550	21	247	(5,480)	(110)	(243)
	Ps 1,676	Ps 8,165	Ps 29,498	Ps 74	Ps 646	Ps 9,332	Ps 703	Ps 50,094
At December 31, 2016								
Cost	Ps 1,676	Ps 13,564	Ps 69,308	Ps 339	Ps 2,012	Ps 9,332	Ps 703	Ps 96,934
Accumulated depreciation	-	(5,399)	(39,810)	(265)	(1,366)	-	-	(46,840)
Net carrying value at December 31, 2016	Ps 1,676	Ps 8,165	Ps 29,498	Ps 74	Ps 646	Ps 9,332	Ps 703	Ps 50,094

Total depreciation expense of Ps4,873, Ps3,932 and Ps3,292, were charged to cost of sales, Ps2, Ps1 and Ps2, to selling expenses and Ps264, Ps175 and Ps150, to administrative expenses in 2016, 2015 and 2014, respectively.

At December 31, 2016 and 2015 there were no pledged property, plant and equipment.

Assets under finance leases comprise the following amounts in which the Company is the lessee:

	December 31,	
	2016	2015
Cost - capitalized financial lease	Ps 464	Ps 414
Accumulated depreciation	(225)	(174)
Carrying value, net	Ps 239	Ps 240

The Company has entered into various non-cancellable capital lease agreements as lessee. The lease terms are between 5 and 20 years, and the ownership of the assets lies with the Company.

The other fixed assets are integrated by spare parts, land improvements and other fixed assets.

Note 12 - Goodwill and intangible assets, net:

	Development costs	Customer relationships	Software and licenses	Trademarks and patents	Goodwill	Total
Cost						
At January 1, 2016	Ps 4,448	Ps 2,023	Ps 515	Ps 93	Ps 5,187	Ps 12,265
Exchange differences	1,615	121	103	19	649	2,507
Additions	851	921	169	0	0	1,942
Disposals	(3)	(45)	(53)	0	0	(101)
At December 31, 2016	6,911	3,020	734	112	5,837	16,613
At January 1, 2015	3,078	1,171	665	80	4,764	9,758
Exchange differences	404	290	(169)	13	423	961
Additions	966	562	22	-	-	1,550
Disposals	0	0	(3)	-	-	(3)
At December 31, 2015	4,448	2,023	515	93	5,187	12,266
Accumulated amortization						
At January 1, 2016	(1,901)	(606)	(450)	(93)	0	(3,050)
Amortizations	(505)	(111)	(146)	0	0	(762)
Disposals	1	0	28	0	0	29
Exchange differences	(524)	(108)	(122)	(19)	0	(773)
At December 31, 2016	(2,929)	(825)	(690)	(112)	0	(4,556)
At January 1, 2015	(1,256)	(508)	(381)	(80)	-	(2,225)
Amortizations	(388)	(63)	(48)	-	-	(499)
Disposals	0	0	3	-	-	3
Exchange differences	(257)	(35)	(24)	(13)	-	(329)
At December 31, 2015	(1,901)	(606)	(450)	(93)	-	(3,050)

	Development costs	Customer relationship	Software and licenses	Trademarks and patents	Goodwill	Total
Net carrying value						
Cost	Ps 6,911	Ps 3,020	Ps 734	Ps 112	Ps 5,837	Ps 16,613
Accumulated amortization	(2,929)	(825)	(690)	(112)	0	(4,556)
At December 31, 2016	Ps 3,982	Ps 2,195	Ps 44	Ps 0	Ps 5,837	Ps 12,057
Cost	Ps 4,448	Ps 2,023	Ps 515	Ps 93	Ps 5,187	Ps 12,266
Accumulated amortization	(1,901)	(606)	(450)	(93)	-	(3,050)
At December 31, 2015	Ps 2,547	Ps 1,417	Ps 65	(Ps 0)	Ps 5,187	Ps 9,216

Of the total amortization expense, Ps521, Ps351 and Ps214, were charged to cost of sales, Ps205, Ps143 and Ps125, to administrative expenses, Ps7, Ps5 and Ps1 to selling expenses, in 2016, 2015 and 2014, respectively.

Research expenses incurred and recorded in the results of 2016, 2015 and 2014 were Ps11, Ps4 and Ps4, respectively.

Effect of the change in accounting policy

At December 31, 2015, costs incurred to obtain new contracts with certain OEMs were shown in the Other non-current assets line item in the statement of financial position. At December 31, 2016, as a result of the analysis conducted by Management, it is concluded that classification as an intangible asset (other relationships with customers) best reflects the economic substance of the transaction. The retrospective effects of said changes in accounting policies have an effect only on the statement of financial position, as shown below:

	Reported previously	Reclassified amount
Goodwill and intangible assets	Ps 8,032	Ps 9,216
Other non-current assets	Ps 1,240	Ps 56

Additionally, Note 13 to these consolidated financial statements was modified due to aforementioned reclassification.

Impairment testing of goodwill

Goodwill is allocated to operating segments that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units, as follows:

	North America	Europe	Rest of the world	Total
Closing balance January 1, 2015	Ps 2,196	Ps 1,966	Ps 602	Ps 4,764
Exchange differences	20	121	48	189
Closing balance December 31, 2015	Ps 2,216	Ps 2,087	Ps 650	Ps 4,953
Exchange differences	398	371	115	884
Closing balance December 31, 2016	Ps 2,614	Ps 2,458	Ps 765	Ps 5,837

The estimated gross margin has been budgeted based on past performance and market development expectations. The growth rate used is consistent with the projections included in the industry reports. The discount rate used is before taxes and it reflects the inherent risk in future cash flows.

The recoverable amount of all cash generating units has been determined based on fair value less costs of disposal considering a market participant's perspective. These calculations use cash flow projections based on pre-tax financial budgets approved by management covering 5 year period. Cash flows beyond the 5 year period are extrapolated using the estimated growth rates stated below.

The key assumptions used in calculating the fair value less costs of disposal in 2016 were as follows:

	North America	Europe	Rest of the world
Estimated gross margin	24.21%	20.87%	15.10%
Growth rate	1.50%	1.50%	2.40%
Discount rate	9.20%	8.70%	9.40%

The key assumptions used in calculating the fair value less costs of disposal in 2015 were as follows:

	North America	Europe	Rest of the world
Estimated gross margin	18.99%	15.16%	5.42%
Growth rate	1.50%	1.50%	2.40%
Discount rate	9.62%	9.62%	9.40%

With regard to the calculation of the fair value of the cash generating units, the Company considers that a possible change in the key assumptions used, would not cause the carrying value to materially exceed their value in use.

Note 13 - Other non-current assets:

	At December 31,	
	2016	2015
Restricted cash	Ps 12	Ps 10
Available for sale financial assets [1]	71	70
Investment in associates	415	303
Other assets	97	56
Total other non-current assets	Ps 595	Ps 439

[1] Available for sale financial assets are investment in shares of companies not listed on the market (See Note 4.3). No impairment loss was recognized as of December 31, 2016 and 2015.

The accumulated summarized financial information for associates of the group accounted for by the equity method, not considered material, is as follows:

	2016	2015	2014
Comprehensive income, equal to net profit	Ps 55	Ps 48	Ps 39

There are no contingent liabilities related to the investment of the group in the associates.

Note 14 - Trade and other payables:

	At December 31,	
	2016	2015
Suppliers	Ps 15,006	Ps 11,992
Advance from customers	505	687
Other taxes and social security benefits	779	682
Related parties (Note 26)	54	50
Other accounts and accumulated expenses payables	2,550	3,104
	Ps 18,894	Ps 16,515

Note 15 - Debt:

	At December 31,	
	2016	2015
Current:		
Bank loans [1]	Ps 1,788	Ps 228
Current portion of non-current debt	1,634	725
Notes payable[1]	277	-
Current debt	Ps 3,699	Ps 952
Non-current:		
Unsecured bank loans	Ps 16,443	Ps 13,566
Financial lease	203	197
Other:		
In foreign currency:		
USD Bond	10,194	8,644
Related parties :		
In local currency:		
Other	104	76
	26,944	22,483
Less: current portion of non-current debt	(1,634)	(725)
Non-current debt	Ps 25,310	Ps 21,758

(1) At December 31, 2016 and 2015, short-term bank loans and notes payable bore interest at an average rate of 3.84% and 3.72%, respectively.

The fair value of current bank loans and notes payable approximate their carrying value, since the discount effect is immaterial.

The carrying amounts, terms and conditions of non-current debt were as follows:

Description	Currency	Contractual value	Costs of debt issuance	Interest payable	Balance at December 31, 2016	Balance at December 31, 2015	Inception date DD/MM/AAAA	Maturity date DD/MM/AAAA	Interest rate
Club Deal (Citi) (1)	USD	4,449	(22)	9	Ps 4,436	Ps 4,073	02/12/2013	02/12/2018	2.34%
Club Deal-(Citi) (1)	EUR	869	(5)	1	865	814	02/12/2013	02/12/2018	1.50%
Club Deal-(BBVA) (2)	USD	5,203	(27)	14	5,190	4,316	13/11/2015	13/11/2020	2.07%
Club Deal-(BBVA) (2)	EUR	978	(5)	2	975	835	13/11/2015	13/11/2020	1.25%
Bancomext LP	USD	2,477	(9)	3	2,471	2,062	23/12/2015	23/12/2025	3.39%
Nafin LP	USD	1,653	(7)	1	1,647	1,376	29/12/2015	29/12/2025	3.40%
Unicredit Turkey	EUR	741		0	741	-	28/12/2016	28/12/2019	1.25%
Brazil	BRL	76		15	91	88	31/01/2015	15/01/2025	8.50%
Modellbau	EUR	27			27	-	30/04/2009	30/09/2017	1.82%
Other									
Unsecured bank loans		16,473	(75)	45	16,442	13,564			
Senior Notes (3)	USD	10,123	(137)	209	10,195	9,644	28/02/2013	28/02/2023	5.50%
Financial lease:									
EUA	USD	1	-	-	1	4	01/01/2013	01/09/2017	10.64%
China	RMB	200	-	-	200	190	06/09/2006	28/02/2023	6.45%
Russia	RUR	2	-	-	2	2	01/08/2014	30/04/2018	4.05%
Total financial lease		203	-	-	203	196			
Other liabilities		104	-	-	104	77			
Total		26,903(4)	(212)	254	26,944	22,483			
Less: current portion Of non-current debt					(1,634)	(725)			
Non current debt					Ps 25,310	Ps 21,758			

(1) Club Deal (Citi) in USD and EUR accrues at the LIBOR+1.5% and EURIBOR+1.5%, respectively.
(2) Club Deal (BBVA) in USD and EUR accrues at the LIBOR+1.25% and EURIBOR+1.25%, respectively.
(3) Senior Notes at a fixed interest rate of 5.5%
(4) At the exchange rate prevailing at the period end.

At December 31, 2016, the annual maturities of non-current debt are as follows:

	2017	2018	2019	2020 onwards	Total
Bank loans[1]	Ps 1,585	Ps 5,473	Ps 3,138	Ps 6,279	Ps 16,475
Senior Notes[2]	-	-	-	10,123	10,123
Other loans	13	8	15	67	102
Financial lease	30	29	29	115	203
	Ps 1,628	Ps 5,510	Ps 2,449	Ps 16,585	Ps 26,903

1. Interest on bank loans will be paid quarterly.
2. Interest on Senior Notes will be paid semiannually.

Covenants:

Most existing bank debt agreements contain restrictions for the Company, primarily with respect to compliance with certain financial ratios, including:

a. Interest coverage ratio: which is defined as profit before financial result, income taxes, depreciation and amortization (EBITDA[1]) for the period of the last four complete quarters divided by financial expenses, net, for the last four quarters, which shall not be less than 3.0 times.

b. Leveraging ratio, defined at any point of its determination, as a result of dividing the consolidated net debt at said date by the consolidated EBITDA[1] for the preceding four quarters.

(1) As defined in Note 27.

Additionally to the aforementioned agreements, there are commitments related to the Senior Notes issued in February 2013, among the most important of which is the limitation to contract debt or increase it in the event that it does not comply with the fixed-charges coverage ratio at a rate of at least 2.25 times.

During 2016 and 2015, the financial ratios mentioned above were calculated in accordance with the formulas established in the effective debt agreements.

At December 31, 2016 and the date of issuance of these financial statements, the Company is in compliance with all obligations and covenants contained in its credit agreements; such obligations, among other conditions are subject to certain exceptions, and require or limit the ability of the Company to:

- Provide certain financial information.
- Maintain books and records.
- Maintain assets in appropriate conditions.
- Comply with applicable laws, rules and regulations applicable.
- Incur additional indebtedness.
- Pay dividends (only applicable to Nemak, SAB).
- Grant liens on assets.
- Enter into transactions with affiliates.
- Perform a consolidation, merger or sale of assets, and
- Carry out sale and lease-back operations

As of December 31, 2016 and 2015 there are no assets pledged as collateral for any of the subsidiaries, except for:

1. Some assets, pledged as collateral in a long-term debt granted by a Brazilian government entity to promote investment ("BNDES"). At December 31, 2016 the outstanding balance and the value of the pledged assets are approximately US$6.1 (Ps125.3) and US$3.9 (Ps67.1), respectively.

2. Various minor loans to finance equipment acquisitions in several subsidiaries with liens accumulated by approximately US$0.6 (Ps11.8).

Significant debt transactions in 2016:

a. New financing. During December 2016, the Company completed its refinancing of the debt of its subsidiary, Nemak Izmir (a business acquired, see Note 2) through Unicredit Bank A. G. The loan was of EUR34 at a term of a little over 3 years and payable in a single installment on the final maturity date. The applicable interest rate is variable at Euribor+1.6%. The loan is unsecured.

b. Increase in revolving lines committed in the medium term. Nemak contracted US$20M with Comerica Bank and US$50 with Scotia Bank, both at a three-year term and maturing in January and April 2019, respectively.

Significant debt transactions in 2015:

a. A bank facility amounting to US$300 (Ps5,162) with a group of banks (BBVA Bancomer as agent bank) with a final maturity of 5 years and average life of 3.6 years. Interests will be payable quarterly at a variable interest rate of Libor+1.25% (effective interest rate 2.1%). Proceeds of this loan were used to prepay all of the unsecured Peso Bond “Nemak -07” by Ps3,500 that would expire at the end of 2017.

b. Financing amounting to US$200 (Ps3,441), with two banks (Bancomext and Nacional Financiera) with a total term of 10 years and average life of 7.9 years. Interests will be payables quarterly at a variable interest rate of Libor+2.8% (effective interest rate 3.5%). Resources were used to prepay substantially all short-term debt of the Company.

c. The company increased its midterm committed credit lines in US$110, from US$192 (Ps3,304) at end-of 2014 to US $ 302 (Ps5,196) at the end of 2015. The total amount of these revolving committed lines matures during December 2018. At December 31, 2016, the committed credit lines were totally available.

The financial lease liabilities are effectively protected as the rights to the leased asset revert to the lessor in the event of default.

	December 31,	
	2016	2015
Obligation for financial leases - minimal payments, gross		
- Less than 1 year	Ps 30	Ps 70
- More than 1 year and less than 5 years	148	103
- More than 5 years	96	99
Future finance charges on financial lease liabilities	(71)	(75)
Present value of liabilities from financial lease	Ps 203	Ps 197

The present value of finance lease liabilities is analyzed as follows:

	December 31,	
	2016	2015
Less than 1 year	Ps 17	Ps 29
More than 1 year and less than 5 years	101	72
More than 5 years	85	96
	Ps 203	Ps 197

Note 16 - Deferred taxes:

The analysis of the deferred tax asset and deferred tax liability is as follows:

	December 31,	
	2016	2015
Deferred tax asset:		
- To be recovered in more than 12 months	Ps 1,000	Ps 840
- To be recovered within 12 months	520	481
	1,520	1,321
Deferred tax liability:		
- To be covered in more than 12 months	(4,732)	(2,852)
- To be covered within 12 months	580	86
	(4,152)	(2,765)
Deferred tax liabilities, net	(Ps 2,632)	(Ps 1,444)

The gross movement in the deferred income tax liabilities account is as follows:

	2016	2015
At January 1	(Ps 1,444)	(Ps 783)
Exchange differences	(412)	(115)
Charge to income statement	(766)	(659)
Tax related to components of other comprehensive income	(10)	113
At December 31	(Ps 2,632)	(Ps 1,444)

The analysis of the deferred income tax assets and liabilities was as follows:

	Assets (liabilities) December 31, 2016	Assets (liabilities) December 31, 2015
Inventories	Ps 9	Ps 36
Intangible assets	59	52
Reserve for valuation of assets	8	9
Valuation of derivative financial instruments	34	35
Liability provisions	567	483
Tax loss carryforwards	1,538	1,531
Other temporary differences, net	561	574
Deferred tax asset	2,776	2,720
Property, plant and equipment	(3,870)	(3,423)
Intangible assets	(1,464)	(804)
Cost of debt issuance	(64)	(68)
Reserve for valuation of assets	(10)	(2)
Other temporary differences, net	-	133
Deferred tax liabilities	(5,408)	(4,164)
Deferred tax liabilities, net	(Ps2,632)	(Ps 1,444)

Changes in the temporary differences during the year are shown below:

	Balance at December 31, 2015	(Charged) credited to the income statement	(Charged) credited to the comprehensive income	Balance at December 31, 2016
Inventories	Ps 36	(Ps 27)	Ps -	Ps 9
Intangible assets	52	7	-	59
Reserve for valuation of assets	9	(1)	-	8
Valuation of derivative financial instruments	35	9	(10)	34
Liability provisions	483	84	-	567
Tax loss carryforwards	1,531	7	-	1,538
Other temporary differences, net	574	(13)	-	561
Deferred tax asset	2,720	66	(10)	2,776
Property, plant and equipment	(3,423)	(447)	-	(3,870)
Intangible assets	(804)	(660)	-	(1,464)
Cost of debt issuance	(68)	4	-	(64)
Reserve for valuation of assets	(2)	(8)	-	(10)
Other temporary differences, net	133	(133)	-	-
Deferred tax liabilities	(4,164)	(1,244)	-	(5,408)
Deferred tax liabilities, net	(Ps 1,444)	(Ps1,178)	(Ps 10)	(Ps 2,632)

	Balance at December 31, 2014	(Charged) credited to the income statement	(Charged) credited to the comprehensive income	Balance at December 31, 2015
Inventories	Ps 26	Ps 10	Ps -	Ps 36
Intangible assets	56	(4)	-	52
Reserve for valuation of assets	17	(8)	-	9
Valuation of derivative financial instruments	230	(82)	(113)	35
Liability provisions	863	(380)	-	483
Tax loss carryforwards	1,366	165	-	1,531
Other temporary differences, net	207	368	-	574
Deferred tax asset	2,764	69	(113)	2,720
Property, plant and equipment	(2,927)	(496)	-	(3,423)
Intangible assets	(602)	(202)	-	(804)
Cost of debt issuance	(59)	(9)	-	(68)
Reserve for valuation of assets	(3)	1	-	(2)
Other temporary differences, net	44	89	-	133
Deferred tax liabilities	(3,547)	(617)	-	(4,164)
Deferred tax liabilities, net	(Ps 783)	(Ps 548)	(Ps 113)	(Ps 1,444)

Deferred income tax asset is recorded as tax loss carryforwards when the realization of the related tax benefits through future taxable profits is probable.

Tax losses at December 31, 2016 expire in the following years:

Year of maturity	Amount
2017	Ps 398
2018	20
2019	62
2020	87
2021	102
2022	565
2023	554
2024 and onwards	3,135
No expiration date	25
	Ps5,128

Optional regime for company groups in Mexico (Incorporation Regime)

Derived from the elimination of tax consolidation in Mexico, Nemak SAB and its Mexican subsidiaries chose to join the optional Regime for groups of companies from 2014.

In general terms, the Regime is to group companies that have the option of deferring a portion of its corporate income tax (ISR) payments, which becomes due in three years. The deferral percentage is calculated by a factor that is determined by the amount of tax profit and losses that have obtained the Group companies during the fiscal year.

To be taxed under this system, the integrative legal entity, which holds one or more companies, must hold directly or indirectly 80% or more of the shares with voting rights of one or more of the legal entities called integrated.

In June 2015 as a result of the IPO, Nemak SAB and its Mexican subsidiaries ceased to be considered as integrated companies.

In terms of the Income Tax Law, a company that ceases to be integrated must disincorporate of this Regime on the date of the assumption occurs and pays within one month the amount of the deferred income tax.

The effects of the divestiture of the incorporation Regime in 2015 were as follows:

a. Income tax prepayments 2015

Considering that at the date of the divestitures referred to in this report, there were no guidelines in the Income Tax Law to establish how companies should pay the deferred Income tax prepayments, Nemak SAB and its Mexican subsidiaries paid the deferred payment of accumulated and historical in July 2015; the payment made was Ps97.

Deferred income tax from January to June was paid together with the July ISR prepayments, on August 17, 2015.

Note 17 - Other liabilities:

	December 31,	
	2016	2015
Current:		
Other taxes and withholdings	Ps 371	Ps 670
Deferred income[1]	-	51
Employees' profit sharing payable	139	138
Share-based employee benefits (Note 20)	31	54
Bank overdrafts	-	1
Other	-	79
Total other liabilities	Ps 541	Ps 993
Non-current:		
Other	Ps 618	Ps 6
Total	Ps 618	Ps 6

[1] At December 31, 2015, it includes Ps51 current deferred income, received from the cancellation of energy supply contracts from the supplier.

Note 18 - Employee benefits:

The valuation of employee benefits for retirement plans covers approximately 83% of workers in 2016 and 82% in 2015, and is based primarily on their years of service, current age and estimated salary at retirement date.

The principal subsidiaries of the Company have established funds for the payment of retirement benefits through irrevocable trusts.

The employee benefit obligations recognized in the statement of financial position, by country, are shown below:

	December 31,	
	2016	2015
Mexico	Ps 323	Ps 247
United States	42	39
Canada	151	114
Poland	122	81
Austria	246	191
Germany	99	72
Others	75	35
Total	Ps 1,058	Ps 779

Following is a summary of the main financial information of such employee benefits:

	December 31,	
	2016	2015
Liabilities in the balance sheet for:		
Pension benefits	Ps 897	Ps 662
Post-employment medical benefits	161	117
Liabilities in the balance sheet	1,058	779
Charge in the income statements for:		
Pension benefits	(186)	(124)
Post-employment medical benefits	(9)	(7)
	(195)	(131)
Remeasurements recognized in the statement of other comprehensive income for the period		
Pension benefits	(Ps 61)	(Ps 18)
Post-employment medical benefits	(12)	6
	(73)	(12)
Cumulative remeasurements recognized in other comprehensive income	(Ps 186)	(Ps 113)

Pension benefits

The Company operates defined benefit pension plans based on employees' pensionable remuneration and length of service. Most plans are externally funded. Plan assets are held in trusts, foundations or similar entities, governed by local regulations and practice in each country, as is the nature of the relationship between the Company and the respective trustees (or equivalent).

Amounts recognized in the balance sheet are determined as follows:

	December 31,	
	2016	2015
Present value of defined benefit obligations	Ps 1,504	Ps 1,154
Fair value of plan assets	(607)	(492)
Liabilities in balance sheet	Ps 897	Ps 662

The movement in the defined benefit obligation during the year was as follows:

	2016	2015
At January 1	Ps 1,154	Ps 1,041
Current service cost	127	79
Interest cost	47	39
Employee contributions	1	1
Remeasurements:		
Financial actuarial losses/(gains)	58	14
Benefits paid	(34)	(55)
Exchange differences	151	35
At December 31	Ps 1,504	Ps 1,154

The movement in the fair value of plan assets for the year was as follows:

	2016	2015
At January 1	(Ps 492)	(Ps 475)
Interest Income	(11)	(14)
Remeasurements - expected return on plan assets, excluding interest income	3	4
Exchange differences	(92)	(14)
Employer contributions	(16)	(13)
Employee contributions	(1)	(1)
Benefits paid	2	21
At December 31	(Ps 607)	(Ps 492)

Amounts recorded in the statement of income are as follows:

	2016	2015	2014
Current service cost	(Ps 127)	(Ps 79)	(Ps 86)
Financial costs, net	(36)	(25)	(19)
Effect from reduction or settlement	(23)	(20)	(16)
Total included in personal costs	(Ps 186)	(Ps 124)	(Ps 121)

The principal ranges of actuarial assumptions were as follows:

	December 31,	
	2016	2015
Mexico		
Inflation rate	3.50%	4.25%
Salary increase rate	4.50%	5.25%
Future salary increase	3.50%	4.25%
Medical inflation rate	6.50%	7.50%
Discount rate:		
Mexico	7.75%	6.75%
Canada	3.99%	3.99%
Austria	2.00%	2.00%

The average life of defined benefit obligations is of 18 and 18 years at December 31, 2016 and 2015, respectively.

The sensitivity analysis of the main assumptions for defined benefit obligations were as follows:

	Effect in defined benefit obligations		
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rates	1.0%	Decreases by Ps17	Increases by Ps20

Post-employment medical benefits

The Company operates post-employment medical benefits schemes mainly in Mexico and Canada. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes. Most of these plans are not being funded.

Amounts recognized in the balance sheet are determined as follows:

	December 31,	
	2016	2015
Present value of obligations equal to liabilities in balance sheet	Ps 161	Ps 117

The movements of defined benefit obligations are as follows:

	2016	2015
At January 1	Ps 117	Ps 124
Current service cost	4	3
Interest cost	5	4
Financial actuarial losses/(gains)	12	(10)
Employee contributions	4	-
Exchange differences	31	(2)
Benefits paid	(8)	(2)
At December 31	Ps 161	Ps 117

Amounts recorded in the statement of income are as follows:

	2016	2015	2014
Current service cost	(Ps 4)	(Ps 3)	(Ps 3)
Interest cost	(5)	(4)	(6)
Total included in personal costs	(Ps 9)	(Ps 7)	(Ps 9)

Note 19 - Equity:

At December 31, 2016 and 2015, the nominal capital stock, subscribed and paid-in of Ps6,607, was represented by 3,081 million of common, nominative shares, “Class I” of Series "A", with no par value, entirely subscribed and paid.

At December 31, 2016 and 2015, the shares was represented as follows:

Shareholder	Number of shares (in millions)	Amount
ALFA	2,318	Ps 4,971
FORD	168	360
Public float	595	1,276
	3,081	Ps 6,607

The movement in the capital stock during the year, are detailed as follow:

	Note	Capital stock	Share premium
Balance as of January 1, 2015		Ps 874	Ps -
Increase of capital stock	2b	14,196	-
Merger with GIALFA	2c	55	-
Capital distribution	2d	(9,544)	-
Initial Public Offering		1,026	10,871
IPO Issuance costs	2e	-	(428)
Movement of the year		5,733	10,443
Balance as of December 31, 2015		Ps 6,607	Ps10,443
IPO Issuance costs		-	(9)
Movement of the year		-	(9)
Balance as of December 31, 2016		Ps 6,607	Ps10,434

The movement in outstanding shares for the year was as follows:

	Note	Number of shares (in millions)
Shares at January 1, 2015		871
Split effect[1]		1,616
Result of the share split		2,486
Shares issued in IPO	2e	538
Shares issued in overallotment	2e	57
Shares at December 31,2015 and 2016		3,081

At December 31, 2015, the weighted average of shares outstanding was 2,781.

During the year 2016, there were no movements in outstanding shares

[1] In an Ordinary and Extraordinary shareholders meeting on June 15, 2015, a share split at a ratio of approximately 2.8561 Shares for every existing share (the "Share Split") was approved. Due to the above, the split effects were considered retrospectively in the weighted average of outstanding shares from 2014.

The profit for the period is subject to the legal provision requiring at least 5% of the profit for each period to be set aside to increase the legal reserve until it reaches an amount equivalent to 20% of the capital stock. At December 31, 2016, 2015 and 2014, the legal reserve amounted to Ps174, which is included in retained earnings.

The dividends paid in 2016, 2015 and 2014 were Ps1,755 (Ps0.59 per share), Ps1,253 (Ps0.48 per share) and Ps836(Ps0.96per share), which fully arise from the Net Tax Profit Account(CUFIN).

Dividends paid are not subject to income tax if paid from the CUFIN. Any dividends paid in excess of this account will cause a tax equivalent to 42.86%if they are paid in 2017. This tax is payable by the Company and may be credited against its income tax in the same year or the following two years or, if applicable, against the flat tax of the period. Dividends paid from profits which have previously paid income tax are not subject to tax withholding or to any additional tax payment. At December 31, 2016, the tax value of the consolidated CUFIN and value of the Capital Contribution Account (CUCA) amounted to Ps6,040 and Ps9,294, respectively.

In October 2013 the Chamber of Senators and Deputies approved the issuance of a new Income Tax Law (LISR), which became effective on January 1, 2014. Among other aspects, this law establishes a tax of 10% for profits generated as from 2014 on dividends paid to foreign residents and Mexican individuals. It is also established that for fiscal years 2001 to 2013, the net tax profit will be determined under the LISR terms effective in the corresponding fiscal year. In November 2015, an article of temporary duration by which a fiscal incentive is given to individuals residing in Mexico that are subject to additional payment of 10% on dividends or profits distributed are issued.

The incentive is applicable provided that such dividends or profits were generated in 2014, 2015, 2016 and are reinvested in the legal entity that generated such profits, and consists of a tax credit equal to the amount obtained by applying the dividend or utility is distributed, which corresponds to year percentage distribution as follows:

Year of distribution of dividend or profit	Percentage of application to the amount of dividend or profit distributed
2017	1%
2018	2%
2019 onwards	5%

The tax credit only will be used against additional 10% income tax that the entity must withhold and pay.

To apply the tax credit, must meet the following requirements:

- The entity must identify in its accounts the corresponding accounting records to earnings or dividends generated in 2014, 2015 and 2016 records and the respective distributions.

- Present in the notes to the financial statements analytical information for the period in which profits were generated, dividends were reinvested or distributed.

- For corporations whose shares are not traded on the Mexican Stock Exchange and implement this incentive should choose to audit their financial statements for tax purposes in terms of Article 32-A of the Tax Code of the Federation.

Entities distributing dividends or profits in respect of shares placed among the investing public should inform brokerage firms, credit institutions, investment operators, the people who carry out the distribution of shares of investment companies, or any other intermediary market, the exercises from which the dividends so that these brokers carry the corresponding withholding. For the year ended at 31 December 2016, the company generated profit of Ps5,410 (Ps4,599 in 2015) which may be subject to this incentive.

In the case of a capital reduction, the procedures established by the Income Tax Law establishes to give to any excess of stockholders' equity over the capital contributions, the same tax treatment as applicable to dividends.

The movements in cumulative other comprehensive income for 2016 and 2015 are presented below:

	Effect of cash flow hedge derivatives instruments	Effect from foreign currency translation	Total
At January 1, 2014	(Ps 9)	Ps 731	Ps 722
Losses on fair value	(72)	-	(72)
Gains on foreign currency translation		451	451
At December 31, 2014	(81)	1,182	1,101
Losses on fair value	(248)	-	(248)
Gains on translation of foreign entities	-	1,391	1,391
At December 31, 2015	(329)	2,573	2,244
Losses on fair value	(9)	-	(9)
Gains on translation of foreign entities	-	5,486	5,486
At December 31, 2016	(Ps 338)	Ps 8,059	Ps 7,721

Foreign currency translation

The foreign exchange differences arising from the translation of financial statements of foreign subsidiaries are recorded.

Effect of derivative financial instruments

At December 31, 2016 and 2015, the effect of derivative financial instruments contracted as cash-flow hedging represents the early cancellation of a gas hedging operation conducted by the Company in December 2015. Said accumulated effect is shown in other comprehensive income for Ps283 and Ps329 at December 31, 2016 and 2015, respectively. Said amounts will be reclassified to the statement of income as the predicted transactions is carried out, as set out in Note 4.1 d.

Note 20 - Share based payments:

The Company has a compensation scheme referenced to the value of ALFA´s shares for senior executives of ALFA and its subsidiaries. According to the terms of the plan, eligible executives will receive a cash payment conditional on the achievement of certain quantitative and qualitative metrics based on the following financial measures:

- Improved share price
- Improvement in net income
- Permanence of the executives in the Company

The program consists of determining a number of shares on which the executives shall be based. The bonus will be paid in cash over the next five years, i.e. 20% each year at the average price per share in pesos at the end of each year. The average price of the share in Mexican pesos in 2016 and 2015 was 26.73 and 34.30, respectively.

The short-term and long-term liability was analyzed as follows:

	December 31,	
	2016	2015
Short-term	Ps 11	Ps 18
Long-term	20	36
Total carrying value	Ps 31	Ps 54

Note 21 - Expenses classified by their nature:

The total cost of sales and selling and administrative expenses, classified by the nature of the expense, were as follows:

	2016	2015	2014
Raw materials	(Ps 31,815)	(Ps 29,520)	(Ps 26,707)
Maquila (production outsourcing)	(6,537)	(6,019)	(5,121)
Employee benefit expenses (Note 24)	(12,181)	(10,194)	(8,832)
Personnel expenses	(2,048)	(1,920)	(1,640)
Maintenance	(4,094)	(3,659)	(3,182)
Depreciation and amortization	(5,873)	(4,609)	(3,784)
Freight charges	(21)	(16)	(7)
Advertising expenses	(868)	(871)	(683)
Consumption of energy and fuel	(2,905)	(2,554)	(2,770)
Travel expenses	(324)	(281)	(224)
Operating leases	(411)	(362)	(224)
Technical assistance, professional fees and administrative services	(675)	(1,397)	(1,179)
Other	(2,550)	(2,134)	(1,690)
Total	(Ps 70,302)	(Ps 63,536)	(Ps 56,043)

Note 22 - Other (expenses) income, net:

	2016	2015	2014
Loss on sale of property, plant and equipment	(Ps 4)	(Ps 12)	(Ps 18)
Impairment of property, plant and equipment	(293)	-	-
Customer reimbursements	-	9	77
Other	39	46	2
Total other (expenses) income, net	(Ps 258)	Ps 43	Ps 61

Note 23 - Financial result, net:

	2016	2015	2014
Financial income:			
- Interest income in short term bank deposits	Ps 8	Ps 8	Ps 3
- Intercompany financial income	34	24	11
- Other financial income[1]	11	13	19
Total financial income, excluding foreign exchange gain	53	45	33
Foreign exchange gain	14,604	6,200	266
Total financial income	Ps 14,657	Ps 6,245	Ps 299
Financial expenses:			
- Interest expense on bank loans	(Ps 1,235)	(Ps 1,097)	(Ps 906)
- Intercompany financial costs	-	-	(22)
- Other financial costs[2]	(22)	(75)	(70)
Total financial costs, excluding foreign exchange loss	(1,257)	(1,172)	(998)
Foreign exchange loss	(14,839)	(6,366)	-
Financial expense	(16,096)	(7,538)	(998)
Financial result, net	(Ps 1,439)	(Ps 1,293)	(Ps 699)

[1] Includes mainly the yield on plan assets and other concepts.
[2] Includes mainly the financial costs of employee benefits.

Note 24 - Employee benefit expenses:

	2016	2015	2014
Salaries, wages and benefits	Ps 9,890	Ps 8,360	Ps 7,290
Contributions to social security	1,817	1,435	1,215
Employee benefits (Note 18)	155	103	106
Other contributions	319	296	221
Total	Ps 12,181	Ps 10,194	Ps 8,832

Note 25 - Income tax for the year:

	2016	2015	2014
Tax currently payable:			
Income tax on profits of the period	(Ps 1,114)	(Ps 871)	(Ps 826)
Adjustment for previous years	(10)	(21)	16
Total tax currently payable	(1,124)	(893)	(810)
Deferred tax:			
Origination and reversal of temporary differences	(766)	(659)	(643)
Total deferred tax	(766)	(659)	(643)
Income taxes charged to income	(Ps 1,890)	(Ps 1,552)	(Ps 1,453)

The reconciliation between the statutory and effective rates of income tax was as follows:

	2016	2015	2014
Profit before taxes	Ps 7,300	Ps 6,153	Ps 4,848
Share of gain of associates recognized through equity method	(55)	(48)	(39)
Income before equity in associates	7,245	6,105	4,809
Statutory rate	30%	30%	30%
Tax at statutory rate	(2,173)	(1,831)	(1,442)
(Add) deduct tax effect of:			
Difference based on the comprehensive financial result	(188)	(120)	(188)
Non-deductible	150	12	56
Tax losses not recognized in prior years		-	(82)
Non taxable exchange rate effects	295	287	154
Other permanent differences, net	27	100	49
Total provision for income taxes charged to income	(Ps 1,890)	(Ps 1,552)	(Ps 1,453)
Effective rate	26%	25%	30%

The tax charge/(credit) relating to components of other comprehensive income was as follows:

	2016			2015			2014		
	Before taxes	Tax payable/ (receivable)	After taxes	Before taxes	Tax payable/ receivable)	After taxes	Before taxes	Tax payable/ receivable)	After taxes
Translation effect of foreign entities	Ps 5,486	Ps -	Ps 5,486	Ps 1,390	Ps -	Ps 1,390	Ps 452	Ps -	Ps 452
Remeasurement of obligations for employee benefits	(73)	18	(55)	(11)	1	(10)	(39)	15	(24)
Effect of derivative financial instruments hired as cash flow hedges	74	(28)	46	(359)	111	(248)	(105)	33	(72)
Other items of comprehensive income	Ps 5,487	(Ps 10)	Ps 5,477	Ps 1,020	Ps 112	Ps 1,132	Ps 308	Ps 48	Ps 356
Deferred taxes		(Ps 10)			Ps 112			Ps 48	

Note 26 - Related party transactions:

Transactions with related parties during the years ended December 31, 2016, 2015 and 2014, which were carried out in terms similar to those of arm's-length transactions with independent third parties, were as follows:

	December 31, 2016						
		Loans granted to related parties					
	Accounts receivable	Amount	Interest	Currency	Maturity date DD/MM/YY	Interest rate	Accounts payable
Parent	Ps -	Ps 720	Ps 69	MXP	18/08/2018	4.42%	Ps -
Affiliates	8	-	-				54
Associates	-	-	43	EUR	04/08/2018	6.00%	-
Ford	2,260	-					-
Total	Ps 2,268	Ps 720	Ps 112				Ps 54

	December 31, 2015						
		Loans granted to related parties					
	Accounts receivable	Amount	Interest	Currency	Maturity date DD/MM/YY	Interest rate	Accounts payable
Parent	Ps -	Ps 655	Ps 9	USD	01/01/2016	4.42%	Ps -
Affiliates	8	-	-				50
Associates	-	-	34	EUR	04/08/2015	6.00%	
Ford	2,701	-	-				-
Total	Ps 2,709	Ps 655	Ps 43				Ps 50

	December 31, 2014						
		Loans granted to related parties					
	Accounts receivable	Amount	Interest	Currency	Maturity date DD/MM/YY	Interest rate	Accounts payable
Parent	Ps -	Ps 513	Ps 5	USD	01/08/2016	3.80%	Ps
Affiliates	2		-				24
Associates	44		9	EUR	04/08/2015	6.00%	
Ford	1,132		-				
Total	Ps 1,178	Ps 513	Ps 14				Ps 24

Sales revenues and other related parties:

	Year ended December 31, 2016			
	Finished goods	Interest	Dividends	Others
Parent	Ps -	Ps 32	Ps -	Ps -
Ford	24,380	-	-	-
Associates	-	-	-	198
Total	Ps24,380	Ps 32	Ps -	Ps198

	Year ended December 31, 2015			
	Finished goods	Interest	Dividends	Others
Parent	Ps -	Ps 24	Ps -	Ps -
Ford	23,540	-	-	-
Associates	-	-	17	217
Total	Ps23,540	Ps 24	Ps17	Ps217

	Year ended December 31, 2014			
	Finished goods	Interest	Dividends	Others
Parent	Ps	Ps11	Ps	Ps
Ford	22,312			
Affiliates				4
Associates				147
Total	Ps22,312	Ps11	Ps	Ps151

Cost of sales and other expenses with related parties

	Year ended December 31, 2016		
	Administrative services	Other cost and Expenses	Dividends paid
Parent	Ps -	Ps -	Ps 1,321
Affiliates	73	194	-
Associates	-	196	-
Ford	-		95
Total	Ps 73	Ps 390	Ps 1,416

	Year ended December 31, 2015		
	Administrative services	Other cost and Expenses	Dividends paid
Parent	Ps -	Ps -	Ps 1,112
Affiliates	87	225	-
Associates	-	215	-
Ford	-	-	80
Total	Ps 87	Ps 440	Ps 1,192

	Year ended December 31, 2014			
	Interest	Administrative services	Other cost and Expenses	Dividends paid
Parent	Ps 18	Ps -	Ps -	Ps 779
Affiliates	4	70	174	-
Associates	-	-	143	-
Ford	-	-	-	57
Total	Ps 22	Ps 70	Ps 317	Ps 836

The Company has declared they have no significant transactions with related parties or conflicts of interest to disclose.

At December 31 2016, 2015 and 2014, the Company has recognized intangible assets related with Ford by Ps1,325, Ps608 and Ps216, respectively. See Note 12.

For the years ended December 31, 2016, 2015 and 2014, wages and benefits received by top officials of the Company were Ps131, Ps200 and Ps230, respectively, an amount comprising base salary, social benefits and supplemented mainly by a variable compensation program governed by the results of the Company and by the average price of the Alfa's shares.

Note 27 - Financial information by segments:

The Company manages and assesses its ongoing operations considering the group as a whole, however, the operating segments are reported based on the financial information presented before the Chief Operating Decision Maker (CODM) of the Company. The CODM who is responsible for assigning resources and assessing the performance of operating segments, has been identified as the Chief Executive Officer of the Company (CEO). The CODM considers the business from a geographical perspective.

The CODM analyzes the business segments of the Company by grouping operating segments (normally plants operating in the common geographical area), defined as two segments subject to reporting, separately.

Firstly North America; in which Mexican, Canadian and United States operations are grouped. Europe operations include the plants in Germany, Spain, Hungary, Czech Republic, Austria, Poland, Slovakia, Russia and Turkey.

The operating segments that fail to comply with the limit established by the standard itself to be reported separately, such as Asia (including plants in China and India), South America (including plants in Brazil and Argentina), and other less significant operations, are added and shown under the "rest of the world".

Transactions between operating segments are performed at market value, and the accounting policies for which the financial information by segments is prepared, are consistent with those described in Note 3s.

The Company assesses the performance of each one of the operating segments based primarily on income before the financial result, taxes, depreciation, amortization and the impairment in non-current assets (Adjusted UAFIDA or EBITDA), considering that such indicator represents a good measure to assess the operating performance and the capacity to satisfy principal and interest obligations in respect to indebtedness, as well as the capacity to fund capital investments and working capital requirements. However, adjusted UAFIDA or EBITDA is not a financial performance measure under IFRS, and should not be considered as an alternative to net profit as an operating performance measure, or cash flow as a liquidity measure.

The Company has defined adjusted UAFIDA or EBITDA as consolidated profit (loss) before tax after adding back or subtracting, as the case may be: (1) depreciation and amortization, and impairment of non-current assets (2) non-current assets write-down, (3) financial result, net (which includes interest expense, interest income, foreign exchange gains (losses), net and gain (loss) of derivative financial instruments), (4) share of gain of associates and (5) exceptional items.

For the year ended December 31, 2016

	North America	Europe	Rest of the world	Eliminations	Total
Income statement					
Sales by segment	Ps 46,793	Ps 26,816	Ps 6,707	(Ps 1,072)	Ps 79,244
Inter-segment sales	(695)	(328)	(49)	1,072	-
Sales from external customers	46,098	26,488	6,658	-	79,244
EBITDA					
Operating profit	5,882	2,776	26	-	8,684
Depreciation and amortization	3,682	1,610	581	-	5,873
Non-current assets write-down	289	3	-	-	292
Adjusted EBITDA	9,853	4,389	607	-	14,849
Capital expenditures (CAPEX)	Ps 4,919	Ps 4,321	Ps 924	Ps -	Ps 10,164

For the year ended December 31, 2015

	North America	Europe	Rest of the world	Eliminations	Total
Income statement					
Sales by segment	Ps 44,202	Ps 22,023	Ps 5,502	(Ps 837)	Ps 70,891
Inter-segment sales	(643)	(194)	-	837	-
Sales from external customers	43,559	21,829	5,502	-	70,891
EBITDA					
Operating profit	5,389	2,100	(91)	-	7,398
Depreciation and amortization	3,009	1,191	409	-	4,609
Non-current assets write-down	-	(4)	3	-	(1)
Adjusted EBITDA	8,398	3,287	321	-	12,006
Capital expenditures (CAPEX)	Ps 3,426	Ps 2,658	Ps 1,169	Ps -	Ps 7,253

For the year ended December 31, 2014

	North America	Europe	Rest of the world	Eliminations	Total
Income statement					
Sales by segment	Ps 38,246	Ps 19,194	Ps 4,876	(Ps 826)	Ps 61,490
Inter-segment sales	(586)	(209)	(31)	826	-
Sales from external customers	37,660	18,985	4,845	-	61,490
EBITDA					
Operating profit	3,786	1,944	(181)	(41)	5,508
Depreciation and amortization	2,373	1,093	318	-	3,784
Non-current assets write-down	11	1	-	-	12
Adjusted EBITDA	6,170	3,038	137	(41)	9,304
Capital expenditures (CAPEX)	Ps 2,019	Ps 1,664	Ps 788	Ps -	Ps 4,471

The reconciliation between "Adjusted EBITDA" and profit before tax is as follows:

	December 31,		
	2016	2015	2014
Adjusted EBITDA	Ps 14,849	Ps 12,006	Ps 9,304
Depreciation and amortization	(5,873)	(4,609)	(3,784)
Non-current assets write-down	(292)	1	(12)
Operating profit	8,684	7,398	5,508
Financial result	(1,439)	(1,293)	(699)
Share of gain of associates	55	48	39
Profit before tax	Ps 7,300	Ps 6,153	Ps 4,848

For the year ended December 31, 2016

	Property plant and equipment	Goodwill	Intangible assets
North America	Ps 27,582	Ps 2,455	Ps 3,116
Europe	16,929	3,629	1,967
Rest of the world	5,583	-	890
Total	Ps 50,094	Ps 6,084	Ps 5,973

For the year ended December 31, 2015

	Property plant and equipment	Goodwill	Intangible assets
North America	Ps 22,909	Ps 2,073	Ps 1,553
Europe	11,117	3,114	828
Rest of the world	4,237	-	464
Total	Ps 38,263	Ps 5,187	Ps 2,845

For the year ended December 31, 2014

	Property plant and equipment	Goodwill	Intangible assets
North America	Ps 19,517	Ps 1,799	Ps 1,220
Europe	9,346	2,965	623
Rest of the world	3,671	-	304
Total	Ps 32,534	Ps 4,764	Ps 2,147

Nemak's clients are automotive companies, known as OEMs. The Company has the following global clients whose transactions represent more than 10% of the consolidated sales: Ford 29% and 34%, General Motors 28% and 26% and Fiat-Chrysler 11% and 13%, in 2016 and 2015, respectively.

Note 28 - Commitments and contingencies:

At December 31, 2016 and 2015, the Company had the following contingencies:

a. In the normal course of its business, the Company is involved in disputes and litigation. While the results of the disputes cannot be predicted, the Company does not believe that there are current or threatened actions, claims or legal proceedings against or affecting the Company which, if determined adversely to it, would have a material adverse effect on its results of operations or financial position.

b. The Company has certain legal disputes with the Brazilian tax authorities. The main dispute is related to the application of certain criteria and other minor contingencies related to labor and social security issues. In this process, the company made deposits by the amounts in dispute and is waiting for a final decision to their claims. The amounts mentioned above are Ps474 in 2016, Ps323 in 2015 and Ps390 in 2014.

c. The Company leases various plant and machinery under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

   The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As of December 31,		
	2016	2015	2014
No later than 1 year	Ps 981	Ps 221	Ps 216
Later than 1 year and no later than 5 years	105	421	412
Later than 5 years	160	527	541

Note 29 - Foreign currency position:

At February 17, 2017, the date of issuance of these financial statements, the exchange rate was 20.33 Mexican pesos per dollar.

The figures below are expressed in millions of dollars, since this is the prevailing foreign currency for Company.

At December 31, 2016 and 2015 had the following assets and liabilities in foreign currencies:

	As of December 31, 2016				
	Dollars (USD)		Other currencies		
	USD	Mexican pesos	USD	Mexican Pesos	Total of Mexican Pesos
Monetary assets	Ps 199	Ps 4,114	Ps 623	Ps 12,871	Ps 16,984
Monetary liabilities:					
Current	(110)	(2,275)	(821)	(16,961)	(19,235)
Non-current	(959)	(19,811)	(475)	(9,808)	(29,619)
Monetary position in foreign currencies	(Ps 870)	(Ps 17,972)	(Ps 673)	(Ps 13,898)	(Ps 31,870)

	As of December 31, 2015				
	Dollars (USD)		Other currencies		
	USD	Mexican pesos	USD	Mexican Pesos	Total of Mexican Pesos
Monetary assets	Ps 210	Ps 3,621	Ps 617	Ps 10,612	Ps 14,233
Monetary liabilities:					
Current	(155)	(2,666)	(935)	(16,090)	(18,756)
Non-current	(983)	(16,908)	(443)	(7,617)	(24,525)
Monetary position in foreign currencies	(Ps 928)	(Ps 15,953)	(Ps 761)	(Ps 13,095)	(Ps 29,048)

	As of December 31, 2014				
	Dollars (USD)		Other currencies		
	USD	Million of Mexican pesos	USD	Million of Mexican Pesos	Total Million of Mexican Pesos
Monetary assets	Ps 206	Ps 3,034	Ps 472	Ps 6,941	Ps 9,975
Monetary liabilities:					
Current	(387)	(5,695)	(903)	(13,290)	(18,985)
Non-current	(729)	(10,734)	(483)	(7,113)	(17,846)
Monetary position in foreign currencies	(Ps 910)	(Ps 13,395)	(Ps 914)	(Ps 13,462)	(Ps 26,856)

Note 30 - Subsequent events:

In the preparation of the financial statements, the Company has assessed the events and transactions for their recognition or subsequent disclosure as of December 31, 2016 and up to February 17, 2017 (date of issuance of these financial statements) and it has concluded that there are no subsequent events affecting the financial statements.

Armando Tamez Martínez	Alberto Sada Medina
Chief Executive Officer	Chief Financial Officer

ISSUER

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NEMAK, S.A.B. DE C.V.

3.250% Senior Notes due 2024

OFFERING MEMORANDUM

BNP PARIBAS **J.P. Morgan** **Morgan Stanley**

Citigroup